

**INSERTING FINANCIAL INSTABILITY IN
STRATEGIC MANAGEMENT
OF COMMERCIAL REAL ESTATE COMPANIES**

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**INSERTING FINANCIAL INSTABILITY IN
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COMMERCIAL REAL ESTATE COMPANIES**

A Corporate Perspective on the Meaning
of the Phenomenon of Financial Instability

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Abstract

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of Financial Instability

Key Words: *financial instability, financial crisis, strategic management, commercial real estate, phenomenology, sensemaking, lived experience, corporate meaning, qualitative indicators*

The global financial system was marked by several crises frequently connected to Commercial Real Estate (CRE). As a precursor to financial crisis events, the phase of Financial Instability (FI) is generally considered from a more macroeconomic perspective with a focus on systemic risk to better identify environmental dynamics in the run-up to such a crisis. However, there is no common understanding about FI on a corporate level that enables organisations to undertake such a strategic analysis.

This study aims to explore the corporate meaning of the phenomenon from a managerial perspective. It emphasises executives' lived experience in FI and the underlying procedures in organizational sensemaking.

The data was collected using semi-structured interviews with senior executives of German CRE companies with reference to the Global Financial Crisis (GFC) 2007/08. Within the social constructivist paradigm, the study adopts a hermeneutic phenomenological research approach using the theoretical lenses of van Manen's 'lifeworld existentials' and Weick's 'properties of sensemaking'.

The corporate definition of FI that emerged from this study extends existing ones. The revealed procedures indicate that organisational sensemaking was underrepresented in such a phase. From this, qualitative indicators and implications are developed grounded in behavioural dynamics of the market participants.

The findings of this research contribute to theoretical and applied knowledge about FI. The study proposes the systematic incorporation of this definition and sensemaking procedures by executives and institutionalises the monitoring of the developed indicators in SM to better control a CRE company prior, during, or after a phase of FI.

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Conferences and Publications

Related to this investigation the researcher has presented conference proceedings and published in books:

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Table of Contents

ABSTRACT	I
ACKNOWLEDGEMENTS	III
CONFERENCES AND PUBLICATIONS	IV
TABLE OF CONTENTS	V
ABBREVIATIONS	XII
LIST OF FIGURES	XIV
LIST OF TABLES	XV
GLOSSARY	XVII
CHAPTER ONE: INTRODUCTION	1
1.1 INTRODUCING THE TOPIC	1
1.1.1 FINANCIAL INSTABILITY AND EPISODES	2
1.1.2 THE COMMERCIAL REAL ESTATE SECTOR	5
1.1.3 COMMERCIAL REAL ESTATE AND FINANCIAL INSTABILITY	9
1.2 RESEARCH RATIONALE	12
1.3 SIGNIFICANCE OF THE STUDY	16
1.4 RESEARCH AIMS AND OBJECTIVES	20
1.5 RESEARCH SCOPE	25
1.6 INTRODUCING THE THESIS METHODOLOGY	26
1.7 THESIS OUTLINE	27
CHAPTER TWO: LITERATURE REVIEW	30
2.1 LITERATURE REVIEW STRATEGY	30
2.2 FINANCIAL INSTABILITY AND ITS CLASSIFICATION IN THE CORPORATE ENVIRONMENT	31
2.2.1 THE STATES OF AN ECONOMY`S FINANCIAL SYSTEM	32
2.2.1.1 Financial Stability	32
2.2.1.2 Financial Instability and Systemic Risk	36
2.2.1.2.1 Financial Instability	36
2.2.1.2.2 Systemic Risk	38
2.2.1.3 Financial Crises	44
2.2.2 THE CORPORATE ENVIRONMENT AND CHANGE	47
2.2.2.1 The Corporate Environment	47
2.2.2.2 Environmental Change	48

2.2.3 ALIGNMENT: FINANCIAL INSTABILITY IN THE CONTEXT OF ENVIRONMENTAL CHANGE	49
2.3 ORGANISATIONAL ADAPTION TO ENVIRONMENTAL CHANGE	51
2.3.1 ELEMENTARY THEORIES ABOUT THE ENVIRONMENT AND ITS RELATION TO THE ORGANISATION	51
2.3.1.1 General Systems Theory	51
2.3.1.2 Contingency Theory	52
2.3.2 ORGANISATIONAL ADAPTATION AND STRATEGIC MANAGEMENT	57
2.3.2.1 Organisational Adaptation	57
2.3.2.2 Strategic Management	58
2.3.2.2.1 Corporate Strategy	58
2.3.2.2.2 Strategic Decision-Making	60
2.3.2.2.3 Major Influences on Strategic Decisions	61
2.3.2.3 Strategic Risk Management	69
2.3.2.3.1 Corporate Risk	69
2.3.2.3.2 Risk Management	71
2.3.2.3.3 Decision-Making about Risk	75
2.3.3 ALIGNMENT: FINANCIAL INSTABILITY AND ORGANISATIONAL ADAPTION	76
2.4 ENVIRONMENTAL CHANGE AND ORGANISATIONAL INTERPRETATION	79
2.4.1 ORGANISATIONAL INTERPRETATION AND SENSEMAKING	79
2.4.2 THE ORGANISATIONAL SENSEMAKING PROCESS	80
2.4.2.1 The Strategic Sensemaking Process	81
2.4.2.2 The Properties of Sensemaking	83
2.4.3 ENVIRONMENTAL CHANGE AND ORGANISATIONAL SENSEMAKING	87
2.4.4 ALIGNMENT: FINANCIAL INSTABILITY AND ORGANISATIONAL INTERPRETATION	90
2.5 CHAPTER SUMMARY AND RESEARCH GAPS IDENTIFIED	91
CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY	99
3.1 OUTLINE OF METHODOLOGY	99
3.2 RESEARCH DESIGN AND PHILOSOPHICAL UNDERPINNINGS	100
3.2.1 RESEARCH PARADIGM	100
3.2.2 RESEARCH STRATEGY	104
3.2.2.1 The Rationale for a Qualitative and Inductive Research Approach	105

3.2.2.2 The Rationale for an Interpretive Phenomenological Research Strategy	107
3.2.2.2.1 Research Applications of Phenomenology	107
3.2.2.2.2 Phenomenological Key Concepts	111
3.2.2.3 The Rationale for a Hermeneutical Phenomenological Approach	115
3.2.2.3.1 Heidegger`s Interpretative Phenomenology	116
3.2.2.3.2 Van Manen`s Hermeneutical Phenomenology	118
3.2.2.4 The Role of the Researcher	120
3.2.3 FORMULATING THE RESEARCH QUESTIONS	122
3.2.4 RIGOUR AND CREDIBILITY	123
3.3 RESEARCH METHODOLOGY AND CONTEXT	125
3.3.1 DATA SOURCES	125
3.3.1.1 Primary Data as a Reliable Source	125
3.3.1.2 Sampling	126
3.3.1.2.1 Site Selection	126
3.3.1.2.2 Sampling Strategies	127
3.3.1.2.3 Sample Size	129
3.3.1.2.4 Participant Selection and Sampling Group	130
3.3.1.3 Ethical Considerations	133
3.3.2 DATA COLLECTION	135
3.3.2.1 The Qualitative Interview as Data Collection Procedure	135
3.3.2.2 Primary Data	137
3.3.2.2.1 Designing the Interview Guideline	137
3.3.2.2.2 Conducting Qualitative Interviews in Phenomenological Conversation	138
3.3.2.3 Supplementary Data	140
3.3.3 DATA ANALYSIS	140
3.3.3.1 Transcription	141
3.3.3.2 Thematic Analysis	142
3.3.3.2.1 Isolating Thematic Statements	144
3.3.3.2.2 Interpretation through Conversation	146
3.3.3.2.3 Collaborative Analysis	147

3.3.3.3 Analysis and Interpretation of the Managerial Lived Experience of the Phenomenon	147
3.3.3.4 Analysis and Interpretation of the Organisational Sensemaking Process of the Phenomenon	150
3.3.3.5 Analysis and Interpretation of the Indicators and Implications of the Phenomenon	151
3.4 ALTERNATIVE RESEARCH METHODS	152
3.5 CHAPTER SUMMARY	155
CHAPTER FOUR: FINDINGS	158
4.1 INTRODUCTION TO THE ANALYSIS AND INTERPRETATION OF THE FINDINGS	158
4.2 THE CORPORATE ENVIRONMENT OF CRE COMPANIES: CONTEXT AND CONDITIONS	159
4.2.1 ANALYSIS	159
4.2.1.1 Preliminary Analysis	160
4.2.1.2 Final Analysis	161
4.2.2 ANALYSING THE CORPORATE ENVIRONMENT OF CRE COMPANIES	173
4.2.2.1 A Complex and Dynamic Corporate Environment	173
4.2.2.2 Dependency of Business Performance on Developments in the Corporate Environment	176
4.2.2.3 Uncontrollability of Massive Changes in the Corporate Environment	182
4.3 THE MANAGERIAL LIVED EXPERIENCE OF THE PHENOMENON OF FINANCIAL INSTABILITY	188
4.3.1 ANALYSIS	188
4.3.1.1 Preliminary Analysis	188
4.3.1.2 Final Analysis	188
4.3.1.2.1 The Themes and Sub-Themes of Financial Instability	188
4.3.1.2.2 The Themes and Sub-Themes of Financial Crisis	192
4.3.2 ANALYSING THE MANAGERIAL LIVED EXPERIENCE OF FINANCIAL INSTABILITY AND FINANCIAL CRISIS	195
4.3.2.1 The Managerial Lived Experience in a Phase of Financial Instability	195

4.3.2.1.1 Unrealistic Market Situation	195
4.3.2.1.2 Informal and Individual Intensification of Lived Relations	197
4.3.2.1.3 Euphoria and Expansion Pressures of the Actors	199
4.3.2.1.4 Unregulated Workload in the Organisation	204
4.3.2.1.5 Ignorance in Perceived Certainty	206
4.3.2.2 The Managerial Lived Experience in the Event of Financial Crisis	210
4.3.2.2.1 Unexpected Market Standstill	210
4.3.2.2.2 Formal and Social Intensification of Lived Relations	211
4.3.2.2.3 Disillusionment and Consolidation of the Actors	214
4.3.2.2.4 Without Alternatives, Alignment of the Organisation in Uncertainty	217
4.3.2.2.5 Irrational Behaviour in Perceived Uncertainty	224
4.4 ANALYSING THE ORGANISATIONAL SENSEMAKING OF THE PHENOMENON OF FINANCIAL INSTABILITY	227
4.4.1 ANALYSIS	227
4.4.1.1 Preliminary Analysis	227
4.4.1.2 Final Analysis	228
4.4.1.2.1 The Properties of Financial Instability	228
4.4.1.2.2 The Properties of the Financial Crisis	230
4.4.2 ANALYSING THE ORGANISATIONAL SENSEMAKING OF FINANCIAL INSTABILITY AND FINANCIAL CRISIS	233
4.4.2.1 Organisational Sensemaking in a Phase of Financial Instability	233
4.4.2.1.1 Extracted Cues of Financial Instability	233
4.4.2.1.2 Enactment through Risk Prevention	237
4.4.2.1.3 Social Interaction for Preparation	239
4.4.2.1.4 Retrospective Discernment of Carelessness	241
4.4.2.2 Organisational Sensemaking in an Event of Financial Crisis	246
4.4.2.2.1 Extracted Cues of the Financial Crisis	246

4.4.2.2.2 Enactment through Organisational Adjustments	250
4.4.2.2.3 Operational Plausibility	256
4.4.2.2.4 Social Interaction for Reaction	257
4.4.2.2.5 Retrospective Discernment of Misconduct and Overreaction	259
4.5 QUALITATIVE INDICATORS AND IMPLICATIONS OF THE PHENOMENON OF FINANCIAL INSTABILITY	262
4.5.1 ANALYSIS	262
4.5.2 DEVELOPING QUALITATIVE INDICATORS AND IMPLICATIONS FOR CRE COMPANIES	265
4.5.2.1 Qualitative Indicators and Implications for a Phase of Financial Instability	266
4.5.2.2 Qualitative Indicators and Implications for an Event of Financial Crisis	274
4.6 CHAPTER SUMMARY	283
CHAPTER FIVE: DISCUSSION	294
5.1 THE CORPORATE MEANING OF THE PHENOMENON IN THE CONTEXT OF ORGANISATIONAL ADAPTION	294
5.2 THE CORPORATE SENSEMAKING PROCESS OF THE PHENOMENON IN THE CONTEXT OF ORGANISATIONAL INTERPRETATION	309
5.3 THE QUALITATIVE INDICATORS AND IMPLICATIONS IN THE CONTEXT OF STRATEGIC RISK MANAGEMENT	316
5.4 CHAPTER SUMMARY	324
CHAPTER SIX: CONCLUSION AND CONTRIBUTIONS	325
6.1 CONCLUSION	325
6.1.1 THE CORPORATE MEANING OF THE PHENOMENON OF FINANCIAL INSTABILITY	326
6.1.2 THE ORGANISATIONAL SENSEMAKING PROCESS OF THE PHENOMENON	333
6.1.3 THE QRIS AND IMPLICATIONS OF THE PHENOMENON	337
6.2 CONTRIBUTION TO THEORY AND MANAGERIAL IMPLICATIONS	340
6.2.1 THE MEANING OF THE PHENOMENON: CONTRIBUTING A CORPORATE PERSPECTIVE	340

6.2.2 THE ORGANISATIONAL SENSEMAKING PROCESS: CRE EXECUTIVES`	
APPROACHES TO THE PHENOMENON	344
6.2.3 INDICATORS AND IMPLICATIONS OF THE PHENOMENON: INSERTING	
QUALITATIVE MEANS	347
6.3 LIMITATIONS AND CHALLENGES OF THE RESEARCH	350
6.4 SUGGESTED AVENUES FOR FUTURE RESEARCH	354
6.5 CONCLUDING REMARKS	356
REFERENCES	359
APPENDICES	414

Abbreviations

AIRMIC	<i>The Association of Insurance and Risk Managers</i>
BIS	<i>Bank for International Settlements</i>
bn	<i>Billion</i>
BoJ	<i>Bank of Japan</i>
CEO	<i>Chief Executive Officer</i>
CFO	<i>Chief Financial Officer</i>
CNB	<i>Czech National Bank</i>
COO	<i>Chief Operating Officer</i>
COSO	<i>Committee of Sponsoring Organizations of the Treadway Commission</i>
CRE	<i>Commercial Real Estate</i>
CT	<i>Contingency Theory</i>
ECB	<i>European Central Bank (Europe)</i>
EFSF	<i>European Financial Stability Facility</i>
ERM	<i>(Enterprise) Risk Management</i>
ESRB	<i>European Systemic Risk Board</i>
EU	<i>European Union</i>
EUR	<i>Euro</i>
EUT	<i>Environmental Uncertainty Theory</i>
F	<i>Female</i>
FC	<i>Financial Crisis</i>
FI	<i>Financial Instability</i>
FS	<i>Financial Stability</i>
FSB	<i>Financial Stability Board</i>
GDP	<i>Gross Domestic Product</i>
GFC	<i>Global Financial Crisis</i>
GST	<i>General Systems Theory</i>
GT	<i>Grounded Theory</i>
IMF	<i>International Monetary Fund</i>
IRM	<i>The Institute of Risk Management</i>
ISO	<i>International Organization for Standardization</i>
KVG	<i>Capital Investment Management Company</i>

M	<i>Male</i>
n.p.	<i>No page given</i>
PEU	<i>Perceived Environmental Unvertainty</i>
QI	<i>Qualitative Indicator</i>
QRI	<i>Qualitative Risk Indicator</i>
RQ	<i>Research Question</i>
RDT	<i>Resource Dependence Thieory</i>
RE	<i>Real Estate</i>
REIT	<i>Real Estate Investment Trust</i>
RM	<i>Risk Management</i>
SCC	<i>Subprime Credit Crisis (USA)</i>
SDC	<i>Sovereign Debt Crisis (Europe)</i>
SDM	<i>Strategic Decision-Making</i>
SM	<i>Strategic Management</i>
SRM	<i>Strategic (Risk) Management</i>
TA	<i>Thematik Analysis</i>
trans.	<i>Translation</i>
U.S./USA	<i>United States of America</i>

List of Figures

Figure 1	<i>Structure of the Thesis</i>	27
Figure 2	<i>Broad Risk Categories and Their Frequency</i>	71
Figure 3	<i>Risk Assessment Process</i>	73
Figure 4	<i>Data Analysis Process Applied</i>	141
Figure 5	<i>Data Analysis Process Applied – The Step of TA</i>	142
Figure 6	<i>Data Analysis Process Applied – The Step of Existential Analysis</i>	148
Figure 7	<i>Data Analysis Process Applied – The Step of Axial Coding</i>	150
Figure 8	<i>Data Analysis Process Applied – The Step of Second Cycle Pattern Coding</i>	151

List of Tables

Table 1	<i>Systemic Risk - Main Sectors and Indicators Used in the Literature</i>	43
Table 2	<i>Summary of the Major Features of Phenomenologist Research Philosophy in Contrast to Normative Paradigms</i>	109
Table 3	<i>Interview Schedule with CRE Companies</i>	131
Table 4	<i>Characteristics of Participating CRE Companies</i>	131
Table 5	<i>Characteristics of Participants</i>	132
Table 6	<i>Interview Statistics Main Study</i>	132
Table 7	<i>Interview Statistics Pilot Study</i>	133
Table 8	<i>Key Features of Research Design</i>	155
Table 9	<i>Preliminary Analysis</i>	161
Table 10	<i>Final Analysis of the Theme “A complex and dynamic corporate environment”</i>	163
Table 11	<i>Final Analysis of the Theme “Dependency of business performance on developments in the corporate environment”</i>	170
Table 12	<i>Final Analysis of the Theme “Uncontrollability of massive changes in the corporate environment”</i>	172
Table 13	<i>Final Analysis of the Theme “Unrealistic market situation”</i>	191
Table 14	<i>Final Analysis of the Theme “Unexpected market standstill”</i>	194
Table 15	<i>Final Analysis of the Theme “Extracted cues of FI”</i>	230
Table 16	<i>Final Analysis of the Theme “Extracted cues of FC”</i>	232
Table 17	<i>Development of the QIs and Implications in a Phase of FI</i>	263
Table 18	<i>Development of the QRIs and Potential Risks in an Event of FC</i>	265
Table 19	<i>Summary of Themes about the Context, and the Corporate Meaning of FI and FC</i>	284

Table 20	<i>Summary of Properties about the Process of Sensemaking of FI and FC</i>	286
Table 21	<i>Summary of Findings about the QIs and Implications of FI and FC</i>	292

Glossary

Cognition - Cognition in the meaning of this study refers to executives' perceptions and understanding about the phenomenon, and their interpretative processes. The study allows a 'cognitive view' in executives' representation about the phenomenon. It is not considered as mental action in the meaning of "[...] *individual psychological mechanisms* [...]" (Child 1997: 51).

Corporate Governance - Rules and practices by which the management of a company ensures accountability, fairness, and transparency in its business and protection of its clients and stakeholders. It is a framework of responsibilities, rights, and rewards, and comprises conflict of interest procedures and proceedings for proper supervision, control, and information flows (Tarantino 2008a).

CRE - Commercial Real Estate. Real estate as commercial property has "[...] *the express purpose of providing an income and/or a capital gain*" (ESRB 2015: 15). It includes all asset classes (office, retail, logistics, manufacturing, residential), excluding private uses (i.e. condominium) (ECB 2008; Falk 2013; ESRB 2015).

CRE Companies - Commercial Real Estate Companies. Also called firms and organisations throughout the thesis. This term means companies that are engaged in leasing, development, financing, realisation, and marketing of one or more real estate properties. Regardless of its legal form this may be closed or open-ended investment funds, special investment funds, REITs, or real estate corporations (ECB 2008).

Executive Management Board Member - A representative of the executive management board or a senior executive embodying the highest management level of an organisation. In this position s/he is responsible for the day-to-day management and the implementation of an appropriate strategy to ensure organisational effectiveness and success by identifying opportunities for investment and return as well as competitive advantages and growth benefits. Where the sample is a mixture of executive management board members and senior executives, these descriptions are used interchangeably in the study or synonymously as 'executive'.

Financial Economy Sector - For the purpose of this study, ECB's definition of the financial sector has been adapted, referring to “[...] *institutions, instruments, and the regulatory framework that permit transactions to be made by incurring and settling debts; that is, by extending credit*” (Alexander and Baden 2000: 12).

Financial Institutions - Private or public organisations that channel money between savers and borrowers. In the context of this study, this includes depository banks and credit institutions that provide loans to third parties (borrowers) for financing RE investments whereby they earn interest. The necessary funds are collected from other third parties (savers) that, in turn, receive interest for their deposits.

Implications - In the context of the study, implications are understood as potential risks together with resulting effects (risk-related events) of a phase of FI and an event of FC for CRE companies that may affect the corporate goals and strategies.

Indicators - Indicators provide a signal of increasing risk exposures in the behaviour of decision-makers, investors, and financial institutions during a phase of FI and an event of FC. They represent dimensions for the developed QRIs, which senior executives can track as alerts of evolving potential risks that might affect the SM of a CRE company.

Investor - A person or institution that invests capital in RE with the expectation of financial returns. In the CRE sector, investors take advantage of different local markets and RE asset classes to diversify and try to get favourable and stable long-term returns. For CRE companies, the term investor is synonymous with ‘client’ where the CRE companies invest on his behalf, thus making them clients from a corporate perspective.

Macroeconomic Perspective - This angle deals with aggregate variables, e.g. level of the growth rate in GDP, interest rates, inflation (Pindyck and Rubinfeld 2009). The macroeconomic perspective takes an analytic view on economic processes in an aggregate form (Bofinger 2011).

Meaning - Meaning can be constructed differently due to people's different opinions, interests, and settings (Brown 2004; Brown et al. 2008). In this study meaning is referred to as intentionality and consciousness about a given phenomenon “[...] *distinguished not only from the act in which it is*

intended, but also from the characteristics of its 'noematic sense', its meaningfulness as an object" (Russell 2007: 85).

Microeconomic Perspective - This angle looks at the behaviour of diverse economic units (e.g. consumer, corporates, employees, investors) as well as the markets formed by them (Samuelson and Nordhaus 2007; Pindyck and Rubinfeld 2009; Schumann et al. 2011).

Phenomenon - The appearance of an event or thing in human consciousness, and people's experience of it for which they create meaning (Sanders 1982; Moustakas 1994). Based on this, the phenomenon explicated in this thesis is the executive's lived experience of a phase of FI and the event of a FC that provides a corporate meaning.

Public Institutions - Public institutions in this study means organisations that are defined as being part of the public sector by a legal framework at any level, e.g. governmental organisations, public institutions by law, or central banks.

QI - Qualitative Indicator. QIs are defined as indicators which "*[...] measure change over time against specific, predetermined criteria*" (Office of Democracy and Governance 2005: 1). Due to their usually non-numerical character, they "*[...] surpass other measurements of analysis as well as provide specific and nuanced information [...], best suited for measuring progress that are complex, multi-faceted or multi-dimensional [...]*" (Office of Democracy and Governance 2005: 1). In the context of the research, QIs include the developed QRIs and respective indicators.

QRI - Qualitative Risk Indicator. Also referred to as qualitative key risk indicator in literature, these indicators are applied "*[...] to alert the organization to critical changes in risk, especially early warning alerts to changes in the control environment*" (Tarantino 2008b: 241). The developed QRIs are represented by different indicators and may alert CRE companies about changes to potential risks and resulting effects (risk related events) on SM while indicating the occurrence of a phase of FI or an event of FC.

Real Economy Sector - In the context of the study, the term refers to the industries that are concerned with producing goods and services, instead of those related to financial markets.

Sensemaking - Sensemaking is described as “[t]he process through which individuals work to understand novel, unexpected, or confusing events [...]” (Maitlis and Christianson 2014: 58).

SM - Strategic Management. This embraces organisational initiatives to remain competitive and achieve corporate goals. It includes the objectives of the company and strategy planning, as well as the analysis of the internal organisation and external corporate environment to recognise opportunities and risks to the organisation while implementing appropriate responses is an ongoing task (Nag et al. 2007).

Supervisors - In this study, supervisors are considered as state, governmental, or macroprudential supervision authorities (Hirtle et al. 2009; Schoenmaker and Wierds 2016).

Systemic Financial Risk - Systemic financial risk is defined as “[...] the risk that an event will trigger a loss of economic value or confidence in, and attendant increases in uncertainty about, a substantial portion of the financial system that is serious enough to quite probably have significant adverse effects on the real economy” (Group of Ten 2001: 126). Such events, largely resulting from disturbances of payment systems or in asset values, likely occur suddenly and unexpectedly or gain increasing likelihood over time when policy measures fall short (Gerlach 2009).

Chapter One: Introduction

This chapter introduces the topic of Financial Instability (FI) and outlines the outstanding connection to the Commercial Real Estate (CRE) sector. The research rationale and its significance are presented to justify the particular need for this study. Next, the aims and objectives of the investigation are induced and an overview about the scope and methodological approach is given. The chapter closes with a thesis outline.

1.1 Introducing the Topic

Financial crises have a long history and the global financial system is marked by several Financial Crisis (FC) events. Namely, early in the 17th century, the Netherlands suffered the tulip bulbs crises that evolved out of the speculation of a rare variety of these bulbs (Kindleberger and Aliber 2005).

Since that time, numerous other major FCs (i.e. Japan Crisis, Asian Crisis, GFC) occurred, which, according to some scientists (Kindleberger and Aliber 2005; Cooper 2008), share certain analogies: they emerged due to the development and burst of credit and asset bubbles of one local or multiple regional economies, with chronological intervals between each FC of approximately ten years (Boudebous and Chichti 2013; Chu 2013), and the most severe ones occurring once in a generation.

The experiences in this field have highlighted that the consequences of crises usually have a serious impact on the macroeconomic level and financially. These show up in great output losses, investment declines, reduced consumption, and lower production, though asset prices and credit volume follow this trend with different durations and severities (Claessens and Kose 2013). Correspondingly, the GFC of 2007/08 had remarkable impacts especially on the growth and unemployment rates in the affected economies (EUROSTAT 2015; EUROSTAT 2016) and give concern to the market participants pertaining to the economy, and on the corporate level.

Despite the recognition of the reoccurrence and the adverse effects on the economy and on the corporate level, the GFC is commonly regarded as an unexpected event (Bezemer 2010). Although, it was widely discussed that there were warning signs that could have been recognised (Bezemer 2010) or opinions which one could have listened to. Hence, when the bubble burst, its effect was even worse.

Even though, FI, as the preceding phase (Chant 2003; Alawode and Al Sadek 2008), may apparently provide indications about an event of FC, there is subordinated uptake of this phenomenon in academic research. Hence, there are essential facts about the topic that was placed under investigation, which are relevant to know for understanding the setting in which the phenomenon of FI is grounded, as follows.

1.1.1 Financial Instability and Episodes

During the decade from 2007, the international financial system was affected by the thus far most severe crisis, coming up in the summer of that year (Lin and Treichel 2012; Reinhart and Rogoff 2013). In retrospect, three merging phases can be distinguished during this period: the Subprime Credit Crises (SCC), erupting from the epicentre of the United States (U.S.) and rapidly spreading to Europe. Next, a GFC developed in autumn 2008, and a Sovereign Debt Crisis (SDC) captured several European countries in 2010, subsequently distressing the whole Eurozone (De Santis 2012).

Encouraged by low interest rates, the mortgage financing increased while at the same time spurring higher Real Estate (RE) pricing (Crouhy et al. 2010). To reach higher yields, other subprime mortgages and complex structured instruments were used with excessive leverage (Bianco 2008; Claessens and Kose 2013). Simultaneously, the availability of liquidity and investment pressure led to more opportunistic investments with higher leverage that forced banks to reach for alternative instruments to back the mortgages or they placed them off-balance-sheet (Crouhy et al. 2010). The SCC, in the first stage, is explained by inadequate supervision and regulation that could not avoid the

banks' evasion of capital requirements and enabled them to reduce the capital collateral against their mortgages (Acharya and Richardson 2009). Additionally, global imbalances in capital flows and a weak monetary policy were responsible for this occurrence (Carmassi et al. 2009; Merrouche and Nier 2010).

The GFC evolved out of this SCC bringing Lehman Brothers, one of the largest U.S. banks at that time, to their knees (Riaz et al. 2011). Their bankruptcy was the changing point, initiating a global downturn and further financial imbalances through insecurities and distressed divestments that resulted in asset price erosions and liquidity dry-up (Mishkin 2011).

Continuing, this global situation prompted the SDC in numerous economies that could not fulfil their payment obligations any longer and had to take on third-party support (Lane 2012). In autumn 2009, in the aftermath of the SCC in 2007/08, such a crisis also came up in Europe, caused by uncovering the thus far hidden alarming budgetary position of Greece (Featherstone 2011). After this, other Western European countries like Ireland, Portugal, Italy and Spain also encountered difficulties in obtaining refinancing on the capital market (Beirne and Fratzscher 2013). Only financial rescue packages by the International Monetary Fund (IMF) as well as the European Financial Stability Facility (EFSF) (Huber and Scheytt 2013), consisting of political means (e.g. guarantees, substantial funds) prevented sovereign bankruptcies of the countries affected (Wittkowski 2011). Similarly, the ECB got involved to support bank lending to the real economy and salvage the monetary policy transmission mechanism to function effectively (ECB 2011; ECB 2013).

Over the years, the SDC advanced to a banking and economic crisis (Lane 2012; Brender et al. 2013). While originally only the sovereign debt, which was kept by financial institutions for refinancing by ECB, had given rise to concerns, equity backing and stricter bank capital adequacy requirements later put pressure on the financial industry (Hüfner 2011). With regards to capital markets, banks could not raise additional capital from shareholders and the

recognition of governments as such may not be regarded as proper refinancing instruments (De Santis 2012).

Serious difficulties were caused in refinancing budget deficits, because the banks did not buy government bonds from new issues, or only seldom did so. Economic growth slowed down because banks put the brakes on lending to private clients, leading to a remarkable risk of a credit crunch and a recession in the Eurozone. (Hüfner 2011)

Detrimental changes in the unemployment rate (ECB 2014a), for example, as well as the Gross Domestic Product (GDP) (Gros and Alcidi 2010) were observed in the economies effected by GFC. As a consequence of this crisis, unemployment in Europe (EU-28) increased to 9.0% in 2009 and to 9.5% in the Euro Area. Similarly, at the beginning of the SDC in 2012, the unemployment rate in Europe (EU-28) increased to 10.5% and to 11.3% in the Euro Area (EUROSTAT 2015). As a result of the GFC, the real GDP growth in 2009 in Europe (EU-28) decreased by -4.4% and by -4.5% in the Euro Area. Likewise, in the wake of the SDC the GDP growth in Europe (EU-28) decreased by -0.5% in 2012 and by -0.9% in the Euro Area. Also Germany could not escape these developments and showed a downturn of -5.6% in the crisis year 2009, but a slight growth of 0.4% in 2012 (EUROSTAT 2016).

Beside the macroeconomic perspective on these FI and crises on the markets, companies reactively reconsidered their position on corporate objectives and strategies accordingly (Kunc and Bhandari 2011). Not only the decreasing demand for products, but as well declining funds for ongoing and future projects, innovation and change to remain competitive, and the necessity for a prolongation or raising of loans, in addition to liquidity requirements affected the operational business of the organisations and, accordingly, impaired the achievement of strategic objectives (Sternad 2012).

During these phases, organisations had to learn again that an identification of the resulting risks with foresight linked with strategy is required (Frigo and Anderson 2011a; Frigo and Anderson 2011b). It falls within the scope of

Strategic Management (SM) (Mason 2007) together with (Enterprise) Risk Management (ERM) (Vanini 2012) to cope with change and highly uncertain environmental conditions and to manage the company successfully during these times, in order to keep the corporate objectives with appropriate strategic initiatives.

SM can be seen as a mindset, which strives for planning, control, and coordination of the corporate development (Schierenbeck 1995) out of a conceptional overall vision (Welge and Al-Laham 1992). The core tasks of SM are the active and holistic creation of the firm and its relation to the environment, where the capabilities of the company are aligned to the requirements of the environment on an ongoing basis (Bea and Haas 1995; Gordon et al. 2009). Additionally, mastering strategic risks is a core function of the SM, with strategic planning and control respectively (Schinle 1987; Beasley and Frigo 2007), while it is paramount to reduce insecurities. According to Schinle (1987), Strategic Risk Management (SRM) serves to continuously detect and become aware of strategic risk as well as to comply with management responsibilities and the evaluation and determination of consequences, respectively. In the context of a FC that involves special conditions of unexpectedness, uncertainty, and respective limitations to short response times, decision-makers' stress may cause detrimental effects on their business (Smart and Vertinsky 1977).

As one specific sector in the global economy, the CRE industry plays a special role (ESRB 2015). This significance has also been demonstrated when the deterioration of the RE sector during the GFC 2007/08 impacted the whole world economy (Bezemer 2011).

1.1.2 The Commercial Real Estate Sector

CRE has not yet been defined internationally. Hence, this study follows the universally accepted description that includes RE properties with “[...] *the express purpose of providing an income and/or a capital gain*” (ESRB 2015: 15). It covers all asset classes (office, retail, logistics, manufacturing,

residential) excluding private uses (i.e. condominium) (ECB 2008; Falk 2013; ESRB 2015).

In terms of size, the commercial property markets seem difficult to approximate, which can be explained by the fragmented and opaque markets in several countries (Hobbs and Chin 2007). In order to get an impression, at the end of 2006 prior to the outbreak of the crisis, figures were estimated at 9.8 trillion USD invested globally in CRE by professional investors, out of a total of 16.2 trillion USD that was then owner-occupied but might become investable in the future. Europe had a share of approximately one third of the invested capital, which was 70% attributable to the German, UK, French, and Italian markets, whereas Germany was third largest RE market after the US and Japan in terms of investible stock (Hobbs and Chin 2007).

Apart from their size, CRE markets have special structural features that have been emphasised by several authors (Hilbers et al. 2001; Zhu 2003; Ball et al. 2008). CRE is a fixed asset. However, like almost all markets, supply is driven by capital costs, i.e. land, construction costs, or financing, while demand is fostered by economic activity and financing terms, these conditions are motivated by different tensions that may vary over even close locations (Zhu 2003). Consequently, “[...] *price discrimination and market power can have an impact on both the supply and the demand side*” (ECB 2008: 11).

Another specific of the sector is the generally long lifetime of RE assets. Construction usually takes several years, depending on size and local regulations, which leads to times of no income but high transactions costs (Zhu 2003) and results in reduced market liquidity. This combination means that the CRE markets are usually slow to respond to demand (Zhu 2003) and supply and demand seldom match. This becomes apparent in demand-driven price fluctuations over time, and the CRE market has been deemed “[...] *inelastic [...]*” (ECB 2008: 11). This is also because of the fact, that CRE properties are not traded on a marketplace but between buyer and seller, and there is no price transparency or limited regulation on pricing (Hilbers et al. 2001).

Another particularity is that due to the long-term nature of lease contracts, there is usually no immediate effect on rents and they only adjust with delay. Harsh movements in CRE property prices can occur nevertheless, and some factors such as “[...] *expected rates of growth in real cash flows and discount rates [...] are often difficult to predict*” (ECB 2008: 11) and while they may suddenly change, this results in immediate and severe decreases of income value (Zhu 2003; ECB 2008).

On the financing side, CRE is historically characterised to being debt financed with sometimes high leverage or being used as collateral (Hilbers et al. 2001), which also marks its relation to the financial sector. What has been shown as special features of CRE markets, has in the past sometimes resulted in the situation of deviating prices, accelerating cycles and occasionally creating price bubbles (Hilbers et al. 2001; Zhu 2003; ECB 2008).

Over time, CRE has gained importance as a financial asset for private and institutional investors, traded in various markets worldwide, and is no longer just a physical project (ECB 2008). Following the collapse of the global CRE market in the wake of the GFC and its consequences (Breslauer 2017), it has regained increasing importance, recovering after the GFC and respective recession in the markets (IBISWorld 2017). This is not only driven by low interest rates and remaining high return expectations of investors, but is also due to the general global macroeconomic conditions and foreign investors’ appetites which favour RE investments (Falk 2013; Gerrity 2017; Breheny 2018) with growth rates of over 5% during the years from 2012-2017 (IBISWorld 2017). Notably, this is also because RE offers steady cash flows with upside potentials, especially in recovering markets where these are more secure than equity yield returns (Szumilo and Wiegelmann 2018).

These developments also apply to the national CRE market in Germany. Germany has a prominent location in Europe and its thus far stable economic environment has made it a popular market for RE investments (Allen & Overy 2017). After the GFC, the trend in RE investments has seen only one direction, which was straight up (Szumilo and Wiegelmann 2018). While CRE markets

are closely linked with macroeconomic developments (ESRB 2015), the latest trends in this area were influenced by negative political tensions, regulations, and elections, but also positive movements in the labour market and historically favourable debt financing conditions. With such turbulent times of foreign affairs, the German economy is considered still stable, but with inestimable insecurities and risks (Feld et al. 2018). Others (DG Hyp 2017) name these developments 'crises' that the current good overall situation is faced with.

However, at the same time, the CRE market is attributed with further positive developments and increasing growth rates for the year 2018 (DG Hyp 2017; Feld et al. 2018). After the GFC, statistics show a thus far irresistible increase of total returns and capital growth in the German RE market (Feld et al. 2018). Also, RE investment volumes in 2017 were almost back to the figures of 2007, close to the level of just before the GFC (BulwienGesa 2016), with offices having the largest proportional interest (JLL 2018). Demand for prime properties and locations is booming but supply is limited, which has led to explosive price increases over the last years up to 2017 (Kholodilin et al. 2014; Feld et al. 2018). The boom in CRE is driven by macroeconomic and demographic developments, investment pressures of institutional investors, as well as international ones stepping into the German market (Allen & Overy 2017).

In summary, CRE is a particularly appealing and increasingly eminent site, as it is one of the most favoured asset classes around the world and is thus critical to the global economy. The German market was, and in 2017/18 still is, a vital target for both local and foreign investors to invest in CRE with still-rising tendencies in demand and returns. However, statistics prove that various uncertainties and risks are a constant companion in the market that challenge the CRE sector and its participants, which are a large number of RE brokers, banks, project development and asset management companies, as well as fund management and capital investment companies – nationally and internationally.

At the same time, with such particulars, it looks like there is a considerable relation between the CRE sector and the financial system's stability.

1.1.3 Commercial Real Estate and Financial Instability

It has been shown that property markets have, in general, a “[...] sizeable impact [...] on macroeconomic activity” (Zhu 2003: 9). Hence “[...] disorderly adjustments in commercial property markets can play an important role in financial crises [...]” (ECB 2008: 14).

In the wake of the GFC, ECB (2008) has determined that developments in the CRE markets can have significant consequences for the FS of the financial system of an economy, and proposed four core channels to explain this link:

The first one is banks' substantial lending exposure to CRE properties. Already in the times prior to the GFC, banks have increased their exposure to RE assets through different types of lending - holding direct RE for collateralisation or loans to other financial intermediaries related to the CRE sector - and thus enlarged the dependence of their operations on this market. Changes in the CRE sector, especially deterioration in asset prices, quality, and income, may impact the banks' standing when borrowers are then unable to meet their obligations towards the bank. (ECB 2008)

Another channel that was determined is the volatility of banks' commercial property loans, compared to other lending types. This is related to higher default rates of corporate borrowers and developers during financial stress and subsequent losses for the bank as well as more volatile CRE prices that are exposed to the economic cycle. History has shown that during an upturn, corporate borrowers minimise capital exposure and maximise leverage and risk while at the same time banks loosen lending terms and warranties, which makes them more vulnerable when the economic situation reverses. (ECB 2008)

Further, ECB (2008: 18) considers a third channel to be made up through “*indirect links between commercial property markets and banks*”. Price adjustments in CRE markets may ultimately impact bank position with further negative consequences for the real economy. This has become relevant where the economic growth of the country is strongly dependent on construction and RE activities. Price adjustments and a slowdown in economic activity may negatively influence borrowers’ financial position and potentially the debt-servicing capacity, as well as the value of the properties as their net worth and collateral decreases. Banks tighten their financing conditions when their risks correspondingly increase and borrowers will not be able to further invest, and others will not be able to further consume. This will finally then impact economic growth (GDP). (ECB 2008)

A fourth channel is through “*links between other financial institutions and commercial property markets*” (ECB 2008: 19). FS is deemed affected by unfavourable developments in CRE markets, because of the great exposure of institutional investors to it, which is then at risk. These investors acquire properties with a long-term income target, but also provide loans with large amounts. The aforementioned may be further strengthened or relieved when additional risks from financial innovations arise, global markets become increasingly dependent and public policy initiatives fail. (ECB 2008)

Occupying such a key source for the economic environment, i.e. the financial system of an economy, CRE generally seems to be a key influencing factor for the real economy sector and any related risk has to be detected early to control risks and preserve immanent threats. This applies to the economy, but also to the CRE companies which are the main actors in this field and, as such, have a certain degree of control about some developments.

As a particular aspect, experts stress the specific relation between FC and the bursting bubbles in the RE sector (Claessens and Kose 2013). Kindleberger and Aliber (2005) found a correlation between stock market bubbles and RE bubbles. Both detected that, first, a considerable part of stock market valuation in newly industrialising countries originates from RE companies or other RE

related businesses; second, wealthy people who have gained from RE value diversify their money in stocks; and third, vice versa, with profitable stock market investments, people expand their assets to RE (Kindleberger and Aliber 2005).

What typically follows, as direct consequences of a FC to the real economy, is a deterioration of the financing terms, loss of capital, and major insecurities. In addition to this comes a contraction of the financial as well as construction and housing sectors, when a bubble like the one in the RE and mortgage industry bursts (Dill and Lieven 2009).

In the 1980s and 1990s, there emerged three crises that seemed related to CRE markets and accentuated the significant relation of the sector to FC, i.e. the crises in the Nordics, the US, and Asia (ECB 2008). Similarly, this has also been confirmed for the latest SCC, GFC, and SDC by several authors. The GFC is an explicit example, as it *“[...] started with the default of the subprime housing loans in the United States when its housing market bubble burst”* (Chin 2009: xix). These bubbles happen when values rapidly rise up to a level where they are no longer sustainable, and are then followed by a cut off in prices, and mortgages can no longer be covered (Baker 2008). Also, others (Mishkin 2011; Lane 2012; Lin and Treichel 2012) consider the housing bubble as the key driver for the FC in 2008. Mishkin (2011) describes the relation between the expansion of the U.S. housing bubble and the SCC additionally mentioning occurrences like runs on financial institutions and shadow banks.

The implications on the global financial system were severe and the emergence of the global crisis was unstoppable (Claessens and Kose 2013). Researchers consider the extensive size of the asset class and related RE business as being responsible, especially the banks involved in the financing of RE (Mishkin 2011).

From the U.S. housing bubble that expanded to a global financial shock, asymmetric effects developed around Europe (Lane 2012). In the first phase, in 2008, countries with a high dependence on external funds were affected, i.e. Ireland (Honohan 2010; Lane 2011). It was clearly perceived that international investors adjusted their exposures and “[c]ross-border financial flows dried up [...] with investors repatriating funds to home markets [...]” (Milesi-Ferreti and Tille 2011, cited in Lane 2012: 55). Later, in a second phase at the end of 2009, many countries were faced with stronger and faster than anticipated impacts on key economic figures like GDP ratios and their fiscal deficits, as well as sovereign bonds (Lane 2012).

In summary, it can be noted that there is a great dependence between the CRE sector and the conditions of the financial system in an economy, where imbalances and pertinent events in this industry have proven to provide adverse effects on both the national and the global economy, triggering FCs.

1.2 Research Rationale

Where global imbalances and crises take place in the world over time, the special occurrences have attracted increasing scholarly attention, looking at FI and systemic risks on the economy level.

Several authors have analysed such crisis developments and market mechanisms (Mishkin 2011; Reinhart and Rogoff 2011; Brunnermeier and Oehmke 2013). There are different definitions and varying degrees of detail. FI is seen as a consequence of shocks to the financial system, so that it can no longer perform its intermediating role (Mishkin 1999), or associated with a distortion of asset prices and credit availability (Ferguson 2003). Others specifically relate it to seriously negative consequences for the macroeconomy (Allen and Wood 2006) and therefore to systemic risk (Davis 2003). In addition, leading financial institutions, like ECB (Adrian et al. 2014; ECB 2014b) and other central banks (Deutsche Bundesbank 2014; Bank of Japan 2015), have constructed their definition of this phenomenon, basically a situational description, in the means of their objective to safeguard FS.

Mishkin (1999), Padoa-Schioppa (2002), and Schinasi (2004) have identified that FI is a macroeconomic irregular occurrence of financial disruption. Furthermore, others added that it could pose detrimental consequences to the economy (Chant 2003; Ferguson 2003; Schinasi 2004; Allen and Wood 2006). Essentially, FC has then been determined as the most severe form of FI (Chant 2003).

Other researchers and institutions have attempted FS, and FI respectively, via indicators and quantitative variables on economy level that resulted in a great variety of such soundness indicators. These emphasise market pressures, external and banking system vulnerability, asset prices, and financial conditions (Hawkins and Klau 2000; Geršl and Hermánek 2007; Gray et al. 2007; Nelson and Perli 2007; Gadanez and Jayaram 2009).

Despite all the attempts to define and explain FI, the occurrence of a FC is repeatedly emphasised as being unexpected and unpredictable (Agarwal et al. 2009; Bezemer 2010). At the same time, researchers have asked why the alarm signals in the run-up to the GFC had been ignored and there was no proper reaction upon seemingly clear signs in pre-crisis times (Bezemer 2010; Mishkin 2011; Hindmoor and McConnell 2013; Nelson and Katzenstein 2014). Instead, market participants remained optimistic about the stability and robustness of the economies (Lin and Treichel 2012).

In relation to the organisational environment, it became obvious that occurrences of environmental change outside the organisation may take different forms. When FC is specified as occurrences that are unexpected, non-controllable, or unusual to the market participants, its effect on the organisation may be even worse. Researchers derived this association from the significance of environmental change towards the organisation (Katz and Kahn 1966; Daft 2007; Hatch and Cunliffe 2013). Based on the theoretical considerations of General Systems Theory (GST) and Contingency Theory (CT), organisations exist as open systems that are constantly engaging with their environment (Morgan 2006; Daft 2007; Bess and Dee 2008; Hatch and Cunliffe 2013). Then, organisations adapt to environmental contingencies in

order to remain competitive and achieve maximum performance (Daft 2007; Bess and Dee 2008; Scott and Davis 2016).

Hence, it is one of the main tasks of the SM of a company to actively and comprehensively mediate the relation to its environment, to become or remain adaptable and to, consequently, pro-actively consider the potential effects of the environment on the organisation in a phase of FI. This is also stressed by Tsoukas and Shepherd (2004) who mention that the best organisations manage with foresight. Seidl (2004) also emphasises the importance of predictions and foreseeability of future situations through reaction to weak signs.

To this end, much of the academic literature has been dedicated to how the environment is perceived and attached with meaning by those experiencing it. Several authors (Duncan 1972; Tosi et al. 1973; Downey et al. 1975; Lorenzi et al. 1981) have claimed that the environment is independent and tangible, and is subject to people's interpretation. Ashill and Jobber (2010) related the theoretical model of Perceived Environmental Uncertainty (PEU) to organisational interpretation through the same means. Also Resource Dependence Theory (RDT) stipulates that managerial perception and understanding leave room for establishing different meanings with regards to environmental conditions. This scrutinises whether those managerial perceptions and their constructed reality are superior to the real objective environment (Duncan 1972; Tosi et al. 1973; Downey et al. 1975; Lorenzi et al. 1981), especially when facing environmental change.

Regardless of whether environmental forces are selective or comprehensive, they are constitutive and immanent, and enforce organisational adaptation. Following this view, executives are required to identify and understand what constitutes their environment and make decisions about respective alignments (Cyert and March 1963; Starbuck 1976). This includes considering uncertainties that constitute risks to the organisational strategy where a reasonable and deliberate SM and related RM can offer great potential for an organisation in terms of existential security and competitiveness, when taken

as pro-active and coordinated management (Abrams et al. 2006; Beasley and Frigo 2007). With these considerations, it is remarkable that despite all the planning and SM, the event of FC still came unexpected and the preliminary phase of FI was obviously not recognised as such.

Weick and Sutcliffe (2007: 8) hereto argue that “[...] *managing the unexpected often means [...] to make strong responses to weak signals*”, but when it comes to crises, the situation is often simplified and not taken seriously enough or misinterpreted. Deroy and Clegg (2011) contend that, in such situations, when unexpected events occur, plans and institutionalised behaviour are lacking. Moreover, little empirical research examines how this is actually done, and Brorström (2012) is one of the few exploring local actors’ perceptions of crisis effects during the GFC. Organisational research generally misses pointing out events that alter an organisation’s context and how it is reacted to them, where habits and routines need to be replaced by adaptation and innovation (Deroy and Clegg 2011). At the same time, unexpected events are argued to create opportunities for changing the understanding of the meaning of an action, in what is known as sensemaking (Weick 1995). Weick (1993; 1995) argues that changes, interruption, or disruption make events that start the sensemaking process, specifically with reference to crises. Hernes (2008: 49) argues that there are no events “[...] *unless we make sense of them.*” FC can therefore be regarded as one such change, so can environmental change during FI; acknowledging that change is difficult to locate (Tsoukas and Chia 2002).

However, actors are assumed to have implicit explanations and opinions about the occurrence of FI in their organisational context, as well as a sense about what actions they respectively needed to initiate, and what effects the situation implied.

1.3 Significance of the Study

The Problem of the Unexpected Event

It becomes obvious that the GFC and crises in the context of the financial system of an economy had a massive impact on the real economy and on organisations. In this regard, the CRE sector entails a specific role in the real economy but also provides for particular characteristics that make it outstanding to other sectors, macroeconomic developments, and the stability of a financial system. Thus, it is a vital task of the SM of a CRE organisation to monitor and recognise relevant changes in the corporate environment and to enforce according SM action.

However, the FC is regarded as an unexpected event (Bezemer 2010) that could not be predicted (Agarwal et al. 2009). Institutionalised behaviour provides no guidance, and plans and routines are lacking (Deroy and Clegg 2011).

Against this background, a question arises pertaining to why the strategic decision-makers of a CRE organisation did not perceive a phase of FI as such before the outbreak of the GFC, and why they apparently did not take it into account in their SM.

In general, a more macroeconomic perspective is at least traceable because FI is thus far associated with overarching systemic risks that may have an effect on the economy as a whole (Group of Ten 2001). However, it is remarkable that a translation or adaptation of macroeconomic definitions to the corporate level are missing, especially in consideration of people making decisions, and not economies or companies (Felin and Foss 2005, cited in Agarwal et al. 2009).

Hence, it can be assumed that the existing definitions of the phenomenon of FI on the economy level are generally relevant for the real economy sector, but may not be directly applicable for controlling a CRE company prior to, or during an event of FC in terms of SM.

This means, it is supposed that existing definitions of FI on the economy level are not as much appropriate and insufficient for Strategic Decision-Making (SDM) and (financial) crisis management on the level of a CRE company. Hence, the executives are currently deemed to have only implicit means for meaningmaking and consideration in their SM. It appears questionable how much executives know about how to react to the situation, and how significant established routines or sensemaking procedures about the phenomenon are to their organisational behaviour.

The consequences of the FCs on the economy show that companies failed to initiate measures and to manage the event of a crisis and the preliminary phase with foresight. From this, it can be assumed that existing definitions of risks and respective indicators and implications on the economy level might not substantiate the risk strategy and context for the SRM of a company and are either not known, not sophisticated, or not reasonably applied to the business on corporate level. Particular indicators and implications for the RM, based on the corporate meaning, are not available to identify and control the potential risks that arise for a CRE company from the preliminary phase of FI.

In hindsight, the executives will be able to opine, explain and judge as to what happened in their contexts, what actions were necessary, and what effects the occurrence implied for their organisation. The role of the actors and their willingness to act in the phase of FI and the event of FC is therefore considered an important component to explore the phenomenon and a shortcoming in existing research.

On these grounds, the study of the phenomenon of FI in SM unfolds significance to broaden the empirical knowledge and for practitioners to better manage their organisations.

Significance for Knowledge

Existing theory about the phenomenon of FI is currently not comprehensive and limited to a more macroeconomic perspective that does not include a corporate view. The existing definitions are mere descriptions of situational

stances of the financial system shaped by the perspective of researchers and public institutions, addressed to financial institutions and supposed to assist macroprudential supervision. At the same time, the complexity of the phenomenon and its different forms have led to a degree of controversy and disparity in evolved descriptions and no single definition of FI exists. Implications and indicators derived from these definitions are considered to identify systemic financial risk in an economy and are not adjusted to corporate ones.

Hence, the study attains relevance where the actual definitions are insufficient and flawed, lacking a corporate perspective. Hence, SM and organisational theory cannot provide for a holistic understanding or capture the phenomenon in its entirety. At the same time, they cannot provide for indications about what characteristics should be monitored and how these are relevant to the possible implications following the occurrence of the phenomenon.

It is important to extend the definition beyond a more macroeconomic perspective (economy level) with a more microeconomic one (corporate level) because the current angle is considered to offer a too limited view on such a massive, far-reaching incident, not including the angles of relevant market participants and key sectors. A corporate perspective and perception of the phenomenon by the strategic decision-makers has so far not been studied empirically, but is considered necessary to extend existing SM, RM, and organisational theory and insert its specifics as common ground. Extending the complex environment-organisation-relationships with the phenomenon of FI will add knowledge and bring transparency about individual characteristics and indicators, which currently are lacking. It will rebound to the benefit of academics as well as researchers in the field of organisational and SM considering the importance FC plays in sciences nowadays.

Furthermore, beyond the pure descriptive and situational perspective on the phenomenon there is little empirical knowledge as to how executives make sense about the phenomenon or how they form their expectations about it. In this context it remains indeterminate why FC occurs apparently unexpected.

Thus far organisational and SM research fall short in giving sufficient attention to explaining the event and respective action (Deroy and Clegg 2011). The study though is significant to knowledge to derive an understanding about how corporate meaningmaking and sensemaking attempts about FI and FC situations that occur in the macroeconomic environment are accomplished in CRE companies.

Significance for Practice

FCs have accompanied the business world over and over again during the past decades, partly with tremendous impacts apparently also because executives were not able to manage these exceptional situations. The significance of the study for practice stems from recurring future comparable situations.

The study unfolds significance for SM where executives are not able to identify relevant changes as well as to manage respective chances and risks resulting from these without an explicit corporate definition of FI. In this regard, there is also scarce research that studies what happened in organisations in the phase prior to a FC and what executives really accomplish when facing that situation. A corporate definition of and the transparency as regards the organisational sensemaking process about the phenomenon are necessary for executive management board members in supporting their efficient and orderly decision-making in terms of SM and SRM to control a CRE company prior to, during, or after an event of FC.

Furthermore, in the case of potential lack of strategic and operational decision-making preparedness in SRM, it is not possible to make a proper risk assessment about the appearances of FI or FC. Specific indicators for the phenomenon of FI are important to develop, because increasing complexities in risks require more precise examination, up-to-date methods for their identification by senior executives, and mature approaches in continuous processing (Beasley and Frigo 2007). Without meaningful indicators, the SRM is deemed less comprehensive and executives are not put in a position to

identify, analyse, and evaluate potential resulting risks for the CRE company, as well as the emergence of an event of FC with foresight.

It is important to provide executives with a profound basis for their SM and RM actions, for them not to fail to respond to the needs of the corporate environment. Using indicators in SRM to run corporations in changing environments may provide the opportunity to maintain governance of the actions of the executives and to early identify the main tasks for offsetting adverse effects, such as losses of assets or partners and the resulting demand and earning shortfalls or other risks to the existence of the company, as they develop during a phase of FI or an event of FC.

1.4 Research Aims and Objectives

Until today, the phenomenon of FI has been defined from a more macroeconomic perspective and a corporate one has remained implicit. As the literature review reveals, the environmental circumstances in a phase of FI account for a set of complexities that call for a more micro-level conceptualisation of the phenomenon. Thus, a separate investigation of the organisational meaning is considered crucial. Furthermore, investigations about FI, as well as FC, have not yet been conducted with focus on the CRE sector, which has been found relevant while strongly connected to the GFC (ECB 2008; Claessens and Kose 2013). Here, the management of CRE companies who have gained knowledgeable insights and faced lived experiences during the latest FCs, as well as during the phase of FI prior to their outbreak, could provide a realistic view and shed more light on this phenomenon.

Thus, this research aims to extend existing definitions of the phenomenon of FI with a corporate perspective, from those who have to manage it - the senior executives. The phenomenon of FI shall be placed in the complex environment-organisation-relationships and bring transparency about specific characteristics and meaning, which are currently missing. With this, a more

holistic understanding about the phenomenon in organisational and SM theory shall be achieved.

Research Objective 1

Explore the meaning of FI from a senior executive perspective on the corporate level (corporate meaning) with the focus on CRE companies and create an (extended) definition of FI on the corporate level.

For this purpose, the lived experiences of the senior executives that are investigated make the meaning explicit and shall contribute new insights for SM and organisational theory. From the then explicit meaning, an (extended) corporate definition can be created that will provide for new insights to the theory about the phenomenon. This definition complements existing descriptions of the phenomenon with a corporate perspective. Furthermore, such corporate meaning is intended to support the management in their SDM. They should be enabled to early detect and foresee the consequences of a phase of FI in a corporate context and initiate (counter-)strategies and measures in due time to be able to fulfil corporate aims and to control a company prior to, during, and after an event of FC.

Based on the assumption that this constructed meaning of the phenomenon is so far unconsciously and implicitly applied in SM and decision-making, so any consequences of the phenomenon are deemed reflected in executive's management.

At the same time, FI and market turbulences make corporate environments more complex and provide companies with challenges but also with opportunities (Neill et al. 2007). To handle these complexities as well as the excess of available information and to cope with the environment, they engage tools or concepts as well as mental models or other cognitive procedures. Where management practises and meaningmaking is obviously more implicit than explicit, the resulting extended meaning is further advanced.

Departing from the situational descriptive view on the phenomenon in extant research, the objective of this study is to look into the senior executives' related sensemaking procedures and how they form their expectations regarding the phenomenon of FI given the meaning of it. This will provide for a reflection and also make implicit management procedures explicit. It accounts for information and behaviour that has been placed as a decision basis for the SM and that effects organisational interpretation.

Research Objective 2

Discover the way in which executive management board members form their expectations regarding FI based on their meaning and how sensemaking attempts are accomplished in CRE.

Discovering the organisational sensemaking process in a phase of FI shows how meaningmaking takes places in CRE organisations during that time and which actions are taken, or not. Assuming the frame of meaning - consciously or unconsciously - in place, this objective is similarly considered related to invention (Sutcliffe 2013) beside discovery (Weick 1995). The explicit presentation of the executives' sensemaking process shall add to sensemaking and organisational theory, where a consideration of how executives make meaning in times of FI is underrepresented.

Both aforementioned objectives make the by-now-implicit meaning of the phenomenon of FI constructed by the executive management board members explicit, both content- and process-wise, to establish a better understanding of the nature of this corporate environment. As such, the corporate meaning of FI might increase the awareness of the phenomenon as part of the changing corporate environment and shall initiate to enriching of the SM of CRE companies. It allows the decision-makers to reflect on how they perceive the phenomenon, and how they interpret and act. It can be a learning paradigm for senior executives to enhance their knowledge and sensemaking skills efficiently. The greater demand for SM with more foresight, especially in

challenging situations, might thus be complied with while enriching and adjusting the SM approach with the findings.

As a complement, and for a better pro-active management, indicators of the phenomenon were considered a good source of evidence. Despite the prevailing quantitative factors in existing literature, this study attempts to develop qualitative ones. The prior results explored become relevant as they serve as a basis for the overall understanding and subsequent development of corporate Qualitative Risk Indicators (QRI).

The study aims to demonstrate that the constructed meaning and sensemaking process allow a further assessment with the objective to provide CRE companies with meaningful indicators of the phenomenon, for a comprehensive and sophisticated SRM.

Research Objective 3

Develop QRIs of FI based on the corporate meaning and awareness of the respective expectations of FI to adjust and enrich the SRM of a CRE company.

These QRIs are intended to complement the existing SRM approaches with qualitative measures and broaden RM theories with the additional risk components of FI and FC. Such indicators may serve as early signs to identify a phase of FI or an emerging event of FC with more foresight. The management shall be enabled to initiating measures at an early stage to effectively prevent risks to the company prior to an event of FC.

Awareness of the implications of FI, in order to control risks and manage consequences originating from the phenomenon of FI, is in the responsibility of the executives due to a compliant SM. Hence, the investigation aims to establish further assessment to identify the potential resulting risks, and pertaining to risk-related events (implications) of the phenomenon for CRE companies, which may affect the corporate goals and strategies.

Research Objective 4

Discover how the corporate meaning of FI and awareness of the respective expectations translates into different implications (potential risks and risk-related events) for SRM behaviour.

The implications of the phenomenon of FI shall supplement and improve strategic RM practice and may lead to reconsider, adjust, and enrich the SRM of CRE companies accordingly. Executives who apply the recommended QRIs in consideration of the related risks, derived from the findings of this study, shall be enabled to consider the (downside) risks and (upside) chances resulting from the phenomenon prior to, during, or after an event of FC. Taking preventative measures will help to overcome adverse effects and increase the preservation of corporate existence, supporting to protect and enhance organisational value and growth.

These objectives are all supported with the particular research strategy. By applying the phenomenological approach, the researcher aims to provide new experiential insights that were so far left aside in prevailing positivistic and quantitative studies.

In summary, the purpose of this research is to make the thus far implicit meaning and sensemaking processes of the phenomenon explicit. This is done through revealing and interpreting the lived experience of German CRE executives for meaning and the sensemaking process while creating an understanding of the phenomenon of FI from a corporate perspective, exploiting respective indicators and implications for SRM. This study does not aim to predict future states of episodes of FI or look into psychological cognitive function, but to prepare the executives to handle FI in the future with adequate foresight on corporate level. The study intends to fill the contemplated research gaps and makes contributions to contemporary SM and organisational management literature, as well as methodologically.

1.5 Research Scope

In favour of a focussed investigation on the research phenomenon, this work emphasises particular aspects and focuses on several prerequisites.

As outlined above, the study is limited geographically and industry-wise to the German CRE sector. This is an essential part of the country's activity with influential power on GDP (ESRB 2015). The recent FCs have also shown the high involvement of the CRE sector (ECB 2007; ECB 2008; Claessens and Kose 2013).

Rather than focusing on a wide range of FCs, the thesis is looking at the most recent ones. Hence, the study includes a time horizon (period) of 10 years from 2005 to 2015, covering the GFC and the related SCC, and SDC that also affected the German economy.

This investigation attempts to take a managerial perspective and does not include other organisational angles. The senior executives are the ones who make the decisions and it is assumed that they act under their position, i.e. in consideration of, and in compliance with, the owner's expectations and notions. Other stakeholders that are possible addressees of the research (e.g. advisory board) are not included in this investigation, because they are generally only supervising the strategic business in German CRE companies.

In this regard, the study places its attention focus on a corporate definition of the phenomenon of FI, taking an executives perspective to make the meaning and sensemaking processes about it explicit. It does not emphasise to analyse the individual psychological grounds and in-mind procedures of the decision-makers or cognitive functions about why and how these influence their interpretation of the phenomenon or respective SDM behaviour.

The study is based on selected theoretical approaches that are extended to the field of research. This study does not intend to generate new theory or provide for generalisability although the methodological approach supports to

derive an outcome that holds for theoretical contributions and transferable results. If these results can also be applied in different settings remains up to the reader. Rather, phenomenological studies seek to provide for the current understanding about the phenomenon in order to broaden awareness, stimulate dialogue and reflection, as well as further research (van Manen 1990; Finlay 2009).

As a material peculiarity, it has become obvious during the progress of the study that a one-dimensional and limited view on the phenomenon of FI only may not be sufficient. Therefore, the study looks at both, the preliminary phase of FI as well as the event of FC. Only where the comparison of these two is possible can a distinctive meaning and sensemaking with all its differences during the two situations be made.

Furthermore, due to the methodological approach applied to the research, a closer examination of the particular context and organisational environment in which CRE companies typically act became necessary to delimitate the usual circumstances for the CRE executives to those of a phase of FI and the event of FC.

1.6 Introducing the Thesis Methodology

Within the social constructivist paradigm, the study adopts a hermeneutic phenomenological research approach using the theoretical lenses of van Manen's (1990) 'lifeworld existentials' and Weick's (1995) 'properties of sensemaking'. It focuses on the corporate meaning and the organisational sensemaking process of the phenomenon of FI. Although, or because phenomenological hermeneutics acknowledge the human factor based on peoples' lived experiences, it was of limited interest in SM (Prasad 2002) and organisational management (Holt and Sandberg 2011) literature. On the methodological side, this study therefore attempts to show that empiricists can benefit from taking a hermeneutic phenomenological perspective in positivistic imprinted business settings for meeting the needs of executives in their business contexts.

The research design was implemented through qualitative methods and analysis to expand the understanding of FI using an interpretative phenomenological conversation with those who experienced it. Here, the management of CRE companies who have gained knowledgeable insights and faced lived experiences during the latest FCs, as well as during the phase prior to this event, could provide a representative view and shed more light on this phenomenon.

The empirical data is collected using semi-structured interviews with ten German senior executives chosen for their expertise in the CRE sector, and all affected by the same event – the GFC. Further analysis focused on emerging themes using thematic analysis (TA). In consideration of the plural research objectives, existential analysis, and axial coding, as well as pattern coding provided useful additional results.

1.7 Thesis Outline

The structure of the thesis is divided into six chapters. Beside the introduction, literature review, and research methodology, it includes the presentation and discussion of the findings on the phenomenon of FI. The study closes with a conclusion and contributions.

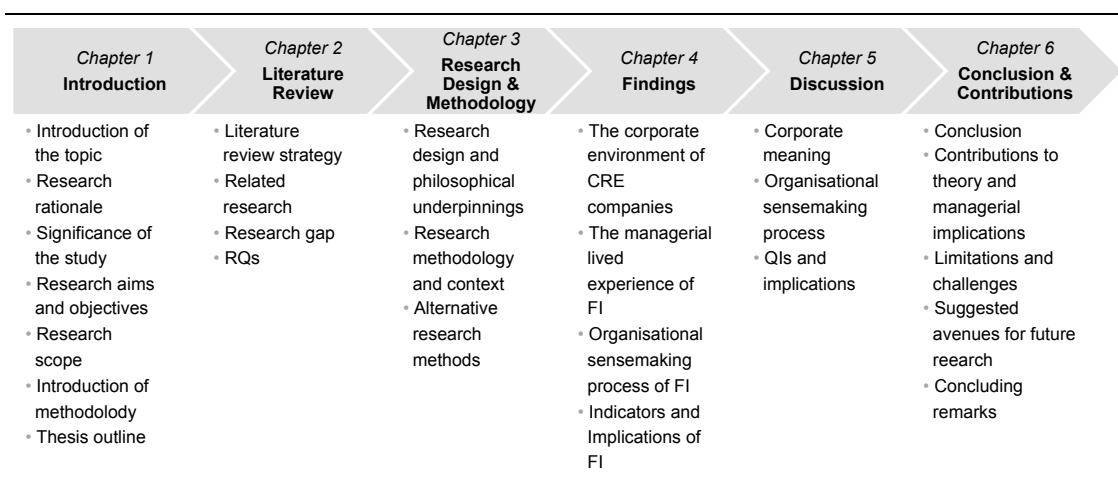


Figure 1: Structure of the Thesis. Source: Author (2018).

This chapter first introduces the study and provides an overview about the background of the investigation. The research rationale and the significance of

the study are outlined. Then, the research objectives and scope are presented briefly and an outline to the methodology is given.

The following second chapter examines the existing literature and theories available in the field of research. The review develops along three relevant lines of research: FI and its classification in the corporate environment, environmental change and organisational SDM, and the concepts of organisational interpretation and sensemaking with regards to environmental change. Alignments throughout the chapter direct towards the research gaps that exist in SM about the phenomenon of FI. The chapter culminates in literary conclusions and an outline of the research gaps, and presents the Research Questions (RQs).

Chapter three goes on to discuss and justify the applied research design and according methods. It presents the anti-positivistic, interpretive research paradigm and argues for a hermeneutic phenomenological research design that is contributing to such an empirical study in the field of SM. The applied qualitative methods are explained and the data collection as well as the analysis process are outlined. The chapter closes with a discussion about alternative research methods and why those have been deferred beyond others.

Chapter four presents the findings of this investigation. It outlines the preliminary findings and themes that have been extracted from the interviews with German senior executives to explore the corporate meaning and discover the organisational sensemaking of the phenomenon. The final analysis and interpretation provide an explanation of the organisational context of CRE companies, the corporate meaning of FI and of FC, as well as an outline of the process of sensemaking in CRE companies during these times. It further provides for the developed QRIs and implications that have been compiled.

Having analysed the interview data, the next chapter five discusses the findings in comparison to the literature review, but also with a distinction between the phenomenon of FI and the event of FC. It presents similarities

that were confirmed under the phenomenon of investigation, but also enriches existing research with additional insights from a corporate perspective. With these discussions, an attempt will be made to answer the RQs and close the research gaps.

Chapter six closes with a conclusion to the study. It presents the novelties and contributions to theory as well as some implications for practitioners. Limitations of the investigation are laid out and where evidence has not been conclusive, recommendations are proposed for future research. Concluding remarks round up the thesis.

The research occupies a yet-missing perspective on the phenomenon of FI. It thus provides new insights and extends its understanding by making the by-now-implicit meaning and sensemaking procedures of CRE executives' explicit and advancing Qualitative Indicators (QIs) for the SM and SRM of a CRE company. It offers a possible explanation to the question of why the outbreak of the FC came unexpectedly for the market participants and how they can better control a CRE company prior to, during, and after a FC when inserting the phenomenon of FI in their SM.

Chapter Two: Literature Review

This chapter provides a review of the existing empirical literature that forms a knowledge base regarding FI within the corporate context. The phenomenon is introduced and classified in the corporate environment as well as in relation to theories and concepts of organisational adaptation and interpretation. The chapter closes with literary conclusions resulting in the research gaps and the corresponding RQs.

2.1 Literature Review Strategy

The literature review was a critical approach to extant empirical evidence about the phenomenon of FI in management and organisational theory. For extensive insights into the current state of research, the review developed along the following lines of research:

It starts with a classification of FI, where different concepts of FI were discussed and distinguished with definitions of associated situations of Financial Stability (FS) and FC in the financial system of an economy. As the review shows, FI is located in the corporate environment as a predecessor to a FC and associated with environmental change.

Given that classification, the subsequent section reviews the existing literature about organisational adaptation to environmental change. Elementary theories about the environment and its relation to the organisation are discussed and allied to SM and RM concepts, which suggest the importance of an emerging managerial perspective in their approaches.

Next, the literature about the concept of organisational interpretation and sensemaking is discussed with regard to how change in the corporate environment is processed in the organisation and by executives within the means of SDM.

This study combines different research areas and extends these to the context of this investigation – the phenomenon of FI. The researcher identified and evaluated more than 1,100 journal articles and books, out of which around 650 were cited. The literature is limited to German and English-speaking databases. The majority was gathered using academic online libraries, Google scholar, and archives of different publishers, but also from university libraries.

Although a large proportion of the literature was published during the past ten to fifteen years, several older works have been included as they are seminal and form the foundations of organisational theory and concepts of SM relevant for this study.

The review of these sources revealed much literature on the fundamentals of economic crises with a focus on systemic risk, FC events, and organisational theories which focus on the corporate environment, environmental change, and its organisational and managerial adaptation, as well as on organisational interpretation of environmental change with a focus on sensemaking in organisations. Furthermore, research on economic crises with a focus on systemic risk in the financial system seem to appear cyclically, mostly in times of occurrence of FC situations. The research-specific focus on CRE, or the recent times prior to crises were seldom investigated. Thus the literature review also comprises empirical works from other streams of business and research, as existing models could only provide a theoretical basis, limited to some of their elements. Similarly, this investigation draws on other areas of research for the methodological approach, where phenomenology is more commonly used in i.e. nursing studies (Dowling 2007), but seldom in organisational studies. None of these embrace a comprehensive perspective on the environment-organisation relation in the context of FI.

2.2 Financial Instability and its Classification in the Corporate Environment

This section introduces and analyses the specifications of FI and related concepts of FS as well as FC in existing research. The term systemic risk for

the financial system and the respective indicators and implications are also discussed. Next, the role of the phenomenon of FI in the context of the corporate environment and for environmental change is outlined.

2.2.1 The States of an Economy's Financial System

Two streams of thought are clearly recognisable in the literature: on the one hand, writers who choose to define 'FS', and on the other hand, those who endeavour a definition of 'FI'. However, only few authors (Allen and Wood 2006; Alawode and Al Sadek 2008) compiled and discussed these definitions more holistically. FC, instead, is often examined in connection with a corresponding event, but usually in its relationship to a phase of FI.

2.2.1.1 Financial Stability

In general, some authors have called for a definition of FS and regard it as an important basis for developing appropriate analytical tools, generating policies and operational frameworks, as well as decisive policy benchmarks (Chant 2003; Issing 2003; Schinasi 2004). Despite its relevance, defining FS has so far been recognised as a demanding mission for those interested in it (Crocket 1997; Alawode and Al Sadek 2008). This challenge is frequently excused by the short history of scientific interest in this phenomenon, when compared to price or monetary stability, which have been investigated for much longer (Crocket 1997).

The literature review revealed that the definitions of FS stem from different perspectives of researchers or public institutions and are outlined in this distinction.

Definitions from Researchers

Allen and Wood (2006) define FS as a state characteristic of the financial system that is resistant to FIs, and highlight that the public policy interest related to FS shows the importance and suspected economic, but also social damage that instability can bring. They indirectly emphasise the mission of the central banks to maintain stability.

Crocket (1997) defines FS while looking at the degree of volatility in market conditions and the central financial institutions as well as at the level of confidence of the market participants. Changes and disturbances may lead to suspended stability and may also require the acceptance of foreign assistance when the economy can no longer help itself (Crocket 1997). Incidentally, he does not consider financial infrastructure but focuses on the conditions of financial markets and key institutions. Unlike other scientists (Davis 2003; Allen and Wood 2006), Crocket's (1997) definition encompasses phases of asset price volatility as indications for instability. Further, and this is rather illuminating for the study, he argues that FS occurs in times when the financial system remains functional *"[...] without interruption or outside assistance [...]"* (Crocket 1997: 6). Hence, it eliminates situations where FI is only avoided by regulatory or political authorities providing financial aid or likewise to financial institutions.

Laker (1999: 2) defines the purpose of

"[...] financial system stability [...] as the avoidance of disruptions to the financial system that are likely to cause significant costs to real output."

The routes of such distractions may originate *"[...] in difficulties facing financial institutions or in disturbances in financial markets"* (Laker 1999: 2). He stresses the effect of FI on the real economy and associates it with turbulences in related organisations and financial markets.

Similarly, Padoa-Schioppa (2002: 20) confirms FS to be

"[...] a condition where the financial system is able to withstand shocks without giving way to cumulative processes, which impair the allocation of savings to investment opportunities and the processing of payments in the economy."

He highlights the strength of the financial system to absorb jolts, allowing it to continue carrying out its main tasks of resource allocation and liquidity supply.

With the reference to payment services he also indicates that disturbances to these can impose adverse effects on the “[...] *core economic functions of the financial system* [...]” (Padoa-Schioppa 2002: 20).

The aforementioned researchers view FS as a single and mostly static condition. Differently and exceptionally, Schinasi (2004: 8) posits FS as a continuum, defined as a corridor in which

“[a] financial system [...] is capable of facilitating (rather than impeding) the performance of an economy, and of dissipating financial imbalances that arise endogenously or as a result of significant adverse and unanticipated events.”

His statement suggests that both, exogenous shocks and endogenous imbalances in the financial system need to be taken into consideration as impacts on FS towards FI.

Definitions from Public Institutions

The literature review revealed that numerous central banks incorporated distinct FS departments and at the same time started their own publications about FS in particular reports, especially since the GFC. They also developed specific definitions that serve as a certain guidance pertaining their purpose of maintaining FS (Alawode and Al Sadek 2008).

The ECB (2014b: 5) expresses FS

“[...] as a condition in which the financial system – intermediaries, markets and market infrastructures – can withstand shocks without major disruption in financial intermediation and in the effective allocation of savings to productive investment.”

Looking at Germany, exemplarily for the EU, its central bank has largely adapted the aforementioned ECB definition and constitutes “[...] *financial stability as the financial system’s ability to perform its key macroeconomic functions, especially in periods of stress and upheaval*” (Deutsche Bundesbank

2014: 5). It may be criticised that this definition as well as the one of ECB are more of a paraphrasing of FS as an essential characteristic of a functioning economy, rather than a precise and clear definition of it.

As another example, the Czech National Bank (CNB) considers FS not only as a current status but also a condition of high resilience to future shocks, allowing the financial system to operate without any severe failures or detrimental effects on the development of the whole economy (CNB 2015). Furthermore, they raise analytical needs as pertains to the possible sources of systemic risk arising from the ties of vulnerabilities in the financial system and potential shocks imminent in various sectors of the economy, financial markets, and macroeconomic developments (De Bandt and Hartmann 2000).

The Bank of Japan (BoJ), as a non-EU example, stresses the essential role of money for an economy and states that

“ [f]inancial system stability’ refers to a state in which the financial system functions properly, and participants, such as firms and individuals, have confidence in the system.” (Bank of Japan 2015: n.p.)

This institution considers maintenance of the financial system stability and price stability as its main mission. However, this does relate more to its functioning and is not necessarily a definition of FS. But, BoJ’s statement goes beyond the financial system functioning and includes market participants’ trust in the system. Such trust, however, seems hard to measure and may be a less meaningful characteristic, even though it is expressive.

It becomes obvious that definitions of FS from public institutions, particularly central banks, increasingly converge, while highlighting the key functionalities of the financial system. Notably, further specifications of FS however remain mostly vague, but indicate that the financial system stability is vulnerable to shocks, followed by a malfunctioning or even resilience that inevitably lead to instabilities.

2.2.1.2 Financial Instability and Systemic Risk

The definitions of FI are also predominated by researchers and public institutions and usually also refer to the resulting systemic risks for the economy. From history, the phases of FI seem different, but the common features and generic patterns were attempted in typologies or for macroprudential supervision (Davis 2003).

2.2.1.2.1 Financial Instability

Definitions from Researchers

Schinasi (2004) stresses that instability should be noticed when the financial system hinders the regular operations of the real economy, e.g. due to missing availability of liquidity.

Equally, Mishkin (1999: 6) claims that

“[f]inancial instability occurs when shocks to the financial system interfere with information flow so that the financial system can no longer do its job of channelling funds to those with productive investment opportunities.”

His characterisation highlights the function of the financial system as an intermediary of directing liquidity to the real economy sector. He attaches a significant appeal to information flows that trigger FI and suggests that FI arises when shocks tighten information asymmetries so that finally financial intermediation cannot be continued.

Davis (2003: 2) goes even further and views FI as being related to a “[...] *heightened risk of a financial crisis [...]*” and, as such, is systemic. Hence, he defines a FC as “[...] *a major collapse of the financial system, entailing inability to provide payments services or to allocate credit to productive investment opportunities*” (Davis 2003: 2). Here, he also stresses the importance of the financial system in contributing to the real sector through

crediting liquidity and argues for the systemic risks of market liquidity and an interruption of market infrastructure (Davis 2003). Further, Davis (2003) concludes that managing systemic risk is as important as promoting FS in order to avoid or mitigate adverse effects on economic functions that an (upcoming) FC would bring.

Likewise, Ferguson (2003) points out the missing availability of liquidity as an important factor of FI. While Davis (2003) explicitly excludes asset price volatility, Ferguson (2003: 2) incorporates this when describing FI

“[...] as a situation characterized by [...] three basic criteria: (1) some important set of financial asset prices seem to have diverged sharply from fundamentals; and/or (2) market functioning and credit availability, domestically and perhaps internationally, have been significantly distorted; with the result that (3) aggregate spending deviates (or is likely to deviate) significantly, either above or below, from the economy’s ability to produce.”

Interestingly, Ferguson (2003) did not further specify the dimensions of amplitude of distortion or deviation. He just maintains that the normal functioning is no longer possible while there are significant abnormalities. Further, he goes beyond the characteristics and clearly mentions the decisive effect on the macroeconomy, i.e. the influence on the balance of production and total expenditures.

Similarly, Allen and Wood (2006: 159-160) described

“[...] financial instability as episodes in which a large number of parties, whether they are households, companies, or (individual) governments, experience financial crises which are not warranted by their previous behaviour, and where these crises collectively have seriously adverse macro-economic effects.”

Consequentially, they clarify that FS is then “[...] *a state of affairs in which an episode of financial instability is unlikely to occur [...]*” (Allen and Wood 2006: 160). Of particular importance for this study is that their definition considers the non-financial sector, stating that there are also other entities, beside financial institutions, that experience financial stress. Although this is a valid viewpoint, it has been criticised as a rather broad definition of FI, because the central bank should not assume that individuals and organisations, which are included here, directly effect or stimulate FI (Alawode and Al Sadek 2008).

Definitions from Public Institutions

In general, public institutions seem to avoid mentioning FI and focus on definitions of FS “[...] *as a policy goal [...]*” (Chant 2003: 1). As an exception, even though not specifically naming FI, the Federal Reserve Bank of New York considers a systemic risk as a consequence of FI (Adrian et al. 2014), and is more specific in mentioning externalities that are considered as triggering events

“[...] whether from corrections in asset valuations, asset fire sales, or other forms of contagion - to amplify financial shocks and in extreme cases disrupt financial intermediation.” (Adrian et al. 2013: 1)

In conclusion, when FI is present, markets tumble and the real economy is at risk. This amplifies the damage to the financial system and may lead to a severe FC, which will be further discussed in section 2.2.1.3.

2.2.1.2.2 Systemic Risk

Where the definitions from researchers and public institutions point to the potential risks and risk-related events that arise from FI, the following will first turn towards further elaborating the respective systemic risks for the economy and then towards macroprudential supervision.

Definitions of Systemic Risk

The considerations about how the financial system is constructed and how it shapes systemic risk have become a central point for researchers and public institutions since the outbreak of the GFC. The interplay of the financial markets has not only been used to explain “[...] *the spread of risk throughout the system [...]*” (Acemoglu et al. 2015: 564), but has also encouraged several policy actions in times of crises and even afterwards (OECD 2009).

There are different definitions available in the literature, but “[t]here is no consensus regarding the concept of [...] systemic risk” (Smaga 2014: 2). The IMF, BIS, and FSB share an often-used classification by means of describing a systemic event on the economy level as

“[...] the disruption to the flow of financial services that is (i) caused by an impairment of all or parts of the financial system; and (ii) has the potential to have serious negative consequences for the real economy.” (IMF, BIS and FSB 2009, cited in Zigrand 2014: 2)

This definition is based on two related assumptions. First, existing negative externalities and spillover effects are linked to substantial disturbances in the financial system and may facilitate economic shocks to become systemic. Second, without an appropriate policy measure, such systemic financial occurrences will most likely stimulate undesirable consequences for the real economy, impacting output and employment (Funk 2012; ECB 2014a).

Based on the same means, the Group of Ten identified a link between systemic financial risk and systemic risk events. They propose that,

“[s]ystemic financial risk is the risk that an event will trigger a loss of economic value or confidence in, and attendant increases in uncertainty about, a substantial portion of the financial system that is serious enough to quite probably have significant adverse effects on the real economy. Systemic risk events can be sudden and unexpected, or the likelihood of their occurrence can build up

through time in the absence of appropriate policy responses. The adverse real economic effects from systemic problems are generally seen as arising from disruptions to the payment system, to credit flows, and from the destruction of asset values.” (Group of Ten 2001: 126)

Here, three characteristics of systemic risk turn out to be important: (1) its impact on the whole financial system must be substantial, (2) it may be infected by risks or shocks of other institutions and thus intertwining between the institutions is essential, and (3) materialised systemic risk is linked to situations with strong macroeconomic effects, and without fast and solid policy measures.

ECB, instead, directly relates systemic risks to FI, which, if widespread, “[...] impairs the functioning of a financial system to the point where economic growth and welfare suffer materially” (ECB 2009: 134). In this context, ECB claims that “[c]urrent tools for financial risk measurement rely on relatively narrow definitions of a systemic event” (Schwaab et al. 2011: 11) and argues for “[a] more comprehensive framework [...]” (Schwaab et al. 2011: 11). Hereto, it is proposed to consider the three triggers for systemic risk:

“[...] (i) spillover dynamics at the financial industry level, (ii) shocks to the macroeconomic and financial markets environment, and implicitly (iii) the potential unraveling of widespread financial imbalances.” (Schwaab et al. 2011: 11)

To include all of the mentioned risk sources in the assessment would circumvent incorrect risk attributions, as all the undertakings occur simultaneously (Schwaab et al. 2011). Therefore, the role of macroprudential supervision has been attached with greater importance in the financial system.

Macroprudential Supervision

Several FCs have exemplified that the banking system is an important pillar in the economy and thus a crux of the matter in financial turmoil (Crouhy et al. 2008; Longstaff 2010; Reinhart and Rogoff 2011; Eichengreen et al. 2012;

Lane 2012). Banks providing liquidity transformation and monitoring services are vital financial intermediaries, and any malfunctioning can have adverse effects on the economy (Huang and Zhou 2009).

In the same vein, Lehar (2005) describes the concerns of regulators of supranational agencies regarding systemic risks in the banking sector. Because of the rapidly progressing integration of financial markets, the simultaneous failure of some banks would trigger a severe economic crisis, requiring a system-wide or macroprudential framework (Lehar 2005).

Also Clement (2010) asserts such macroprudential framework, by which policy and supervision aim to avoid the establishment of systemic risk as well as shocks to the financial sector and the real economy as a whole, thus maintaining FS. Then again, to this end, macroprudential supervision takes a market-wide perception of the viability of the financial system in its entirety (Clement 2010).

At the same time, the success of such macroprudential supervision stands and falls with the assessment of systemic risk (Weistroffer 2012; Cortes et al. 2018). Weistroffer (2012) claims that relevant threats to FS must be precisely identified and ranked by supervisors. It requires a forward-looking risk assessment with sufficient time to act upon verifications created with robust, convincing evidence for policy makers and market participants (Weistroffer 2012).

During the latest FC, regulators had to learn that their policies and models could not prevent the crisis (Schwaab et al. 2011). Out of the various measures to assess the systemic risk proposed in the academic literature, several supervisors have adopted some, and additionally customised, others' needs (Weistroffer 2012).

Jobst and Gray (2013: 4) for example, distinguished three essential areas for monitoring systemic risk:

“(i) [...] the build-up and unwinding of financial imbalances; (ii) shared exposures to macro-financial shocks, and (iii) possible contagion/spillover effects from individual institutions and markets due to direct or indirect connectedness.”

Overall, the review shows that researchers and public institutions concentrated on diverse quantitative criteria to apprehend FS. Such soundness indicators or monitoring variables are mentioned in numerous works (Hawkins and Klau 2000; Gray et al. 2007; Nelson and Perli 2007; Smaga 2014) focusing on market pressures, banking system and external vulnerability, asset prices and financial conditions etc. (Gadanecz and Jayaram 2009). The great variety of indicators are usually grouped under broader categories. The classifications of Gadanecz and Jayaram (2009) are taken exemplarily, while others (Kaminsky et al. 1998; Geršl and Hermánek 2007; Gray et al. 2007; Smaga 2014) have found similar ones in different levels of detail.

The focus is placed on six main sectors that are commonly used in the literature, their frequency, measurement, and their signalling properties:

Sectors	
	1. Real Economy sector (e.g. GDP growth, fiscal position of government, inflation)
	2. Corporate sector`s riskiness (e.g. total debt to equity, earnings to interest and principal expenses, net foreign exchange exposure to equity, corporate defaults)
	3. Household sector`s health (e.g. household assets, household debt, household income, household consumption, household debt service and principal payments)
	4. External sector`s conditions (e.g. real exchange rates, foreign exchange reserves, current account and capital flows, maturity and currency mismatches)
	5. Financial sector (e.g. monetary aggregates, real interest rates, growth in bank credit, bank leverage ratios, liquidity ratio)
	6. Financial markets (e.g. change in equity indices, corporate bond spreads, market liquidity, volatility, house prices)

Table 1: Systemic Risk - Main Sectors and Indicators Used in the Literature;
source: based on Gadanez and Jayaram (2009: 367-369).

Furthermore, Gadanez and Jayaram (2009) emphasised that, in theory, composite indicators are preferred over individual variables, as these are more explicit for defining a threshold or benchmark values for signalling the degree of stability in the financial system. They also point out that these are better suited to measuring stress in the system, even if there are no extreme events. Referring to the complexity of the financial system and its various links to different sectors, it may even be difficult to develop single measures with expressiveness regarding financial system conditions (Gadanez and Jayaram 2009).

Notably, whether individual or composite indicators, these cover all levels of market participants but only take care of quantifiable factors with the aim of “[...] *safeguarding the financial system as a whole*” (Schwaab et al. 2011: 6). While they may well echo the financial system conditions post fact, there is yet

no evidence of how meaningful these would be in forecasting financial stress and the related risks signalling the onset of a FC.

2.2.1.3 Financial Crises

For an appropriate classification of the existing theory of the phenomenon of FI, the general relation between FI and FC in the financial system of an economy is scrutinised in first instance.

Allen and Wood (2006: 159) have proposed a FC as an episode of FI. The authors explain that

“[i]t is perhaps easiest initially to approach this issue at the micro level. If a household encounters financial pressures which mean that its access to money is sharply and unexpectedly reduced, so that it has to reduce its spending abruptly and by a large amount, then that could be described as a financial crisis, or an episode of financial instability, for that household. A company financial crisis, or a financial crisis affecting a national government, such as that of Argentina, could be similarly defined.”

For Allen and Wood (2006) a FC may also originate outside the financial sector and any other unforeseen restraints in an industry are capable to disrupt organisational productivity which foster economic instability. Consequently, this would stress the financial situation and in this context, the authors conclude that FS is not a microeconomic phenomenon, but a macroeconomic one (Allen and Wood 2006).

Ultimately Allen and Wood (2006: 159-160) describe

“[...] episodes of financial instability as episodes in which a large number of parties, whether they are households, companies, or (individual) governments, experience financial crises which are not warranted by their previous behaviour, and where these crises collectively have seriously adverse macro-economic effects.”

Other definitions of the relationship between FC and FI remain more general and are also on the macro-level. Chant (2003: 8), for example, considers FC as

“[...] an extreme degree of financial instability, where the pressures on the financial system are sufficient to impair its function significantly over a prolonged period.”

Likewise, but from a different angle of FS, Lai (2003: 29-30) explains the relation between FI and FC by

“[...] the ability of a financial system to resist a crisis following a given shock to the system. A financial crisis is the occurrence of a systemic event in the financial system “that will trigger a loss in economic value or confidence in a substantial portion of the financial system that is serious enough to [...] have significant adverse effects on the real economy” (Group of Ten 2001: 126). Hence, financial crises are manifestations of instability in the financial system that impose significant costs on the real economy. Systemic risk is the probability of such a crisis occurring.“

In this context, Alawode and Al Sadek (2008: 19) are more specific and define the relation between FI and FC, where FCs are ultimately *“[...] extreme cases or the culmination of instability“*. Similarly, Chant (2003) and Lai (2003) scrutinise the development as advancing along a range from FS via a phase of financial fragility, to a phase of FI und finally to an event of FC, where the normal function of the system ceases.

Consequently, a FC is only considered as such, if there are adverse effects on the real economy (Group of Ten 2001; Allen and Wood 2006). Based on the literature review, a FC can basically be defined as an event emerging from a phase of FI in the financial system in an economy. Hence, FC is considered the most severe appearance of FI (Chant 2003).

With the objective of attempting a differential definition of FC, the literature review shows that FCs share similarities but often develop in different occurrences. According to Claessens and Kose (2013) a FC is seen as being related to considerable fluctuations in asset prices and credit volume, remarkable disruptions in financial intermediation, and the availability of third-party financing to numerous economic sectors, large-scale balance sheet problems of corporations, private financial intermediaries and sovereigns, and large scale government liquidity, as well as recapitalisation support.

Despite the fact that several theories (Mishkin 2011; Reinhart and Rogoff 2011; Brunnermeier and Oehmke 2013) recognise that asset or credit booms precede a FC and turn into busts, the explanation of their continuance and outburst have been thought-provoking.

The multi-dimensionality of FCs is also expressed from researchers in its different typology. Claessens and Kose (2013) mentioned that FCs include currency crises that evolve from currency speculations and result in a depreciation of the currency or governmental defence by utilising enormous amounts of global reserves, increasing interest rates, or executing capital controls. They add that instances where international capital inflows decrease, reverse, or come to a full stop suddenly and unexpectedly are defined as a capital account or balance of payment crises. Oftentimes, this comes together with a rise in credit spreads. (Claessens and Kose 2013)

Another type of FC goes together with turbulences in the banking and debt market (Davis 1999). Hence, in a foreign debt crisis, either sovereignty or privates, or both, cannot comply with its foreign debt obligations. The domestic public debt crisis develops by defaulting or inflating the local currency, or other financial repression. In a sovereign banking crisis, banks are forced to stop the conversion of their liabilities or ask for large-scale government intervention in terms of liquidity subvention or capital assistance (van Rixtel and Gasperini 2013).

Even though there exist definitions of the types of FCs, and though their duration and severity may differ, their qualitative characteristics and occurrence practically overlap (Claessens and Kose 2013). Beside the common classification as an adverse or extreme event, there is a large consensus among scholars that a FC occurs suddenly and unexpectedly (Allen and Wood 2006; Lin and Treichel 2012) and is not predicted by anyone (Bezemer 2010).

Meanwhile, the predominant macroeconomic perspective on the phenomenon of FI leaves questions regarding its systematic categorisation in the corporate environment and characterisation in the respective context of environmental change, which will be examined further.

2.2.2 The Corporate Environment and Change

The term 'environment' and the forms it can assume is frequently used in organisational theory (Aldrich and Pfeffer 1976; Bourgeois 1985; Rajagopalan and Spreitzer 1997; Pettus et al. 2007). Although simple, its meaning is hard to comprehend and to demarcate.

2.2.2.1 The Corporate Environment

The external environment of organisations is characterised by social and physical elements or dynamics that exist outside of the organisation and that directly or indirectly impact its operations, as well as potential decisions respectively (Duncan 1972; Zhang et al. 2012).

The environment that directly influences the organisations is defined as the task environment, while the one with indirect effects is usually referred to as the remote environment (Dill 1958; Myburgh 2004; Carpenter and Sanders 2009). While the former is more specific and distinctive to the respective organisation (i.e. costumers, resources), the latter is marked by political, economic, technological, natural, legal, and socio-cultural factors (Zhang et al. 2012). Essentially, the assessment of these single factors may vary due to

their differing importance for each company, even where those are objectively equivalent i.e. for a region or industry.

Within the remote environment, all business sectors attribute a particular significance to the (macro-)economic environment (Keats and Hitt 1988; Scherer 1990; Pfeffer and Salancik 2003), especially because companies cannot control it but at the same time their business strongly depends on macroeconomic dynamics and trends (Oxelheim and Wihlborg 2008). As such, macroeconomic particulars, like (economic) recession or exchange rate fluctuations, go beyond the competitive situation and take an overarching standing in the field (Schreyögg and Koch 2015).

To analyse the global environment and define the organisation's scope for action, researchers have identified aggregate influencing factors (Welge and Al-Laham 2012). Staehle (1999) found growth and fiscal policy to be significant influences. Others (Macharzina and Wolf 2012) mention stock exchanges and money markets, as well as unemployment rates. In addition, Diederichs (2010) has identified GDP, inflation, central bank lending rates, and currency exchange rates as relevant factors of the macroeconomic environment for a corporate firm. Likewise, Oxelheim and Wihlborg (2008) consider a combination of different factors when those represent overarching macroeconomic variables like GDP and demand figures or monetary policy.

Consequently, the macroeconomic environment seems to consist of a reticulation of components that affect a companies' business. All of these factors are commonly known as non-stable and may fluctuate in different amplitudes over time (Dabla-Norris and Srivisal 2013). The classification and relevance of such environmental change will be reflected further.

2.2.2.2 Environmental Change

The literature review reveals that environmental changes are often considered when they are radical and profound (Ginsberg and Buchholz 1990; Heugens and Lander 2009). Others make a distinction between turbulent and stable

environments (Caldart and Ricart 2006; Farjoun 2010). In a longitudinal study, Wholey and Brittain (1989) found frequency, amplitude, and predictability to be characteristics of environmental change. For all of these characteristics, however, a precise definition is missing.

A different stream of literature has applied a more quantitative and measurable approach. Dess and Beard (1984) have translated environmental change into instability using the coefficient of variation in sales. Others (Johnson 1987; Anderson and Tushman 1990; Clark 2000) defined the level of environmental change by its effect on the company to depart from its core competencies and strategy.

Moreover, multi-national market trends, increasingly blurring boundaries, free transfer of capital, as well as the respective international interdependencies lead to a higher vulnerability of the national economies to global shocks (Oxelheim and Wihlborg 2008). This leaves less room to manoeuvre, which puts economies more and more at the mercy of global macroeconomic developments. Yet, there seems to be a scarcity of ways to prepare to this. Hereto, it has been claimed that, until lately, guidance and practices for such unanticipated and unexpected events are generally missing (Deroy and Clegg 2011).

2.2.3 Alignment: Financial Instability in the Context of Environmental Change

This first part of the literature review reveals that existing theory about FI is dominated by definitions from researchers and public institutions. At the same time, their definitions are primarily specified for, and addressed to, financial institutions and policy makers while aspiring to macroprudential supervision. Furthermore, the majority of established indicators related to the systemic risk arising from FI are of a quantitative nature and mainly refer to the macroeconomic environment.

There is no single definition of FI and the existing ones show some controversy, so FI appears tangible and hard to define. In addition, FI has taken different forms over time with varying empirical focus, which leads to a wider range of specifications. However, there is a common understanding that FI is a macroeconomic irregular occurrence of financial disturbance (Mishkin 1999; Padoa-Schioppa 2002; Schinasi 2004) with FC being its most serious form (Chant 2003). Hereto, several descriptions state that FI might pose detrimental consequences to the economy (Chant 2003; Ferguson 2003; Schinasi 2004; Allen and Wood 2006) or at worst, in FC, cease the normal functions of a financial system (Chant 2003). Nevertheless, there seems to be persistent confidence in the regulating function of the financial system to avoid disruptions and withstand shocks (Crocket 1997; Padoa-Schioppa 2002; ECB 2014b), to maintain FS.

Above, it becomes apparent that FI is the result of intense environmental changes and, as such, holds strong determinants as a condition of the financial system. Hence, it is being associated with overarching systemic risks that may have a considerable effect on the economy as a whole (Group of Ten 2001). Therefore, indicators and quantitative variables for macroprudential supervision have been under theoretical consideration. Notably, however, prior to the latest FCs, the literature has not considered any potential correlation of any of these risk factors (Smaga 2014). Where FI seems complex and made up by several characteristics, a single indicator or a set of indicators may not be suitable for determining the phenomenon, but composite indicators become necessary to embrace all interdependencies.

In relation to the organisational environment, it became obvious that occurrences of environmental change outside the organisation may take different forms. When FC is associated with occurrences that are unexpected, non-controllable, or unusual to the market participants, its effect on the organisation may be even worse.

Where existing definitions are elusive and a corporate perspective on this phenomenon of FI is, to date, non-existent, the research proceeds to examine the significance of environmental change towards organisational adaptation.

2.3 Organisational Adaption to Environmental Change

Following the empirical view on the phenomenon of FI as a macroeconomic occurrence in the organisational environment that is stimulated by substantial environmental change, this section focuses on extant literature pertaining to how much environmental stances relate to organisations. A specific focus is on organisational adaption, SM, and SRM following environmental changes.

2.3.1 Elementary Theories about the Environment and its Relation to the Organisation

The two major theories of GST and the related CT are utilised to ground the phenomenon of FI in the organisational-environmental context. As the study does not aim to extend existing theory, these two are simply considered as basic theoretical thoughts of this work.

2.3.1.1 General Systems Theory

GST provides a comprehensive framework for understanding the relations between the organisation and its external environment or rather its changes (Kast and Rosenzweig 1972).

Historically, systems theory was introduced by von Bertalanffy (1949), who transferred his knowledge from biology to other sciences. His open-system approach considered the organism as a dynamic system, while its behaviour expands from the interrelation of the system elements. He assembles the characteristics, conditions, or behaviour of real systems to formal system laws, which finally lead to what is known as GST (von Bertalanffy 1972; Bamberger and Wrona 2012).

Within social psychology, GST was applied to explain the relation and structure between social organisations (Katz and Kahn 1966). Other scholars have adopted this view of organisations as open systems that are interchangeably connected to their changing external environment (Kast and Rosenzweig 1985; Daft 2007; Bess and Dee 2008; Hatch and Cunliffe 2013; Chikere and Nwoka 2015; Mele et al. 2017) and admitted that management can basically take little control over the environment (Alkhafaji 2003; Morgan 2006; Daft 2007; Hatch and Cunliffe 2013). However, or particularly because of this, organisations are necessarily required to be aware of their environment as the fundamental space in which they act.

In conclusion, GST systematically gathers the environmental conditions of a company that are the focus of this investigation. Applied to corporate actions that take place within a highly sophisticated and fluctuating “*peripheral system*” (Haberfellner 1975, cited in Horvath 2011: 82) that necessitate a reduction of complexity, the systemic approach introduces a hierarchy of systems that allow the managing of complexities (Meffert 1971; Steinmann and Schreyögg 1993; Mele et al. 2017) within the company and in relation to its environment.

2.3.1.2 Contingency Theory

From the prior elaborations arise the questions of if and how organisations consider environmental factors and if and how they adapt in order to become or remain compliant. Hence, CT provides the second theoretical mainstay because of its strong lens on organisational alignment to the environment.

Historically, CT emerged from an attempt to depart from traditional management theories (Hatch and Cunliffe 2013) and has become one of the prevailing approaches in organisational theory (Donaldson 2001; Hatch and Cunliffe 2013). Like the aforementioned GST approach, it stipulates organisations as open systems which are not isolated from their external environment (Dessler 1976; Kast and Rosenzweig 1985; Hatch and Cunliffe 2013).

Specifically, CT involves the adaptation of the organisation to the environment to allow for a perfect match of the two (Kast and Rosenzweig 1972; Sporn and Miller 1999; Donaldson 2001; Daft 2007; Bess and Dee 2008; Prajogo 2016; Scott and Davis 2016) in order to remain competitive (Bess and Dee 2008; Daft 2007; Donaldson 2001; Morgan 2006).

While in the 1960s some authors (Burns and Stalker 1961; Lawrence and Lorsch 1967) had already declared that there is one best management system and operating structure to optimally suit environmental circumstances, supporters of CT nowadays oppose the idea that there is a single optimal way (Donaldson 2001; Morgan 2006; Daft 2007; Bess and Dee 2008; Volberda et al. 2012; Hatch and Cunliffe 2013). Management is not stable. It “[...] is *contingent on the organisation’s situation*” (Daft 2009: 27) and changing environments require a non-mechanistic form of management work (Burns and Stalker 1961; Hatch and Cunliffe 2013; Scott and Davis 2016).

Notably, it is not only the organisation itself but also its members who align to their environments (Lawrence and Lorsch 1967; Scott 2001). However, a diligent consideration of the environmental states allows the evaluation of possibilities and risks and the achievement of better performance of the organisation (Donaldson 2001).

Consequently, the environment shapes the organisation and organisations are concerned with constant alignment. Organisations are required to be flexible in terms of procedural and structural configurations to match their environment as well as in applying the different approaches that are suitable for aligning to every specific environmental state (Morgan 2006).

In conclusion, this theoretical lens has provided several efforts to look for an explanation of the elements of the environment (Emery and Trist 1965; Lawrence and Lorsch 1967; Duncan 1972; Aldrich and Pfeffer 1976; Aldrich 2008; Thompson 2017) and entails two prevailing perspectives: Environmental Uncertainty Theory (EUT), and RDT.

Environmental Uncertainty Theory

With this contingency approach, researchers have put much effort into investigating the environmental stage of uncertainty. EUT mostly relates to explaining its changeable determinants and their frequency of variation (Hatch and Cunliffe 2013).

The degree of environmental uncertainty has been investigated in two lines: the scholars who plead for an objective view (Child 1972; Yasai-Ardekani 1986) and those who defend the necessity for a perceptual view (Burns and Stalker 1961; Lawrence and Lorsch 1967; Duncan 1972; Miles et al. 1978; Weick 1979).

The objective characteristics of the environment have usually been measured using archival time series data (Boyd et al. 1993). To this end, most of the criticism has been directed, because, it is the organisation or rather its members who perceive the environment and potential uncertainties, and account for them (Miles et al. 1978). Ultimately, there may be different experiences of the environmental circumstances by different people or companies, leading to a different behaviour and distinctive corporate strategies (Lawrence and Lorsch 1967; Duncan 1972; Starbuck 1976; Pfeffer and Salancik 1978; Samsami et al. 2015).

Hence, empirical objective measures in a process of individual perception are not sufficiently practicable and much of the modern EUT research is directed towards perceptual and interpretive concepts (Hatch and Cunliffe 2013). There is affirmative research available confirming that the decision-makers' cognitions in choice will determine corporate actions (Donaldson and Lorsch 1983; Starbuck and Milliken 1988; Romano et al. 2001; Michel 2007; Selznick 2011), with special consideration for the executives' perception of the environment in organisational action. PEU, compared to objective EUT, uses different methods to investigate environmental uncertainty and brings forward inhomogeneous results (Tosi et al. 1973; Downey et al. 1977; Buchko 1994). This is because perceptions may vary over time while objective measurement

is relatively stable (Buchko 1994), but this is also due to the fact that subjective data is more difficult to distinguish (Downey et al. 1977; Milliken 1987).

Even though PEU has been criticised for lacking validity and reliability (Lawrence and Lorsch 1967; Duncan 1972; Miles et al. 1978; Daft et al. 1988) it has been indicated to play a considerable role in organisational processes (Ashill and Jobber 2010; Bastian and Muchlish 2012; Regan 2012).

In a noteworthy study, Milliken (1987) advanced three types of environmental uncertainty in relation to the interpretation process: state uncertainty, effect uncertainty, and response uncertainty. The first one relates to uncertainty about potential events or changes because predictions are not feasible. Effect uncertainty refers to the incapability of the executive to evaluate cause-effect connections and assess the potential and degree of a relevant impact on the organisation. Finally, response uncertainty emerges from unknowingness of response alternatives and their utility (Milliken 1987; Milliken 1990) Several other studies (Gerloff et al. 1991; Miller and Shamsie 1999; Ashill and Jobber 2001; Doty et al. 2006; Ashill and Jobber 2010) have used these dimensions of uncertainty confirming their existence as separate types as well as their empirical link.

Resource Dependency Theory

This theoretical stream was introduced by a seminal work of Pfeffer and Salancik (1978). Since then, this has been applied in a number of research fields to explain organisational dependencies and uncertainties in its external environment of resources and how these can be reduced (Hillman et al. 2002; Pfeffer and Salancik 2003; Hickson and Pugh 2007; Hillman et al. 2009).

Within the context of the environment-organisation relationship, RDT mentions the availability of resources, the control over their allocation, and the monopolistic attitude of those who dominate these, as existential features to determine the interdependency (Pfeffer and Salancik 2003; Hickson and Pugh 2007; Yilmaz 2014). The resources are all human and non-human material,

data, and technology that are relevant for the operation of the business, and its survival (Hillman and Dalziel 2003; Pfeffer and Salancik 2003).

As such, RDT takes the open system approach and emphasises the relevance of the environmental context in understanding organisational behaviour. On the one hand, empirical studies confirmed the validity of RDT in explaining organisational behaviour, structures and related change (Nienhüser 2008). On the other hand, researchers criticise that RDT is only “[...] *well established in terms of the general relationships [...]*” (Hillman et al. 2009: 12). It has been influential in SM and organisational research with a focus on mergers, joint ventures, board of directors, and executive succession, which are instruments for managing the dependencies (Hillman et al. 2009).

RDT further stipulates that executives are ultimately the ones who have to cope with the externalities (Pfeffer and Salancik 2003) and develop strategies to engage and navigate the environment (Williamson 1984). At the same time, RDT is declared as partly too narrow while objective, and socially constructed influences on resources and powers are bounded (Clegg and Rura-Polley 1998).

From the literature, it evolves that RDT has particular relevance when environmental stances, like munificence or aggressiveness, lead to a higher degree of uncertainty (Burns and Stalker 1961; Dess and Beard 1984; Cameron et al. 1987) or scarce resources (Nienhüser 2008). Then, executives are required to handle these uncertainties by decreasing the organisation's dependence or by assuming more power over the nevertheless scarce resources in competing environments to ensure organisational effectiveness (March and Simon 1993; Pfeffer and Salancik 2003).

This makes it necessary to look at more precise propositions about when and how organisations adapt to fit into their environment, to withstand or actively engage with it in change.

2.3.2 Organisational Adaptation and Strategic Management

Following these theoretical tendencies, this section searched extant literature with regards to organisational adaptation to environmental changes in the domains of SM and related SDM and RM concepts.

2.3.2.1 Organisational Adaptation

During the last decades, research highlighted different single triggers to organisational adaptation. These have referred to deregulation and economic reforms (Suarez and Rogelio 2005; Pettus et al. 2007) as well as technological changes (Volkoff et al. 2007; Nadkarni and Barr 2008) or privatisation (Cuervo and Villalonga 2000; Ramamurti 2000). Others have mentioned labour wage schemes (Keister 2002) or changes in customer preferences (Glenn and Malott 2004; Jones et al. 2005; Kaplan and Tripsas 2008) as causal.

Such research strived for refinement and provided a specific focus on environmental particularities but most of them left the broader environmental circumstances of the industry in question out of consideration, or contemplated this as remaining stable (Garud and van de Ven 2006). The macroeconomic context and its multiple dimensions have only seldom been investigated (Bourgeois 1980). These externalities, however, cannot be neglected since large-scale environmental changes have spillover effects to industry and organisations and involve even greater alignment (Ginsberg and Buchholz 1990; Bacharach et al. 1996; Huy 1999; Kraatz and Zajac 2001; Kezar 2005).

Beside the triggering events, organisational adaptation has also been subject to several management studies and related to adaptive learning (Cyert and March 1963; March and Olsen 1976; Levinthal and March 1981; March 2003). Organisations develop and continuously redefine procedures to be able to align to changing environmental conditions (March 1981; Nelson and Winter 1982; Levinthal 1991). The extent of such alignment has also been labelled as convergence or reorientation (Tushman and Romanelli 1985; Barr et al. 1992). Similarly, Greenwood and Hinings (1996) have categorised organisational

adaptation as convergent or radical. Convergent change is mostly concerned with modifications within existing parameters, radical change, instead, means transformation of the overall concept and strategy (Tushman and Romanelli 1985; Greenwood and Hinings 1996). Tushman and Romanelli (1985) also note that both are interwoven, where the convergent process is periodically fed with reorientation.

In this regard, the literature also claims the need for organisational flexibility, because they would otherwise be too slow or unable to adapt (Gersick and Hackman 1990; Leonhard-Barton 1992; Argyris and Schon 1996). This concerns an ongoing learning and improvement process to align progressively (Siggelkow 2002; Abatecola 2012), but also involves managing and sensemaking of sudden and unexpected new phenomena (Leblebici et al. 1991; Weick and Sutcliffe 2007). The former has been classified as evolutionary whereas the latter is considered revolutionary (Tushman and O'Reilly III 1996).

Organisations are assumed to align to environmental changes in different forms, depending on the extent of such change. Because of its far-reaching consequences on the whole organisation, organisational adaptation is associated with the SM of the organisation.

2.3.2.2 Strategic Management

Expediting convergent or radical change is part of the corporate strategy and is in the hands of the executive management through their SDM (Thompson and Martens 2010). To this end, the literature review found that a distinction is made between the influences of environmental determinants and those of a managerial perspective in organisational adaptation.

2.3.2.2.1 Corporate Strategy

Strategy, as presented by Porter (2004; 2006), is described as a normative concept with a long-term horizon, with numerous deliberate (complex) choices

and with an emphasis on the activities in order to create a unique but also valuable position for the company.

Conversely, Chandler (1962) considers strategy as descriptive in terms of defined organisational long-term objectives and plans for implementation of respective actions to achieve those. In his view, strategy is the instrument to divert the organisation in terms of structure and operations (Chandler 1962). Hofer and Schendel (1978) define strategy similarly, but they additionally include the necessity of an attribution of resources for the implementation plan.

Mintzberg (1979: 25) instead provides a direct link to the environment-organisation-relation and defines strategy as a consistent “[...] *mediating force* [...]”, to be able to cope with the environment. This relationship is also emphasised by other authors who mention an alignment of internal structures and processes to the external environment as parts of the strategy at certain times (Jemison 1981; Tushman and Romanelli 1985; Miles and Snow 2003; Suarez and Rogelio 2005; Thompson and Martens 2010).

Embedded in organisational theory, these considerations of strategy formulation and implementation are usually part of a formal and analytical planning process that is driven and decided by the top management (Chandler 1962; Ansoff 1965; Andrews 1987). However, the final corporate strategy is derived from various decisions that include a roadmap of structural and procedural adjustments to achieve performance and empower executives to SDM within this context (Thompson and Martens 2010).

How these strategic decisions are made and what influences them, or the particular assumptions of the decision-maker, is further elaborated in the following section.

2.3.2.2.2 Strategic Decision-Making

Decision-making, in general, is a habitual regular pursuit inherent in everybody's lives. Even though it is pivotal (Carroll and Johnson 1990; Goldstein and Hogarth 1997) and may be course-setting, many people do not act deliberately, but rather make a decision without knowing how they reach their choice (Trimpop 1994; Gilovich and Griffin 2002).

In theory, decision-making is designed as a step-wise process (Mintzberg et al. 1976; Fredrickson 1984; Nutt 1984; Covello 1987; Hart 1992; Nutt 2000; Drucker 2001) based on decision strategies and rules (Beach and Mitchell 1978). There are three models of decision-making (Cohen 1993). Besides the naturalist models, with a strongly experience-related approach to decision-making (Klein 2014), the formal-empiricist uses a prescriptive and deterministic approach and thus does not include realistic decision-making dynamics (Beach and Lipshitz 1993; Hammond et al. 1999; Hammond et al. 2006). Other approaches, namely the rationalist models, are concerned with appropriate, rather than optimal, decision-making representations (Simon 1955; March 1978; Kahneman and Tversky 1979; Einhorn and Hogarth 1981; Tversky and Kahneman 1986; Cyert and March 1992; Simon 1997).

Compared to day-to-day decision-making, strategic decisions are ascribed with different characteristics. They are more committing, substantial (Hickson 1986; Stahl and Grigsby 1992; Dean and Sharfman 1996; Mintzberg et al. 2013), non-routine, and particularly complex (Hickson 1986; Schwenk 1988) while reflecting the organisation-environment relationship (Ginsberg 1988). Strategic decisions can appear as formal or informal (Pennings 1985) and embrace topics that are crucial for the organisation (Stahl and Grigsby 1992). Hence, they cannot be traceable without consideration of their context (Elbanna 2006).

They also contain different dimensions, like rationality or comprehensiveness, centralism and politicisation, or formalisation, which affect the firm (Lyles 1987; Rajagopalan et al. 1993; Dean and Sharfman 1996; Goll and Rasheed 1997; Papadakis 1998; Hough and White 2003). Several researchers claimed that

executives oftentimes do not follow objective maximisation but the line of least resistance, while they are ambitiously following particular opportunities, meaning-making, and removing any potential threats (Cohen et al. 1972; March 1978; Montgomery 1983; March and Shapira 1987; Cyert and March 1992; March and Shapira 1992; Kurtz and Snowden 2003).

For another specific distinction, Elbanna (2006) draws on process and content research in strategic decisions. While the former deals with the processes of SDM, its implementation and triggers, the latter looks at strategy content and actions to align the firm to its environment (Elbanna 2006). Although, the literature provides manifold research, the process view is underexposed, even though both are considered complementary (Rajagopalan and Spreitzer 1997).

Based on this understanding, the existing literature is examined in more detail to identify emerging significant effects of environmental and managerial factors in strategic decisions, process, and content.

2.3.2.2.3 Major Influences on Strategic Decisions

From extent empirical organisational studies that have been reviewed, the research areas of 'environmental determinism', 'strategic choice' and 'managerial cognition' were found to be representative and most influential to the present investigation.

While, historically, the firstmentioned is more deterministic and the others more voluntarist, dichotomies between the three have been reduced while at the same time being directed towards the increasing role of the managerial perspective in organisational adaptation (Abatecola 2012).

Environmental Determinism

The literature review provided several streams of literature that conceptualise environmental circumstances as a crucial catalyst for organisations, which directs their activities. Research has been dedicated to the match between organisations and the environment (Bourgeois 1980; Miller and Friesen 1983;

Anderson and Zeithaml 1984; Hambrick 1988; Venkatraman and Prescott 1990; Wiersema and Bantel 1993), focusing on specific features such as processes and structure of the organisation (Chandler 1962; Lawrence and Lorsch 1967; Rumelt 1974; Keats and Hitt 1988; Miller et al. 1988; Rajagopalan and Finkelstein 1992; Porter 2004), in addition to administrative systems (Lorange and Vancil 1977; Galbraith and Nathanson 1978) or personalities, like managerial characteristics (Gupta and Govindarajan 1984; Hitt and Tyler 1991).

This has moved into the environmental determinism perspective and the SDM process is contemplated to adapt to environmental features (Starbuck 1976; Keats and Hitt 1988; Romanelli and Tushman 1988). Such characteristics and other organisational chances, risks, or restrictions, together with their influences, have been part of the extensive research explaining organisational phenomena (Jones et al. 1992). Respective interventions and redirections are considered to be part of the executives' primary tasks (Romanelli and Tushman 1988).

Much of these works have been discussing the extent of rationality in strategic decisions in relation to the environment (Hrebiniak and Joyce 1985; Abatecola 2012). Existing literature, however, provides contradictory results. On the one hand, it was found that rationality is positively related to performance in stable environments, and with opposite effects in unstable environments (Fredrickson 1984; Fredrickson and Mitchell 1984; Fredrickson and Ianquito 1989). They explain this by stating that not all the relevant information relating to a comprehensive decision is readily available, which means that decisions based on rational decision-making are doomed to failure in such unstable environments. Others (Miller and Friesen 1983; Bourgeois and Eisenhardt 1988; Eisenhardt 1989; Glick et al. 1995; Priem et al. 1995) have found that environments with strong dynamics and velocity require fast and intelligent responses, where a more diligent and comprehensive analysis, and therefore a higher degree of rationality, contributes to higher performance.

Most of the empiricists demonstrate that high performing companies occupy a higher degree of rationality in velocity, strong dynamic, as well as in stable environments and in times of environmental threats, but comparably less when facing opportunities or in unstable environments (Fredrickson 1985; Fredrickson and Ianquito 1989). Besides, environmental complexity (Kukalis 1991) or munificence (Miller and Friesen 1983; Castrogiovanni 1991) have been mentioned as important factors to rational and comprehensive strategic decision behaviour and planning.

Another set of research has been dedicated to specific environmental states and their influence on strategic processes. The environmental dimensions have been differentiated as i.e. randomised, clustered, distributed-reactive, and turbulent (Emery and Trist 1965). They differ in their easiest form from static to dynamic environments, where disruptive factors are increasingly better perceived, but the circumstances also become more complex and multidimensional, hence they require even stronger and more centralised strategic intervention (Emery and Trist 1965). Such environmental characteristics are later confirmed by other authors who identified turbulence (Davis et al. 1991; Haleblan and Finkelstein 1993) and volatility (Bourgeois 1985) or referred to dynamism (Miller and Friesen 1982; Thompson 2017). Others found complexities (Child 1972; Mintzberg 1979), but also named hostility (Khandwalla 1977; Miller and Friesen 1978; Mintzberg 1979; Miller and Friesen 1982; Covin and Slevin 1989) as a major environmental dimension.

Alternatively, Aldrich (2008) determined environments by their capacity, the degree of homogeneity-heterogeneity, their stability, the concentration of resources within these environments, consensus between market participants, and turbulence due to interconnection of environmental elements. Similarly, Dess and Beard (1984) specified the environment by complexity, munificence, and dynamism and placed these into a multidimensional concept of environment. Because of its multidimensionality and consistency with numerous other empirical studies, this concept has been considered widely applicable and the three determinants will be examined in more detail.

Environments become complex when they are increasingly heterogeneous and comprise multidimensional factors that act upon the organisation (Child 1972; Dess and Beard 1984; Keats and Hitt 1988; Thompson 2017). Executives who have to manage such complexities of conflicting demands and multiplicity, perceive a greater uncertainty while requiring more information about the environment (Duncan 1972). Beside the challenge to identify the main relevant factors that affect the organisation, there are also structural obstacles and those of resources and competences (Black and Boal 1994). Research suggests that a more complex environment requires a different organisational structure and a more heterogeneous team of executives to come up with different understandings in order to manage these challenges (Pfeffer and Salancik 1978; Wanous and Youtz 1986; Russo and Fouts 1997). Interaction between executives decreases (Mintzberg 1979) and the degree of specialisation and decentralisation increases (Galbraith 1973).

Environmental munificence has been quantified by environmental resources available and sustainable industry growth factors (Starbuck 1976; Dess and Beard 1984). The resources are utilisable for a more proactive strategic approach to the environment, to add capabilities (McEvily and Zaheer 1999) and become more innovative, which in turn fosters internal structural changes to be ready ahead of time and of competitors (Aragón-Correa and Sharma 2003). Dess and Origer (1987) point out that this environment offers plenty of strategic options for executive decision-makers, but also a great variety of opinions. Rajagopalan et al. (1993: 359) add that munificence contributes to “[...] *performance effects of comprehensiveness* [...]”. However, controversially, Jensen (1986: 323) emphasises that senior executives invest “[...] *free cash flow* [...] *at below the cost of capital or wasting it in organisation inefficiencies*”, while others seek to control costs by reducing staff (Hofer 1975).

Dynamism of the environment has also been referred to as volatility, turbulence, or instability (Dess and Beard 1984; Aldrich 2008). In organisational theory, dynamism is defined by the degree and continuity of stability or instability in environmental factors (Tushman and Romanelli 1985; Thompson 2017). The more unpredictable and uncertain the changes in the

environment, the more they fluctuate (Mintzberg 1979). Furthermore, the external forces that drive such turbulences may hardly be tackled by organisations or planned for in advance (Aldrich 2008). Aldrich (2008) also stresses the influence through interdependence of externalities. In this regard, Pfeffer and Salancik (1978: 68) highlight that external influences are not limited, so “[c]hanges can come from anywhere [...]”, unexpectedly as regards their cause, change, and consequences. However, it is not surprising that companies in dynamic environments look for homogenous elements of their environment in order to be better capable of coping with uncertainties (March and Simon 1993).

Such uncertainties are considered the “[...] *essence of the administrative process*” (Thompson 2017: 159). They can affect organisational structure and operations to realise a certain performance (Galbraith 1973). Several authors (Shaw et al. 1981; Kotter 1982; Daft et al. 1988; Haleblian and Finkelstein 1993) maintain that environmental instability leads to a broader positioning and therefore greater division of top management tasks, which will increase information demands and heterogeneity. Also, this puts pressure on executives’ capabilities and decision-making (Salancik and Pfeffer 1978; Kotter 1982; Eisenhardt 1989), which leads to stronger unification among them. The relevance of the leadership structure in environmental change is confirmed in organisational theory (Mintzberg and Waters 1985), where a unanimous, or single, leadership is preferable in critical decisions (Harris and Helfat 1998).

These environmental dimensions provide a good guide to understanding external characteristics, as well as uncertainties and their influence on corporate strategy (Miller and Friesen 1983; Miles and Snow 2003). An explanation of how decision-makers’ assumptions condition the SDM process, is limited but predominated in the voluntaristic school of thought, as follows.

Strategic Choice

Contrary to the deterministic perspective, the strategic choice perspective does not determine the relation between the environment and strategic processes,

but rather the influence of executives on strategy (Miller and Toulouse 1986; Finkelstein and Hambrick 1990), outcomes (Miller et al. 1982; Gupta and Govindarajan 1984) and performance (Haleblian and Finkelstein 1993) when they have to adapt to the environment (Child 1997).

Strategic choice claims executives' previous perceptions, assessments, experiences, and to a much lesser extent the environment, responsible for their actions (Child 1972). Thus Child (1972) and Cohen et al. (1972) argue that time is of the essence and that the meaning of choice varies over time, while strategic options and awareness change. This perspective claims that organisations taking opportunities can be pro-active in adapting to particular situations (Abatecola 2012).

According to Miles and Snow (1978: 263), strategic choice occupies three central features that are

"[...] the primary link between the organization and its environment, [...] management's ability to create, learn about, and manage the organization's environment; and [...] the multiple ways that organizations respond to environmental conditions".

Numerous studies have explored the characteristics of the decision-maker and how their role impacts SDM (Child 1972) and organisational performance (Gupta and Govindarajan 1984; Hambrick and Mason 1984; Miller and Toulouse 1986; Hitt and Tyler 1991; Day and Lord 1992) with varying results. Some studies suggest that executives' traits do not materially concern SDM (Lieberson and O'Connor 1972; Hannan and Freeman 1977; Lyles and Mitroff 1980; Schwenk 1989) and are performed in line with organisational objectives, structure, and strategy (Child 1972). Others found that executives' demographic characteristics (Hitt and Tyler 1991; Goll and Rasheed 2005), as well as educational level (Papadakis et al. 1998) exert influence on decisions. Further, education has been found to relate to information demands (Dollinger 1984; Bantel 1993) and innovation (Kimberly and Evanisko 1981; Bantel and Jackson 1989; Child 1997). In another study, Papadakis and Barwise (2002)

explored tenure and competitive aggressiveness, beside education, for their relevant role in relation to hierarchical decentralisation. Further, there is positive correlation of education level to rational decisions (Goll and Rasheed 2005). Tenure, experience, and age have been confirmed to impact decision-making in other studies (Elbanna 2011).

Managerial Cognition

Beyond such observable characteristics, the managerial cognition theory suggests that executives are bounded rational and employ psychological mechanisms in decision-making (Simon 1957; Cyert and March 1963; Simon 1997). Thus, they cannot obtain a complete understanding of their environments and situation (Daft and Weick 1984). Moreover, they inject subjective representations that foster their strategic actions.

The literature provides varying explanations as pertains to the role of cognition structure in managerial decisions, and investigations have determined aspects of cognitive behaviour and mental shortcuts in SDM (Schwenk 1989; Finucane et al. 2000; Gigerenzer and Gaissmaier 2011). This may differ depending on whether the circumstances surrounding a particular situation are perceived as being complex (Dearborn and Simon 1958; Cyert and March 1963), or due to managers' experiences and respective personal values and beliefs (Gupta and Govindarajan 1984; Hitt and Tyler 1991; Gallén 2006) or as a result of the influence of the top management team (Eisenhardt and Schoonhoven 1990).

The main streams that were investigated in managerial cognition are hubris (Roll 1986; Hiller and Hambrick 2005), bias and heuristics (Tversky and Kahneman 1974; Kahneman and Tversky 1979; Gigerenzer and Gaissmaier 2011). In this context, reference is made to the theoretical framework of the upper echelons perspective (Hambrick and Mason 1984), which is based on an early model of decision-making in a complex context (Cyert and March 1963). It embraces the influence of numerous executives' attributes, such as cognitive base values and managerial background characteristics, which are reflected in the strategic actions of acquisitions, innovativeness and

diversification, and are therefore responsible for organisational performance (Hambrick and Mason 1984). Hence, managerial cognition is regarded as a belief structure, or a set of cognitive patterns, deeply rooted in executives' psychological characteristics which have (historically) been formed by them and continuously influence their behaviour (Finkelstein et al. 2009).

In summary, strategic choice became an essential perspective in strategy considering that “[...] *organization [...] permeate one another [...]*” (Child 1997: 58). Managerial cognition also gained increasing importance in management research in order to understand why and how it influences SDM. There is substantial research and empirical results available that establish profound and widely dispersed knowledge about the link between executives' characteristics (reflective of their experiences), cognition and SDM, and organisational outcomes. Notably, all of the above results derive from studies in specific industries, many of them from the educational and health sectors, or are based on theoretical abstract investigations. Finally, the existing research indicates that there is a need to go beyond a pure environmental determinism perspective and to further consider the non-deterministic explanations of environmental phenomena.

With the aforementioned representations, it became apparent that, in times of environmental change, SDM always presents uncertainties which must be considered in the executives' evaluations and choices, and these bring with them a certain degree of risk.

2.3.2.3 Strategic Risk Management

Literature claims to bring strategy and RM together for identifying and managing risk (Frigo and Anderson 2011a). Empirical views about its impact and the relevance of a RM in the context of changing environments will hence be elaborated further.

2.3.2.3.1 Corporate Risk

Insecurity and risks are a constant companion of corporate decisions, while success and progress require respective risk appetite, and chances are inextricably linked to risks (Weber et al. 1999). Consequently, the phenomena of insecurities and risks have occupied many economists, notwithstanding, a specific or generally accepted definition of the term risk still does not exist (Braun 1984; Fasse 1995; Wolf 2003; Gleißner 2008; Vanini 2012; Reijda and McNamara 2017).

Risk is oftentimes related to future events and the impossibility of foreseeing the final outcome of the business actions with certainty (Gutmannsthal-Krizanits 1994). As long as the occurrence of an event is still doubtful and can neither be validated in reality nor assured with high probability, insecurity exists (Mugler 1979).

While, the phenomena of risk and security be obviously opposed (Gutmannsthal-Krizanits 1994), the inverse, insecurity and risk, suggest the same but are clearly to be distinguished (Mugler 1979). Insecurities are considered to be the prerequisite for risk (Neubürger 1989), where potential environmental states or alternatives for action and outcomes are not entirely known, and also where no certitude about the future or causal relations between action and real outcome exists (Philipp 1967; Dickinson 2005; Aven and Renn 2009). The risk itself, however, evolves from the decision that is made in that situation (Bamberg and Coenenberg 2006), and thus has a close relation to information. The more information is available for a decision, the more the insecurities decrease.

Information theory differentiates three types of information: complete information, which includes absolute knowledge about the future; total lack of information or ignorance; and in-between imperfect information (Wöhe and Döring 2010). While the first is criticised and realistically not achievable (Mugler 1979) the decision-maker only has inadequate information available. Literature contemplates that this may arise from incompleteness, indeterminacy, or uncertainty (Braun 1984), i.e. either quantitative or qualitative deficits. While incomplete information lacks problem-specific parts due to limited access to information, imperfect information processing capacities, or exclusion of objective information due to economic considerations, indeterminacy means imprecise and vague or unclear - future, present, historical - information (Braun 1984).

Furthermore, risks come with different specifics and place multi-dimensional pressure on the company and its management. A classification brings structure and transparency on the corporate risk situation and entails the potential for risk control and allocation (Peter 2002).

There exist several approaches for systematisation (Wolf 2003). For example, the classification, according to Airmic et al. (2010), includes the potential marketplace, infrastructure, financial, and reputational risks for the company while distinguishing between internally and externally driven ones. Interestingly, half of the risks stem from internal actions and decisions and should be considered to be under the control of the company. The other half relates to factors such as the environment, regulation, financial market developments or disasters that are beyond the influence of the company.

Similarly, based on global research on public companies, another model suggests 36 risk factors clustered to four categories of risk, which are strategic, financial, operational, and external (Mitchell and Matruglio 2015).

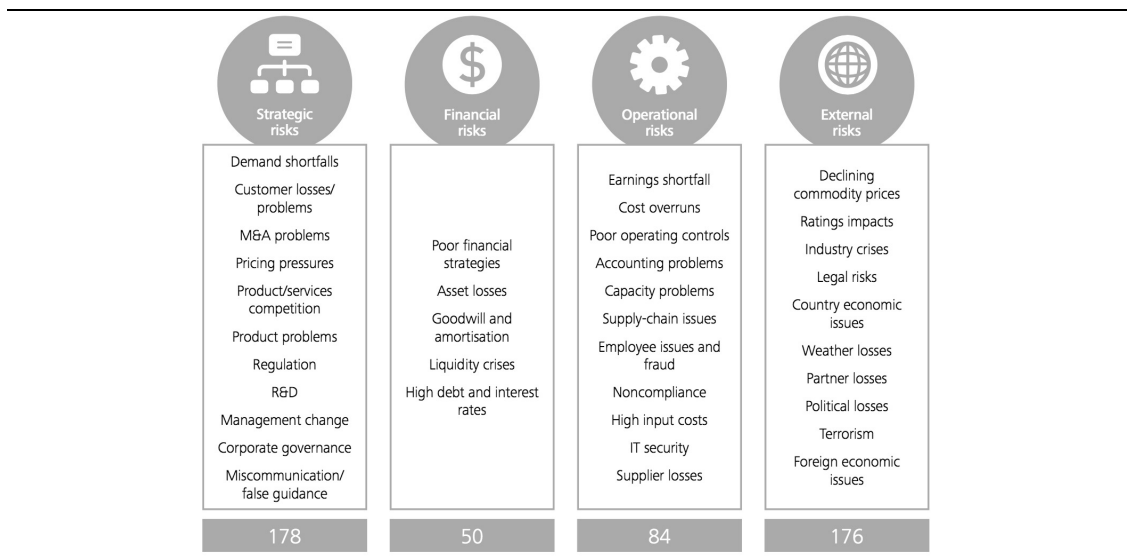


Figure 2: Broad Risk Categories and Their Frequency. Source: Mitchell and Matruglio (2015: 4).

In their example, Mitchell and Matruglio (2015) found that the majority of value losses are driven by strategic and external risks.

From the review of the existing models, it can be noted that the risk factors are almost consistent, even though they are clustered into different superordinate risk categories. Notwithstanding, against the background of a comprehensive assessment and accomplishment of individual corporate risks, the risk situation of a company in its entirety as well as the consideration of aggregate risks are of utmost importance (Wolf 2003).

2.3.2.3.2 Risk Management

A comprehensive management of (corporate) risks becomes even more important where underestimated or ignored risks may have detrimental effects on performance and substance (Frame 2003; Dickinson 2005; Frigo and Anderson 2011a; Frigo and Anderson 2011b). This task has reached special attention during turbulent times of instability and financial disruption as well as

due to pressures in a globalised environment where risk profiles constantly change (World Economic Forum 2010).

In the organisational context, such risks are omnipresent and require explicit consideration through a coordinated activity directing and controlling potential and existing risks that may effect the organisation (ISO 2009). RM already became popular during the 1950s (Young and Tippins 2001; Dickinson 2005) but the implementation of an Enterprise Risk Management (ERM) across the entire organisation is yet growing (Accenture 2009; Beasley et al. 2010; Ernst & Young 2010).

ERM has been developed to implement a holistic, systemic, and proactive approach to corporate risk (Abrams et al. 2006) in order to safeguard performance, organisational sustainability, and shareholder value (Deloitte 2009; AON 2010; Beasley et al. 2010; Accenture 2011). It has been contemplated as a responsibility of the SM to initiate the process in order

“[...] to identify potential events that, if they occur, will affect the entity and to manage risk within its risk appetite, [...] to provide reasonable assurance to [...] management, [...] [g]eared to achievement of objectives [...]” (COSO 2004: 2).

Hence, ERM is assumed to bring paramount benefits in volatile global environments. These specific circumstances, increasing regulation on businesses and corporate governance codices etc., have forced companies to reconsider their risk attitude (Tarantino 2008b). With a heightened risk awareness, SRM and ERM have over time become separate disciplines in research and several standards and best-practices, as well as tools and risk principles developed (IRM 2002; Abrams et al. 2006; Olson and Wu 2008; Tarantino 2008b; Towers 2009; airmic et al. 2010).

The ERM methods applied are mostly considered as being either driven by process-control or by measurement (Hively et al. 2001). The measuring refers to identifying the relevance and occurrence probability of subject matters

acting on the company to mitigate and limit potential risks. When being process-control-driven, the focus is on immanent business process risks, especially taking care with regards to data collection and reporting processing to ensure information for decision-making (Yates et al. 2003). By doing so, not only will risk events be managed (COSO 2004), but so will their consequences, in order to prevent surprising and unexpected events (ISO 2009).

Beside other systematic ERM models that have been suggested by different supporters of best practices for corporate and RM (Ritchie and Marshall 1993; Hively et al. 2001; Young and Tippins 2001; Sharman 2002; Frame 2003; Crouhy et al. 2010; Lam 2014), the ISO 31000:2009 can be considered as a basic and international standard of ERM process with powerful influence on organisations (Leitch 2010). This is also consistent with the ERM principles of COSO (2004) and ISO (2009: 3) defines it as the

“systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, identifying, analyzing, evaluating, treating, monitoring [...] and reviewing risk [...]”.

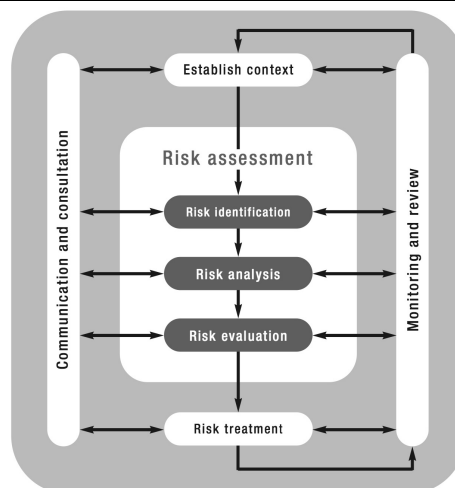


Figure 3: Risk Assessment Process. Source: airmic et al. (2010: 9).

When managing risks, it is considered even more important nowadays, in a volatile environment, to proactively and therefore strategically manage corporate risks (Raghunath et al. 2017). Similarly, Frigo and Anderson (2009)

emphasised that strategic risk identification should initially look at those risks that can exert the strongest impact on the company, its strategy, and may limit the achievement of business aims as well as protecting company value.

This is in line with the general strategies that emerged from the literature: a rudimentary strategy concerned with the implementation of systems and structures and organisational guidelines to foresee and manage the downsides of risks (Lam 2014; Agarwal and Ansell 2016); an anticipatory strategy where the company starts counter-measures due to expected losses (Pezzulo et al. 2008); a resilient risk strategy used to integrate risk (Agarwal and Ansell 2016) for fast adaptation to small-scale environmental or organisational change and crisis situations while maintaining control (Fiksel 2003); and a transformatory risk strategy (Rajagopalan and Spreitzer 1997) for large-scale, structural or mindset changes.

Many authors claim that in consideration of historical information and organisational performance, an innovative and transformative ERM is essential for keeping up with the times (Taplin 2005; Goto 2007; Stulz 2009; Taleb et al. 2009) and for being able to make rigorous, pro-active, and prompt risk-based strategic decisions. It is meant to integrate “[...] *with strategy and performance* [...]” (COSO 2017: 1). However, in order to be able to put these risk strategies into practice, it is necessary to identify the risks and risk situations. The literature provides a number of key risk indicators or risk factors that have long predominated this field and still do (Scarlat et al. 2012). However, empiricists have challenged the notion of these quantitative risk factors (Church and Rogers 2011; Raghunath et al. 2017). The necessity of qualitative indicators, meaning peoples’ perception and judgement, go beyond figures and are considered to provide for “[...] *a richer understanding of the dynamics at play* [...]” (Church and Rogers 2011: 51).

Hence, it is not only important to identify and monitor the risks, but also to consider how SDM about environmental change and its corporate risks are approached in organisations.

2.3.2.3.3 Decision-Making about Risk

Decision-making about risks is considered challenging (Nutt 1989). This is again explained by the attached uncertainties and divergences due to task complexity and contextual factors, oftentimes accompanied by time pressure leading to framing or other short-cuts in executives' decisions (Slovic 2000). Where these aspects are ignored or pushed aside, detrimental effects may arise. This is also because these decisions leave room for an assessment of the situation, and they are not uncommon in information processing, errors, and failures of mislead decision-makers (Slovic et al. 1977; Schwenk 1988; Eisenhardt and Zbaracki 1992).

In a standardised ERM process, risk decision-making can take on a deterministic structure when subsumed in a staged activity (Carroll and Johnson 1990). This starts with the identification of a necessity for a decision, followed by a formulation and classification of the risk situation; options are established and the required information base is set. Thereafter, the decision is taken, acknowledging preferences and potential influences of cognitive frameworks. Subsequently, the decision is implemented by taking action, and as a final step, feedback is provided and the decision is retrospectively assessed in order to learn for future decisions. (Carroll and Johnson 1990)

In a particular situation, however, an acceptable choice with regards to risk is not only subject to the definition or characteristics of the problem, but is also about alternatives, contextual matter in organisation and environment, as well as the particular decision-maker (Fischhoff et al. 1984; Sitkin and Pablo 1992; Ritchie and Marshall 1993; Weick 1995). The latter becomes more and more important because it is assumed that the human factor adds to how the risk and related factors are interpreted and comprehended in order to make the decision (Beach 1990; Beach 1993; Pablo 1999; Orasanu et al.; Rettinger and Hastie 2001). This may conclude in a decision situation where reasonableness or acceptance attracts against the smallest risk impact.

Here, Fischhoff et al. (1984) claim a flexible and more individual, but at the same time comprehensive, logical and practical approach to decisions pertaining to risk, which is transparent and compatible with the organisation. Therefore, they presuppose a learning organisation in order to continuously advance better decision-making approaches.

To conclude, risk is utmost subjective and there can be no universally acceptable risks or predetermined choices or methods for decisions for the preferred acceptable options. Risk decisions are subject to an organisational footprint. Moreover, they are value-laden judgements of the executives, which are made up by interpretation, meaningmaking, and context.

2.3.3 Alignment: Financial Instability and Organisational Adaption

The literature review provided an approximation on the relation of the organisation to its corporate environment and its adaptation to environmental changes.

Based on the theoretical considerations of GST and CT, organisations exist as open systems that are constantly engaging with their environment (Morgan 2006; Daft 2007; Bess and Dee 2008; Hatch and Cunliffe 2013). Then, organisations adapt to environmental contingencies in order to remain competitive and achieve maximum performance (Daft 2007; Bess and Dee 2008; Scott and Davis 2016).

Beside social, legal, cultural, and technological factors, major influences on organisations come from changing macroeconomic stances (Katz and Kahn 1966; Daft 2007; Hatch and Cunliffe 2013). Where FI has previously been considered as environmental change, it is assumed that organisations need to adapt to this specific environmental circumstance with corporate strategy. Consequentially, it becomes one of the main tasks of SM of a company to actively and comprehensively mediate the relation to its environment, to become or remain adaptable and to, consequently, pro-actively consider potential effects from the environment on the organisation in a phase of FI.

It was revealed that the environment is an independent, external, and tangible entity. It relates to the perception of those experiencing it (Duncan 1972; Tosi et al. 1973; Downey et al. 1975; Lorenzi et al. 1981). Hereto, PEU has been acknowledged to play an important role in organisational interpretation processes, but it is claimed that more attention should be paid to its influence on such processes and organisational sensemaking (Ashill and Jobber 2010). Furthermore, PEU and RDT indicated that a lack of understanding, or limited managerial perception, as well as resources leaves room for interpretation by the executives and they may attach different meanings to the environmental conditions. Consequently, the definition may vary from one to another and over time, which also translates into the resulting corporate strategy and SDM. Moreover, it has been found that during environmental change, the environment, as it is perceived, is superior to the objective concept.

In this regard, the power of the environment in relation to the organisation is discussed controversially. While several authors (Dess and Beard 1984; Aldrich 2008) claim that organisations are weak under the influence of environmental states, others (Child 1972; Haleblan 1993; Miller 1986) argue for a powerful organisation under the strategic choice perspective. Hereto, it has been demonstrated that the characteristics of the decision-maker, demographic factors, as well as personality or managerial cognition play a non-negligible role in their decisions (Child 1972; Bourgeois and Brodwin 1984; Hambrick and Mason 1984; Miller and Toulouse 1986; Child 1997). This strengthens the questioning of whether organisations are more prone to those managerial perceptions and their constructed reality, or the real objective environment (Duncan 1972; Tosi et al. 1973; Downey et al. 1975; Lorenzi et al. 1981). Beyond the focus of this investigation - the phenomenon of FI as an environmental phenomenon for CRE organisations – the strategic choice perspective is considered more suitable: it focuses on executive`s action to adapt to the environment (Child 1997), instead managerial cognition is more concerned with how executive`s drive phenomena (Nadkarni and Barr 2008).

Regardless of whether environmental forces are selective or comprehensive, they are constitutive and immanent, and enforce organisational adaptation.

Following this view, executives are required to identify and understand what constitutes their environment and make decisions about respective alignments (Cyert and March 1963; Starbuck 1976). This includes considering uncertainties that constitute risks to the organisational strategy.

The literature review showed that a reasonable and deliberate SM and related RM can offer great potential for an organisation in terms of existential security and competitiveness, where satisfactory information is available. RM has been claimed to be important in coordinating and controlling business actions (ISO 2009), where risk is mostly unpredictable but inherent in all parts of the business, internal and external (Miller 1992; Aven and Renn 2009). Generally, but also particularly to FI, no strict cause-effect relations can be determined, nor can complete information ever be offered. Therefore, many scientists have claimed for a risk classification and comprehensive RM in companies (Cardona 2003; Gordon et al. 2009) that allow for a pro-active and coordinated management (Abrams et al. 2006). This so-called ERM has developed in a separate stream of management discipline with best practices and measurement-driven, as well as process-driven, control mechanisms (Hively et al. 2001; Tarantino 2008b). Even though it is assumed that potential corporate risks are generally presented in existing RM models, it has not been uncovered yet to what extent these are relevant in times of FI, and how they develop and assert. Thus, it is contemplated that risk is also a value-laden judgement call.

Finally, for SM and SDM, there arises a need to take a more managerial perspective on business strategy and actions, especially when facing non-routine and unexpected situations, laced with uncertainties, in environmental change. The relationship between the organisation and the environment is variable but the degree of influence that is in the evaluation of the decision-maker is important for how they consequently take action. SDM and RM leave room for perception and comprehension by the responsible executives and require a deeper understanding of how interpretation and sensemaking in organisations take place to avoid unpleasant surprises.

2.4 Environmental Change and Organisational Interpretation

This section explains the relationship between environmental change and organisational interpretation, and exposes its significance with respective consequences for strategic actions. Organisational sensemaking is elaborated to discover the process of understanding and meaning-generation in environmental change.

2.4.1 Organisational Interpretation and Sensemaking

It has become clear so far that executives have become more and more required to approach the organisational environment, perceive it, and make sense of it. Ericson (2001) addresses that most of the events, however, are being ignored or left to others - just observing how they manage it.

At the same time, much of the research in organisational studies remains committed to an objective realistic positivist view of knowledge (Barrett 2008) and the notion of being able to provide a description of social phenomena by formulae and causalities is still widely represented. As indicated in the literature review so far, several behavioural and organisational researchers have criticised this approach because they doubt the existence of one solution for all, as well as a neutral and value-free inquiry (Wicks and Freeman 1998; Lacey 2005; Bhaskar 2009). Likewise, interpretivist sociologists (Schutz 1967), sociologists of knowledge (Berger and Luckman 1967), and also cognitive social psychologists like Weick (1979) take the view that environment and organisation are interrelated and that the environment is enacted by human interactions (Mason and Mintroff 1981; Davis 1982; Huff 1982; Peters and Waterman 1982). These researchers have also demanded that organisations need to interpret (Daft and Weick 1984) events, make a conversion, understand or create meaning and conceptualise among executives.

In this regard, the literature provides several concepts of interpretation that include scanning, sensemaking, understanding, monitoring, and also learning (Pfeffer and Salancik 1978; Duncan and Weiss 1979; Weick 1979; Choo 2001).

Additionally, some models have been developed to explain the organisational process of handling possibly relevant information (Kiesler and Sproull 1982; Meyer 1982b; Dutton and Duncan 1987).

Out of these concepts, sensemaking is frequently delineated as a general notion, providing a variety of largely similar definitions and designs (Starbuck and Milliken 1988; Weick 1995; Maitlis 2005; Weick et al. 2005; Sonenshein 2010).

In accordance with Maitlis and Christianson (2014), sensemaking is the process applied by people in order to reach an understanding of new, unexpected, or somehow confusing occurrences. In order to explain and settle the situation, executives start to interpret and extract cues that provide plausible ground for making sense of the circumstance and, hereinafter, enacting the environment (Weick 1995; Brown 2000; Brown and Jones 2000; Maitlis 2005; Weick et al. 2005; Neill et al. 2007). Sensemaking incorporates interpretation, but moreover, involves an active construal of the event in order to understand it (Weick 1995; Weick et al. 2005; Sutcliffe 2013) and to reduce complexity and uncertainty equally (Smerek 2011).

Sensemaking is more than interpretation (Maitlis and Christianson 2014) and provides a rich concept of human cognition and perception, as well as its interpretation and action which influence organisational management (Weick 1995; Allard-Poesi 2005).

The following will review the organisational sensemaking process as a foundation for strategic decisions and its specific applicability in environmental change.

2.4.2 The Organisational Sensemaking Process

Generally, sensemaking is characterised as reciprocal while gathering information attributing meaning and respective accomplishments (Weick 1979;

Gioia and Chittipeddi 1991). This is transferred to a three-stage approach of scanning, interpretation and action (Daft and Weick 1984; Milliken 1990).

2.4.2.1 The Strategic Sensemaking Process

The first step of the model starts with scanning, which equates to information-seeking about what constitutes the environment, its relationships, events, and structure (Fahey and King 1977). Increasing importance has been attached to scanning as a pro-active task in order to improve timely alignments of the organisation to the environment and any upcoming changes of it (Milliken 1990; Choo 2001; Danneels 2008). Milliken (1990) also aimed to provide the probabilities for the occurrence of impending events. Differently, it was applied to balance the organisational perception of the environment with the objective reality of it (Bourgeois 1985).

The importance of scanning in SM has, again, been pointed out by Danneels (2008) who attached a kind of absorptive capacity to it when being able to better and faster identify, integrate, and employ external information and knowledge in organisational processes. In the same vein, others relate scanning to dynamic capabilities of companies to cope with changing environments (Teece et al. 1977; Wilden et al. 2013). Also, the relation between the scanning process and strategic uncertainty has been found to be positively correlated and important to the quality of the strategic concept (Zhang et al. 2012).

From various studies, it can be explicated that scanning is seldom fully comprehensive and oftentimes merely selective on specific environmental aspects (Hambrick 1982; Daft et al. 1988; Boyd and Fulk 1996; Garg et al. 2003). Also, researchers found that there is no homogeneity with regards to the method of scanning, its level, or extent (Fahey and King 1977; Huber 1991; Beal 2000; Sutcliffe 2013).

The second process step of interpretation attaches the organisation's meaning to a shared understanding of the scanned information or event (Daft and

Weick 1984). Much of the literature has noted, in this regard, that such process may vary from company to company and from individual to individual, and ultimately lead to different processes of interpretation. Factors that have been identified to impact the process refer to overarching aspects like strategy and information processing (Thomas and McDaniel 1990), strategy type (Citrin et al. 2007), and in more detail they reference market orientation (Qiu 2008), or the level of diversification (Ginsberg 1989). Others identified more human-related aspects like organisational culture (Harris 1994), or personal characteristics like cognitive motivation (Anderson 2008), and team or individual factors (Auden et al. 2006; Finkelstein et al. 2009). Finally, there are ones relating to environmental features of industry velocity (Eisenhardt 1989; Nadkarni and Barr 2008), and dynamism (Garg et al. 2003; Mitchell et al. 2011).

In this context, literature has also dedicated increasing attention to executives' cognition, mental maps, and behavioural frames (Walsh 1995; Nadkarni and Barr 2008; Gigerenzer and Gaissmaier 2011; Narayanan et al. 2011). Empirical studies suggest that groups of managers may work with shared knowledge and use mental maps to put organisational meaning to events (Thomas et al. 1993; Weick 1995; Garud et al. 2011). They categorise while looking for patterns and similarities (Garud et al. 2011).

Even though the importance of personal influence on the interpretation has been mentioned, it can be noted that several authors consider the categorisation and perception to be a collective and social process (Huber and Daft 1987; Maitlis and Christianson 2014). People, in general, but executives especially, generate and shape meaning steadily, while discussing, "[...] *groping, trial and error, and sounding out*" (Huber and Daft 1987, cited in Weick 1995: 99). Executives seem to classify events as either a threat or an opportunity, i.e. they associate positive or negative characters, estimate gains or losses, and consider a higher or lower degree of controllability by the firm (Dutton and Jackson 1987; Jackson and Dutton 1988; Thomas and McDaniel 1990; Thomas et al. 1993; Barr 1998). As a member of the organisation, they introduce such interpretation through their decisions and therefore also effect

the actions in response to the event (Thomas et al. 1993; Julian and Ofori-Dankwa 2007).

Following the results of such interpretation, as a third step in the process, actions are introduced. These are the responses to the organisational context as perceived by the executive (Leavitt et al. 1974). This part, *inter alia*, includes changes in strategy, competitive strategy, or organisational structure (Dutton and Duncan 1987; Ginsberg 1988; Thomas et al. 1993; Qiu 2008). Critically, Smart and Vertinsky (1984) hereto emphasise that action responses to crisis settings can restrict strategy space, indicating that changes in strategy although implemented may not be appropriate or too short-sighted. Also, it has been pointed out that this phase leads to creating new action-outcome relations that are again interpreted and circled back, which leads to a kind of learning mechanism (Daft and Weick 1984). This is further positively correlated with the ability for strategic innovation (Berghman et al. 2013).

In conclusion, the particular action emerges from the preceding recognition and interpretation of the environmental condition or change (Barr, 1998). While the interpretation is socially shaped and gradually refined by experiences, learning, and previous actions (Christianson et al. 2009; Catino and Patriotta 2013; Maitlis and Christianson 2014), this may not be encompassing, and it is assumed that the choice of action is at least to some extent restricted.

From this, it is suggested that each step of the sensemaking process is related to environmental change either due to the current situation or prior experienced ones and the lessons learned.

2.4.2.2 The Properties of Sensemaking

Having reviewed the sensemaking literature, there is much research investigating it in organisational contexts (Starbuck and Milliken 1988; Porac et al. 1989; Thomas et al. 1993; Laroche 1995). A growing body of work was later influenced by Weick's (1995) idea of sensemaking as a structured process

(Ericson 2001; Maitlis and Christianson 2014; Sandberg and Tsoukas 2014) using practices of people in real-life situations (Brown et al. 2015).

For Weick (1995), sensemaking concerns an explanation of what is going on through a process of framing based on individuals' experiences and their interactions with others. He presented seven characteristics: so-called properties of identity, retrospection, enactment, socialisation, continuation, extracted cues, and plausibility (Weick 1995). These remained prominent in guiding researchers in producing meaning and understanding of the process of sensemaking (Helms Mills et al. 2010).

The first one looks at the organisation and its individual members, specifically the identity that they occupy (Weick 1995; Weick et al. 2005). This property is about a self that may vary depending on, or adapted to, the events, environmental conditions, organisation, and interaction with others. The identity is subject to continuous redefinition by the people: on the one hand, how they believe they are viewed by others, the organisational demand for executives' self-effectiveness, self-consistency, and self-enhancement (Dutton and Dukerich 1991; Weick 1995), and on the other hand, how they present (parts of) self to the wider group (Weick 1995). With sensemaking, there is more weight on the process of how people construct their world, based on their underlying notions of themselves and how these influence their identity (Weick 1995; Maitlis and Christianson 2014).

Sensemaking is retrospective and asks for 'the story' of lived experience to attach meaning (Weick 1995). With such a view, sensemaking assumes a learning and reflection process of people on their past experiences and the implications of their actions in order to inform future decisions or, at best, enable them to anticipate the future (Weick 1979; Weick et al. 2005). This step supports gaining clarity about the near past, as well as order and rationality, which will end the process of retrospection (Starbuck and Milliken 1988; Weick 1995).

Sensemaking, in line with other organisational theories, also includes the reciprocal interaction between, and transformation of, the individual or organisation and their environment (Maitlis and Christianson 2014). With the enactment property, sensemaking constitutes the environment as constructed by the people but also acting in response to this environment they created (Weick et al. 2005). The way in which this is done is by investigating what is in people's mind and imposed for various occasions (Weick 1979) and not by describing an objective environment. This does not exist in sensemaking and instead, the individual and the environment converge towards each other (Weick 1988).

This is also reflected in the property 'social'. Sensemaking pays particular attention to the social interactions (Weick 1995; Maitlis 2005; Weick et al. 2005). This becomes explicit in shared meanings, commonalities, and interactions in the social context (Weick 1995). Conversations, meetings, and other collaborations in the organisational context are required for interpretation and sensemaking by the executives (Maitlis 2005), while at the same time influencing the construction of the organisational environment (Weick 1995). Therefore, sensemaking procedures may obviously vary depending on the social interaction and interpretation.

Sensemaking is continuous and executives are continuously engaged with handling flows of input, bracketing, and extracting information and irregularities (Weick 1995). There are countless external influences and the executives have to distinguish between important and irrelevant facts (Chia 2000) while these may also include irregular or contradictory events that were not estimated. Such interpretive occasions of unexpected, sudden, or irregular events are noticed and extracted to make sense of it (Weick 1995).

These extracted cues are therefore special events oftentimes associated with previous experiences (Weick 1995). They are particularly relevant for understanding what people perceive (Starbuck and Milliken 1988) and how this will influence peoples' sensemaking of the event. Cues can be considered as triggering events for whether and how people make sense of the event or

information (Daft and Weick 1984; Thomas et al. 1993; Weber and Glynn 2006; Rudolph et al. 2009).

People have a need to make sense of the world in a way that is reasonable for them. Finding an explanation for any environmental event, plausibility, and reasonableness has priority over accuracy (Weick et al. 2005). Constructing a possible justification that seems sound feels like reducing uncertainty, while increasing belief in this explanation facilitates sensemaking of the extracted cue (Weick 1993; Weick 1995; Maitlis 2005).

These properties show that sensemaking procedures are triggered when unexpected or unpredictable events occur, or when they deviate from expectations. In such situations executives are required to reflect and engage with the situation because they don't have a ready-made solution at hand (Weick 1995; Maitlis and Christianson 2014). When using sensemaking continuously, people extract cues that create a mode of action while making "[...] *sense of things by seeing a world on which they already imposed what they believe*" (Weick 1995: 15). This is why sensemaking is considered to contribute to organisational research. It is recursive and fosters strategic change (Gioia and Mehra 1996; Helms Mills 2003; Nag et al. 2007), while motivating others to similarly use sensemaking (Corley and Gioia 2004; Denis et al. 2009). Other researchers associated sensemaking with learning and understanding weaknesses and chances for the organisation to decrease ambiguity (Thomas et al. 2001; Kayes 2004; Haas 2006; Ron et al. 2006; Christianson et al. 2009; Catino and Patriotta 2013; Colville et al. 2013). And finally, sensemaking is related to innovation and creativity, meaning a departure from deep-rooted behaviours and frames, where sensemaking supports a change in perspective (Weick 1988; Weick 1993; Cerulo 2006), especially in crisis situations (Drazin et al. 1999).

It becomes obvious that Weick's approach occupies hermeneutic influences of how people construct their world (Hendrix 1999; Barrett et al. 2011; Tomkins and Eatough 2013), as well as their meaning and self while making explicit the sensemaking efforts of people as they engage with the world. This also

includes the social interaction between people and their perception of unexpected events or changes in the environment.

Notably, criticism remained mainly focused on the inattention of a prospective perspective, the lack of acknowledgement of mundane situations, and the indefinite status of enactment (Sandberg and Tsoukas 2014). This can only partially be acknowledged and will further be elaborated in the following paragraph.

2.4.3 Environmental Change and Organisational Sensemaking

This section emphasises on the literature that has placed the organisational sensemaking process in the context of environmental change, providing greater specification on the utilisation of the properties during this time.

Environmental Change as Extracted Cue

To understand the phenomenon of FI, the characteristics and circumstances through which people first encounter it must be known. From Weick's (1995) theoretical model, it is emphasised that sensemaking is triggered by unexpected events, uncertainty, and ambiguity which provide extracted cues (Weick 1995). This assumes that the event has been noticed, but deviates from what has been expected or predicted in stable continuous operations. The recognition and significance may, however, greatly vary depending on the extent of violation that is perceived (Weick et al. 2005; Weick and Sutcliffe 2006; Weick and Sutcliffe 2007).

Recent investigations have confirmed that unexpected events only trigger the sensemaking process if the experienced abnormality feels substantial enough for the particular person (Hoffmann and Ocasio 2001; Nigam and Ocasio 2010; Ocasio 2010). This assessment is, however, subjective and dependent on numerous factors (Hoffmann and Ocasio 2001; Bouquet and Birkinshaw 2008; Rerup 2009), also pertaining how individual, social, or organisational identity (Corley and Gioia 2004; Pratt et al. 2006), personal or strategic aims (Balogun and Johnson 2004; Maitlis et al. 2013) are effected. The literature provides

several examples that confirm that people adapt, explain away, standardise or normalise inconsistent cues (Weick 1988; Dunbar and Garud 2009). This is often argued with habits and routines, while cultures and the systems they belong to exert influence on their mindfulness (Levinthal and Rerup 2006; Weick and Sutcliffe 2006).

In this regard, the relevance of context has also been investigated. Several studies have identified that situations of environmental jolts and substantial external changes (Meyer 1982a; Daft and Weick 1984; Milliken 1990; Pearson and Clair 1998; Bogner and Barr 2000) may alter organisational routines and habits and cause extracted cues. The same applies to organisational crises (Weick 1988; Weick 1993; Wicks 2001) or any other hazard pertaining organisational identity (Dutton and Dukerich 1991; Elsbach and Kramer 1996; Ravasi and Schultz 2006), including deliberate action of organisational change (Gioia and Chittipeddi 1991; Balogun and Johnson 2004).

Furthermore, it has been found that an unfolding crisis situation can raise ambiguous cues that cause repeated sensemaking for clarification, but may also extract further cues (Weick 1988; Christianson et al. 2009; Weick 2010).

Such sensemaking procedures may vary by person. Everybody engages in their own sensemaking processes and may either adopt, modify, oppose, or refuse the sense that was given to it (Gioia and Chittipeddi 1991; Gioia et al. 1994; Pratt 2000; Sonenshein 2010). This is a particular consideration in organisational research, where executives have an intersubjective and interdisciplinary relationship. Despite sharing the same employer and corporate identity, executives may understand events in different ways or perceive them differently because of their different history and evolution (Brown 2004; Brown et al. 2008). In recent studies, it was proposed that over time groups develop frames and assimilate so intersubjective meaning is constructed into one prevailing perspective (Kaplan 2008). This will also have an impact on how people enact the situation.

Sensemaking and Action in Environmental Uncertainty

Action, in terms of Weick's enactment, is a central consideration in the sensemaking process where the environment is considered as being co-created by the people experiencing it (Weick 1979; Weick 1988; Weick 1995; Orton 2000; Weick 2003; Weick et al. 2005), introducing "[...] *structures, constraints, and opportunities that were not there before they took action*" (Weick 1988: 306).

It has been investigated that enactment during times of unexpected events or crisis situations may be challenging and difficult (Mitroff et al. 1987; Weick 1988; Weick and Sandelands 1990; Weick 2010). These circumstances are special because they are not predictable, but are profound and sudden. Due to this, executives have little information available for taking a decision. This, in turn, unfolds even more uncertainty. At the same time, however, such situations oftentimes require immediate attention and executives have to take action based on incomplete information. Action in environmental uncertainty thus means a dichotomy "[...] *between dangerous action which produces understanding and safe inaction which produces confusion*" (Weick 1988: 305).

Therefore, it is questionable whether or not, and to what extent, these actions result in an effect on the event. According to LaPorte and Consolini (1991), this is conditional on the profile of the executives and their tendency to agency as well as on the existing interdependencies in the system. The relevance of the strength of system elements was also confirmed by Orton and Weick (1990) and Weick (1976). The more strongly interconnected with established relationships, the easier it is to make enactment take place because then changing one part of the system will initiate an expectable change in another one, while in turn loosely connected and complex parts are far less predictable where the full extent and impact of the action is unknown (Orton and Weick 1990).

Weick (1988) has also shown how early or delayed activity or inactivity can negatively influence an emerging crisis. Pioneers in action are setting the route

for evolvement of a crisis, which results in the fact that there arise limitations in sensemaking during such situation (Salancik 1977).

2.4.4 Alignment: Financial Instability and Organisational Interpretation

This section has elaborated extant literature in the field of organisational interpretation and sensemaking in the specific context of environmental uncertainty and change that surround the firm.

While being embedded in their environmental circumstances, organisations cannot ignore historically and contextually contingent contexts, especially volatile and complex environments, which require special attention. Arguably, the understanding of environmental conditions is, to a great extent, in the eyes of the beholder (Gioia and Chittipeddi 1991; Gioia et al. 1994; Pratt 2000; Sonenshein 2010).

In this regard, sensemaking is frequently delineated as a general notion for executives' interpretations, and follows a structured staged process of scanning, interpretation, and action (Daft and Weick 1984; Milliken 1990). Recognition is inevitable for considering organisational adjustments to environmental changes (Bourgeois 1985) and for assessing the likelihood of their occurrence (Milliken 1990). Action, or learning, respectively follow the previous interpretation of the executives. Thus, the interpretive process plays an important role in the organisation and is positively related to structural adjustments (Dutton and Duncan 1987; Ginsberg 1988; Thomas et al. 1993; Qiu 2008) as well as strategic innovation and performance (Berghman et al. 2013).

From empirical evidence, it seems necessary to better understand how executives give meaning to the phenomenon of FI as an unexpected event in the corporate environment. Due to its suddenness, the interruption of peoples' ongoing action flows and understandings can be far-reaching with severe consequences (Turner 1976; Weick 1993; Pearson and Clair 1998).

The literature (Helms Mills et al. 2010; Maitlis and Christianson 2014; Brown et al. 2015) provided for Weick's (1995) properties of sensemaking in organisations as one of the prevailing and advanced models used in organisational theory to approach how executives employ sensemaking about unexpected events, similar to the phenomenon of FI and a FC as an unexpected event in the corporate environment.

The environment-organisation relationship is placed in the organisational sensemaking process, in addition to the notion that executives extract particularly other-than-expected events, uncertainty, or threats to routines, environmental disruptions (Meyer 1982a; Milliken 1990), as well as organisational crises (Shrivastava 1987; Weick 1988; Brown and Jones 2000; Wicks 2001). For these cues, meaning is ambiguous (Robinson and Morrison 2000). This may be different for each person due to previous experiences, and therefore furthering their comprehension of the situation will influence their forthcoming action, which may also differ.

In conclusion, organisational interpretation and sensemaking are of particular interest in unstable and uncertain environments. However, in relation to FI as an unexpected event, it remains open if and how the phenomenon is threatening the sustainability of the company, and whether or not the affected SM routines can be powerful enough to trigger sensemaking procedures. Potentially, this sensemaking can then be a measure to “[...] *return a sense of stability [...]*” (Dougherty and Drumheller 2006: 216).

2.5 Chapter Summary and Research Gaps Identified

This section concludes with a clear synthesis from the literature review which results in the research gaps. The necessity for this investigation is elaborated and finally the RQs for this thesis are introduced.

The literature review revealed that the existing theory about FI, as well as the related states of FS and FC in the financial system, are predominated by researchers and public institutions. Meanwhile, several classifications of FI are

provided, but there is no single definition. At the same time, existing descriptions take a prevailing macroeconomic perspective and remain rather elusive. Nevertheless, with its acknowledged characteristics of irregular occurrence, financial disturbance, and FC as its most serious state (Chant 2003), FI is assumed as a systemic risk (Group of Ten 2001). Several researchers provided for determinants of related systemic risks, but these are also only based on more macroeconomic variables, and are quantitative in nature. Overall, the primary addressees of the studies are financial institutions and policymakers for macroprudential supervision. Resulting, FI could be seen as a phenomenon of the corporate environment but the corporate perspective remains undetermined.

In the corporate view, following GST and CT with related approaches, a CRE company is considered as an open system that has an ongoing interdependency with the environment. Due to this, changes in the corporate environment require adjustments in the system 'CRE company' and in the SM, as well as in the SDM of the sub-system 'executive management board' – mediated by corporate strategy (Mintzberg 1979).

Extant literature provided a long history and diversified research about triggers initiating such organisational adaptation to the environment (Suarez and Rogelio 2005). However, there is no clarity in terms of a best-suitable application. The literature embraces a large number of varying theoretical and empirical responses contemplating different environmental characteristics that bind organisational strategic activities (Tushman and Romanelli 1985; Ginsberg and Buchholz 1990; Christensen 1992; Haverman 1992). Additionally, there is increasing evidence that executives' assumptions about the phenomenon and their intentionality are assumed to drive the implementation of a particular strategic choice (Miles et al. 1978; Abatecola 2012). Hence, their awareness is expedient to respond to the environmental condition of FI, while it is their responsibility to monitor the corporate environment on an on-going basis with regards to changes and resulting risks, threats, and chances of potential impact on the corporate strategy for the CRE company, initiating according adjustment processes to regulate the

homeostatic balance. The importance of their behaviour in environmental change and respective action and its relation to one another has been emphasized theoretically in the strategic choice approach, however, is so far not comprehensively covered in existing studies, which demands a greater awareness of the managerial perspective in organisational research and SM, beyond pure environmental determinants.

Hence, the phenomenon of FI, as the preliminary phase and environmental condition preceding an event of FC, has to be recognised in its nature and origin, as well as in its present form and extent of uncertainty from the organisational perspective. At the same time, this is relevant for SM and (prescriptive) decision-making in order to precisely define what will be observed and how to classify the phenomenon on a corporate level. This also requires an understanding of the meaning of the phenomenon from the perspective of the executives.

Research Gap 1

There are serious shortcomings in the existing literature pertaining to the phenomenon of FI from a (more) microeconomic perspective of the executive management board members on a corporate level for the purpose of SM and decision-making of CRE companies.

To address this research gap, the study investigates the lived experiences of executives in CRE companies to explore their inner meaning of the phenomenon of FI, reflected in RQ1. From the literature review, it may be assumed that executives have already implicitly constructed their meaning of FI and this is already adopted in SDM. The meaning will be made explicit and tangible in this part of the investigation.

Extant literature also provided evidence that such meaning will be influenced by the executives' perception, mental processing, interpretation, and sensemaking about the phenomenon. Executives actively create and enact their reality (Weick 1979). Hence, the assumption that all executives share the same meaning generation in environmental change is questioned. The

objective environmental characteristics as such, that existing literature brings forth, are deemed insufficient for organisational identification of upcoming environmental changes. Where the executives of a CRE company have to advance appropriate adjustment mechanisms with regards to their SM - represented by strategic initiatives - in order to adapt to superior systems and to achieve the corporate objectives, their recognition and interpretation is important for how they process. This may also impose that practitioners modify their habits and usual routines or even alter their identity.

Overlooking or ignoring signals from the corporate environment and its implications for the managerial interpretation process, is considered a notable oversight. Thus, managerial understanding about the SDM processes and practices with emphasis on the environmental determinants that challenge the executives are needed.

Research Gap 2

Specific process characteristics or an explicit explanation about the way senior executives form their expectations about FI based on their meaning are not provided by existing literature.

As a first essential step to close this gap, the present study soughts the attention focus of understanding the phenomenon of FI, creating and defining its corporate meaning and how they construct this phenomenon from a content and process perspective. This is important because it has an influence on how much mindful attention the environmental event attracts at executive level (Weick 1995) to initiate further strategic action. Hence, even though both, strategic choice (Child 1972) and managerial cognition suggest that top managers bring together and interpret information for their SDM, the study does not yet move to the psychological ground of managerial cognition about why and how this may influence the perception and interpretation or SDM behavior.

It has been shown from empirical works that CRE is exposed to risks and global economic events due to its strong integration in the real economy. Firms

have to continuously monitor changing circumstances in the organisational environment and advance appropriate adjustment mechanisms with regards to SRM initiatives to assimilate to superior systems.

The literature has provided good reasons as to why holistic ERM and integrated strategy are beneficial to organisations in volatile environments to cope with uncertainties and risks. RM is a central part of the SM of any organisation and thus the responsibility is with company executives. ERM provides organisations with the possibility to take advantage of an integrated approach to support decision-making in managing risk and benefit from upcoming chances, and to transform the RM focus from a defensive approach to a more strategic and offensive one. Such ERM constitutes the methodological realisation of assessing the risk attached to the company's activities in a volatile global environment. The literature is limited to conceptual and general level modelling of ERM and related procedures. While these provide a sound basis, they fail to show detailed adjustments necessary for FI specifics.

From the SRM perspective, the latest three episodes of FI at the economic level, characterised by extensive failures and losses of financial institutions, became externalities that effected the rest of the economy (Group of Ten 2001). In this context, central banks (e.g. ECB) have identified emerging threats to FS and established macroprudential measures to avoid systemic risks to the financial system. While these are deemed not applicable at the corporate level, executives rely on their expertise, judgement, perception, and sensemaking and at best a range of meaningful indicators that support their interpretation and could predict unfavourable developments for the CRE organisation.

Executives seem to be currently unequipped to analyse risk-related events or aggregate risks from the phenomenon of FI in the context of CRE companies, which might affect corporate strategies and corporate objectives. To handle the respective risks from such phenomenon, it is essential, from the SM perspective, to develop corporate risk indicators for the context of CRE

companies. Metrics in SRM and ERM are so far predominated by quantitative factors as risk indicators and the monitoring of QIs is underrepresented.

Research Gap 3

The literature does not provide for the implications (potential risks and risk related events) and related QRIs of FI from a more microeconomic perspective for the SRM of CRE companies.

Sound indicators are considered necessary to monitor and evaluate the development of the situation in order to manage or even prevent failures and detrimental effects on the business. The accountability of qualitative, instead of quantitative, indicators allows evaluating the type, characteristics, and extent of changes over a period of time against predetermined norms. Indicators can provide critical information about whether FI evolves or is present and increase absorption of information. Furthermore, there is a necessity for a more comprehensive picture about the complex situation, a great relevance of the degree of change imposed, and an importance of questions of process and relationships that need to be included. The significance of developing QIs also derives from the characteristics of the phenomenon where the multi-dimensionality and complexity could not be captured appropriately with quantitative indicators.

From the literature review, it became obvious that compared to the event of a FC, the phenomenon of FI has generally not been of rich theoretical interest. Three research gaps were presented which prompt the necessity of the study and investigation about FI. Even though there is a good theoretical basis in extant research on explaining the organisation-environment relation, strategy content, and its dependencies in general, existing studies fall short in providing insights about the complementary perspectives of content, meaning of FI, and process, how these environmental specifics are perceived and managed in the organisation.

At the same time, traditional approaches in organisational science seldom embrace executives' social and behavioural factors in real-life situations that

should be taken into consideration for a more realistic understanding of the phenomenon. The relation between the superior environmental systems and the organisation is not considered to be deterministic, but autopoietic, which challenges the predictability of environmental changes. A generic cause-effect-relation cannot be determined and requires a more detailed qualitative investigation of (implicit) considerations that are concerned with respective strategic decisions and action. The necessity for an interpretive, qualitative methodology also arises from the focus on the human factor where this approach may have a detrimental impact on views and actions in management, strategy, and the organisation as such.

The literature review specifies that corporate strategy and SDM are context-sensitive. As the CRE sector entails dependencies and is prone to global macroeconomic financial imbalances, it is particularly pertinent for this investigation (see also section 1.1.3). Therefore, it shall receive certain attention in data analysis, to place the findings of this study into that particular context.

While currently no meaning of FI from the corporate perspective is available, there is also no specific theory or best practice for organisational adaptation to the phenomenon. Executives can make momentous misjudgements in their assessments - ranging from ignorance of information about the phenomenon and poor processing to implicit meanings that are not appropriately used. In this regard, SM, decision-making, and risk control can't be fully realised. The CRE company may be at risk because environmental changes of FS to FI or FC will not immediately be recognisable in their SRM. Therefore, an according adjustment of the RM and incorporation of risk indicators for FI are also required. Where the phenomenon can only constitute a part of the corporate ERM, the study focuses on the SRM and not an integrative solution for an ERM. If, and to what extent, the qualitative findings are incorporated in a holistic RM remains with the corporates.

In conclusion, the investigation will address the aforementioned three gaps and provide answers to the following RQs:

1. How do executive management board members of the real economy sector within CRE companies define the meaning of financial instability on corporate level?
2. How do executive management board members form their expectations about financial instability given the meaning of it?
3. How does the corporate meaning of financial instability and awareness of the respective expectations translate into different qualitative risk indicators and implications for SRM behaviour?

The invention of this study is that it brings together SM and environmental change in relation to the phenomenon of FI, as experienced by executives from the CRE sector who were deeply involved in the latest GFC.

In the following chapter, the research design and methodology for this study will be presented and explained.

Chapter Three: Research Design and Methodology

This chapter outlines the research design and methodological approach of this study. Following the research paradigm of the researcher, this part of the thesis lays out the design and explains why this has been deemed most appropriate for this investigation. Further, the role of the researcher, standards for rigour and credibility, as well as ethical considerations are presented. Finally, the methodology as applied is laid out.

3.1 Outline of Methodology

From the research gap and unresolved theoretical issues originated the idea for a specific contemporary research design and methodology that had previously fallen short in SM research (Barrett et al. 2011; Tsoukas and Chia 2011).

The researcher, as an anti-positivist, used an interpretive hermeneutic phenomenological approach. This is supported by qualitative methods in data collection. Semi-structured interviews provide a substantial basis of subjective data from those who have experienced the phenomenon. Hereto, sample strategies and sample sizes are defended for appropriateness of the purposive selection of CRE executives. A distinctive data analysis, using TA, existential analysis, axial coding, and pattern coding complement a coordinated methodological concept to investigate the phenomenon of FI.

After presenting the details of the research design and methodology, this chapter explains and justifies the methodological approach taken, and challenges the positivistic dominance in the field. This research design explores the meaning and discovers the sensemaking process of the phenomenon of FI from the corporate perspective and additionally develops QIs and implications of FI.

3.2 Research Design and Philosophical Underpinnings

3.2.1 Research Paradigm

Every researcher holds specific underlying assumptions pertaining to their investigation that are reflected in their philosophical worldview (Gray 2009; Creswell 2014). This researchers` paradigm emerges from their basic beliefs and flows into the way of designing the research methodology and how they conduct the investigation (Guba 1990). From a philosophical angle, this means a combination of ontological and epistemological stances together with appropriate methods to develop valid and rigorous knowledge as a meaningful outcome for the specific underlying context (Blaikie 2007; Gray 2009).

Research methods literature (Gray 2009; Creswell 2014) suggests several research philosophies for empirical studies, which researchers can apply for their research design. This does not mean that one is prevailing over another, but that they all take a different perspective and thus, reach different objectives (Saunders et al. 2009). However, the theoretical perspective still has to be chosen deliberately while taking into account the research objectives as well as the overall paradigm.

In consideration of the research focus on managerial lived experiences, for meaning and sensemaking, this study needs a cautious, careful, and reasonable look at existing, potentially implicit SDM procedures. These will be investigated in the specific domain of CRE companies experiencing environmental change during phases of FI. From the researcher`s perspective, this focus requires a departure from quantitative statistical methods in the social sciences in order to be able to derive more experiential results closer to real-life understandings. Here, the researcher recognises reality as complex and fluctuating, which leads to his view that there is no objective truth.

As such, the positivistic stance becomes less important against the background of anti-positivism, or post-positivism, which are hereafter discussed in more detail as the three major philosophical stances.

Positivism

Positivism is usually concerned with the natural sciences where the focus is on proving or disproving a hypothesis (Caldwell 1980; Bryman and Bell 2015). The positivist approach involves quantitative methods to assemble statistical data and accomplish generalisable results (Gray 2009; Saunders et al. 2009).

Over time, the positivistic stance has brought forward a number of recognised thinkers with different philosophical foci. Particularly, these include Aristotle (deductive reasoning), Bacon (inductive reasoning), Galileo (scientific method), Descartes (realism), Comte (positivism), the Vienna Circle (logical positivism), and Popper (post-positivism), chronologically according to their existence (Pernecky 2016). Above all, positivism emphasises a reality that can be objectively observed by the researcher (Saunders et al. 2009). Furthermore, it is based on the ontological assumption that reality is external to the scientist and epitomised by living objects, that pertain meaning independently “[...] *without influencing it or being influenced by it*” (Guba and Lincoln 1994: 110). Reality can be captured by people’s senses and then becomes predictable. The respective epistemological postulations are that the principles of the natural sciences should also be employed to study social reality (Bryman 2016). Truth can be reached because knowledge “[...] *rest[s] upon a set of firm, unquestionable [...] indisputable truths [...]*” from which people derive their beliefs (Hughes and Sharrock 2016: n.p.). Hence, knowledge is deductively derived from a hypothesis, or theory, and is therefore objective (Bryman 2016).

Anti-Positivism

Controversially, the anti-positivistic stance, also known as interpretivism (Hayes 2000), considers social reality as being constructed. They ongoingly interpret and reinterpret the “[...] *conscious human intention [...]*” (Smith 1984: 380). Following, inquiry in the social sciences involves constructive elements in analysis and description, so that the researcher is inevitably tied with the phenomenon under investigation (Smith 1989). In the interpretivist view, the world is too complex a construct, and it is more important to understand the meaning of the phenomenon from the subjective perspective of those who

experience it, rather than to generalise or reduce the world to a number of observable characteristics (Gray 2009).

This paradigm accepts that there are several realities in the social world, that data is perceived and interpreted by the researcher`s mind, and that the meaning constructed is not more valid than others (Schutt 2006).

Ontologically, this approach is guided by constructivism (Bryman 2016). Reality is subjective while indirectly constructed based on individual interpretation. People create their own meaning for events, which is distinctive and cannot be generalised. There are multiple perspectives on one incident and hence this reality is socially constructed (Crotty 1998). Such social construction is based on several tenets with regards to meaning and understanding, which is why human emotion and mental procedures are central to it (Guba and Lincoln 1994). Additionally, its origin is in social interaction, giving shared common sense. And furthermore, it is specific to time and place while being rooted in continuous social-cultural processes (Bryman and Bell 2015). Notably, here reality differs according to circumstances (Lock and Strong 2010).

From the epistemological angle, knowledge is created through an approach that takes account of differences between individuals and natural objects (Bryman 2016) by “[...] *grasp[ing] the subjective meaning of social action*” (Bryman and Bell 2015: 724). It evolves inductively to set up a theory (Creswell 2013). Particularly, knowledge is gained from specific situations as experienced by the people, and therefore it cannot be reduced to simplistic interpretation (Pernecky 2016).

Even though the main theorists share the subjective perspective, they have carved out different philosophical focuses: Husserl and Schutz (phenomenology), Geertz (anthropology), Dilthey and Gadamer (hermeneutics), Blumer (symbolic interaction) and Garfinkel (ethnomethodology) (Crotty 1998; Leavy 2014). Further details on this are part of the research strategy (section 3.2.2) that will follow.

Post-Positivism

In relation to the aforementioned two paradigms, the post-positivist is situated in-between, but still seems closer to the positivist paradigm. Post-positivism has strong objective perspectives while seeking to develop a reality that is constructed by a (subjective) social life-world (Creswell 2014).

A post-positivist is still concerned with looking for regularities and patterns as well as causalities. Researchers tend to critically evaluate the reality provided by the participants in order to be able to get as close to the 'true' description of the phenomenon as possible. (Groff 2004; Bhaskar 2009)

Philosophical Worldview of the Researcher

There are considerable differences in natural and social reality that necessitate specific consideration for the methodological approach (Crotty 1998).

During the studies, it has become clear to the researcher that he is situated in the anti-positivistic tradition. Also in consideration of the research subject, positivism is far too much associated with the natural sciences and quantitative approaches. The same applies to post-positivism, which is still pursuing a more objective and quantitative path.

Where experiences are the basis for understanding social reality (Gray 2009), there exist subjectively constructed, "[...] *culturally derived and historically situated interpretations of the social life-world*" (Crotty 1998: 67). In this regard, anti-positivism does subsidise the research purpose of uncovering the meaning of the phenomenon of FI from a corporate perspective. Where this is influenced by the idea of executives' subjective experiences about the research topic and their respective actions in SM, such a worldview informs a sophisticated (social) construction of reality about the phenomenon under investigation. Their stories require interpretation to extract the social reality of FI created from a common consensus.

The anti-positivist (interpretivist) researcher reconstructs reality from human experiences through coalescing around a relative consensus. Here, in this

study, interpretivism means to construe the phenomenon of FI, explore the implicit meaning from the executive participants, discover the organisational sensemaking process, which they embody in their management action and that encourages them, and, finally, develop indicators and implications for SRM arising from this constructed meaning of the phenomenon.

When indulging in the interpretivist paradigm, the researcher entered into the social world of executives in CRE companies. He got engaged with them and collected in-depth information about their perception of the phenomenon of FI. This approach enabled the researcher to understand what stimulates their behaviour and decision-making in the context of SM in a phase of FI and a subsequent event of FC on the corporate level. Also for the notion of sensemaking, philosophical stances have accepted an interpretivist perspective, while acknowledging subjective understanding and the fact that truth is actually historically and contextually contingent (Heidegger 1962; Knorr-Cetina 1981; Gadamer 1997).

The study does not aim towards objective generalisable results, but towards uncovering the way in which senior executives construct their beliefs in their social environment (CRE company). To answer the question of the meaning and sensemaking based on their lived experiences of FI, an anti-positivistic interpretive study provided beneficial information and new knowledge based on individual experience that was brought together in collective meaning.

3.2.2 Research Strategy

Under the umbrella of the researcher's anti-positivistic stance, the research strategy is context-driven and seeks to obtain understanding of the experiential lifeworld of the participants. A qualitative and interpretive phenomenological research strategy fits well with the research paradigm in order to investigate the phenomenon of FI in executives' SM behaviour and their meaning and sensemaking about it within the CRE context in which they occur. This approach meets the requirements to better comprehend realities and peoples' action in the world (Tsoukas and Chia 2011).

3.2.2.1 The Rationale for a Qualitative and Inductive Research Approach

The Qualitative Approach

Quantitative research is characterised by formulae looking for predictable results, whereas qualitative research seeks to discover and describe when searching for meaning (Laverty 2003; Bryman and Bell 2015). Both approaches have been used in the social sciences and management business studies, but for the underlying study a qualitative research has been preferred as more suitable.

On the one hand, quantitative research is mostly applied to reveal dependencies of variables leading to measurable and numerical representations of the topic under investigation. Quantitative research uses statistical methods of data collection and data analysis, seeking objective and generalisable data from a huge population (Gray 2009; Bryman and Bell 2015).

Qualitative approaches, on the other hand, are concerned with subjective descriptions or interpretations of social phenomena (Creswell 2014). They look for a deeper understanding of the social life-world and the meaning attached to it (Bryman and Bell 2015). Quantitative research puts such aspects aside and focuses on a theoretical concept (Creswell 2014).

For this research, quantitative approaches were found to be unsuitable in providing answers to the 'how' RQs. Those require a direct exchange between the participant and the researcher for retrieving their subjective views. Also, this context-sensitive study needed a wider view of people's experiences and environments.

Although, historically, objectivity was essential in the sciences (Streubert and Carpenter 2011), recent studies are increasingly taking into account subjective data, particularly those that encompass human interaction or experience. Also, qualitative studies fill the gaps where topics remain poorly, or rarely assessed (Creswell 2014; Bryman and Bell 2015).

As such, qualitative research methods, like hermeneutic phenomenology, grounded theory (GT), as well as ethnography, have attracted attention (Denzin and Lincoln 1998). They share the involvement of people to gather rich data to explore experiences, feelings, and thoughts in order to form realities (Dingwall et al. 1998). Qualitative research is thought to extend the view beyond the human as a functioning societal subject but sees them as individuals experiencing their lives (Morse and Field 1996).

At the same time, the qualitative approach allows for taking a more holistic and context-sensitive view of the phenomenon of FI. This follows the circumstance that the event of FC is the most severe kind of FI and emerges during a phase of FI. Both can, therefore, not be disconnected and the characteristics and impacts of the phenomenon can only be considered holistically. Furthermore, as has been outlined earlier, the context and specifics of the CRE sector require particular attention for data collection and analysis, while the recurring phenomenon may have a detrimental effect on the macroeconomic, corporate environment of CRE companies.

Therefore, a qualitative approach was chosen for this study, as being most suitable to gather meaningful data in order to answer the RQs. It is in line with the anti-positivistic paradigm, which is based on a subjective social construction of reality. It supports the research aim to explore meaning and discover sensemaking procedures as well as to develop indicators and implications of FI at the corporate level, directly from those who experience it.

The Inductive Approach

Theory is important to the social researcher in terms of providing a backdrop and rationale for the research that is conducted. Additionally, it is a framework in which social phenomena can be understood and the research findings can be interpreted (Bryman 2016).

With a deductive research design, formulated theory is tested through developed hypotheses. While going beyond existing theory, this approach is very well applicable in advanced fields of enquiry (Marshall 1997). Data

collection serves to verify, or negate, the expressed theory. Conversely, with an inductive approach, researchers build a theory by using the freshly collected data (Gray 2009). This approach is regularly applied when opening up a new field of enquiry and where no expedient theories are available (Marshall 1997; Bryman and Bell 2015). Knowledge is derived by collecting information and trying to find patterns and an order that constitute a reliable theory.

In connection with the qualitative research approach, this study used an inductive research design to explain the phenomenon under investigation. The field of research has no mature theories available that suit the investigation for further development or testing. Also, using an existing meaning that was not ready-made for the SM of CRE companies would restrict the vantage point of the researcher. Particularly, in light of the research objectives, this approach allows the necessary openness and flexibility in exploring and discovering, rather than testing.

Such an “[...] *inductive approach seeks to find the internal logic of the subject*” (Gray 2009: 23), where the full subjective meaning of the interviewees is allowed. Therefore, the data collected is analysed in view of bringing theorists and practitioners to the position of understanding the nature of the phenomenon of FI and its implications for SM in more detail.

3.2.2.2 The Rationale for an Interpretive Phenomenological Research Strategy

3.2.2.2.1 Research Applications of Phenomenology

Within the interpretive paradigm, several methodologies go well together. Familiarly, these include phenomenology, ethnography, and GT, in addition to ethnomethodology and performance ethnography (Denzin and Lincoln 2000).

From these alternatives, the choice of phenomenology for this study is justified in the following sections.

Phenomenology has been recognised as an approach as well as a method. Husserl (1970) himself also attributed a third dimension to it, which is philosophy. As such, phenomenology is ontologically routed in asking for the meaning of being and epistemologically in reflection through analysis (Ray 1994), and is considered to contribute to organisational research (Holt and Sandberg 2011; Thanem 2016).

Phenomenology, according to its Greek origin, means “[...] *to show itself*” (Heidegger 1962: 51). It is aiming at a particular phenomenon (Lindseth and Norberg 2004). Therefore, for its transmission to research, it goes to the core, the essence of human experiences that is consistent with the aim of this research, to understanding the phenomenon of FI. It is attempting to bring this subjective view and action together with the external, objectivised reality (Moustakas 1994).

Based on his interpretivist position, the researcher deployed the phenomenological strategy for a reflective study, presenting the phenomenon itself in phenomenological reflections (Audi 1999). Phenomenology studies “[...] *lived, human phenomena within the everyday social contexts in which the phenomena occur from the perspective of those who experience them*” (Titchen and Hobson 2005: 121). Hence, based on individuals’ experiences of social reality they form an understanding about the meaning of such reality, because it describes the world, the one that is experienced and lived (Audi 1999; Vagle 2014). Phenomenology considers experiences to be the basis for understanding social reality (Gray 2009).

The study followed the phenomenological notion that one needs to understand the problem in order to be able to solve it (Schön 2016) while being prepared for it. This approach supports the current study in providing an early understanding of the phenomenon and its complexities while openly reflecting participants’ various realities. Following the interpretivist paradigm, reality is derived subject to cultural or historical influences on peoples’ interpretation (Crotty 1998). As such, it is inevitable to gain insights about the social world constructed and continually reproduced by people (Blaikie 2007), which leads

to the conclusion that interpretivism can be considered to be associated with phenomenology - it is its theoretical perspective (Crotty 1998).

Phenomenology has risen against the traditional social sciences, especially for organisational research, primarily because of the following features:

	Phenomenology	Normative Science
Apprehension of the World	<ul style="list-style-type: none"> • Largely indeterminate and problematic view of the world • Phenomena are viewed as functions of perceptions, intuition, and personal meanings 	<ul style="list-style-type: none"> • Determinate and non-problematic worldview • Personal choice still is necessary to decide about what characteristics are to be studied and how to assess them
Phenomenon Investigated	<ul style="list-style-type: none"> • Lived experiences of subjects • Both, observed characteristics and perceived qualities, are subjective forms of meaning 	<ul style="list-style-type: none"> • Characteristics that can easily be enumerated • Empirically verifiable
Problem Formulation	<ul style="list-style-type: none"> • Begins with an attitude of epoché • (Mainly) brackets personal bias and beliefs • RQs are formulated and responses are analysed 	<ul style="list-style-type: none"> • Verification of formulated hypothesis about causal relations • Uses dependent and independent variables
Research Methodology	<ul style="list-style-type: none"> • Descriptive • Taking the view of those experiencing the world they live in • Inductive • Cannot be replicated exactly 	<ul style="list-style-type: none"> • Logical definitions • Broad, abstract generalisations • Deductive • Replicable
Research Aims and Inferences	<ul style="list-style-type: none"> • Universal pure essence • New insights or reclassification 	<ul style="list-style-type: none"> • Statistical interpretation • Categorization and classification in numerical comparison
Generalisation of Results	<ul style="list-style-type: none"> • No generalisation beyond the group under investigation • Findings are data base for further investigation 	<ul style="list-style-type: none"> • Generalisations based on analysed data for similar classes or universal tendencies, expresses in a normative fashion

Table 2: Summary of Major Features of Phenomenologist Research Philosophy in Contrast to Normative Paradigms. Source: adapted from Sanders (1982: 358).

This research advanced a notion of the lived experiences from those who perceived the phenomenon, meaning the executives who have been responsible for the SM in CRE organisations during a phase of FI in the macroeconomic environment of the firm. As such, this distinct and novel phenomenological approach to the managerial encounter of the phenomenon of FI may also contribute to methodology. It facilitates an extended perspective on the phenomenon of FI and serves the purpose of the RQs. This includes exploring the experience and cognitive perception of executive management board members of CRE companies as pertains to their meaning and perception of the phenomenon of FI (content), to uncover the underlying sensemaking process, as well as their translation into respective indicators and implications. To achieve this, the phenomenological approach was considered a reasonable solution as it refers to the way (process) in which the participants experience and make sense of the world around them. Also, it is grounded in the researcher's focus on an experiential rather than a statistical perspective. In the complex macroeconomic situation, with the specific setting of FI as part of the corporate environment, phenomenology enables the researcher to develop meaning right from the beginning.

Consequently, the focus of this study was descriptive, exploring the meaning of the phenomenon of FI from the perspective of CRE senior executives' real life experiences. Thus, it was necessary to capture specifics of the participants' experiences, and their notions and preferences reflecting their individual awareness of FI. The phenomenon of FI is somehow tangible, but at the same time it is intangible and not easily accessible. Every executive experiences, behaves, and focuses on it in another, subjective, way, and probably perceives the phenomenon differently. This is what needed to be captured for a reliable study.

3.2.2.2 Phenomenological Key Concepts

In this section, the key concepts in phenomenology, which informed the study, are laid out. Husserl (1970) as an entrepreneur, provided the groundwork for the phenomenological routes in the human and social sciences, which, basically, consist of the four key concepts of consciousness, lived experience, lifeworld, and phenomenological reduction in the researcher's interpretation that were relevant to this research context (Moran 2000; Giorgi 2005; Finlay 2009).

Consciousness

Consciousness has been assigned with a pivotal importance and put on the same level with human experience that is implicit in all actions (Husserl 1970). It assumes that there are common characteristics among all who shared the experience, so-called essences, or eidetic structures that portray the factual nature of the phenomenon (Allen 1995; Lopez and Willis 2004). Hence, it is specific to phenomenology that the trigger for the interest in the investigation originates from the experienced phenomenon itself, but not from the one who experiences it (Langdrige 2007).

Opposite to the Cartesian view of human consciousness, in terms of a subject-object dualism, Husserl believed in the entirety of people's lived experiences and how these lead to their thoughts and feelings. He was much more concerned with looking at "[...] *consciousness of the world, or more specifically the relationship between a person's consciousness and the world*" (Langdrige 2008: 1128). From this standpoint, consciousness is intentional, in the way that meaning and a kind of being are assigned to all conscious experience (Moran 2000). Thus, people are then conscious of something and there is an underlying process of perceiving this. Contradictory to the human sciences, however, phenomenology goes back to "[...] *the things themselves [...]*" (Husserl 1970: xxx), focusing on describing the lived experience (Moran 2000). This idea led Husserl, in turn, to relate how the subject human experiences something to the content and effect of this experience (Moran 2000). In his later works, he removed the subject from this connection to an outer sphere

(Langdridge 2007). This transcendental view allowed for the noticing of the phenomenon from a meta-level and becoming more reflective on the observed.

In relation to this study, the researcher conforms with Husserl's approach to seeing the subject and object as being naturally connected. Hence, there is a managerial perception of SM behaviour and a resulting strategic action of the executive human beings in connection with the object under investigation – the phenomenon of FI.

Lived Experience

The lived experience of humans is essential to phenomenology. Lived experiences are an interplay, a contextual grid described as something that,

"[...] does not confront me as something perceived or represented; it is not given to me, but the reality of lived experience is there-for-me because I have a reflexive awareness of it, because I possess it immediately as belonging to me in some sense." (Dilthey 1985: 223)

Hence, lived experiences are subjectively perceived as being in the world, immediate, conscious life. They are temporal and people obtain meaning only through reflection of their past experiences (van Manen 1990). Notably, Husserl (1970) presented the view that humans do not behave as a reflex action to stimuli, but to their personal interpretation of such appeal. Hence, it is pertinent in phenomenology to investigate people in their standard settings and not in artificial ones.

Quintessentially, the lived experience forms the basis for extracting the essence of the phenomenon under investigation. In an effort to circumvent critique on the rigour of phenomenology, compared to the prevailing traditional sciences, Husserl (1970) placed the lived experience independently from its context.

Although modifications of phenomenology have been developed, they mostly agree with Husserl that phenomenology is the study of experience, and the nature and meaning of such experiences for people (van Manen 1990; Lavery 2003; Finlay 2009; Friesen et al. 2012).

Lifeworld

This human science perspective on the lived experiences of those being in the world provides for an understanding of the lifeworld (Husserl 1970), which refers to a day-to-day life packed with meanings that affect those persons in their (inter-)actions. Hence, the focus is on a holistic view of the people in their world (Merleau-Ponty 1962).

This concept of an everyday lifeworld has been advanced by Schutz and Luckman (1973: 3-4), who stated that it,

“[...] is to be understood that province of reality which the wide-awake and normal adult simply takes for granted in the attitude of common sense. By this taken-for-grantedness, we designate everything which we experience as unquestionable; every state of affairs is for us unproblematic until further notice.”

Consequently, there is room for different lifeworlds of a variety of people but also each individual may occupy distinctive ones during different times (Schutz and Luckman 1973).

This peculiarity forms the basis for this study when identifying the everyday lifeworlds of the senior executives, allowing different experiential qualities from the CRE firm lifeworlds or from the lifeworld of the researcher. Furthermore, the researcher assumes that the participants probably experienced different lifeworlds throughout the course of their everyday business lives, i.e. their lifeworld of working together with other managers, or the advisory board, differs from the lifeworlds of teaming up with employees or external stakeholders of the company or even their private lifeworlds. Therefore, the researcher accepts the notion of various and multiple lifeworlds and

deliberately integrates these into the methodology, aware of his own lifeworld from experiences and a subjective context (see also section 3.2.2.4).

Phenomenological Reduction

Where the lifeworld has such great significance in phenomenological studies, there has been much debate on the researcher's subjective role in this regard (Langdrige 2008).

In Husserl's transcendental view, he believed that it is possible to bracket the researcher's presuppositions and prejudices (Husserl 1970). These also may arise because the phenomenon exists prior to its exploration and the starting point for the investigation.

Husserl implemented phenomenological reduction to allow for the development of a more precise and fresh research outcome and to help researchers to go beyond the natural approaches with predetermined assumptions. In his view, the naturalistic approach leaves a substantial gap, while not going beyond what is taken for granted.

Phenomenological reduction can be realised by bracketing out and taking the reality out of participants' statements for granted (Giorgi 1997). This refers to prior (scientific) knowledge about the phenomenon, theories and explanations, as well as researcher's personal opinions or preconceived assumptions (Ashworth 1996). It is a more critical approach to understanding the lived experiences of others (Langdrige 2007).

The so-called existential phenomenologists (Heidegger 1962; Merleau-Ponty 1962; Ricoeur 1991) have mostly criticised the phenomenological reduction and context-insensitivity of Husserl's descriptive approach. They suggest that the researcher can never fully bracket out, because he is also embodied in the world. Furthermore, reference is made to the necessity of the hermeneutic stimulus when investigating meaning (Ricoeur 1991).

With the hermeneutic sensitivity of this study, it is deemed impossible to bracket all prior experiences of the researcher. Instead, it is argued that those contributed to the study and finally made it possible to investigate the phenomenon in this depth.

This outline of the phenomenological key concepts provides for essential aspects to the phenomenological study. In consideration of the research objectives and RQs, here the researcher argues for the application of the specific phenomenological approach in this study, influenced by hermeneutics.

3.2.2.3 The Rationale for a Hermeneutical Phenomenological Approach

Over time, parts of these key concepts have been criticised and there emerged different phenomenological stances (Gill 2014). Hermeneutic phenomenology differs from other phenomenological approaches because of its focus on interpretation, departing from simple descriptions of the phenomenon (van Manen 1990). In accordance with the underlying research paradigm, two of the most influential positions, namely Heidegger's (1962) interpretive approach and van Manen's (1990) hermeneutic phenomenology, have been found relevant to this study. Additionally, there was some influence from Gadamer's (2004) methods. These three approaches are consistent with the rationale of exploring new meaning while re-examining managerial taken-for-granted understanding and sensemaking in the context of experiencing FI.

Even though hermeneutics is still rarely applied in organisational studies, it has gained increasing influence as an approach to explain human behaviours and meaning (Dowling 2007; Barrett et al. 2011). For the phenomenon under investigation in this study, the hermeneutical approach provides for an innovative view to understanding FI. It supports the enhancement of existing definitions and lived sensemaking procedures with a managerial perspective that is derived through interpretation of the exemplified narratives of those who experienced the phenomenon, and in its context, by referring to people's backgrounds that cannot be excluded from the phenomenon.

Behind the background of its different approaches, compared to other methodologies, the following will provide a short overview about the development of these philosophies and contemporary philosophical views that bring them together.

3.2.2.3.1 Heidegger`s Interpretative Phenomenology

Husserl`s (1970) basic concept of phenomenology has been developed and enhanced with different understandings by other theorists. Besides Merleau-Ponty, Levinas, and Sartre, Heidegger gave one of the most influential directions (Barrett et al. 2011). He perceived hermeneutics as a phenomenological method to explain human being and did not see it as a set of principles (Crotty 1998).

Heidegger introduced the 'immanent' world of everyday objects, the nature of 'being' (Giorgi 2005; Friesen et al. 2012) and departed from Husserl`s transcendental inclination. His view is grounded in the concept of consciousness and human existence, noting that the individual is not always conscious or deliberate of its body, mind, and thought, but a kind of 'taken-for-grantedness' guides the action to exist in a certain way (Heidegger 1962).

With this existential view, he included the human as being embodied in its environment, as 'being-in-the-world' (Heidegger 1962). With this being the essential component of his concept, the world only exists if being exists, while the existence of being is determined by the different possible ways in which individuals structure the world. Oftentimes the appearances are not "[...] objectively present [...] but rather possible ways for it to be [...]" (Heidegger 2010: 41).

This perspective derives from the differentiation between two worlds: the lived world, that is to be revealed to others, and the physical world. This distinction includes the assumption that individuals cannot escape from their world and, therefore, only the physical world can be uncovered through scientific methods.

For the lived world, individual descriptions about their experiences and related context is required (Lopez and Willis 2004).

In comparison to Husserl (1970), Heidegger`s (1962) approach goes beyond a pure description of the perceived, and seeks to derive meaning from the people and understanding about how this takes effect on their action (Chia and Holt 2006). As such, an exploration of the surrounding factors, like socialisation, politics, and history that may exert influence on experiences must be included.

With this perspective, phenomenology is extended with hermeneutics (Moran 2000). Hermeneutics is concerned with language (Moran 2000) and the art of interpretation (Friesen et al. 2012) to uncover meaning and essences, where the interpretation derives from a researcher`s work with the texts (Crotty 1998; Sutton and Austin 2015).

As for this study, where the meaning of the participants is neither visible nor explicit to themselves, an inquiry with hermeneutic weight leads to uncovering and capturing the meaning from participants` narratives out of the interview conversations. Language is used through conversation to uncover implicit or hidden meaning (Heidegger 1962; Gadamer 1997; Gadamer 2007). It is accepted that meaning and sensemaking of FI with a hermeneutic stimulus is not infinite but contains a temporary snapshot that can be adjusted and changed over time when new interpretations are available (Chia and Holt 2006; Finlay 2009).

From the researcher`s considerations, Heidegger`s interpretive approach complies with the explorative study that looks into phenomena of everyday events of executives to reveal what has been taken for granted in their SM behaviour.

3.2.2.3.2 Van Manen`s Hermeneutical Phenomenology

With a strong influence from Heidegger`s existential philosophical ideas, a further perspective on hermeneutic phenomenology emerged. Van Manen (1997; 2016b) introduced the need for deliberately considering the researcher`s own knowledge, bias, experience, and presuppositions where these may effect the research proceedings or outcomes. In his hermeneutic version of reduction van Manen (2016b) claims to illustrate such self-reflection but also to be as open-minded as possible to the phenomenon. His approach leaves much room for a linguistic mediation on understanding through conversation. Reality is explored in terms of a mutual understanding that represents a new meaning.

Additionally, van Manen (1997) provides further refinement beyond the previously described approaches while giving some more direction to method. He recommended four existentials of lifeworld that are “[...] *lived space (spatiality), lived body (corporeality), lived time (temporality), and lived human relation (relationality or communality)*” (van Manen 1990: 101). Notably, these are stipulated to serve “[...] *as guides for reflection in the research process [...]*” (van Manen 1990: 101), but others may reasonably be used in accordance with the particular complexity of the lifeworld under investigation.

Furthermore, he provides guidance on hermeneutic phenomenological proceeds along six methodical steps (Vagle 2014). In his understanding, the first step is to formulate the RQs to turn “[...] *to the nature of the lived experience*” (van Manen 2016a: 35). Step two, called “[i]nvestigating *experience as we live it*” (van Manen 2016a: 53), considers the research methods for a meaningful investigation and their deliberate choice. After data has been collected there follows a third step of reflection. The essential themes identified as characteristic of the phenomenon under investigation are turned into meaning and essence of the lived experience. Van Manen (2016a: 32) pointed out that there is “[...] *a distinction between appearance and essence [...]*”, hence bringing into focus things which people see as commonplace, as well as those that appear confusing. Afterwards, step four covers the data analysis. The phenomenon is described in a process of writing

and rewriting (van Manen 1990; 1997) to bring emotions, thoughts, and stances of participants' expressions to the fore. This step delves into the fundamental details of the transcribed texts using interpretative descriptions, while striving to explore the phenomenon as exactly and precisely as possible (van Manen 1990; 1997). Step five is considered as a procedural aspect that accompanies the whole research. The researcher is required to maintain a strong interest in the phenomenon and the RQs in order to preserve focus. Lastly, van Manen (1990) calls for a constant measure of balance between the significance of the parts and the whole of the research textual design.

From the researcher's point of view, these steps provide a solid framework for the research as such. They do not necessarily have to be applied in sequential order, but rather guide throughout the process, while data is being collected, analysed, read, and re-read. With this approach there is sufficient flexibility in performing each step subject to the emergence of the data. The application of the data collection and analysis, as suggested by van Manen (1990), is further discussed in the sections that follow.

As a complement to van Manen's (1990) approach, the research has, in parts, also been informed by Gadamer (1975b). Specifically, his fusion of horizons and hermeneutic circle were considered to add to a rigorous and comprehensive study. Different to other hermeneutic approaches, Gadamer (1997; 2004) places emphasis on situating experiences in the overall context of the phenomenon, with an iterative and circular style of handling data moving between reading, thinking, and interpretation. With this understanding, the narrative must be related to historical situations and context of the participant and the phenomenon. Furthermore, his fusion of horizons and expanding the range of visions, contributed towards achieving more holistic views and levelling researcher's prejudices.

An understanding of hermeneutics and phenomenology, in its philosophical fundamentals and theoretical foundations supports the underlying research design. Hence, the motivation and relevance for using van Manen's (1990; 1997) hermeneutic phenomenology in this study is threefold. First, this

approach harmonises well with the research paradigm. It supports the interpretive exploration of participants' expressions of their lived experiences as being in-the-world, and what it means to be a senior executive in the designated world of the CRE context, more particularly in a phase of FI and the event of FC. Second, the focus on the lived experiences and the essentials of the meaning and organisational sensemaking embodied in them supported the aim of this study to uncover their managerial perspectives. Also, it reflects on the way the phenomenon is perceived by the participants and on the dynamics affecting such perceptions. Third, the context-sensitivity in hermeneutic phenomenology is consistent with this investigation that puts the phenomenon of FI into its context of SM in CRE organisations and their corporate environment.

3.2.2.4 The Role of the Researcher

As discussed above, in this phenomenological study it is pivotal for the researcher to critically reflect on his role to be self-aware of possible subjectivity and “[...] *interpretive influences*” (Laverty 2003: 24). Such awareness was imperative to separate his own meaning and opinion from those of the interviewees. This includes his presuppositions, assumptions, his voice and sensitivities (Creswell 2014; Marshall and Rossman 2016), as well as his background.

Hence, the sense of reduction for this study is expressed in the researcher's conscious considerations of his position and respective steps taken to make his role as the researcher and possible bias that could have impacted the study as transparent as possible.

The qualitative investigation entails certain involvement by the researcher himself. From the drafting of the topic, up until data analysis, some parts more than others, could give him the possibility to provide direction to the research. Specifically, the openness of the semi-structured interviews and interpretation of the data left some room to point the study in either direction. With the benefit

of hindsight, the researcher's influence on the study in this regard was negligible, as the focus on the participant's involvement prevailed.

However, some of the researcher's personal experiences provided initial context for this study. The idea for this research topic emerged from a business situation in which the researcher was involved. His earliest memories of the presence of FI have been exactly at the time he experienced this unforgettable situation. He was heading a senior position of a CRE company. The management and he were hit by the event of the GFC 2007/08 suddenly and unexpectedly. The phenomenon of FI beforehand and respective implications for the company remained unrecognised by its executive management board for a long time. Even though the macroeconomic situation (economy level) was subconsciously considered critical over time, this deliberately had not been part of any strategic discussions, and thus no respective decision-making had been made. The phenomenon was faded out with regards to its potential adverse effects on the CRE company (corporate level), which could have jeopardised the existence of the firm, or resulted in a crisis for the firm at any point in time. Hence, there was no conscious consideration for the interface between the CRE company as a system and the environmental condition of FI. Consequently, the phenomenon was largely ignored by the executives, and there had not been any deliberate consideration in the SRM of the company. This means, the risk assessment of the preliminary phase of FI at the economy level has not led to the identification, analysis or evaluation of resulting risks at the corporate level. No one ever talked openly about any aspects of the situation or their perceptions of it.

Even though the researcher has already been involved with macroeconomic crisis situations in his prior studies, this personal experience left a sustained impression that led him to investigate the matter further.

With this background and long-standing expertise in CRE management, the researcher took on the role of a practitioner researcher. At the same time, being a researcher in the anti-positivist tradition requires a collaborative

approach with the participants and a trusting relationship. As such, he is involved in industry specifics and management procedures. Therefore, arrangements during the research process have been considered to avoid any possible negative influence on the study as much as possible.

To limit the researcher's bias during the interviews, he placed his full attention on the interviewees and their narratives. However, while being the instrument of data collection, he held a material role and the talks immersed in the details of the topic. Using open-ended questions prevented too much influence, on the part of the researcher, in any particular direction, and all interviews were carried out in as consistent a manner as possible according to the interview guideline.

The double-edged role of the researcher, as a practitioner but also as a close-to-objective researcher, was beneficial for the in-depth investigation in phenomenological means and suited the overall research design well.

3.2.3 Formulating the Research Questions

As laid out, this investigation was initiated by the central interest in understanding the phenomenon of FI beyond macroeconomic definitions. Also influential were the researcher's personal experiences in the CRE sector and practical managerial considerations in SM to take a new perspective on the phenomenon.

When finalising the RQs, the researcher had been influenced by wanting to finding out more about how SM is carried out in a phase of FI. In addition to this, came the deeper interest in the underlying reasons that affect the SM behaviour or decision-making procedures in the context of such challenging times.

After studying the organisational management literature, the researcher believed that the motivations for what executives' do must originate in their sensemaking procedures. This inspired the researcher to go beyond the

exploration of the corporate meaning (RQ1) and to discover the organisational sensemaking procedures pertaining to senior executives' SM processes in times of FI in the corporate environment (RQ2). Furthermore, the resulting indicators and implications (RQ3), which were identified as meaningful characteristics during these periods, can be considered as indicative for similar future situations and were of interest for providing a sound picture of process and action during a phase of FI.

Here, the researcher has deliberately decided to work with 'how' questions. These are particularly valuable for noting overarching themes or trends in the analysis (Bryman and Bell 2015). Also, sensemaking requires getting involved with the 'how' of people's practices and understanding (Dervin et al. 2003).

With these considerations, the three RQs match all areas central to this study from the research gap: the corporate meaning, executives' sensemaking in this regard, and resulting indicators and implications.

3.2.4 Rigour and Credibility

As discussed, this research falls under the umbrella of qualitative research, where some empiricists are still questioning the strength of its reputation, credibility and rigour or trustworthiness (Sandelowski 1993; Tobin and Begley 2004; Koch 2006). Hereto, researchers have focused on criteria such as plausibility and credibility (Silverman 2001; Morse et al. 2002; Shenton 2004). This leads to the fact that qualitative research projects seek for an even better proof of academic rigour and integrity.

For this study the researcher has shown that he is well aware of the different research approaches as well as their influence on process and outcome. While missing the 'confidence' of measurable figures, the transparent description of considerations shows a plausible, distinct, and rigorous approach. Also, the researcher was well aware that a retrospective study, after the situation under investigation has passed, could involve a potential distortion in participants'

judgement of the situation as they now involve more knowledge in hindsight (Fischhoff 1975; Fischhoff and Beyth 1975).

Additionally, for a rigorous knowledge generation, it is essential to understand the context in which participants' responses and experiences are embedded (Rashotte and Jensen 2007). This context is, therefore, separately analysed and discussed to validate perception and understand the construction of the situation.

When taking measures to ensure a trustworthy and rigorous study the researcher reached reliability and validity, in qualitative means. This was ensured by a detailed description of the steps taken during sampling and data collection. With the specifics of the hermeneutic phenomenological approach, the researcher also provided critical details of the numerous stages of data analysis and interpretation, the emergence of sub-themes and themes, and how the single stages finally contributed to the findings. Herewith, he ensured a verification and self-correction process during the investigation (Morse et al. 2002). An additional validation by an external was not used since considered incongruent with the hermeneutical approach, so was member-checking (Webb and Kevern 2001; Webb 2003; Bradbury-Jones et al. 2010; McConnell-Henry et al. 2011). Ashworth (1993) even questions whether data validation with participants lends support, because they may disagree with the interpretation, or others indicate that they may regret what they said (Sandelowski 2002). In line with the interpretative means of this study, the researcher's version is deemed valid until another plausible view adds to this, but yet does not invalidate researcher's description.

Furthermore, the fit of data, method, and outcome was constantly monitored under the assumption of the research design and research focus. The researcher proved plausibility and credibility in data collection and analysis by using extracts from the data as sources for the sub-themes and themes. Hence, the findings allow for traceability and experts may easily identify with these descriptions. They provide for a strong recognition value and were considered congruent with reality. Plausibility and credibility also became

relevant in terms of the sampling strategy for the investigation, where the purposive character supports the use of reliable and trustworthy sources of data.

Additionally, with the dual approach to meaning, the study validates the corporate meaning from lived experiences with the meaning provided through organisational sensemaking procedures. The deliberately chosen research methodology and design, therefore, also added credibility and validity to the study in each phase of the research. The methodological approach of this study has also been presented and discussed as conference proceedings with other researchers, who established confidence about the validity of the procedures.

Finally, the research included researcher`s reflection on challenges of the research (section 6.3) and evaluated the investigation. That section lays out the researcher`s criticality and limited subjectivity to increase credibility.

3.3 Research Methodology and Context

The research methods were chosen in line with the phenomenological strategy and anti-positivist paradigm that ask for a profound examination. Because the researcher was looking to increase the understanding of the phenomenon under investigation and aimed for a rather novel meaning and an extended definition, he focused on perception, description, and sensemaking by knowledgeable participants as well as in-depth information. Hence, semi-structured interviews and TA guided the methodology in this context-sensitive interpretive study.

3.3.1 Data Sources

3.3.1.1 Primary Data as a Reliable Source

In qualitative research, data sources may be twofold: primary data is information collected in that researcher`s investigations, while secondary data

has been previously created and published by other researchers (Bryman and Bell 2015).

For this study, taking into consideration the novelty of the investigation of the phenomenon of FI in the CRE sector, specific secondary data and studies about the phenomenon were difficult to find. Hence, secondary data was only considered through the literature review, where the research gap was identified but this study did not involve processing raw secondary data to deliver results.

Hence, this study was based on information collected by the researcher, looking for topic-related information on this specific subject matter. This was also necessary because the data moreover involved qualitative aspects of personal experiences and meaning making, which has seldom been adopted so far.

3.3.1.2 Sampling

3.3.1.2.1 Site Selection

In the first instance, according to Marshall and Rossman (2016), for the site and population selection, this is dependent on possible access, the exploitable mix of people available, processes and structures of interest and whether the researcher can establish trust with those participating, compliance with ethics requirements, and whether the information gathered is credible and of high quality.

As outlined in the introductory chapter, the site selection of the CRE sector was primarily driven by its central role in the global economy (ESRB 2015) as well as its considerable relation to the latest SCC, GFC, SDC, and ongoing dependencies to other crises (Bianco 2008; Mishkin 2011; Lane 2012). The CRE sector can, however, be considered as an important sector of the economy and may have a significant impact on it. As such, it is a meaningful and valid site for the investigation of the phenomenon of FI.

Having chosen the German CRE sector as the site in general, the following sections will describe in further detail which sampling strategies were used for this study and will provide reasons for the choice of participants included in the investigation.

3.3.1.2.2 Sampling Strategies

In this study, the researcher sought a sample of people as sources of information that were able to provide an understanding of FI in executives' SM processes.

The concept of sampling in phenomenological research is seldom explicitly mentioned in literature (Gentles et al. 2015). Van Manen (2014) considers the usually applied concept of qualitative sampling - sample size and population considerations, selection criteria, generalisation, or member checking - as not being compatible with phenomenology, but sees the sample as examples. Even though plausible, this was considered somewhat too vague and the researcher wanted to warrant a structured, efficient choice of participants to improve validity. This was considered in line with Goulding (2005), who argues that participants are the only source of data in phenomenology, and sampling should, therefore, be purposive. In this study, this is also particularly relevant because of the context-sensitivity and specific knowledge needed to meet the requirements of the interview conversation and to be able to answer the RQs.

Purposive sampling is broadly applied in qualitative research (Yin 2011). It is effective in identifying and selecting the best matches with limited resources (Patton 2015) - meaning those that are knowledgeable and experienced with the phenomenon (Creswell and Plano Clark 2011), willing and available to participate and to disclose their impressions and experiences (Spradley 1979; Bernard 2002). These participants usually provide rich information for valuable in-depth visions, not just empirical generalisations (Patton 2015).

Furthermore, elements of criterion, convenience, and snowball sampling were used to purposefully choose the right participants, as well as to achieve a reasonable mixture of participants for this study.

First, criteria that suit the purposes of this study and considered to be mandatory characteristics of the participants were defined by the researcher.

These include:

- being executive management board members (body), legally in charge of the company represented by them, hence being responsible for the SM of the organisation and for the chances and risks of the SRM; and
- employed at German CRE companies, driven by international, multinational, and domestic firms; and
- having obtained such, or an equivalent, position in the CRE sector during the period between 2005 to 2015 (time horizon/period).

Out of this population, potential individuals were nominated as interviewees for the study. These included candidates that were easily accessible or personally known, which resulted in a good response rate and only 5 out of 15 contacts declined to participate.

As a form of convenience sampling, the researcher contacted one of his established contacts who is an executive management board member of a CRE company, as well as another contact from his wider network, explaining the intent of the study using a form of introduction letter (Appendix 1). Such relations were primarily available due to the researcher's professional experience within the CRE sector. One of them complied with the sampling criteria and participated in the study, but, notwithstanding, both of them were further utilised for a sort of snowball sampling, to help in identifying and recommending further participants from their network who also contributed information-rich cases (Patton 2015). By combining snowball sampling and criterion sampling as a type of purposeful sampling strategy (Creswell 2013), variation could be limited and similarities were brought into focus.

As such, the researcher's personal contacts were not the only participants used in this study, as primarily new contacts from a wider circle were

established. Such access ensured a rich mix of participants and processes, in the area of interest while maintaining data quality and credibility.

3.3.1.2.3 Sample Size

The unit of analysis in a qualitative study is referred to as “[t]he concept or the experience under study” (Starks and Trinidad 2007: 1374). The authors argue that a multitude of concepts and rich data can even be created from small samples or a single participant and hence, for phenomenological studies, a sample size generally “[...] range[s] from 1 to 10 persons” (Starks and Trinidad 2007: 1375). This is in line with other studies that point to the average sample size as being around ten participants or even less (Morse 1994; Guest et al. 2006; Teddlie and Tashakkori 2009; Gentles et al. 2015). Seldom, is a wider range of between five to 25 participants mentioned (Creswell 1998; Miller and Salkind 2002). Usually, phenomenological studies are more in-depth (O`Reilly and Parker 2012) which justifies a smaller sample size.

As there is no specific stipulation on an exact number, the researcher has decided to aim for a minimum of ten participants in this study, which is well in line with the sample size ranges indicated and agreed in empirical literature. Such a medium sample size was considered appropriate for this study in order to gain exploitable results and intensively engage with the data, in line with the phenomenological and in-depth approach to data collection. Furthermore, the population, which is deemed homogeneous in nature, justifies this smaller sample size, and this was further strengthened by the underlying sampling criteria. Diversity and a, sort of, representative example has been secured by age and gender, as well as business models (see Table 4 and Table 5).

At the same time, the researcher designed and conducted this investigation with the intention not to impose an absolute predetermined sample size (Carter et al. 2009), but, rather, to go ahead with a minimum and continue interviews until ‘saturation’ had been reached. However, the anti-positivist researcher is

always open to new insights gained within the phenomenological research strategy, and saturation, in its original form, was not relevant for this study (van Manen 2014). Hence, the sample size was driven by diving deep into the implicit meanings of the participants and collecting their intense experiences while stopping short of saturation from good “[...] *experiential material* [...]” (van Manen 2017: 810). This kind of saturation follows the understanding of Legard et al. (2003) which points towards not aiming at an adequate scale, but gathering sufficient data to enable the illustration of a full understanding of the phenomenon.

As a result, the study finally ended up with a sample comprising of ten interviews with senior executives from German CRE companies. The participant selection and composition of this sample is laid out in more detail as follows.

3.3.1.2.4 Participant Selection and Sampling Group

For the ten participants, the researcher took care in ensuring that the information provided was meaningful, in terms of developing new knowledge for the industry, and that the information was generalisable to a certain extent within the CRE sector. Thus, the variance in business types and personal characteristics was deliberately chosen.

The mixture in business categories of the CRE companies was intended to allow for a complete picture of the research findings, not limited to national companies. The majority of the companies were international, or multi-national, covering the wider extent of businesses when looking at the global expansion of the phenomenon.

Business Category	Organisation	Interview Date	Location	Duration
International (Global)	H-Org.	23.03.2017	Frankfurt/ Main	01:28:59
	B-Org.	27.01.2017	Frankfurt/ Main	01:07:26
	G-Org.	22.03.2017	Munich	01:01:22
	F-Org.	21.03.2017	Hamburg	00:36:12
	E-Org.	24.03.2017	Frankfurt/ Main	01:07:17
	J-Org.	26.01.2017	Munich	00:58:35
Multinational	A-Org.	25.01.2017	Hamburg	00:42:14
	C-Org.	21.03.2017	Hamburg	01:04:39
	C-Org.	25.01.2017	Hamburg	00:14:36
National (Regional)	D-Org.	22.03.2017	Munich	00:46:58

Table 3: Interview Schedule with CRE Companies. Source: Author (2017).

Besides, the major business models of CRE market players are represented by the sample. A variety of small, medium, and large enterprises were also included, private and family-owned but also listed.

Ownership	Organisation	Business Size (employees)	Business Model CRE
Private/ Family owned	B-Org.	500-999	Fund/Portfolio Management
Family owned	A-Org.	>1.000	Asset Management
Listed	H-Org.	>1.000	Asset Management
Listed	G-Org.	>1.000	Asset/Wealth Management
Listed	F-Org.	>1.000	Asset/Fund Management
Listed	E-Org.	>1.000	Asset/Fund Management
Listed	J-Org.	<100	Asset/Fund Management
n.a.	C-Org.	<100	Asset Management
n.a.	C-Org.	<100	Asset Management
Listed	D-Org.	100-499	Asset Management

Table 4: Characteristics of Participating CRE Companies. Source: Author (2017).

The researcher took care to maintain a variance in the characteristics of both the businesses and the participants. Out of the ten participants of the study, three were women and seven were men, which is above average for female executives in the industry (ZIA/ICG 2016). Their estimated ages ranged from 40-59 years and all of them had long-standing experience in the CRE sector, which was essential for this study.

Organisation/ Participant Alias	Function	Gender	Age (est.)	CRE experience
H-Org. / Olivia	CFO	F	40-49	>20 years
B-Org. / Jake	Managing Director	M	50-59	>20 years
G-Org. / James	Managing Director, Advisory Board	M	50-59	>20 years
F-Org. / George	Managing Director	M	50-59	>20 years
E-Org. / Charlie	Managing Director	M	50-59	>10 years
J-Org. / William	COO	M	40-49	>10 years
A-Org. / Scarlett	CFO	F	40-49	15-19 years
C-Org. / Harry	CEO	M	40-49	>20 years
C-Org. / Allen	General Manager, Member of the Board	M	40-49	10-15 years
D-Org. / Sophia	Managing Director	F	50-59	>15 years

Table 5: Characteristics of Participants. Source: Author (2017).

Finally, a total of ten interviews were conducted for the main study during a period of two months at the beginning of 2017. All of the interviews were done face-to-face. Overall, the interview duration ranged from 14 to 88 minutes with an average of 54 minutes. The total material collected was approximately ten hours.

Data collection Method	<i>Semi-structured single respondent interviews</i>	Type of interview	<i>Face-to-face</i>
Total No. of interviews	<i>10</i>	Average interview length	<i>54 minutes</i>
Interviewee gender	<i>3 females/ 7 males</i>	Interview duration range	<i>14 to 88 minutes</i>
Data collection period	<i>25.01.-24.03.2017</i>	Total material collected	<i>10 hours</i>

Table 6: Interview Statistics Main Study. Source: Author (2017).

Apart from the main study, the research design had been piloted before data collection started. This was done to ensure reliable primary data sources and efficient data collection, as well as the appropriate choice of participants. The pilot study was conducted in April 2015. The three pilot participants had to undergo the process as planned for the main study, and were chosen according to the same sampling criteria. Out of the three, two were men, and the overall age was in the same range as the main study.

Data collection Method	<i>Semi-structured single respondent interviews</i>	Type of interview	<i>Telephone calls</i>
Total No. of interviews	3	Average interview length	<i>39 minutes</i>
Interviewee gender	<i>1 female/ 2 males</i>	Interview duration range	<i>38 to 41 minutes</i>
Data collection period	<i>15.-17.04.2015</i>	Total material collected	<i>2 hours</i>

Table 7: Interview Statistics Pilot Study. Source: Author (2017).

As a result of this pilot study, it highlighted how very sensitive to context the study was. Therefore, the design changed from the transcendent phenomenological approach to a hermeneutic one. This resulted in CRE becoming an additional central point of the main study. Furthermore, the interview guideline was improved and adjusted accordingly. At the same time, the pilot study confirmed the necessity to have knowledgeable participants from the field and justified the sample size. For information rich cases in such context-sensitivity, a smaller, but experienced, sample was indispensable.

With this two-step process to research design and selection of data sources, an appropriate and reasonable data collection, reliably representing the CRE industry in Germany for the main study could be secured.

3.3.1.3 Ethical Considerations

Research ethics describe the rules of conduct that are applied throughout the research proceedings (Saunders et al. 2009; Bryman 2016). Ethics ensure that the well-being of the participants is respected during the whole process of the

investigation. The study includes ethical principles that are compliant with the requirements from the University of Bradford's Ethics Committee. The ethics approval for the study has been granted by the Chair of the Humanities, Social, and Health Sciences Research Ethics Panel at the University of Bradford on May 25, 2016.

In this phenomenological qualitative study, research ethics have a particular importance because of the close communication between the researcher and the participants and the very personal information, which they shared. This privacy and intimacy brought forward the possible vulnerability of the interview partner and, consequently, specific ethical considerations. During the interview, the managers might have felt uncomfortable or stressed when recalling an unpleasant experience. The researcher had to ensure that the interviewee was protected against any harm or pressure. On the one hand, this was taken into account when giving the executives the right to refuse participation in the project and an option to withdraw at any time. On the other hand, the researcher himself, as an experienced professional, is skilled in observing, evaluating, and reacting to managers' statements with regards to any distress they might experience. Retrospectively, no such situation occurred during the interview sessions.

At the very beginning, the researcher informed the managers about the planned study and awaited their go-ahead. The executives were introduced to the project prior to confirming participation, which provided transparency and informed consent for all participants. As mentioned before, all of them were provided with an introduction letter (Appendix 1) outlining the research, which also included the contact details of the researcher, should the participant have felt the need to contact him before or after the interview in case of any queries or open items that needed to be clarified. Also, information about the ethics committee approval was included to provide further confidence for the participant. The additional consent form (Appendix 2) offered clear statements about the purpose, benefits, and potential risks of the study and had to be acknowledged with a signature as a prerequisite to undertaking the interview.

Furthermore, it was essential for the research process that participation was voluntary. Digital voice recordings during the interview were also specifically agreed upon in advance.

Another material point for all participants was that their shared information was confidential. At every stage of the research process, the researcher respected the right to stay anonymous and the information provided to remain confidential. Any identifying details relating to the participant or their company were removed. In order to still refer to them as real people, their names were replaced by aliases. These were references during transcription, analysis, and quotation throughout the study. The data was stored separately and only for internal use and potential inquiry from the Bradford doctoral programme.

All the procedures and relations to all of the people involved were trusted and respectful, without any discrimination or favouritism. All of the above prerequisites permitted that the participants' rights to be secured according to research ethics guidelines governing research.

3.3.2 Data Collection

3.3.2.1 The Qualitative Interview as Data Collection Procedure

Phenomenological research mainly involves interviews for data collection, beside other qualitative research methods, through focus groups and, to some extent, observations of the units of analysis (van Manen 1990). For this study, semi-structured interviews were chosen to uncover in-depth information and a richer understanding (Bayne and Montague 2014; Vagle 2014) from the perspective of senior executives.

Qualitative interviews supported the aim to comprehend and describe social life, accessing motives, and achieving an understanding of those participating in the study as well as their social context (Gray 2009; Mohajan 2018). Specifically, in-depth interviews are considered to be in line with the social constructivist and phenomenological approach, which views the world through

the eyes of the participant who has extensive practical experience in the research topic. Therefore, the investigation on the phenomenon of FI required a methodology that provides for a first-person perspective of the individuals experiencing it.

The in-depth interviews gathered opinions from participants, primarily asking open-ended questions, which allowed for gaining insight into their individual meaning and the interpretations ascribed to the research topic. This approach enabled the researcher to reconstruct the realities observed from the anecdotal narratives (Polkinghorne 1989; van Manen 1990; Clandinin and Connelly 2000; Smith et al. 2009).

In order to answer the RQs, in-depth (intensive) interviewing is the most logical and appropriate research technique, because the research phenomenon of FI is largely exploratory and the technique seeks to obtain detailed responses for meaning and sensemaking. Also, this was suitable for uncovering executives' implicit understanding, while bringing forth unconscious procedural habits and thoughts that the CRE executives are used to in their everyday business without always consciously realising what they are doing and why.

Furthermore, the interviewees were senior executives, who are usually limited in time and prefer talking about their work rather than filling in questionnaires. Semi-structured interviews provided them with an opportunity to reflect on events without having to commit them in writing, which is easier when they feel that the information may be confidential (Gray 2009).

The semi-structured nature of the interview allowed for a flexible and customised way of getting as much information as possible, where the researcher could turn to specific points mentioned by the participants as they came up during the talk.

However, despite the other options for data collection, such kinds of interviews were the most focused and trustworthy. They supported the aim of the study in

gaining an understanding and meaning of executives' lived experiences (Gray 2009; Saunders et al. 2009) within their specific business context.

3.3.2.2 Primary Data

3.3.2.2.1 Designing the Interview Guideline

While the interviews were semi-structured in design, they were loosely directed by an interview guideline (Appendix 3) that included six main questions in order to address the RQs of this study. Also, this concept secured some structure to the interview, even though it was conversational in nature. Particular sub-questions were noted, but not strictly placed, during the session, only where such points had not been mentioned by the interviewee themselves.

It was essential to get most out of the participants' expressions and here van Manen's (1990) approach of using the main questions as an anchor and circling back to it in order to remain focused on the overarching aims of the study was adopted. This also provided for authenticity to the managerial experiences with SM in times of FI.

Content-wise, the pilot study contributed to placing more focus and specification on context and the formulation of the particular interview questions, which were adjusted according to the learning and experience of these initial three interviews.

Finally, the guideline was structured as follows: First, questions were related to some background information about the participant as well as to their organisation and its strategic perspectives. This helped the interviewee to gain familiarity with the situation and the researcher, in addition to providing base information that was used to analyse the background and change in the organisation in situations of FI. Following the main questions were related to the topic of the lived experience of FI and sensemaking in the CRE organisation. Concluding questions asked for any topics, that had not been

addressed by the researcher, and which the interviewee might consider relevant to the study.

3.3.2.2.2 Conducting Qualitative Interviews in Phenomenological Conversation

Semi-structured interviews in the style of phenomenological conversation with top tier managers responsible for SM and SDM were executed to explore the meaning of the phenomenon of FI and to discover the process of its organisational sensemaking.

After participants confirmed their participation, they were contacted by email to set up a mutually convenient time for an interview. The interviews were scheduled for about one hour. The researcher conducted all the interviews himself and face-to-face at the offices of the participants or, in some instances, in conference rooms of local hotels.

As for the interview style, the researcher used a phenomenological conversation (van Manen 1990), which, from the choices of interview styles available, matched well with the research strategy and the underlying research aims. The conversational interview is characterised by a partnering approach between the researcher and the interviewee during the data collection of the participant's lived experience (van Manen 1990; Crotty 1998; Tracy 2013).

Like other data collection methods, phenomenological conversation aims to create a textual narrative of the life story (van Manen 1990) of the executive. Therefore, semi-structured interviews were selected as a phenomenological conversation method, primarily, because of the qualitative and inductive approach adopted for this investigation. Secondly, it is appropriate for small-scale research (Blaikie 2007) that aims at gathering rich and detailed information from the participants as they share their experiences and life stories.

All participants talked in a very open and free manner, as a form of 'expert talk', and candidly provided a lot of information offhand. Where necessary, follow-up questions were integrated to obtain more details about the information that was shared in response to the main questions. This procedure provided rich and detailed information about the phenomenon, personal views, and experiential pictures from and within the participant's very individual setting. At the same time, the researcher could probe beyond the responses as well as uncover or open up new traces, which led to the conversational style. This provided for a maximum of true and comprehensive descriptions from the personal experience of the interviewees (Burgess 1991, cited in Easterby-Smith et al. 2012).

Additionally, the researcher's personal experiences made him a valuable and recognised interlocutor, helping to strengthen a trustful relationship and building a rapport with the participants, being a fellow expert on the same wavelength as the interviewees.

For further optimisation of data collection, the researcher utilised his communication skills. Active listening, silence, non-verbal body language, as well as questioning techniques were, especially, supportive to the conversational nature of the interview. The researcher left as much room as possible for the participant to talk instead of taking over the lead in the interview. Closed-ended questions were only used to clarify statements or ask for confirmation of understanding.

At the end of the interview, when all participants were asked to share final thoughts or missing topics, many of them provided additional information in the form of another anecdote. This part was a very valuable addition to the phenomenological underpinnings and its beliefs as it encouraged the executive participants to take the role of a co-investigator by producing their own ideas from their experiences.

Due to the circumstance that the researcher, as well as the participants, were Germans, all interviews were conducted in their mother tongue. The interviews were audiotaped using a dictation device.

The abovementioned approach fits well with the chosen strategy of phenomenology and the exploratory nature of this study, and therefore, the data collection led to several new aspects that arose during the conversation but could not have been foreseen beforehand.

3.3.2.3 Supplementary Data

In addition to the primary data collection through interviews, the researcher collected supplementary data in the form of additional notes and as part of his research log. He recorded conspicuous perceptions and observations from each of the interviews after they had taken place. The research journal also contains correspondence between participants and the researcher, as well as his thoughts, reflections, insights, or decisions that occurred during the study or those that were reviewed and considered later during interpretation. Such an approach follows van Manen's (1990) phenomenological approach and provided some helpful reminders and guidance when engaging with interpretation of the data.

3.3.3 Data Analysis

The essential objective of the data analysis is to identify patterns in data in order to gather a description of a more collective meaning of FI and its sensemaking procedures by abstracting individual experiences with the phenomenon out of the personal interviews.

The following figure presents the steps taken for data analysis:

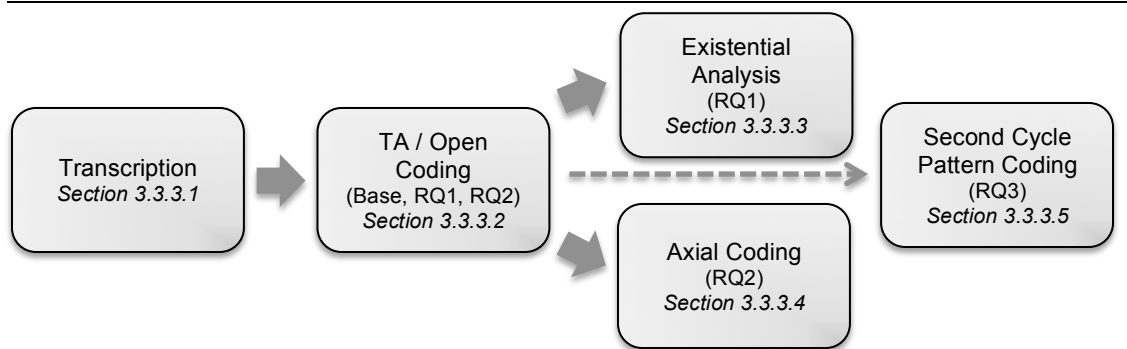


Figure 4: Data Analysis Process Applied. Source: Author (2018).

As noted before, the interviews have been conducted and transcribed in the German language. They have not been fully translated for the purposes of this study. However, a convenience translation of the significant statements (complete and half sentences), used as extracts of data analysis information, was made available (Appendix 4).

3.3.3.1 Transcription

In line with the research strategy, van Manen's (1990) guidelines were used in approaching the analysis. Therefore all interviews were transcribed verbatim (van Manen 1990; Liamputtong 2013) to produce a word document from the audio recordings. This work was done immediately after the interviews had taken place to ensure that no data or memory were lost.

These texts were made available to the interview participants, giving them the opportunity to clarify any details of the conversation where necessary. None of them replied with any amendments other than remarks on grammar or punctuation. Some of the executives provided the feedback that they felt unfamiliar when reading verbatim transcripts of their interview, compared to the reporting of their interviews in journal articles and press releases.

The interview transcripts were read and re-read by the researcher in an effort to remain deeply involved within the rich phenomenological texts and oriented

to the phenomenon (van Manen 1990) of FI in preparation for the analysis of these texts. The transcription was also beneficial in that it required listening to the voice and wording again and again, and to become deeply involved with the data.

As the results cannot be directly presented from such texts, they require interpretation and the uncovering of meaning in the experiential data.

3.3.3.2 Thematic Analysis

In the next stage, a step-wise approach to TA and open coding was applied.

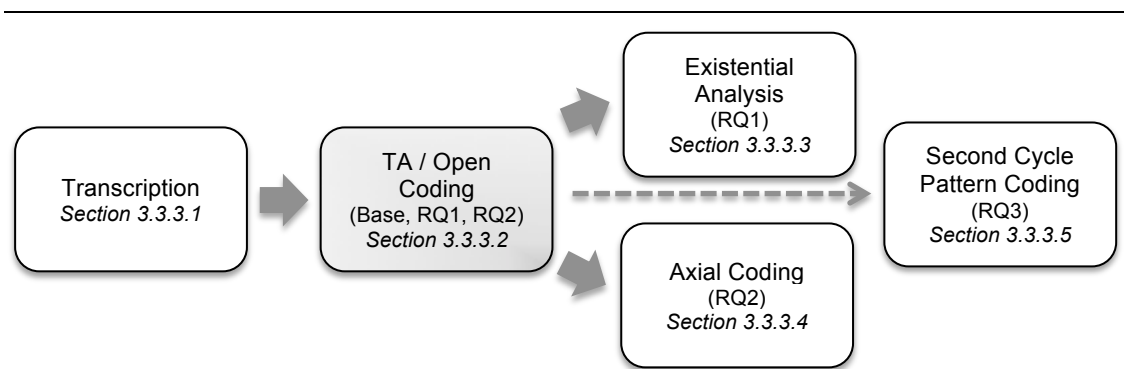


Figure 5: Data Analysis Process Applied – The Step of TA. Source: Author (2018).

In this qualitative research, data analysis was used to bring meaning to the data and arrange it in a formal concept when working through the descriptions of the interview partners. Obviously this information is much less pre-arranged or organised than quantitative information and also required interpretation (Marshall and Rossman 2016).

In van Manen`s (1990) phenomenological approach, there is no reference to one specific method for data analysis but he suggests multiple techniques that may ultimately be applied. Out of these, the researcher decided to use an open coding style and TA procedures. This contributed to the in-depth investigation with a systematic thorough interpretation of texts to uncover themes (Vaismoradi et al. 2016), thus making it an appropriate method for this experiential investigation. It fits the interpretive-constructivist paradigm and

phenomenological research strategy in accounting for participants' lived experience within their contexts.

Furthermore, TA provides the necessary focus on personal (managerial) views in line with the research aim to uncover expressive meaning under participants' visions. The themes provide for structure in the data regarding this complex phenomenon and elaborate the meaning in order to answer the RQs. This method helped to explore executives' business practices and also unconscious meaning from the cautious statements of the interviewees permitting for interpretation (Braun and Clarke 2006) beyond them.

All transcripts were coded using NVivo as a data analysis tool. This was helpful up to the point of extracting significant statements. Afterwards, the researcher decided to manually analyse the data as NVivo could not further support the complex structure and vast amount of concepts, sub-themes, and themes in relation to the context. Also, for axial coding, the researcher had to analyse manually as going back and forth with the codes was not easily feasible in NVivo.

Base Case: Thematic Analysis

The interviewees shared a lot of information about their organisation, strategy, goals, and competition etc. Even though no RQ was directly concerned with the general situation and circumstances of the CRE companies, this information was, nevertheless, considered meaningful due to the context-sensitivity of the study. Therefore, this set of data was also analysed using TA. The emerging themes helped in structuring the base situation of the company and contributed towards having sufficient reference data for a distinction between the phase before the event (FI) and the event (FC).

RQ1: Thematic Analysis and Existential Analysis

TA, under the research strategy, was informed by van Manen (1990) to answer the first RQ and uncover meaning through experience. With this research strategy of van Manen's phenomenology, the researcher was guided by four steps of analysis, starting with TA, to isolate significant statements and

categorise those to thematic themes. Afterwards, the concepts of interpretation through conversation and collaborative analysis were introduced. Finally, the coding concept of existential analysis was applied, which will be further elaborated in section 3.3.3.3.

RQ2: Thematic Analysis and Axial Coding

The same steps as above were applied in answering the second RQ. However, notably, the last step deviated from RQ1, as RQ2 underwent axial coding. This step only came about during the analysis procedures where the emerging themes shared similarities with several of Weick's (1995) seven properties of sensemaking and Daft and Weick's (1984) model of organisational interpretation. The steps taken after TA are described in further detail in the section 3.3.3.4.

RQ3: Second Cycle Pattern Coding

The analysis of data for RQ3 was based on the TA for corporate meaning and sensemaking as described above. For this second cycle of analysis, the researcher used the approach of pattern coding (Miles and Huberman 1994). This step is outlined in more detail in section 3.3.3.5.

3.3.3.2.1 Isolating Thematic Statements

To isolate thematic themes, all three of van Manen's (1990) methods were applied in an effort to get the most out of the data. Also, this provided the possibility to extract different information and facilitated a meaningful and rigorous development of sub-themes and themes in the search for an extended meaning of FI evident in the data.

The proceedings included (1) a preliminary analysis using the detailed reading approach, and (2) a final analysis applying the selective, or highlighting, approach and the holistic reading approach, being applied subsequently.

The Preliminary Analysis: Detailed Reading Approach

First, all transcribed data was read sentence-by-sentence, marking what the phrases disclosed about the phenomenon and what was readily available in the text. These statements were assigned with initial ideas and keywords. Similar wording or opinions of the participants were grouped together and made up, so-called, concepts. Equally, concepts developed through the intuitive notions of the researcher while reading the transcripts (van Manen 1990).

This step was performed for each record separately using NVivo. The results from the preliminary analysis were gathered together for all interviews and tabularised.

The Final Analysis: Selective Reading, Highlighting, and Holistic Reading Approach

The researcher read and re-read the texts using the selective reading, or highlighting, approach (van Manen 1990) of moving from the keywords and concepts to the sub-themes and themes. Here the focus was on the statements that seem illuminating and express specifics about the phenomenon of FI. These were then also linked with key words and concepts, brought together with those from the preliminary analysis. The concepts were further aggregated in sub-themes and grouped together into the themes, creating an understanding of the particular shared experiences of the executives.

As a final step of the analysis, the holistic reading approach was applied. This emerged from the key words and concepts of the preliminary analysis and worked towards the texts as a whole. Attention was paid to looking again for statements with regards to their significance of meaning and sensemaking of the phenomenon, in a way that was relevant to either explicitly or implicitly form themes. Fundamentals shared by the majority of the participants laid down meaningful patterns.

Besides the basic concept of van Manen's (1990) isolating thematic statements, the process used ideas of Gadamer (1975a). Particularly, supporting the researcher's approach was Gadamer's concept of fusion of horizons which allow the researcher to be open to emerging themes. The hermeneutic circle also helped to uncover a great amount of implicit meaning while engaging back and forth with the text during interpretation.

This process was supportive in discovering patterns and similarity across the data of the participants and in getting a holistic understanding of the phenomenon.

As indicated before, NVivo was, at some point, limited in its technical, systemic support of analysis due to the extensive data and the lack of support in the structure of the concepts, sub-themes, and themes in relation to the context. Hence, the researcher exported the statements and key words to a word document, which was used to code for concepts, sub-themes, and themes from there on. It helped to group, link, and oversee the data, while moving, adding, and amending was easily possible. For the researcher, Microsoft Word proved much more convenient for the final analysis, as the researcher found NVivo lacked intuitive handling.

The results from this final analysis constitute a table of 22 themes and 63 sub-themes, including around 100 concepts, related to the preliminary phase of FI and the event of FC, its meaning, sensemaking, QRIs, and implications. Extracts are attached in the appendices (Appendices 5-11).

3.3.3.2.2 Interpretation through Conversation

In his phenomenological approach van Manen (1990) suggests that the researcher may also involve the interviewee in conversation for interpretation.

Initial conversation came up with some participants in response to returning the transcripts, which mostly involved reconfirmation about what the experience was like. No further findings emerged from this. For later

interpretation, the participants were invited to engage in a follow-up discussion. This lapsed into silence as they either replied with contentment about the descriptions of the transcripts or they had nothing to add, but highlighted that they would be very much interested in the final study. It seemed that all had experienced a good and satisfactory conversation during the interviews and a sense of truth about what the experience was like was probably reached.

3.3.3.2.3 Collaborative Analysis

In a further step, the researcher approached other experts for an informal collaborative analysis (van Manen 1990). Such experts included professors and lecturers from diverse disciplines, especially Economics and Behavioural Finance. Findings were selectively discussed related to their subject area with them, which facilitated the detection and strengthening of the themes that had emerged from the textual description, as well as assessing the investigation by looking more through the transcripts, as well as beyond them (van Manen 1990).

3.3.3.3 Analysis and Interpretation of the Managerial Lived Experience of the Phenomenon

After identification of the themes of experience with TA, a more profound understanding of the meaning was sought by diving into deeper reflection and interpretation of the data. Hence, in a second step after the TA, the researcher applied the idea of existentials of van Manen's (1990) lifeworld in the data analysis and interpretation of the managerial lived experience of the phenomenon of FI.

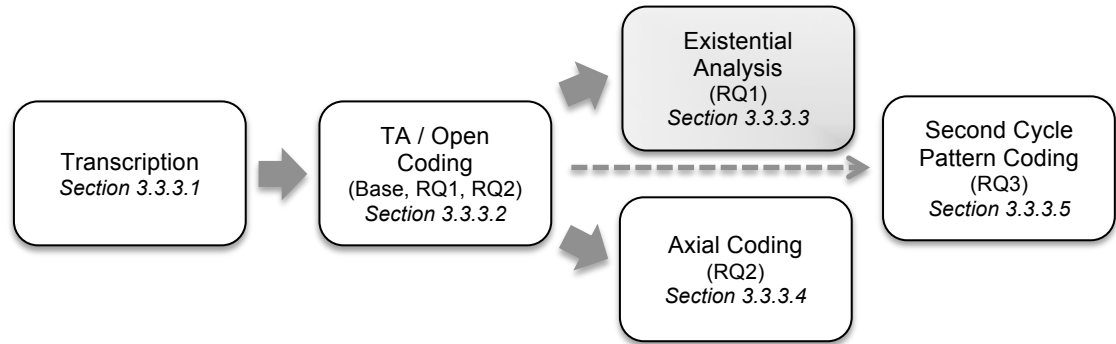


Figure 6: Data Analysis Process Applied – The Step of Existential Analysis.

Source: Author (2018).

Since there exist multiple lifeworlds, there can be various existentials that guide reflection. Looking at the underlying specifics of personal experiences and the context-sensitivity of the firm, as well as the macroeconomic state of FI, the researcher decided on the following fundamental existentials for the analysis of study: lived time (phase of FI, event of FC), lived other (relationships to other persons involved), lived space (company), and lived body (physicality of a visceral presence).

In van Manen's (1990) contemplations, 'lived time' means the temporality of people's experiences and their action over time, which is not measurable like minutes or seconds. The conscious perception of time affects the lively picture, which individuals create of the world (van Manen 1990). Lived time is the moments in-between (van Manen 2016a). For this study, these are the particulars of the passing of executives' experiences during the phase of FI or the event of FC, partially or fully implicit, but that could be gleaned with in-depth interviews.

'Lived other' focussed on the executives' lived relationships, which they maintain with other persons involved, as well as their grounding and the perception of relationality to those individuals (van Manen 1990). The phenomenological interest is in the experience of others and with others - the social relation (van Manen 1990). In the context of this study, it includes how people approach one another and how their relationships are maintained or commenced. 'Lived other' were the human relations that the executive unfolds

with other (groups of) people, like colleagues, risk managers, management, or advisory board, customers, banks etc.

'Lived space' refers to the experience of day-to-day existentials and spatiality (van Manen 1990). It is worth emphasising that different people may obviously give different meaning to it. Since space, or in this context the CRE company and its physical environment, is connected with some kind of essence, the deviations of this space to and within the phenomenon can be studied (van Manen 1990; Moustakas 1994; Dahlberg 2006). This specifically also refers to the importance of context to the study, where the 'lived space' was of particular relevance in contributing to the meaningmaking and providing a proper distinction for the phenomenon of FI as well as for the event of FC.

The fourth existential chosen by the researcher was 'lived body'. This refers to the corporality, the physical presence, and how bodily perceptions and reflections were understood (van Manen 1990). For this study, the meaning of the lived body of, for instance, colleagues, customers, networks, banks, looked at what the people disclose about themselves, not only consciously or deliberately, but as a result of their behaviour and conduct. This existential adds to a more complete picture of the meaning of FI, where executives shared their views by corporal responses and behaviour during this phase.

For analysis, these four dimensions were considered material for the meaning structures of executives' lived experience of the phenomenon of FI. As will be shown later in the findings, the existentials are interwoven in the experiences of the executives and, as such, cannot stand on their own.

From the data collected, interpretations were drawn by the researcher to serve the research aims and objectives of this study, which are intended to contribute to a better understanding and, consequently, a better monitoring of the phenomenon of FI as part of the SM.

3.3.3.4 Analysis and Interpretation of the Organisational Sensemaking Process of the Phenomenon

Even though the researcher was committed to the open coding process of TA, he also turned to additional axial coding and categorisation procedures for RQ2.

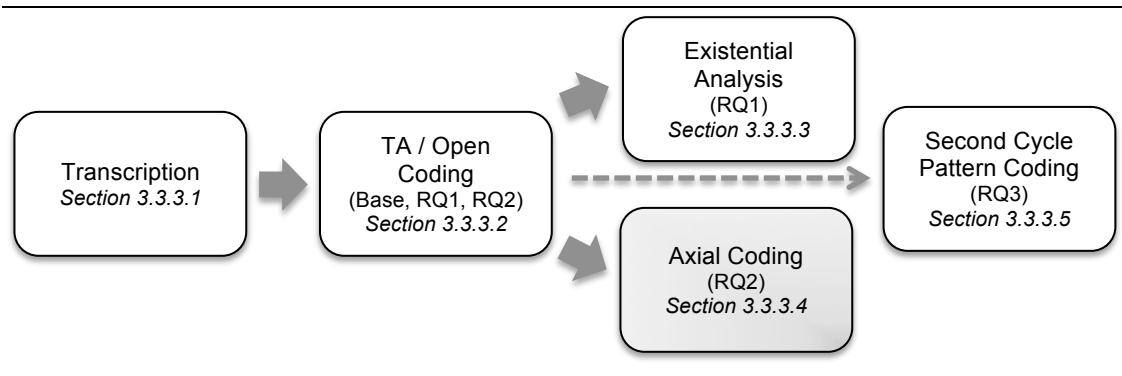


Figure 7: Data Analysis Process Applied – The Step of Axial Coding. Source: Author (2018).

From the TA emerged themes that showed similarities with several properties of Weick's (1995) sensemaking. In a further effort to improve the analysis results, this process was informed by Glaser and Strauss (1967) concept of GT in uncovering the organisational sensemaking process of the phenomenon of FI. Their GT has been widely applied in organisational science studies (Lee et al. 1999), where it is associated with generating theory about complex social phenomena with less fixed conduction procedures, and important in management studies (Lee 1999).

In this study, the researcher does not use a GT approach, but has adopted the conceptual parts related to coding and categorisation processes. Axial coding was used to deepen and structure the themes associated with "[...] *their properties and dimensions [...]*" (Corbin and Strauss 2015: 61). This step was taken to compile the dataset within the context and actions of SM for further discovering managerial sensemaking procedures.

When applying axial coding, the researcher related the established themes from TA back to Weick's properties, one after the other. He was also open to

establishing new properties and, thus, there were blank properties for those themes that might not match any of the existing classifications. This procedure continued until all the data had been evaluated. As will be discussed later in chapter four, no additional properties emerged. Hence, axial coding could provide convincing categories and links to an already established theory.

3.3.3.5 Analysis and Interpretation of the Indicators and Implications of the Phenomenon

To answer RQ3, the concepts that were derived in the preliminary analysis for the corporate meaning and sensemaking were used to develop the QRIs and determine the implications of a phase of FI and an event of FC. They provided the basis for the investigation and interpretation with regards to translating the meaning and sensemaking into QRIs and respective implications.

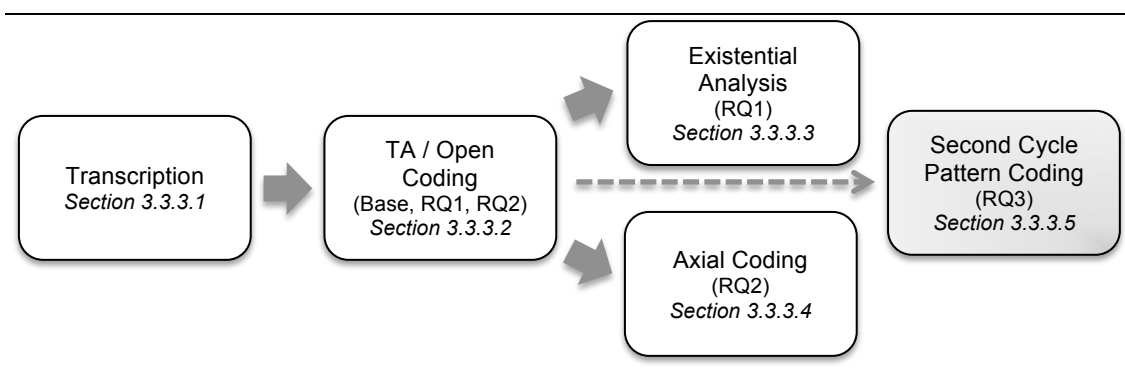


Figure 8: Data Analysis Process Applied – The Step of Second Cycle Pattern Coding.

Source: Author (2018).

For this second cycle of analysis, the researcher used the pattern coding approach (Miles and Huberman 1994). The QRIs were developed by the researcher and considered as explanatory codes, identifying the emerging themes of that qualitative risk from the concepts of FI and FC, already identified through TA (Appendices 6-9). For each QRI, one or more indicators that allow for scalability and ‘measurement’, and therefore an identification of the changes, were developed. Both together constitute the QIs.

In comparison to quantitative indicators, there was no numeric measurement but different scales that were proposed to classify the indicators. Qualitative

dimensions were better suited in the context of this analysis because measuring progress that is complex and multi-faceted, like the phenomenon of FI or FC, are well presented in the broad picture, the change progress, and the evolution of the organisation-environment relationship during these times.

Furthermore, each QRI holds potential risks for the CRE company. In order to substantiate these risks, the researcher referred back to the concepts related to corporate risks that were explored beforehand for the organisational context (Appendix 5). These mirror the generally applicable and perceived risks for CRE companies in the specific context and are considered to be inherent risks of and for their business model.

The same applies for the potential effects on SM. These were revealed based on the concepts pertaining strategic goals of CRE companies that were explored beforehand from the corporate context (Appendix 5). The reference back to the original concepts of the corporate context was sensible as these stipulate reliable notions because they originate from the interview data and first cycle analysis.

The potential risks were then, finally, allocated to broad risk categories and risk factors (Mitchell and Matruglio 2015; Figure 2) in an effort to categorise the discovered CRE risks to acknowledged categories with clear instances already studied. Also, this served as a kind of verification of the fungibility of the QRIs and implications. As a result, the categorized potential risks and risk related events make up the implications of FI or FC, respectively.

3.4 Alternative Research Methods

Given the acknowledged aims and specific propositions of the research approach, this next section will consider why the above-identified approach is most suitable for the study and for answering the RQs, compared to other alternative research methods.

Research Strategy

The main alternative in research strategy that was taken into consideration was an embedded single-case study. With its longitudinal approach, this could provide the opportunity to investigate the phenomenon in its real-life setting over time and analyse different stages in more depth (Baškarada 2014; Yin 2014). The approach was, however, rejected due to the objective of understanding the subjectively and socially constructed meaning and sensemaking procedures from those experiencing it. Also, the phenomenon of FI is rather retrospective in nature and would have been difficult to investigate over the past three years, when this study was conducted. Furthermore, a case study was considered to be too one-sided and the wider analysis of different CRE executives' experiences is more beneficial for a reliable and sound study in order to create shared meaning and understanding. Moreover, the researcher did not have the necessary access for studying one single case CRE company.

The phenomenological approach clearly required a qualitative research design. Quantitative methods are only concerned with testing hypotheses and designing relations into formulae (Gray 2009; Saunders et al. 2009). From the literature reviewed, no particular existing method or theory could be identified in order to form a hypothesis. In addition, the aim of exploring insights into experiences and behaviour required going beyond statistical representation. In the context of SM and environmental change influenced by FI, the qualitative approach provided a more innovative methodology and complemented the required provision of experiential data to enrich existing definitions. This means developing new knowledge from data, rather than looking for data to confirm to prior theory.

Data Collection

To collect the required information from the participants, alternatives like observation or focus groups were considered. Observations, as a primary data collection method, were not practical for this study where the specific time frame of FI is retrospective and thus behaviour or experiences cannot be observed at this point in time or in any specific case. Also, the researcher

followed the view that observations are, in general, not a preferred data collection procedure in management studies (Curran 1989; Sandiford 2015) because many of the high level executives are good actors in covering up parts of their behaviour and impressions and the possibility to obtain unfiltered and true information is limited.

As the study was focused on individual experiences and not specific group behaviour or shared experiences, focus group sessions were not considered appropriate for this investigation. Also, in groups of senior executives from different companies, the willingness to share information would have been limited to a minimum that would have restricted the outcome of the findings. Finally, this would not have been feasible for organisational reasons.

Furthermore, interviews play a central role in phenomenological research to gaining insider descriptions of thoughts and understanding from the participants' lived dimensions (van Manen 2014). This approach also perfectly suited the researcher's ontological positioning.

Data Analysis

There is a variety of qualitative data analysis methods available that support different outcomes, i.e. focusing on linguistics, developing theory, and interpretation (Miles and Huberman 1994; Creswell 2013; Yin 2014). Within the interpretive paradigm, and in consideration of the research objectives to uncover managerial meaning and enrich the understanding of the executives' lived experiences of the phenomenon, an in-depth investigation of the data was necessary.

TA and GT were considered to be the best alternatives for these aims. TA, in van Manen's (1990) approach, provides the necessary focus on personal (managerial) views and the inductive emergence of themes, and fits the interpretative constructivist ontology of deriving subjective data from lived experiences to construct reality.

GT as a complete approach was too deductive and not compatible with the inductive research approach to the data and concept in this study. However, as already mentioned, essential parts of GT have been adopted when analysing the data for RQ2 where its deductive approach was specifically supportive in aligning the themes with pre-existing data from Weick's (1995) seven properties.

3.5 Chapter Summary

This third chapter provides an understanding about the research design and how this research was conducted. The following table summarises the key aspects in this respect.

Research Category	Research Positioning
Philosophical stance	Antipositivist / Constructivist
Research strategy	Hermeneutical phenomenology
Research context	SM of German CRE companies in FI
Study phenomenon	Executives lived experience and sensemaking process in SM (influenced by FI)
Unit of analysis	Senior executives of German CRE companies
Research method	Inductive, qualitative approach
Primary data collection method	Semi-structured interviews
Data analysis method	Thematic analysis, existential analysis, axial coding, pattern coding

Table 8: Key Features of Research Design. Source: Author (2018).

Within the anti-positivist paradigm, the researcher has conducted an interpretive research study that is a novel approach to the phenomenon of FI and organisational studies.

Furthermore, the researcher identified the need for a phenomenological strategy in this study. On the one hand, this refers to the openness in

designing and conducting the study, methodologically. On the other hand, this perspective was considered to be an applied method to the phenomenon of FI that has seldom been used. The phenomenological approach fits the experiential and constructive research aims. The hermeneutic approach is a descriptive-interpretive approach (Cohen et al. 2000) that is congruent with the researcher's worldview. It supports the objective to go beyond explicit managerial behaviours and uncover the meaning and the sensemaking procedures of executives.

Within the phenomenological strategy, the researcher found himself largely in accordance with Heidegger's (1962) philosophical stance that the human being cannot be disconnected from their lived experiences. Moreover, the hermeneutic phenomenological approach of van Manen (1990) was considered to be the most suitable as it reflects the context-sensitivity of the study. The phenomenological approach allows for making the different layers of lived experience explicit, and afterwards, discovers how executives apply understanding and beliefs to make sense of it. Where the subject (senior executive) and object (phenomenon) under investigation are to be seen as connected, executives' behaviour during a phase of FI and their related actions are seen as ontologically grounded in the way of being in the social world.

In line with the hermeneutic phenomenological strategy, the researcher provided an extensive explanation and reflection on his personal preconceptions and potential bias. Additionally, the ethical principles, which the study complies with, maintain and strengthen a rigorous and qualitative study.

Data collection and analysis procedures were chosen in accordance with the research strategy to uncover in-depth information about the phenomenon. To seek appropriate data, the researcher used a purposive sample of executives from the CRE sector who have experienced the phenomenon. Qualitative interviews found access to executives and gained data from managers' personal experiences, though processes and organisational procedures in SDM may generally be harder to collect due to corporate foresight and

reluctance to share strategic information. The distinctive data analysis steps undertaken helped uncover implicit information and provide sound results.

Overall, the above provides for a methodologically coherent research design that takes the complexities of human experiences and their meaning, as well as sensemaking, about the phenomenon into account. It was selected as the appropriate approach because it was the most likely to reveal ontological implicit understanding of the phenomenon and, therefore, tell the story. As the topic developed from the personal experiences and interest of the researcher, the hermeneutic phenomenological approach provided space for the researcher by not excluding his valuable appropriate expertise for data analysis and interpretation. Participants shared their personal lived experiences of the phenomenon of FI and the approach added meaningful information when putting this into their specific contexts. Furthermore, as the meanings were mainly implicit, the phenomenological approach helped uncover relevant information by allowing the participants to freely talk and allowing the researcher to accompany them in reflection. Together with the qualitative inductive approach, it has proven to be an appropriate method for gaining in-depth data and facilitated answering the RQs for this study with empirical soundness.

Chapter Four: Findings

The thesis has so far provided for the contemplated research gaps as well as the respective research design and methodology that were applied in this study. This chapter four presents the findings of the investigation. It includes a detailed description of the data analysis steps taken to derive the sub-themes and themes as well as the interpretations.

4.1 Introduction to the Analysis and Interpretation of the Findings

The structure of this chapter follows the step-wise process of the data analysis, as outlined in chapter three. Due to the partly deviating approaches to the interview data and for a proper distinction of the findings, this chapter is divided into the following four parts.

First, the researcher introduces the findings related to the context and conditions of the corporate environment using TA. The study is highly context-sensitive and this section provides the necessary analysis and explanation to capture the environmental circumstances under which CRE executives are usually operating and are experiencing.

The managerial lived experiences of the phenomenon of FI are explored in line with RQ1. Guided by van Manen (1990) and influenced by Gadamer (1975; 2004), the findings developed through an iterative process of analysis, interpretation, and reinterpretation of the participants' descriptions. This allowed the researcher to become deeply involved with their experiences as well as expand his own understanding and horizons that contributed to the more objective and unbiased interpretation of the data. While it turned out that the analysis required a distinct consideration of the phase of FI and its most severe form, the event of FC, the findings are presented separately.

The next section focuses on the organisational sensemaking process of the phenomenon (RQ2). When developing the sub-themes and themes, comparability with several of Weick's (1995) seven properties became evident.

During analysis, the data relevant to these properties emerged in the final results and became part of the interpretation of organisational sensemaking in the phase of FI and the event of FC.

Next, the analysis and interpretation of QIs and the implications for CRE companies are provided. Based on the concepts from RQ1 and RQ2, the data has been further processed to develop QIs and to explore implications that result from the lived experience and sensemaking of the phenomenon (RQ3). The analysis also includes the dimensions of FI and FC.

Revisiting the researcher's antipositivistic worldview with strong ontological guidance from constructivism, the findings are an outcome of detailed examination of the data, uncovering the meaning of FI as experienced by the executives in the CRE sector, grounded in interpreted facts that are attached to the meaning of the phenomenon. It became clear that the participants in each case made reference to the crisis context of the GFC in the period of observation (2005-2015) in the narration of their experiences. The following interpretation is through the construction of reality based on the life stories and perceptions of the interviewees at these times. In accordance with the hermeneutic phenomenological approach, the interpretation is primarily based on the participants' views, and researcher's personal experiences and understanding in the process was as substantially limited, while impossible to fully exclude.

4.2 The Corporate Environment of CRE Companies: Context and Conditions

4.2.1 Analysis

This section details the process of analysis and how the themes related to the organisational environment emerged from the preliminary and final analysis. The theme of "A complex and dynamic corporate environment" will be used exemplarily for the preliminary analysis. The other themes of "Dependency of business performance on developments in the corporate environment" and

“Uncontrollability of massive changes in the corporate environment” will be presented afterwards in the final analysis.

4.2.1.1 Preliminary Analysis

The preliminary analysis was conducted using van Manen`s (1990) detailed reading approach. Olivia, for example, described how she characterises the environment of her organisation as follows:

*“The **environment has become more complex**. In any case, I don’t think it is easy any more, no longer simple, it has become more complex and everybody who is of a different opinion, is either only involved in a part of the business or really has not been here that long. [...] My assessment derives from numerous characteristics. It is easy, I mean, on the one hand it is experience that one gained exceeds that [...] and also the personal experience that one can gain. And second, one sees different aspects of the business because of **business model expansion** or internally. Again I have to come back to the topic KVG. **With the regulations nothing has become easier**. This is where my assessment that it has merely become more complex derives from.”* (Olivia #00:12:05#-#00:13:04#)

The statements were extracted to a table and keywords were marked in bold and linked in extra columns. On the next level, a subsuming concept was assigned. From Olivia`s above statement, the keywords “*environment has become more complex*”, “*business model expansion*”, and “*With regulations nothing has become easier*” were extracted. The concept became “A great amount of influencing factors in the remote environment”.

The following table provides two other examples from interviews that mention relevant information for the characterisation of the organisational environment. These examples show how various concepts developed from the participants` data and how the process can be traced.

Significant Idea or Statement (trans. from transcript)	Linking Keywords	Concept
<i>“It is relatively complex because various factors do influence something like investment performance. It is less complex, because in the, in many different – but the mechanisms remain relatively the same. Insofar, our business is relatively well foreseeable and predictable.” (James #00:06:45#-#00:07:10#)</i>	Complex, various factors, mechanisms remain relatively the same	Numerous dependencies on the developments of different structures and markets
<i>“Here it gets complex. Because at this point it becomes complicated and confusing, because we have very complex structures in tenant demand, geopolitical issues. My tenants also have to earn money and they in turn are dependent on geopolitics/economy. The whole environment is currently a bit unsettled and the same applies for the investment demand, this goes hand in hand. People who invest in real estate want to have a safe haven, and if this cannot be secured any longer and a bond is again more secure like real estate, demands will decrease. Therefore it is more complex. [...] Interest rates and GDP growth.” (Sophia #00:05:21#-#00:06:17#)</i>	Complex, complicated, confusing, complex structures, tenants have to earn money, dependent on geopolitics/economy	A great amount of influencing factors in the remote environment

Table 9: Preliminary Analysis. Source: Author (2017).

Sophia’s characterisation was different to James’, who mentioned that complexity is low due to relatively constant mechanisms. But apart from that, both participants shared several similarities in their statements, i.e. the classification of the organisational environment as complex due to a bulk of factors that have to be taken into consideration, with respective dependencies for their business, leading to some kind of confusion.

This approach of preliminary analysis was used for all interviews, looking for significant statements, extracting them from the text, and linking keywords and concepts.

4.2.1.2 Final Analysis

With the outcomes from the preliminary analysis, the final analysis - based on van Manen (1990) and Gadamer (1975; 2004) - was conducted, moving on from keywords and concepts to sub-themes and themes. The emergence of

the theme “A complex and dynamic corporate environment” is illustrated with examples as seen in Table 10. A full overview of how the concepts and sub-themes developed into the three themes for explaining the context of CRE organisations is provided in Appendix 5.

The Theme of “A Complex and Dynamic Corporate Environment”

The following table shows how the theme “A complex and dynamic corporate environment” developed using one of the sub-themes “Complex external environment”. The stories of the participants Harry and Olivia are used as examples.

Significant Idea or Statement (trans. from transcript)	Linking Keywords	Concept	Sub-Theme	Theme
<p>“[...] <i>On the one hand, on the financing side, there are interest rate developments, that are important for the profitability of the property. On the other hand, there is the institutional investor, who is certainly not presented homogeneously in Germany [...] That is, because of the manifold exogenous topics, a complex structure, and you must get to the heart of it and bring these together.” (Harry #00:08:16#-#00:09:14#)</i></p>	<p>Financing side, interest rate developments, investor not presented homogeneously, complex structure,</p>	<p>Heterogeneous structure of demands of the stakeholder</p> <p>Numerous dependencies on the developments of different structures and markets</p>	<p>Complex external environment</p>	<p>A complex and dynamic corporate environment</p>
<p>“[...] <i>What affects us is of course the interest rate policy of ECB. We could discuss at length if it is right or not. [...] And this is for example the composition of the margins of the bank. [...] I believe, we have too less liquidity. That’s the uncertainty, which the banks carry with them, and that is not logical for us, at first sight. Well, interest rate environment, politics, GDP growth – it depends how you look at it [...]” (Olivia #00:16:27#-#00:18:55#)</i></p>	<p>Affects, interest rate policy of ECB, margins of the bank, liquidity, banks not logical, interest rate environment, politics, GDP growth</p>	<p>A great amount of influencing factors in the remote environment</p> <p>Numerous dependencies on the developments of different structures and markets</p>	<p>Complex external environment</p>	<p>A complex and dynamic corporate environment</p>

Table 10: Final Analysis of the Theme “A complex and dynamic corporate environment”.

Source: Author (2017).

The researcher approached this data coding using a word table when reading and re-reading the transcripts. Express specifics, similarities, and patterns about the phenomenon that appeared throughout the texts were highlighted and also linked with keywords and concepts. These were assembled with those from the preliminary analysis and grouped into a sub-theme. Additional

ideas emerged at a later stage when going from the parts to the whole and capturing all interviews as a holistic data set.

As an example, one of the keywords that was attached to the statement of Harry is “*investor not presented homogeneously*”:

*“Well, very, very complex, I would say. On the one hand, on the financing side, there are interest rate developments, that are important for the profitability of the property. On the other hand, there is the institutional **investor**, who is certainly **not presented homogeneously** in Germany, but there are insurance companies, who are acting very professional, pensions schemes whose investment volume is around 2 to 10 million and who are more emotional than professional. Further, the investment market is considerably difficult, not only temporarily but in, in times when demand is not that high. There are also fewer developments available in the market. That is, because of the manifold exogenous topics, a complex structure, and you must get to the heart of it and bring these together.” (Harry #00:08:16#-#00:09:14#)*

The concept that was connected was “Heterogeneous structure of demands of the stakeholder”. Other participants shared equivalent ideas, so similar concepts like “Numerous dependencies on the developments of different structures and markets”, and “A great amount of influencing factors in the remote environment” were grouped under the sub-theme “Complex external environment”.

To make the steps more transparent, Olivia’s statement from the preliminary analysis is used:

*“The **environment has become more complex**. In any case, I don’t think it is easy any more, no longer simple, it has become more complex and everybody who is of a different opinion, is either only involved in a part of the business or really has not been here that long. [...] My assessment derives from numerous characteristics. It is easy, I*

*mean, on the one hand it is experience that one gained exceeds that [...] and also the personal experience that one can gain. And second, one sees different aspects of the business because of **business model expansion** or internally. Again I have to come back to the topic KVG. **With the regulations nothing has become easier.** This is where my assessment that it has merely become more complex derives from.” (Olivia #00:12:05#-#00:13:04#)*

Her keywords were “*environment has become more complex*”, “*business model expansion*” and “*with regulations nothing has become easier*”. These came up to the concept of “A great amount of influencing factors in the remote environment” which was brought together with similar concepts from the final analysis.

For example, Charlie shared the experience by saying:

*“**Complex.** [...] On the one hand, the **political risk** in which we operate currently, in an environment where **regulatory encroachments exert great influence**, after the financial crisis. And, as well the resulting risks for the markets. While in the past, we have seen real cycles in the respective, for example global real estate markets, we can currently see that the **cycles simply change**. And that is what economists determine oftentimes, that, let`s say, historic developments cannot be extrapolated to the future any more, because many, **many developments** are just **diametrical illogical.**” (Charlie #00:08:38#-#00:10:02#).*

This statement emphasises the reasons why the CRE sector is affected by strong regulations (after FC) and that this results in a respectively high complexity of the external environment. At the same time, the participant refers to the consequences of the regulations that, in his view, result in additional complexities due to shifts in cycles and seemingly illogical developments in the CRE sector. Even though Charlie provided different explanations than Olivia, both have shared thoughts under the concept of “A great amount of influencing

factors in the remote environment”, which merged into the sub-theme “Complex external environment”.

Overall the theme “A complex and dynamic corporate environment” advanced from the two sub-themes of “Complex external environment” and “Dynamic external environment”.

Using the table format for structuring and analysing the data has turned out to be an effective and systematic way of working for the researcher to group, link, and organise the data in a concise format. Sub-themes could be handled one by one and worked through by adding data and moving between the sub-themes, and the information could be sorted not only textually but also visually. It helped to manage the large amount of unstructured data at the beginning and brought this into a format that the researcher was able to work with. Refining of the keywords, concepts, sub-themes, and themes meant that the analysis improved on an on-going basis, until finally a sound thematic development could be reached.

The Theme of “Dependency of Business Performance on Developments in the Corporate Environment”

This theme comprised of the sub-themes “Business model is oriented towards growth”, “Manifold strategic risks in the corporate environment”, as well as “Strong dependencies of the business model on developments in the corporate environment”.

As an example, the development of the sub-theme “Strong dependencies of the business model on developments in the corporate environment” is presented. As with the other sub-themes, the words of the participants were grouped together according to related thoughts.

George talked about the relationship between the business model of his company and its external environment:

*“[...] all things that we are engaged in, say rent or otherwise we are **dependent on our clients, thus our tenants**, and because we are not actively managing but ultimately just provide the space, we are always also to some extent, lets say in retail still very significantly, also hotel and same for office, where the tenants ultimately have to make their money and the rent, much more indirectly involved the business than we are. But this also applies for us.”* (George #00:11:33-#00:12:02#)

Another participant, Harry, also confirmed the dependency for his business model, mentioning the development of the external environment as well as specific resources as relevant:

*“For sure, the **possibility to acquire new properties**, say the connection to the asset managers, property managers, developers to then purchasing and acquiring properties for the own fund and asset management [...]”* (Harry #00:27:13-#00:27:52#)

Another executive was even more specific and mentioned interest rates, a macroeconomic resource, as one of the critical factors:

*“Now it is macro again, it is also **interest rates**, also **geopolitical issues**, I am **very much dependent** on that. And I cannot influence any of them, I can just implement them.”* (Sophia #00:19:30-#00:19:45#)

From these three examples, the keywords were “*Dependent on our tenants*”, “*Possibility to acquire new properties*”, “*Interest rates*”, “*Geopolitical issues*”, and “*Very much dependent*”. These were matched to the concepts of “Dependency on interest rate development”, “Dependency on cash inflows and willingness to provide financing”, and “Availability of projects”. The respective sub-theme was “Strong dependencies of the business model on developments

in the corporate environment”, which became part of the overall theme of “Dependency of business performance on developments in the corporate environment”.

Table 11 shows further examples of how this sub-theme and theme emerged from the keywords and concepts.

Significant Idea or Statement (trans. from transcript)	Linking Keywords	Concept	Sub-Theme	Theme
<p>“Well, as I said, the macroeconomic issues, population development, inflation, interest rate development have a, have a direct influence on our asset management and fund management performance, therefore definitively, yes.” (Harry #00:21:21#-#00:21:40#)</p>	Population development, inflation, interest rate development	<p>Dependency on developments in the remote environment</p> <p>Dependency on interest rate development</p>	Strong dependencies of the business model on developments in the corporate environment	Dependency of business performance on developments in the corporate environment
<p>“Certainly, strong. [...] Because the individual factors, that make people to, for example, I have nothing more to offer than real estate, this is sometimes even binary, so either everybody wants it and likes it, or even no one, it is actually not en vogue and this is why the dependency is so strong. [...] Here also, it is grotesque, I mean primarily, the interest rate environment, because a lot depends on it.” (James #00:19:39-#00:20:37#)</p>	Strong, binary, interest rate environment	<p>Dependency on cash inflows and willingness to provide financing</p> <p>Dependency on interest rate development</p>	Strong dependencies of the business model on developments in the corporate environment	Dependency of business performance on developments in the corporate environment

Significant Idea or Statement (trans. from transcript)	Linking Keywords	Concept	Sub-Theme	Theme
<p>“Well, resources are essentially the cash inflows. As I said before, our investor is more a 50+ and this is why I assume it is very strongly dependent on the prosperity in Germany. [...] For individual customers we are obviously slightly broader positioned, but very much focussed on Germany. Finally, we are much dependent on the German customer, that’s clear.” (George #00:17:29#-#00:18:09#)</p>	Cash inflows, dependent, prosperity in Germany, customer	<p>Dependency on cash inflows and willingness to provide financing</p> <p>Dependency on developments in the remote environment</p>	Strong dependencies of the business model on developments in the corporate environment	Dependency of business performance on developments in the corporate environment
<p>“The risk appetite of the money. And availability of a stable financial market environment, i.e. statutes, all these things. Not only how the interest rates look like, but also how the legal parameters are set, if at once Germany or Europe start to change their regulation, then I do have a problem, because there is no certainty and that would put my long-term business model at risk.” (Sophia #00:18:46#-#00:19:17#)</p>	Risk appetite of the money, stable financial market environment, interest rates, legal parameters	Dependency on developments in the remote environment	Strong dependencies of the business model on developments in the corporate environment	Dependency of business performance on developments in the corporate environment
<p>“It could – we are currently in an environment, where real estate is much in demand, the prices are also very high. There may come a time, were the environment suddenly materially changes and we will not have any possibility to exit the dearly bought properties well. That is, I believe, that is the highest risk that we face.” (Olivia #00:36:35#-#00:37:54#)</p>	There may come a time, were the environment suddenly materially changes	Dependency on developments in the remote environment	Strong dependencies of the business model on developments in the corporate environment	Dependency of business performance on developments in the corporate environment

Significant Idea or Statement (trans. from transcript)	Linking Keywords	Concept	Sub-Theme	Theme
<p><i>“Well, certainly that is the political environment, in any case the politically stable environment and the supply of financial resources, interest rate development. These are the two primary drivers. I would, may be, add a third one, that is the regulatory environment [...]”</i> (Harry #00:28:11#-#00:29:04#)</p>	<p>Political environment, supply of financial resources, interest rate development, regulatory environment</p>	<p>Dependency on developments in the remote environment</p> <p>Dependency on cash inflows and willingness to provide financing</p> <p>Dependency on interest rate development</p>	<p>Strong dependencies of the business model on developments in the corporate environment</p>	<p>Dependency of business performance on developments in the corporate environment</p>

Table 11: Final Analysis of the Theme “Dependency of business performance on developments in the corporate environment”. Source: Author (2017).

Besides these, the concepts of “Dependency on developments in the task environment”, “Availability of human resources”, and “Availability of projects” became part of this sub-theme.

The Theme of “Uncontrollability of Massive Changes in the Corporate Environment”

The third theme that emerged was “Uncontrollability of massive changes in the corporate environment”. Related sub-themes were “Numerous risk factors in the external corporate environment”, as well as “Predictable development of the corporate environment”, “Non-controllable effects due to massive changes in the corporate environment”, “Limited alternatives to respond to epochal changes in the corporate environment” and “Massive changes in the corporate environment are not manageable with usual routines”.

To show how this theme developed, the sub-theme “Predictable development of the corporate environment” is used as an example.

Again the statements of the participants were used to extract keywords and form concepts. Sophia, for example, talked about the development of the external corporate environment with regards to its predictability:

*“If I had looked at the last years, I had said, we are very stable. But I **expect** turbulences, I could see it coming already, and that’s why I **expect** turbulences that I will not be able to control, but I will react in the usual manner. I would not materially change my behavioural attitude because of that.”* (Sophia #00:07:24#-#00:07:51#)

Sophia predicted that some turbulence, which she will not be able to control or manage, will occur. Hence, she foresees upheavals and assumes that these are predictable in their development.

Likewise, Harry made assumptions in order to be able to predict and assess the development of the external corporate environment.

*“People make **assumptions**. We can be wrong with the interest rate development, but for sure you can make certain **predictions** about the interest rate developments in the course of research and a macroeconomic consideration for a specific economic region.”* (Harry #00:12:56#-#00:13:19#)

From the above, the following linking keywords were compiled: “*expect*”, “*assumptions*”, and “*predictions*”. The concepts are “Predictable external environment due to previously determined expectations” and “Assumptions made about the developments of the corporate environment”. The sub-theme “Predictable development of the corporate environment” further emerged. Table 12 shows some additional examples of this progress through each step of the analysis.

Significant Idea or Statement (trans. from transcript)	Linking Keywords	Concept	Sub-Theme	Theme
<p>“[...] calculable, because we are making assumptions that do not represent a “worst-case-scenario”. But certainly always a “base case”, “best case” and “worst case”. And in the course of the overall view we do also illustrate the risks. And insofar, the investment will only be done when we can handle the calculable risks”. (Harry #00:12:13#-#00:12:41#)</p>	Calculable, assumptions, scenario	Predictable external environment due to previously determined expectations	Predictable development of the corporate environment	Uncontrollability of massive changes in the corporate environment
<p>“[...] on the macroeconomic level, to some extent, one can predict many things, prepare oneself and you have to do your homework, definitely. You can't see everything, because the behaviour of the other is depending on other factors. But, I believe, that's the responsibility of every member of the management board, to think about what influences myself, how do I want to react on it, how do I prepare.” (Olivia #00:22:06#-#00:22:48#)</p>	One can predict, prepare oneself, responsibility of the management board	Predictable external environment due to previously determined expectations	Predictable development of the corporate environment	Uncontrollability of massive changes in the corporate environment
<p>„Simply put, the asset class ‘alternatives’ has advanced to a real asset class during the last year and I expect that this will develop further, sustainably. [...] But it is easily recognisable that the globalization of the world has led real estate as an asset class to becoming a real asset class.” (Charlie #00:20:15#-#00:21:06#)</p>	Asset class ‘alternatives’, real asset class, sustainably	Predictability due to real estate being a sustainable asset class	Predictable development of the corporate environment	Uncontrollability of massive changes in the corporate environment

Table 12: Final Analysis of the Theme “Uncontrollability of massive changes in the corporate environment”. Source: Author (2018)

4.2.2 Analysing the Corporate Environment of CRE Companies

This section goes beyond the description of the data and attaches meaning to the external environment in which CRE companies operate. The researcher provides explanations while discussing the sub-themes and themes that developed from the data and brings the research into context.

4.2.2.1 A Complex and Dynamic Corporate Environment

As a first theme, “A complex and dynamic corporate environment” characterises the CRE sector. It derives from the sub-themes “Complex external environment” and “Dynamic external environment”, outlined in more detail below.

Complex External Environment

The senior executives perceived the external environment of a CRE organisation as generally complex. This is explained by the heterogeneous requirement structures of the stakeholders, numerous dependencies of the organisation on the development of different structures and markets, and a large number of influencing factors in the remote environment of a CRE organisation.

The executives gained the impression of a complex task environment of the organisation because they do not perceive the investor as being “[...] *presented homogeneously* [...]” (Harry #00:08:16#-#00:09:14#). Moreover, investors appear heterogeneous in different types, from different sectors, and with different requirements on which the CRE companies, as service providers, orient themselves, or to which they have to align organisationally.

The impression of a complex task environment was underlined by price and rent developments in the respective markets (Charlie #00:11:38#-#00:12:31#) as well as by the necessary assessment of the property location with regards to its stability, i.e. by means of the “[...] *macroeconomic situation of a city* [...]” (Harry #00:09:35#-#00:10:09#). At the same time, the senior executives

perceived tenants and their demands as complex (Sophia #00:05:21#-00:06:00#), because the background shareholder structures of tenants turned out to be unclear and diverse. Due to the fact that the tenants themselves have to earn the rent before they pay it, the profitability of the tenants is “[...] *dependent on geopolitics/economy*” (Sophia #00:05:21#-00:06:00#), and thus there is also an indirect dependency of the property owners on that.

Hence, complexity is also derived from the perceived remote environment of the organisation where various factors need to be taken into consideration. These include regulatory requirements and a resulting dependency on the legislator (George #00:03:41#-#00:04:39#), political risks (Charlie #00:08:40#-#00:10:02#), requirements in terms of debt financing and facets of interest rate developments (Harry #00:08:16#-#00:09:14#), and GDP growth (James #00:08:58#-#00:09:06#) of an economy.

Dynamic External Environment

Depending on the business model of the CRE companies, the senior executives characterise their external environment as mostly dynamic, due to “[...] *numerous factors* [...]” (Olivia #00:19:27#-#00:19:41#) that have an impact on CRE organisations.

A constantly changing requirement structure of the market participants contributes to such perceived dynamics. The continuous changes are generally experienced as not foreseeable, which leads to the impression that the lifetimes of CRE business models are “[...] *becoming shorter and shorter* [...]” (James #00:10:36#-#00:10:56#). However, the executives still consider the task environment as stable where the rental income of RE constitutes a valued cash flow component as an “[...] *anchor of stability*” (George #00:06:18#-#00:07:16#) and is typically not considered eroding.

The perception of dynamism in the external environment by the executives is also underpinned with indicators from the remote environment of the organisation. From this angle, the external environment is perceived as dynamic because of a “[...] *turbulent geostrategic environment*” (George

#00:06:18#-#00:07:16#) or because of the “[...] *demographic development* [...]” (James #00:11:04#-#00:11:14#). Both contribute to a continuous and ever-accelerating change (Olivia #00:19:49#-#00:20:01#) of the external environment. Here, interest rate developments play a special role because they encourage banks and institutionals to depart from their usual tasks and inherent purposes or “[...] *doing things, they would not have done normally*” (James #00:11:11#-#00:11:20#). Therefore, the actions of credit institutions in connection with interest rate developments seem unpredictable.

From a different angle, interest rate developments are attached to a more static-stable meaning, because it usually takes some time for interest rate adjustments to come into force (George #00:07:23#-#00:07:50#). Additionally, the executives recognised that the interest rate development “[...] *seems no longer as influenceable due to different reasons*” (Charlie #00:14:50#-#00:15:30#).

Summary of the Theme “A complex and dynamic corporate environment”

Due to the numerous factors that dominate the remote, as well as the task environments of a CRE organisation, the corporate environment is characterised as complex by the senior executives. A heterogeneous structure of stakeholder demands and manifold dependencies on the developments of different structures and distinctive markets evoke challenges for executives` day-to-day management. They are not only directly concerned with regulatory requirements, market, or asset specifics, but are indirectly dependent on geopolitics, (macro-)economics, politics, or demographics. While these factors are generally volatile and mostly lack stability, the executives share the experience that the corporate environment is dynamic. CRE market participants are exposed to constantly changing conditions that are not easy to handle and that challenge them with on-going assessments and respective organisational actions to align.

4.2.2.2 Dependency of Business Performance on Developments in the Corporate Environment

The second theme “Dependency of business performance on developments in the corporate environment“ is made up of three sub-themes: “Business model is oriented towards growth”, “Manifold strategic risks in the corporate environment”, and “Strong dependencies of the business model on the development in the corporate environment”.

Business Model is Oriented Towards Growth

The senior executives of a CRE organisation pursued four primary strategic targets. These are an improvement of the performance, accomplishment or defence of their market dominance, and, as a means to achieve both of the aforementioned, an increase of the assets under management while simultaneously enhancing client satisfaction.

The achievement of top performance as a strategic goal (Charlie #00:04:59#-#00:05:20#) is expressed differently by the participants, i.e. through accomplishment of the financial plan and increased revenues (James #00:04:41#-#00:05:02#), the aspiration to increase the clients` assets (George #00:02:17#-#00:02:46#), adding value, especially for the investors (Jake #00:05:27#-#00:06:20#), and also the generation of stable returns, particularly for institutional clients (Allen #00:00:56#-#00:01:03#), as well as the achievement of optimal investment performance (James #00:03:34#-#00:04:23#).

As for the second aim, the executives attempted to accomplish or defend their market dominance, in order to strive to “[...] *being number 1 in the market*“ (Scarlett #00:04:06#-#00:04:37#), and to “[...] *be better than the competition*“ (Charlie #00:04:59#-#00:05:20#), thus establishing an organisation that pioneers investment by wealthy private customers to invest in bigger, sizeable CRE (James #00:03:34#-#00:04:23#).

To achieve the aforementioned targets, an increase of the assets under management was necessary (James #00:04:41#-#00:05:02#). This required the creation of additional volumes for the investors (Jake #00:05:27#-#00:06:20#) and granting foreign investors access to the (German) portfolio (Olivia #00:08:30#-#00:08:53#), as well as an extension in the product range (William #00:05:58#-#00:07:07#).

The executives mentioned the above consistently in relation to the accomplishment and increase of client satisfaction. This is considered to be “[...] *customer loyalty* [...]” (James #00:04:41#-#00:05:02#), with the effect that “[...] *satisfied clients* [...]” increase their investments in the same but also other products (James #00:03:34#-#00:04:23#). In this context, it is necessary to “[...] *make clients happy* [...]” and to manage their assets “[...] *as securely as possible and to lead through crises* [...]” (George #00:02:17#-#00:02:46#). For the executives, this meant a “[...] *creation of added value*” (Jake #00:05:27#-#00:06:20#) for their investors, in particular, the realisation of stable returns (Allen #00:00:56#-#00:01:03#), and offering a great product range, as well as the possibility to access investment opportunities faster (William #00:05:58#-#00:07:07#).

The basis for the achievement of the strategic aims is the availability of projects that fit the requirements of the executives and ultimately those of the investors and clients. Projects comprise stabilised properties as well as development sites. At the same time, this requires the availability of sufficient funds to be able to acquire such projects.

Manifold Strategic Risks in the Corporate Environment

The senior executives identified a number of risks in achieving their strategic goals. These sit in the task environment and also in the remote environment of the organisation. Primarily, such risks arise from the goal of reaching performance targets, from price increases, from a lack of transparency, developments in the respective markets, from strong competition, interest rate developments, and regulatory requirements, as well as from the developments in the political environment of the CRE organisation.

Strategic risks emerge due to non-achievement of investment performance targets (James #00:05:11#-#00:05:56#). Against this background, a question about investors' expectations emerges. There is "*[a] second field of risk, that we run [...], or that we may carry, that we overpromise to our investors in terms of investment volumes*" (Olivia #00:09:01#-#00:10:45#). To achieve the aspired and announced target returns (William #00:14:44#-#00:15:56#), the senior executives considered the timing of the acquisition (Sophia #00:03:15#-#00:03:37#) as particularly relevant. In connection with the anticipated interest rate developments and unmodified return expectations, the participants expected future downside scenarios (Allen #00:02:51#-#00:03:24#).

In the task environment of the CRE organisation, price risks have been identified as the most important risk factor for the market participants (George #00:02:51#-#00:03:27#). Olivia (#00:09:01#-#00:10:45#) emphasised, that the organisation is situated in a market where "*[...] purchase yields are extremely low [...]*" and "*[...] prices are very high*". The participant concluded, that "*[...] caution should be exercised*" in this market. As a consequence, thorough contemplations about what can be acquired for whom, and under which circumstances, and how these decisions were to be communicated became elementary (Olivia #00:09:01#-#00:10:45#). Also, it is stressed that a particularly high appraisal value of the properties was a result of historically low interest rates (Scarlett #00:10:01#-#00:11:24#). Furthermore, challenges may arise for the CRE organisation due to the increasing price developments against the stable return requirements of the investors (Allen #00:02:51#-#00:03:24#).

Olivia contemplates that strategic risks occur on different levels, and worries that the information needs of the investors, in order for them to be able to make the right decisions, might not be satisfied by her organisation (Olivia #00:09:01#-#00:10:45#). Such risks, arising out of a lack of available information, are supplemented with a lack of transparency in the markets. According to Jake, this arises out of a lot of withheld information, in the hopes that investors nevertheless make their decision in favour of the property (Jake #00:15:45#-#00:17:50#). In this context, the participant also stressed that due

diligence processes are often shortened in order to comply with the market pressures which in turn leads to a decrease of transparency in the transaction (Jake #00:15:45#-#00:17:50#).

Another risk identified in the task environment of the CRE organisations is increasing competition. This is expressed by “[...] *many people [who] enter the cosy core sector who previously were rather involved in investment banking or opportunistic asset classes*” (James #00:05:11#-#00:05:56#). In this context, Scarlett emphasised that the historically low interest rate level has led to an oversupply of retail spaces in the market, which in turn increased pressures on rents (Scarlett #00:10:01#-#00:11:24#).

Further strategic risks assigned to the remote environment of a CRE organisation were identified. George highlighted that the success of a CRE organisation depends on bond yields (George #00:02:51#-#00:03:27#). The executive attributed particular importance to the long-term development of the capital markets. James saw a risk in case of a sharp increase in the interest rate level (James #00:05:11#-#00:05:56#). In this context, Charlie highlighted the existence of interest-change risks for the organisation that need to be taken into consideration as economic risks in the yearly forecasts (Charlie #00:06:56#-#00:07:32#). Harry worried that the decrease of the RE quota will steer the CRE sector in a new direction and the interest rate increase will no longer be an important point of fact (Harry #00:06:23#-#00:07:40#). Allen stresses that an increase of interest rates in times of rising RE prices and continuous return requirements from the investors will challenge his CRE organisation (Allen #00:02:51#-#00:03:24#).

The regulatory landscape turned out to be another important risk factor in realising the strategic targets. Olivia emphasised that the CRE sector is particularly highly regulated and risks arise from the circumstance that all of these regulations may not be considered adequately and affect the thus far positive image of the organisation (Olivia #00:09:01#-#00:10:45#). Charlie confirmed the existence of such regulatory risks in his organisation and added legal and statutory risks (Charlie #00:06:56#-#00:07:32#).

As further risks in the remote environment, the executives mentioned political circumstances (Harry #00:06:23#-#00:07:40#) and political developments (William #00:14:44#-#00:15:56#). They also identified threats from unpredictable events like Brexit shocks (James #00:05:11#-#00:05:56#) or other exogenous developments due to terrorist attacks (Harry #00:06:23#-#00:07:40#). In this context, the executives also noted the risk resulting from volatile economic regions (Harry #00:06:23#-#00:07:40#), as well as due to currency and exchange rate developments or the maturity of the net asset value (William #00:13:47#-#00:14:30#).

Strong Dependencies of the Business Model on Developments in the Corporate Environment

The senior executives experienced a strong dependency between the business model of their CRE organisation and its external environment.

With regards to the task environment, the participants considered their success to be highly contingent upon cash inflows and investors' willingness to provide financing and the availability of investment projects.

Olivia declared this dependency as the “[...] *appetite of investors* [...]” (Olivia #00:27:08#-#00:27:19#), Sophia defined it as the “[...] *risk appetite of the money*” (Sophia #00:18:46#-#00:19:17#) and James saw a dependency in general on the “[...] *availability of capital and availability of assets*” (James #00:27:27#-#00:27:34#). Hence, the business model is dependent on resources, like liquidity and assets, which are external to the CRE organisation.

Furthermore, the executives mentioned the dependency of their business model on the availability of human resources in the labour market. One of the major challenges for a CRE company, according to Charlie, is to be sufficiently attractive for the next generation of young employees (Charlie #00:30:43#-#00:31:20#). Also, Olivia highlighted the “[...] *availability of staff* [...]” (Olivia #00:35:26#-#00:36:21) as an issue that may cause trouble for reaching strategic aims. Therefore, securing qualified young talents for the CRE sector

is considered as a further addition of the business model to resources in the task environment.

The participants identified competition as another dependency in the task environment, appearing in different forms. Harry mentioned the necessity of “[...] *offering assets that are yet also demanded in the market*” (Harry #00:19:48#-#00:21:08#). Olivia considered a dependency on pricing (Olivia #00:27:08#-#00:27:19#) and George explained a dependency on achievable rents and the tenants` performances of having to make the money to pay the rent (George #00:11:33#-#00:12:02#). The availability of suitable properties, in order to compete against the supply of space from competitors, setting adequate pricing for the assets, and the choice and performance of the tenants posit further dependencies of the CRE organisation.

Additionally, the executives have identified further dependency factors in the remote environment of the CRE organisation for their business model. The dominating risk arises from its general dependency on the macroeconomic environment of the organisation. According to Charlie, his organisation is “[...] *certainly heavily dependent [...]*” (Charlie #00:25:09#-#00:25:21#) on the macroeconomic environment. James confirmed this dependency as “[...] *strong [...]*” (James #00:19:39#-#00:20:11#).

Such macroeconomic factors were predominantly expressed in interest rates and their developments. Harry considered this to have a direct influence on the asset management and fund management performance in his organisation (Harry #00:21:21#-#00:21:40#). James pointed out that a strong dependency lies with the “[...] *interest rate environment, because a lot depends on it*” (James #00:20:25#-#00:20:37). Charlie confirmed the dependency of his organisation on the interest rate development by acknowledging that the observation and reaction to any kind of change is part of his business (Charlie #00:31:37#-#00:31:58#). These dependencies offer chances for CRE organisations for financing in times of low interest rates. At the same time, such chances switch to risks when interest rates increase and the costs of financing may evolve to a great threat.

A further factor in the macroeconomic environment is the GDP growth of an economy. The executives noticed the importance of the “[...] *population development* [...]” (Harry #00:21:21#-#00:21:40#), which is considered to have a direct impact on the asset management and fund management performance of the organisation. George saw the dependency on “[...] *prosperity* [...]” (George #00:17:29#-#00:18:09#) of an economy while James emphasised a general dependency of the business model on GDP (James #00:27:48#-#00:27:55#).

Additionally, the executives experience dependencies on the regulatory requirements (Charlie #00:24:48-#00:25:01#) and legal parameters (Sophia #00:18:46#-#00:19:17#) of an economy, the political environment (Harry #00:28:11#-#00:29:04#), as well as the status of the financial markets in terms of stability (Sophia #00:18:46#-#00:19:17#).

Summary of the Theme “Dependency of the business performance on developments in the corporate environment”

The senior executives experience their business model as being focused on growth and expansion in terms of performance, market leadership, assets under management, and customer satisfaction. Such expansion targets are at risk due to several strategic risks in the task and in the remote environment. There is a strong dependency on the business model in many of the factors in the corporate environment. Thus, the potential impact of the external environment on the CRE organisation is considerably high, and the necessity of managing potential impacts from this becomes an important task for executives in their SM.

4.2.2.3 Uncontrollability of Massive Changes in the Corporate Environment

As a third theme, “Uncontrollability of massive changes in the corporate environment” has been identified. It comprises the following five sub-themes: “Numerous risk factors in the external corporate environment”, “Predictable development of the corporate environment”, “Non-controllable effects due to

massive changes in the corporate environment”, “Limited alternatives to respond to epochal changes in the corporate environment”, and “Massive changes in the corporate environment are not manageable with usual routines”.

Numerous Risk Factors in the External Corporate Environment

The senior executives mentioned several different factors of assessing the external corporate environment. These concern the chances and risks of the CRE organisation and can again be associated with either the task or remote environment.

The executives judged the changes in the task environment of the CRE organisation predominantly by indicators from the tenant market. Scarlett considered the external environment of her organisation on the basis of turnover development of the properties, the number of signed lease contracts, and the rent level (Scarlett #00:12:42#-#00:13:22#). Harry experienced the environment of his CRE organisation in terms of vacancy rates and “[...] *new lettings [...]*” (Harry #00:31:52#-#00:32:40#). Additionally, James considered the “[...] *space absorption [...]*” (James #00:30:21#-#00:30:47#) of the market as a valuable factor. Furthermore, there are tendencies to look for information about the CRE buyer and seller markets or about transactions. Sophia, for example, mentioned that she analyses the corporate environment in terms of transaction volumes and “[...] *which product is acquired at what price*” in order to be able to detect “[...] *how does my direct environment behave, not only my direct competitor [...]*” (Sophia #00:21:24#-#00:22:21#). Here, this participant took particular note of the money flow of institutional investors, while Olivia mentioned looking at acquisition yields in the different asset classes (Olivia #00:40:31#-#00:40:50#).

For the remote environment, the executives focused on an assessment of macroeconomic factors. Harry examined the interest rate development based on his own market research (Harry #00:31:52#-#00:32:40#). Sophia formed her view using external research data, even though this sometimes seemed to be contradictory (Sophia #00:21:24#-#00:22:21#). While James considered the availability of liquidity (James #00:30:21#-#00:30:47#) to be important in

assessing the external corporate environment, and Sophia similarly looked at the liquidity in the market (Sophia #00:21:24#-#00:22:21#). Olivia analysed the GDP in different countries (Olivia #00:40:31#-#00:40:50) and Harry considered the development of income levels (Harry #00:31:52#-#00:32:40#) in his own market research proceedings. Besides the abovementioned, inflation, as a “[...] *classical factor* [...]” (Olivia #00:40:31#-#00:40:50), is applied. Furthermore, the executives made use of social dynamics, like population growth (William #00:12:19#-#00:13:36#), population development (Harry #00:31:52#-#00:32:40#), demographic developments (James #00:30:21#-#00:30:47#), and demographic change (William #00:12:19#-#00:13:36#). At the same time, the participants mentioned regulatory factors (Jake #00:18:04#-#00:20:14#), currency movements, and the rise of megatrends (Charlie #00:36:17#-#00:36:56#).

Predictable Development of the Corporate Environment

The senior executives considered changes or developments in the corporate environment, as well as the effects on their business arising from these, as being generally predictable due to predetermined expectations and assumptions.

George deemed the corporate environment as foreseeable because affects “[...] *do not at all fall from the sky* [...]” (George #00:08:00#-#00:08:25#). Harry experienced the environment of his organisation as predictable because of existing assumptions about the development of the external environment (Harry #00:12:13#-#00:12:41#). Charlie also confirmed the assessment of a predictable external environment, explained by the sustainability of the asset class RE. Additionally, he mentioned exchanging information with other market participants in order to confirm his view and to count on experiences as a basis for his decisions (Charlie #00:19:31#-#00:21:06#). Olivia claimed that “[...] *one can arrange for several issues, prepare for and one should do its homework* [...] *that’s the responsibility of every member of the management board, to think about what impacts myself, how do I want to react on it, how do I prepare*” (Olivia #00:22:06#-#00:22:48#).

Non-controllable Effects due to Massive Changes in the Corporate Environment

The senior executives have a different understanding of the possibilities to control changes in the corporate environment with regards to consequences for their CRE organisation.

Ultimately, an exogenous impact has direct consequences for the respective investments, the asset classes and their performance. A terrorist attack in a shopping centre was mentioned as an example that had a direct impact on the frequencies and shopping behaviour and, consequently, on turnovers (Harry #00:13:42#-#00:14:35#). The effect of such an event on the CRE organisation is, in the view of the participant, assessable and calculable. Harry further stated that, from his point of view, changes in the macroeconomic environment of the organisation are also predictable, where several assumptions make the impact of the CRE organisation, at least to some extent, controllable (Harry #00:15:48#-#00:16:49#).

Controversially, Charlie did not consider it possible to forecast the impact of changes in the corporate environment on the organisation. He underpinned his view by stating that political and regulatory risks, as well as statutory changes, are not predictable (Charlie #00:22:06#-#00:22:18#). Meanwhile, James takes a more differentiated view and perceived the impact of interest rate developments or inflation of an economy on a CRE organisation to be predictable. The impacts of massive changes in the corporate environment, however, are not predictable in his view, i.e. the collapse of the EUR currency (James #00:15:19#-#00:15:33#).

In summary, the senior executives viewed the impact of changes in the external corporate environment on the CRE organisation as generally predictable as long as the event does not constitute a massive change in the remote environment of the organisation.

Limited Alternatives to Respond to Epochal Changes in the Corporate Environment

The senior executives showed a general understanding of how they can or must, respond to changes in the corporate environment as long as these are not epochal. Then, in such serious instances the response options are considered limited and might impose challenges to the CRE organisation in handling such events.

The number of possible alternatives does not seem large (James #00:15:58#-#00:16:55#). Charlie had tools available to react to changes in the external environment and emphasised that, in the case of a risk situation, he would consider so-called defence lines to the extent within his area of responsibility (Charlie #00:23:22#-#00:24:04#). For Sophia, action alternatives to change were amendments to the product or a turn to different groups of investors (Sophia #00:10:10#-#00:10:53#). Another executive stressed that even though she is not able to implement all action on her own, she is very well aware of what has to be approved by the advisory board and what she can manage without board approval (Olivia #00:25:38#-#00:26:04#). James pointed out that an understanding about the possibilities of reactions to changes in the environment only exists as far as “[...] *it is not an expression like ‘Euro bursts’ [...]*” (James #00:18:17#-#00:18:25#).

Massive Changes in the Corporate Environment are not Manageable with Usual Routines

The senior executives suspected that massive changes in the corporate environment are manageable with some adjustment of routine processes dependent on the degree of turbulence.

Generally, George underlined that massive changes in the corporate environment can be handled with existing organisational routines (George #00:12:59-#00:13:28#). James stressed that there exist diverse tools, processes, and emergency procedures or survival strategies that are applied when familiar events occur. But he also points out that an event like Brexit required the executive to think afresh because there are no concepts or

processes for special unprecedented events like this (James #00:21:17#-#00:21:41#). With a focus on process organisation, Charlie posited that regardless of the type and extent of changes in the corporate environment, an on-going adjustment of procedures in his organisation is necessary. Besides the required alignment, this may also include the abandonment of processes or divisions (Charlie #00:25:55#-#00:26:23#).

Sophia clearly stated that she could not manage changes in the corporate environment with standard processes and routines. She would adjust the processes according to the new requirements and would implement new procedures where necessary (Sophia #00:12:44#-#00:13:21#).

Another executive was more distinctive in his description and differentiated according to the strength of the event and the resulting turbulences. Generally, he also confirmed that changes in the corporate environment that are recurring could be managed by the CRE organisation with existing standard procedures. Those that are less routine, mentioning for example the events on September 11 in New York, require a different treatment than a simple assessment of inflation, population developments, or volatilities in wages (Harry #00:22:08#-#00:22:45#).

Summary of the Theme “Uncontrollability of massive changes in the corporate environment”

In summary, the senior executives experience numerous changes and resulting risks in the task as well as in the remote environment of a CRE company. Hereto, the executives considered the developments in the corporate environment as generally predictable. However, the effects of any such changes on their organisation were stipulated as non-controllable. Although they felt that they were in the position to appropriately react to changes in the corporate environment, they considered their alternatives to respond in cases of epochal changes as limited. CRE organisations are not able to manage massive changes in the corporate environment with routines.

4.3 The Managerial Lived Experience of the Phenomenon of Financial Instability

4.3.1 Analysis

This section presents an overview of the analytical process to explore the managerial lived experience of the phenomenon of FI, and shows how the sub-themes and themes emerged. They essentially developed through reflection in existential analysis guided by the lifeworld existentials 'lived body', 'lived time', 'lived space', and 'lived relation', as proposed by van Manen (1990), and the circular and dynamic procedures influenced by Gadamer (1975b). In addition to these general existentials, 'lived feelings' also emerged.

4.3.1.1 Preliminary Analysis

The preliminary analysis was conducted in the same way as described before in section 4.2.1.1.

4.3.1.2 Final Analysis

The final analysis of the 'lived experience' was split into the event of FC and the preceding phase of FI, where these two stages provided substantially different characteristics and meanings from the senior executives, which emerged during the preliminary analysis.

4.3.1.2.1 The Themes and Sub-Themes of Financial Instability

There emerged five themes from the 15 sub-themes about the lived experience of the phenomenon of FI. One of the themes, to which a lot of data from the transcripts was allocated, was "Unrealistic market situation", which will be used exemplarily in the following presentation of the analysis. The other themes of "Informal and individual intensification of lived relations", "Euphoria and expansion pressures of the actors", "Unregulated workload in the

organisation”, and “Ignorance in perceived certainty” will be described afterwards.

The theme “Unrealistic market situation” comprises of the sub-themes “Eroded market mechanisms and experiences” and “Risk-free availability of capital”.

The analytical process started with selective reading and highlighting of participants` words that were grouped together according to similar thoughts and ideas. An example of how the executives talked about their experiences in the phase of FI is:

*“At that time, everything was possible and everything was generally okay, you know. I believe, what has been **extremely underestimated** were the **new products** that emerged on the market, that one surveyed. But this was not our playing field, not our sector. And we have only recognised this to a limited extent, **no one really has dealt with this** that much, actually. I think, we also focused on our real estates and the monies that were available. And probably, we were **shy of looking beyond the end of our nose.**”*
(Olivia #00:43:38-#00:44:47#)

In another interview, Harry confirmed the exceptional market situation by mentioning the example of a total change in risk and investment behaviour due to the analyst`s recommendation, which was:

*“[...] a fully regulated and publicly listed REIT that was operating extremely conservative and with all approaches to risk management in its domestic market, but had to, by request of analysts and banks [...], **transfer to another risk area that one did not oversee moreover was not able to survey.**”* (Harry #00:38:21#-#00:39:56#)

From these two statements, the keywords “*extremely underestimated*”, “*new products*”, “*no one really has dealt with this*”, “*shy of looking beyond the end of our nose*”, “*transfer to another risk area that one was not able to survey*“ were

highlighted and grouped in the concepts “Investments in ambitious and intransparent types of investment” and “Inexperienced decision-makers”. Finally, this was assigned to the sub-theme “Eroded market mechanisms and experiences”, and became part of the theme “Unrealistic market situation”.

The next table shows some further examples and how these progressed from the initial statements of the participants to keywords, becoming concepts, sub-themes, and themes.

Significant Idea or Statement (trans. from transcript)	Linking Keywords	Concept	Sub-Theme	Theme
<p>“[...] the types of investments that were practiced in those days, for example mezzanine financing, [...] for that you need to be trained as a banker [...] to actively operate in that business. You need such an apprenticeship [...] these days you should not operate like a pure real estate investor in that area.” (Harry #00:57:24#-#00:58:18#)</p>	Types of investments, need to be trained as a banker, not operate like a pure real estate investor	Investments in ambitious and intransparent types of investment Inexperienced decision-makers	Eroded market mechanisms and experiences	Unrealistic market situation
<p>“[...] actually, prior to this there was no real situation, it was only afterwards a real situation that properly shows the macroeconomic circumstances.” (William #00:43:03#-#00:44:39#)</p>	No real situation, that properly shows the macro-economic circumstances	Unrealistic macroeconomic situation (market mechanisms suspended)	Eroded market mechanisms and experiences	Unrealistic market situation
<p>“[...] and once you notice which properties were acquired, in recognition of the European market, then this immediately attracted your attention. [...] with the result that this proves right because the major part of the portfolio had to be written off completely.” (Harry #00:45:26#-#00:46:15#)</p>	Which properties were acquired, immediately attracted attention, the major part of the portfolio written off completely	Bad quality of acquired properties Inexperienced decision-makers	Eroded market mechanisms and experiences	Unrealistic market situation

Table 13: Final Analysis of the Theme “Unrealistic market situation”. Source: Author (2018).

The development of the other emerging themes and sub-themes related to the managerial experience of the phenomenon of FI is presented in Appendix 6.

4.3.1.2.2 The Themes and Sub-Themes of Financial Crisis

With reference to the lived experience of the event of FC, there are five themes and 14 sub-themes. The theme “Unexpected market standstill” will be used exemplarily in the following description of the analysis. Further themes that emerged were “Formal and social intensification of lived relations”, “Disillusionment and consolidation of the actors”, “Without alternatives, alignment of the organisation in uncertainty” and “Irrational behaviour in perceived uncertainty”.

The theme “Unexpected market standstill” includes the sub-themes “Standstill” and “Unexpectedness”. As before, the researcher used the words of the senior executives, which were grouped together along the lines of similar ideas to develop the sub-themes and themes. The sub-theme “Standstill” is used to illustrate the development of the theme.

For the first theme, for example, the researcher found the statement of Jake who talked about his lived experience in the event of FC:

*“In principle, it was **during a very short time** when **investment behaviour, bank lending behaviour, consent to investments in real estate was completely interrupted**. Let`s say, it grew like a tsunami that irrupted at some point and people said: now **everything is standing still**. Nobody knew where it will lead to, nobody, it was a crazy **uncertainty** in the market – am I able to finance at all, am I able to acquire at that rent levels, am I still able to acquire at these cap rates.”* (Jake #00:39:58-#00:41:55#)

Allen confirmed this impression by mentioning and explaining that:

*“[...] then, the **models suddenly did not work any longer** because **decreased leverage** incurred increasing interest rate, well, and at the same time **price declines as well as the lower value of the assets**, and, then finally also causing the **problematic situation with regard to the loans**.”* (Allen #00:06:34#-#00:07:08#)

From these statements the researcher highlighted the keywords *”during a very short time”, “investment behaviour”, “bank lending behaviour”, “investments in real estate was completely interrupted”, “everything is standing still”, “uncertainty”, “models suddenly did not work any longer”, “decreased leverage”, “price declines as well as the lower value of the assets”, and “problematic situation with regard to the loans”*. From this, the concept of *“Within short time investments and debt financing abandoned“* emerged. This, along with the other concepts of *“Limited availability of capital”* and *“Stop of expansions”*, were grouped to the sub-theme *“Standstill“*.

Table 14 illustrates some further exemplary statements from the executives in this regard and it shows how they progressed to become part of the sub-theme *“Standstill”* and the theme *“Unexpected market standstill“*.

Significant Idea or Statement (trans. from transcript)	Linking Keywords	Concept	Sub-Theme	Theme
<p>“[...] first of all the publicity - so to say – with the existing system that goodish operates, the banking system was then however suddenly relatively quickly affected, I believe, this was definitely something where we thought, ‘well now, this will bring a massive change’.” (George #00:24:48# #00:25:46#)</p>	Banking system, suddenly relatively quickly affected, massive change	Within short time investments and debt financing abandoned	Standstill	Unexpected market standstill
<p>“This has changed when [...] capital availability became limited, even though the valuation and evaluation of the properties, the profitability, the risk profiles of the assets did not provide for any reasons hereto. This has limited our business in this regard and it required us to stop further expansion due to limited capital availability [...]” (Scarlett #00:20:01#-#00:21:33#)</p>	Capital availability limited, stop expansion	Limited availability of capital Stop of expansions	Standstill	Unexpected market standstill

Table 14: Final Analysis of the Theme “Unexpected market standstill”. Source: Author (2017).

The development of the other emerging themes and sub-themes for exploring the managerial lived experience in the event of FC are presented in Appendix 7.

4.3.2 Analysing the Managerial Lived Experience of Financial Instability and Financial Crisis

This part aims to explore the senior executives' experiences and the corporate meaning of the phenomenon of FI.

The following section presents the interpretation of the findings from the analysed interview data guided by van Manen's (1990) existential analysis and his fundamental existentials.

4.3.2.1 The Managerial Lived Experience in a Phase of Financial Instability

4.3.2.1.1 Unrealistic Market Situation

The first theme "Unrealistic market situation" comprises two sub-themes: "Eroded market mechanisms and experiences" and "Risk-free availability of capital".

Eroded Market Mechanisms and Experiences

During this time, the senior executives perceived the macroeconomic situation as unrealistic. Strategic decision-makers, some of them with only little RE experience, engaged with ambitious and intransparent types of investment and acquired properties of low quality.

William perceived this as "[...] *no real situation [...] that properly shows the macroeconomic circumstances*" (William #00:43:03#-#00:44:39#). During this phase, Jake experienced "[...] *horrendous added values [...], that were yet also in part additionally financed*" (Jake #00:27:45#-#00:29:16#). Likewise, Charlie confirmed this view by mentioning hyperbolic investment markets as characteristic for this time (Charlie #00:45:59#-#00:46:14#). James recognised that during this phase, risk premiums of CRE returns and bond yields have been major criteria for investors to make their acquisition decisions for properties (James #00:41:28#-#00:41:56#).

From Harry's point of view, the business remained rather conservative during this time and all possible tools of RM had been taken into consideration. But one was pressed ahead by recommendations of analysts and consultants to operate in an area of risks that one did not, and could not, oversee (Harry #00:38:21#-#00:39:56#). During this phase, new products that came into the market were extremely underestimated because they were not part of people's core competencies. Moreover, the focus was on CRE properties and monies that were available. Olivia pointed out having been too "[...] shy of looking beyond the end of our nose" (Olivia #00:43:48#-#00:44:47#) during this time. The investment types that were realised usually required completed banking training (Harry #00:38:21#-#00:39:56#), and Harry stressed that "[...] there were also several actors who exploited the situation to profit from other third parties' inexperience [...]" (Harry #00:42:37#-#00:45:06#).

James characterised this time as a phase of desperation where good properties in prime locations could hardly be found and the prime factor collapsed against the periphery (James #00:40:44#-#00:41:13#). Beside other factors, Olivia got the impression that everything was just very expensive (Olivia #00:45:10#-#00:45:55#). And James perceived the properties as being massively "[...] high-priced" (James #00:40:13#-#00:40:34#) at this time, while also experiencing the "[...] investment pressure [...]" from the investors' side (James #00:36:22#-#00:36:37#).

Risk-free Availability of Capital

In terms of the financing of RE projects, this phase was characterised by high availability of capital without any requirement for providing warranties by the debtor. At the same time, the senior executives experienced extremely high relations of loan to values. Additionally, it was perceived that risks were outsourced to the financing banks.

During this phase, Olivia recognised that the actors had a great focus on available funds (Olivia #00:43:38#-#00:44:47#). While Jake emphasised that, with regards to debt financing of CRE, people actually lost sight of things at that time, and everybody could obtain debt financing and everybody did (Jake

#00:31:30#-#00:35:02#). This participant added that a loan to value of 90% to 95% was nothing special then. Sophia stated the same and underpinned this by mentioning that debt was available for CRE financing even without warranties and that the loan to value steadily increased up to 90%. She was stunned that such pattern was possible at all (Sophia #00:25:35#-#00:27:57#). For Sophia, the changes in the ratio of the loan to value (Sophia #00:32:04#-#00:32:10#) as well as the active outsourcing of client risks to the banks (Sophia #00:28:08#-#00:28:48#) were characteristic for this time.

Summary of the Theme “Unrealistic market situation”

The senior executives perceived the time prior to the FC as being a phase where market mechanisms had been suspended because of a lack of transparency and the inexperience of the actors. Their experiences in the CRE sector from the past had been faded out. This phase was characterised by high availability of capital that was provided for investments without, or with only little, guarantee requirements by the debtor, where risks had been outsourced from the CRE companies to the financing banks. Overall, the executives perceived this to be an unrealistic market situation. Guided by van Manen`s (1990) existentials during the advanced analysis, this theme was for the most part reflected against the existential of ‘lived time’.

4.3.2.1.2 Informal and Individual Intensification of Lived Relations

As a second theme, an “Informal and individual intensification of lived relations” was identified. This comprises two sub-themes: “Informal intensification of the relations in order to assess the situation” and “Individual intensification of the relations in order to account for potential consequences”.

Informal Intensification of the Relations in Order to Assess the Situation

To assess the situation, the senior executives used informal talks with several parties on different levels during this phase.

According to George (#00:30:26#-#00:30:42#), the assessment of the situation was a “[...] *multi-layered approach* [...]” because it is always multiple persons

who determine the situation. Information and assessment were mainly sought informally (James #00:45:17#-#00:45:35#) through phone calls and conversations (Olivia #01:16:26#-#01:16:43#). The exchange took place with market participants and clients (James #00:35:54#-#00:36:05#), researchers (George #00:23:16#-#00:23:55#), with friends and the personal network (Charlie #00:49:51#-#00:49:55#), the management committee and other senior management (James #00:42:32#-#00:42:43#), the risk committee (James #00:43:15#-#00:43:49#), heads of transactions and asset management (Olivia #00:54:57#-#00:55:42#), as well as the supervisory board (James #00:51:50#-#00:52:09#).

Individual Intensification of the Relations in Order to Account for Potential Consequences

In order to account for the potential consequences of the perceived situation for the CRE organisation, relations were intensified on an individual basis.

On the interpersonal level, the senior executives addressed long-term risk and outlined the consequences during the cycle (Olivia #01:16:50#-#01:18:06#), while documenting the perceived situation in detail (Olivia #01:16:26#-#01:16:43#). At their own discretion, and informally, they passed their assessment on to colleagues (James #00:45:17#-#00:45:35#), communicated the necessity of a prior, intensive research on the target markets (Harry #01:00:50#-#01:01:09#), and reassessed their investment approach and strategy (Harry #00:40:35#-#00:41:27#).

Summary of the Theme “Informal and individual intensification of lived relations”

The senior executives experienced that they had intensified their network during the phase of FI in order to assess the situation. This was mainly an informal consultation or discussion on different levels. The executives had used different ways to address the potential long-term consequences of the situation, to document their assessment, and to review present investment approaches. The informal discussions about the assessment of the situation, as well as the communication of their own considerations, indicate that the

organisation did not have any formal procedures or communications structure in place. Furthermore, it can be assumed that the exchange, as well as the communication of information, was only unofficial in order to avoid being regarded too critically by colleagues, the advisory board, and other employees. Over the course of the analysis and reflection guided by van Manen (1990), this theme was predominantly exposed to the existential of 'lived relation'.

4.3.2.1.3 Euphoria and Expansion Pressures of the Actors

The third theme "Euphoria and expansion pressures of the actors" comprises four sub-themes: "Ignorance of the decision-makers", "Financing pressure of the banks", "Decisions under pressure to succeed" and "Investment pressures of the clients".

Ignorance of the Decision-Makers

During this phase the addressees were perceived as not interested in the information about the assessment of the situation. The participants noticed a lack of skills that prevented the addressees from processing the information. Furthermore, the decision-makers must experience non-compliance with the principles of due diligence.

Olivia experienced the following in this phase:

"Actually, I don't know how I made it, but thanks to god they have listened. May be one or the other thought 'goodness, she is exaggerating'. But no one really expressed that toward me. Or even if they said something like that then it was – with a nice manner, this was not dismissive or somehow pejorative. I think, also because I was new, they listened. I did not have the feeling, that they were casual about me, but I generally had the feeling that I cannot get away with this" (Olivia #01:11:45-#01:19:08#).

According to Sophia, the addressees reacted “[p]e[re]joratively and dismissive [...]” (Sophia #00:44:34#-#00:44:36#) and they had “[i]mmediately forgotten” (Sophia #00:44:39#-#00:44:41#) about the information provided.

She perceived a specific behaviour of her addressees:

“No. Yet, it must be said that, people actually don’t want to know it. That’s it. If I talked about things like that, I realised that my counterpart, being it shareholder or investor, they were not interested in warning statements.” (Sophia #00:38:38#-#00:39:00#)

Despite the non-existent interest, Harry perceived that in CRE transactions there was “[...] no relevant knowledge” (Harry #01:02:51#-#01:03:18#). Olivia underpinned the perceived change in the behaviour of the decision-makers in the organisation during this time as follows:

„What made me recognising this was the basis for the decisions. In many cases the commercial principles of a proper due diligence have been ignored. Decisions have been made like this. Imagine, if you acquire a real estate asset, you have to carefully look what you are buying. This is not only opening the door and walk in. Technically – look at the property for different things. And if you recognise, it’s sufficient to arrange for a helicopter, I buy, you now, there is something wrong.” (Olivia #00:45:10#-#00:45:55#)

Financing Pressure of the Banks

Additionally, the senior executives also experienced a change in the behaviour of their banks during this phase towards an open and active approach to their clients. At the same time, banks did not require the borrowers to provide warranties or other securities. The executives felt that the banks did not possess the necessary CRE expertise and therefore a feeling of power over the banks evolved.

Sophia emphasised that during this phase banks acted “[...] *too bullish* [...]” towards their clients (Sophia #00:43:59#-#00:44:11#). The banks contacted the borrowers in a forthright manner regarding their need for refinancing. Sophia perceived this feeling of power of the client towards the bank as inappropriate (Sophia #00:31:33#-#00:31:55#). Furthermore, no warranties were required any longer (Sophia #00:25:35#-#00:27:57#). Harry stated that many financing banks were acting in markets that they did not know and did not understand (Harry #00:38:21#-#00:39:56#).

During this phase, Sophia experienced another change in the behaviour of the banks. Where previously it was mandatory to “[...] *service interest and repayment obligations* [...]”, suddenly, in the phase prior to the FC, only the “[...] *interest cover ratio* [...]” became important. Sophia named the bank and their behaviour as “[...] *very euphoric* [...]”. It felt strange, that the financing banks wished to push the external appraiser “[...] *to make it a higher value*” for the property to be financed (Sophia #00:25:35#-#00:27:57#).

Decisions under Pressure to Succeed

During the phase of FI, the senior executives thought only little about the potential consequences of their decisions and did not embrace the full complexity of the circumstances. Decisions had been made under pressure.

Sophia mentioned that she tried to foresee risks in this phase and to control those in the RM of the organisation (Sophia #00:42:48#-#00:42:53#). Olivia stressed that there were

“[...] little thoughts about the consequences. And, because such investments were authorised, the decisions were finally made by, under pressure.” (Olivia #01:00:09#-#01:00:40#)

Sophia emphasised that she acquired properties during this phase

“[...] that were much worse in quality, at a price that could be considered favourable in comparison what has been paid elsewhere in the sector, but because the quality was much worse, it was yet much more expensive than acquiring quality at a higher price.” (Sophia #00:24:00#-#00:25:27#)

From her perspective, it would have been the right strategy to either not acquire anything or to acquire really expensive assets. Olivia stated that she was *“[...] shy of looking beyond the end of our nose.”* She explained that, despite having looked at the properties, she did not pay attention to how *“[...] the different products were compiled and resold, what are the hedgefunds doing, what are alternatives.”* This participant believed that she had overlooked something during this phase, because she regarded the *“[...] real estate economy simply [...] isolated [...]”*, and did not recognise its complexity (Olivia #00:47:02#-#00:50:39#).

Investment Pressures of the Clients

The senior executives perceived an increased investment pressure from their clients during the phase of FI, especially driven by higher leverages. Thus, the CRE asset was given more attention in terms of property yield.

Olivia said that she felt more investment pressure from the clients and the wish to acquire more properties in a shorter term during this phase (Olivia #00:56:32#-#00:57:18#). Similarly, for such a period Sophia noticed that when she did not exceed 80% leverage, the investor and shareholder pressured *“[a]nd up we go”* (Sophia #00:39:35#-#00:40:03#).

James perceived the circumstance of steadily growing repayments of the funds, compared to the former strong inflow. Additionally, he expressed his incomprehension regarding clients who were happy about vacant properties with the explanation that increasing market rents could lead to better exit prices (James #00:34:58#-#00:35:40#). Olivia determined, in this regard, that

during this phase “[...] a lot of institutions and investors in several retail funds [...] just have parked their monies there. And the regulation at that point of time did permit that they could request their money back within relatively short notice.” (Olivia #00:47:02#-#00:50:39#).

Harry assessed this time as a period where one was

“[...] send off, to manager investment worldwide [...] based on a spread of financing costs and the actual net initial yields of the property, regardless of where the property is located, of its quality [...] but the target was just the spread of around 250 basis points [...] which finally led the partner, when released, acquired everything with a yield of more than 7% [...].” (Harry #00:42:37#-#00:45:06#).

Summary of the Theme “Euphoria and expansion pressures of the actors”

The senior executives perceived a behavioural change of the actors during the time prior to the outbreak of the FC. The executives were characterised as ignorant because they were either disinterested in the information about the situation to be able to assess it or they lacked the respective knowledge to use the information.

General guidelines for commercial due diligence had been neglected. Because of the investment pressures from the investors and the financing pressure of the banks, the executives were under successive pressure to find appropriate assets and to invest the clients’ monies. In this phase, the actors lived in a ‘here and now’ and did not invest much effort into seeing the big picture. Due to the short-term success pressure, they did not consider the long-term consequences of their actions. The executives have experienced the behaviour as euphoric and focused on expansion. During the existential analysis, and in accordance with van Manen (1990), this theme became mainly reflected against the existential ‘lived body’.

4.3.2.1.4 Unregulated Workload in the Organisation

The fourth theme “Unregulated workload in the organisation” comprises three sub-themes: “Unregulated processing of a large number of projects”, “Unchanged analysis of information” and “Maintenance of the strategic focus”.

Unregulated Processing of a Large Number of Projects

The senior executives mentioned a perception of a growing number of projects as well as a higher workload in their CRE companies during the phase of FI. At the same time, such work was performed in a working environment that was limited in regulations and guidance.

Olivia noticed that during this phase she was

“[...] closing deals every month. Every month another property was added. [...] And every month a further property, that means a lot of work and of stuff remains behind and that’s what happened.” (Olivia #01:01:32#-#01:05:14#)

She added that *“[g]overnance was non-existent [...] At the time, everything was a bit more loosely.” (Olivia #01:05:41#-#01:06:55#)*

Unchanged Analysis of Information

In order to be able to control the CRE organisation during this phase, the senior executives monitored the tenant market dynamics, analysed the macroeconomic developments, and deduced the mood of the CRE sector from reports and discussions. The intensity remained unchanged, as usual.

Charlie monitored the volume of RE transactions and the yield development (Charlie #00:42:07#-#00:42:27#), analysed the lettings, and evaluated the existing portfolio (Charlie #00:42:35#-#00:45:41#) as well as the developments and dynamics on the tenant markets (Charlie #00:39:15#-#00:41:57#). Here, macroeconomic analyses and research reports with a CRE focus were also taken into consideration (Charlie #00:50:42#-#00:51:02#). James used market analyses and client publications for his assessment and control of the CRE

organisation (James #00:44:04#-#00:44:39#). George talked to researchers and included long-term cycles of the investment and leasing market in his analysis (George #00:23:16#-#00:23:55#). Another participant said she focused on internal risk reports and profit forecasts (Scarlett #00:27:47#-#00:28:29#), while another interviewee used discussions with market participants and clients as an add-on to his own analysis (James #00:35:54#-#00:36:05#). And lastly, some information about the situation prior to the outbreak of the FC was taken from the press (George #00:25:52#-#00:25:54#).

Maintenance of the Strategic Focus

The senior executives experienced only marginal pro-active changes in organisational processes as a response to the perceived environmental changes during this phase. However, the decision-makers properly documented the perceived situation and the effects on the organisation.

James implemented “[...] *adjustments here and there* [...]” due to the environmental changes but the strategic direction remained the same (James #00:48:19#-#00:48:27#). Charlie acted “[...] *operationally preparatory, imposing processes and measures, in order to being able to respond to every possible risk event*” (Charlie #00:55:26#-#00:56:18#). Olivia limited her reaction on the perceived changes “[...] *reduced – to a proper documentation of the process* [...]”. In retrospect, she considered these actions as “[...] *absolutely not sufficient. But at that point in time it was the right thing*” (Olivia #00:58:25#-#00:59:55#). Harry also noticed that the RM of his CRE organisation gathered information about the situation, but they did not decide what consequences should follow (Harry #01:02:28#-#01:02:46#). Sophia tried to “[...] *being more critical in acquisitions*” and subsequently determined that she was not sufficiently critical (Sophia #00:39:23#-#00:39:30#). James arranged for some behavioural changes in his organisation with regards to a “[...] *turn to products that are much more predictable* [...]” (James #00:47:33#-#00:48:09#) during this phase. At the same time Sophia implemented “[c]over mechanisms [...]” in their Asset Management Agreements (Sophia #00:39:13#-#00:39:18#).

Summary of the Theme “Unregulated workload in the organisation”

In the phase of FI, senior executives perceived the CRE organisation as a place where numerous projects were processed, but guidelines in this regard were only available to a limited extent. The increased workload was handled by the executives and their staff, commonly without standardised processes and rules or instructions. The assessment of the situation and the control of the organisation were managed on the basis of unchanged information analysis. Indeed, they tried to determine the sentiment in the CRE sector from talks and reports, but they did not extend their information basis for an assessment of the situation. Beside marginal operative adjustments within the CRE organisation, the executives did not initiate any strategic changes in the organisational or process structure. Moreover, their reaction was limited to perceiving the environmental changes and its immediate impact and documenting those properly, attached with their personal evaluation, for their organisation in order to derive recommendations for action. During the course of the existential analysis and reflection this theme was for the most part reflected against the existential of ‘lived space’.

4.3.2.1.5 Ignorance in Perceived Certainty

The fifth theme “Ignorance in perceived certainty” comprises four sub-themes, “Overstrain leads to resignation”, “Over-optimism”, “Ignorance”, and “Certainty”.

Overstrain Leads to Resignation

In this phase, the senior executives perceived the communication of their assessment of the situation as a challenge. They said they acted more cautiously towards the recipients and found themselves to be unclear and discouraged to communicate.

Olivia reflected that she considered herself as a “[...] *guardian* [...]” and it was challenging for her to put the brakes on her colleagues’ euphoria (Olivia #01:18:10#-#01:18:27#). The executive sent cautious signals to the addressees to describing the perceived situation. She tried to avoid being penetrating, which affected the clarity and explicitness of the messages (Olivia

#00:51:30#-#00:53:03#). Although the messages were communicated, Sophia emphasised that she had experienced that the addressees did not even want to know anything about such warning signals regarding the perceived situation. As a reaction to this, and in order to make her life less difficult, she stopped such discussions (Sophia #00:38:38#-#00:39:00#). Similarly, due to the reaction from the addressees, Olivia felt that she was “[...] *perceived unstable [...]*” (Olivia #00:51:30#-#00:53:03#) and lost the motivation to inform about the situation and her assessment.

Over-Optimism

The senior executives perceived this phase as a period of euphoria and exaggerations. They noted that CRE had been acquired above value and the sector was characterised by a missing problem consciousness.

Olivia emphasised that the actors had underestimated the situation (Olivia #00:51:30#-#00:53:03#) and described the phase as marked by “[...] *great optimism everywhere and I believe this made us blind*” (Olivia #00:42:53#-#00:43:30#). Harry named it a misjudgement of the market (Harry #00:46:38#-#00:46:40#). For Sophia, the situation was euphoric, everything was possible and “[...] *still high potential*”. She described the perception of an omnipresent optimism (Sophia #00:24:00#-#00:25:27#). Self-critically, the participant reflected that she herself “[...] *also acquired a portfolio at an exorbitant price*” (Sophia #00:24:00#-#00:25:27#) during these times.

Also, James mentioned “[...] *high prices for real estate*” (James #00:56:39#-#00:59:14#) in this context and judged himself for having thought too long that this would go well (James #00:54:33#-#00:56:20#). Harry determined that he and his colleagues were “[...] *not the only ones who were very euphoric, at that time, so [...] unbridled in the market*” (Harry #00:42:37#-#00:45:06#). He characterised the market behaviour as “[...] *overestimating oneself and only seeking for expansion*” (Harry #00:40:06#-#00:40:26). Allen perceived a lack of consciousness of the problem and compared the time to the “[...] *wild west [...]*” (Allen #00:05:41#-#00:06:08#). Charlie considered this phase as one of “[...] *exaggeration [...]*” (Charlie #00:40:14#-#00:40:43#). Olivia also stressed that,

from her point of view, during this phase there were “[...] *no rational decisions – not based on a rational analysis, but made under pressure. Investing, being fast, placing money quickly without thinking*” (Olivia #01:00:50#-#01:01:25#).

Ignorance

As a further point, the senior executives perceived that there was only little reaction to warning signals and a lack of adjustment by the CRE organisation to the changing market conditions. Furthermore, the CRE had been acquired with less criticality, and experiences of the actors from the past were ignored. The executives felt that the market situation was not healthy and that the decisions were wrong. This led to diffused gut feelings, which were eventually faded out and ignored.

In this phase, Olivia perceived that the addressees had in fact received indications about the situation, but due to no resulting short-term consequences she felt that those were ignored (Olivia #01:19:03#-#01:19:35#). Harry witnessed how his organisation failed in foreign markets because the actors did not adjust to the different domains properly. The executives

“[...] failed with such a naive approach, because they did not adjust to the foreign market, or placed their internal experiences [...] onto the foreign market. And this is why many failed.” (Harry #00:38:21#-#00:39:56#)

For Charlie, this phase was characterised by “[...] *closing the eyes, forgetting past experiences, non-observance of cycles [...]*” (Charlie #00:40:14#-#00:40:43#), which also underpins the ignorant behaviour of executives. Olivia perceived the actors as “[...] *placing money quickly without thinking*“, but not looking beyond and asking for “[...] *did I do everything, did I see everything, did I uncover all risks*” (Olivia #01:00:50#-#01:01:25#). Even though Sophia felt that during the situation it was “[...] *no longer healthy*“, she ignored these feelings while “[...] *hoping that it hits the others, that it comes a year later*” (Sophia #00:34:01#-#00:35:18#). Charlie mentioned that he previously thought

about how to react when the cycle moves downwards but he did not expect “[...] *that it comes to a total crash*” (Charlie #00:47:05#-#00:48:53#).

Even though James had a diffused gut feeling during this time, all his experiences were ignored (James #00:56:39#-#00:59:14#). He discounted the “[...] *feeling, I would like to sell more [...], to reward the money back to the clients, waiting until the market is down [...] and then we can start to acquire again*” (James #00:37:22#-#00:39:17#.) Olivia determined that during this phase “[...] *you feel the decision is not right. Or, may be the decision is right, but how I derived there is not correct. And then, if you don` t know the process, the steps, it becomes clear, there is something wrong.*” (Olivia #00:46:11#-#00:46:43#).

Furthermore, the executives mentioned that factors like loan to value, cap rates, or rent levels alone couldn’t provide an answer if and when the bubble burst. According to Jake, the context and the perception of the actors “[...] *at a time where there was no more leeway in the market, say, no more ideas to add value and this is why the bubble burst some day*” (Jake #00:35:30#-#00:37:23#) were much more decisive.

Certainty

As a further characteristic of the corporate environment in this phase, a perceived certainty developed, where macroeconomic factors were perceived as harmonious.

From James’s perspective, his perceived certainty was derived from the operating result of the CRE company, which had never been better either before or afterwards. He compared this feeling to “[...] *a certain illusion of unassailability [...]*” (James #00:37:22#-#00:39:17#) that also resulted from a “[...] *very decent bonus [...]*” (James #00:54:33#-#00:56:20#).

Another executive perceived certainty because Germany was on its way to recover and the macroeconomic indicators felt “[...] *harmonic*” and “[...] *consistent*” (Sophia #00:29:22#-#00:29:07#). The certainty was also perceived

because it looked like “[...] *everything is more or less in the green area*” (Olivia #00:42:53#-#00:43:30#).

Summary of the Theme “Ignorance in Perceived Certainty”

The time prior to the outbreak of the FC was characterised by senior executives’ over-optimism and a perceived certainty, which may both be considered interlinked. The perceived positive environment allowed the executives to fade out their diffused gut feelings and experiences from the past. Potential problems and risks from the consequences of the market situation had been ignored. During these times, critical assessment of the situation had been communicated only very cautiously to the addressees. This led to excessive demands on the senior executives with warning voices and finally resulted in their resignation.

Over the course of the analysis and reflection, it turned out that a further existential, above the four general existentials recommended by van Manen (1990), became relevant. Considering the sub-themes and concepts of this theme, feelings, moods, and emotions seem to be vital in executives’ lifeworld related to the phenomenon of FI, which was recapped in adding the existential ‘lived feelings’.

4.3.2.2 The Managerial Lived Experience in the Event of Financial Crisis

4.3.2.2.1 Unexpected Market Standstill

The first theme “Unexpected market standstill” comprises two sub-themes, “Standstill” and “Unexpectedness”.

Standstill

In the event of FC, the senior executives experienced that the clients’ investment behaviour came to an end and bank lending was aborted at very short notice. The availability of capital was limited.

Jake compared this situation to a “[...] tsunami [...]” where “[...] during a very short time [...] investment behaviour, bank lending behaviour, consent to investments in real estate was completely interrupted” (Jake #00:39:58#-#00:41:55#). He added that “[...] there was no more leeway in the market, say, no more ideas to add value and this is why the bubble burst some day” (Jake #00:35:30#-#00:37:23#). Jake emphasised that this situation triggered several distressed sales and “[...] on-going machinery, was principally abruptly stopped” (Jake #00:42:16#-#00:43:15#). For Charlie, this event was characterised by “[...] huge portfolios could be seen in [...] the real estate market [...] and [...] the size was much more important than the asset” (Charlie #00:41:10#-#00:41:39#).

Unexpectedness

The senior executives experienced the changes as unexpected and sudden, and executives saw no possibility to predict this event.

Allen described the event as “[...] sudden [...]” (Allen #00:06:34#-#00:07:08#). William also considered this event as surprising (William #00:50:58#-#00:50:58#). Moreover, he mentioned that he “[a]ctually did not expect [...]” it (William #00:33:00#-#00:34:16#).

Summary of the Theme “Unexpected Market Standstill”

The senior executives were confronted with a standstill of the relevant market, where investors stopped their investment activities and banks no longer provided debt. For the executives this happened suddenly and unexpectedly. The perceived market changes were seen as non-predictable events. Guided by van Manen`s (1990) existential analysis, this theme emerged predominantly reflected against the existential ‘lived time’.

4.3.2.2.2 Formal and Social Intensification of Lived Relations

The second theme “Formal and social intensification of lived relations” comprises two sub-themes: “Formal intensification of relations to assess the

situation“ and “Social intensification of relations to constitute potential consequences and proceedings“.

Formal Intensification of Relations to Assess the Situation

The senior executives intensified their relations with other involved parties in order to formally assess the event of FC. The intensive exchange between these people created transparency regarding the perceived changes and the situation.

William, for example, experienced that, in the event of FC, portfolio management as well as the management board involved the RM for the assessment of the situation (William #00:38:42#-#00:39:08#). The same was mentioned by Scarlett who also consulted with her RM (Scarlett #00:28:35#-#00:28:36#) based on an existing interactive process between RM and the management board (Scarlett #00:28:55#-#00:30:23#). George asked economists at their headquarters for an assessment of the situation (George #00:30:51#-#00:31:21#). Furthermore, for his analysis, he coordinated with his colleagues from stock trading who were “[...] *delivering an appropriate analytical basis, for what happens or may happen*” (George #00:29:08#-#00:29:51#). Similarly, Jake involved the RM and felt reassured in his assessment of his colleagues’ judgment (Jake #01:05:43#-#01:06:16#).

George intensively exchanged information with those involved to allow for the best possible transparency regarding the occurrences and in order to explain what happened. He emphasised which consequences occurred for the business model of his CRE organisation and how these were dealt with by the executives (George #00:35:00#-#00:35:45#). Jake looked for the exchange with other companies (Jake #00:52:50#-#00:53:49#), and other decision-makers “[...] *to also get a better picture*“ (Jake #01:00:32#-#01:01:06#), and the RM department was also consulted for a bilateral exchange (Jake #00:54:01#-#00:54:13#). To provide for more transparency, Scarlett intensified the communication with her employees, management, and the advisory board member of her organisation (Scarlett #00:26:55#-#00:27:35#). Sophia also looked for exchange, but preferred to talk to market participants (Sophia

#00:40:37#-#00:41:33#) while Charlie communicated their strategy in order to provide more transparency and a remaining commitment to a longstanding and sustainable implementation (Charlie #00:59:00#-#00:59:28#).

Social Intensification of Relations to Constitute Potential Consequences and Proceedings

The senior executives socially intensified their relations further in order to constitute potential consequences resulting from the event. The decision-makers specifically focused on a common and coordinated approach to create trust and keep calm.

George used the opportunity to describe the consequences of this event on the business model, as well as the envisaged handling of the situation, to the addressees (George #00:35:00#-#00:35:45#). It was important for Jake to share his personal assessment about the situation under consideration of his prior experiences (Jake #01:02:09#-#01:02:54#). He emphasised an active handling of such a situation and to “[...] *consider the consequences [...]*” (Jake #01:03:43#-#01:04:14#). Harry intensified his relation to the management board and communicated his assessment to them (Harry #00:51:58#-#00:52:33#).

Charlie stressed that the aim of the intensification of the relations in such a situation means “[...] *moving closer within the management division [...]*” where the “[...] *parent company has actually pulled in the same direction*” (Charlie #01:03:32#-#01:04:14#). One of the prevailing objectives for him was to “[...] *creating trust [...]*” (Charlie #00:59:36#-#01:00:54#) in this situation, “[...] *to implementing the strategy over the long-term and sustainably*” (Charlie #00:59:00#-#00:59:28#), and finally “[...] *keeping calm [...]*” (Charlie #00:54:58#-#00:55:08#). Jake strived for an intensification of the relations during this phase to place “[...] *sensitivity for the underlying risk parameters which could again be strengthened or enhanced*” (Jake #01:01:18#-#01:01:28#).

Summary of the Theme “Formal and social intensification of lived relations”

During the event of FC, senior executives became more formal and socialised comparatively more. They intensified their relations with other internal departments, especially RM, and with the management board, in order to jointly reconsider the happenings and rest assured about the assessment. They also sought externals and other market participants to evaluate the situation. Additionally, executives used this socialisation to constitute potential consequences arising from the event. Overall, this time was characterised by a growing transparency. During the course of the analysis and reflection, guided by van Manen (1990), this theme was mostly reflected in the existential of ‘lived relation’.

4.3.2.2.3 Disillusionment and Consolidation of the Actors

The third theme “Disillusionment and consolidation of the actors” is made up of three sub-themes. These are: “Bank lending abruptly stopped”, “Refocusing on core business”, and “Radical investment stop”.

Bank Lending Abruptly Stopped

It was perceived by the senior executives that credit institutions changed their behaviour during this time. This was derived from the occurrences of abrupt stops in bank lending and a need for the restructuring of existing financings, which was addressed by the lenders to the borrowers.

For example, Allen mentioned that he experienced situations where the financing bank addressed “[...] restructuring of debt financing when developing exit strategies” (Allen #00:07:26#-#00:07:54#) to their clients. Jake perceived that “[...] during a very short time [...] investment behaviour, bank lending behaviour, consent to investments in real estate was completely interrupted” (Jake #00:39:58#-#00:41:55#). Here, both experiences seem to be interconnected where either can trigger the other and lead to an abrupt stop in bank lending.

Refocusing on Core Business

The senior executives also perceived a behavioural change of their management board with regards to strategic aims. They recognised adjustments in the strategic business orientation (adjustment of the strategic focus in RM, increase of innovative abilities, consideration of arising chances) as well as with regards to the portfolio strategy (purification and refocusing on core competencies, focus on efficient asset classes).

Olivia mentioned that she enforced an adjustment of the strategic focus of the RM in due consideration of legal and sector-specific requirements in her CRE organisation (Olivia #01:07:29#-#01:11:27#). Harry, more specifically, mentioned that he expanded new areas into the RM and other non-relevant fields of risk had been eliminated from analysis (Harry #00:57:24#-#00:58:18#). Another executive instead mentioned that they had not changed their RM strategy, but at the same time he said that the awareness had been “[...] *sharpened in one direction or the other*” (Allen #00:11:29#-#00:11:42#). James also did not change his anticipatory RM strategy, but his risk assessment was extended in the analysis and assessment of risks (James #00:51:22#-#00:51:22#).

With regards to the general strategic aims, Jake stressed having become more innovative (Jake #00:57:02#-#00:57:07#). Harry perceived that the management board’s behaviour had changed because the sales of non-core business led to a refocusing on the core business of the CRE organisation (Harry #00:47:36#-#00:48:32#). Generally, the same core refocus was mentioned by Jake, who took a closer look at the asset classes during this time and consequently decided to focus on qualitatively good ones for his portfolio (Jake #00:57:15#-#00:57:48#). George decided to stop investment in the U.S. (George #00:32:16#-#00:33:07#). Other organisations were even more radical and reacted with a purification and purge of the balance sheet (Harry #00:48:38#-#00:49:21#). William mentioned that he identified the perceived changes as chances for his CRE organisation (William #00:28:02#-#00:28:03#).

Radical Investment Stop

Additionally, the investors, clients, and advisory board of the CRE companies changed their behaviour. The senior executives experienced clients' investment stops and a corresponding lack of capital inflow, which contributed to a standstill in the CRE organisation. Hereto, the advisory board was perceived as rough when pushing for restructuring measures.

Olivia experienced a “[...] *full stop of expansion and standstill*” in her organisation during this time (Olivia #01:01:32#-#01:05:14#). Other participants also confirmed that their asset managers could neither acquire nor sell assets: “*On the acquirer – as well as [...] on the sell side, it was a standstill*” (Jake #00:42:16#-#00:43:15#). Correspondingly, Charlie perceived that the company “[...] *within short-term suffered a cash outflow of 1.3 bn in the open-ended real estate retail funds [...]*” (Charlie #00:47:05#-#00:48:53#). From another angle, Scarlett added what she knew from direct contacts at banks “[...] *that there was no more willingness to invest [...] on the bank side, while limiting availability of equity and actually there was simply no more propensity to invest*” (Scarlett #00:21:47#-#00:22:13#). Also the advisory board, as Harry observed, introduced “[...] *a very rough behaviour [...]*” to restructure the balance sheet as soon as possible (Harry #00:48:38#-#00:49:21#).

Summary of the Theme “Disillusionment and consolidation of the actors”

In the event of FC, the senior executives perceived numerous behavioural changes in the actors. The financing banks abruptly stopped their lending. The management board of a CRE organisation refocused on its core competencies. Clients and investors reacted to the events with a radical investment stop and divestments, discontinued their liquidity inflows, and therefore contributed to an acceleration of the crisis. Using van Manen's (1990) existential analysis, this theme was mostly reflected against the existential 'lived body'.

4.3.2.2.4 Without Alternatives, Alignment of the Organisation in Uncertainty

The fourth theme "Without alternatives, alignment of the organisation in uncertainty" comprises four sub-themes: "Professionalism and routine during standstill", "Extended analysis of information", "Adjustments under uncertainty", and "Adjustment of the risk awareness".

Professionalism and Routine during Standstill

Notwithstanding the occurrence of the event, the behaviour of the CRE organisation was described by routines and continuity of employees and colleagues during this time. The senior executives perceived professionalism in handling the situation and with those involved. According to them, even though the expansion stop and standstill occurred, they saw the necessity to analyse the situation as well as their own investment behaviour. Changes in the organisational or procedural structure as a reaction to the changes were largely not implemented because of the event.

Scarlett experienced that the availability of capital was limited which "[...] led to a certain expansion stop" in her organisation (Scarlett #00:20:01#-#00:21:33#). Olivia also experienced a "[...] full stop of investments [...]", that triggered a standstill of the organisation (Olivia #01:01:32#-#01:05:14#). The same was reported by Jake who perceived an unexpected standstill where the "[...] people [...] either not make any decision any longer or irrationally from specific perspectives made irrational decisions" (Jake #00:39:58#-#00:41:55#). Similarly, Sophia said that her organisation "[...] experienced a complete breakdown of the new business for 2 years" (Sophia #00:32:46#-#00:33:48#). Allen mentioned that in his company models suddenly did not work any longer, interest costs increased and a corresponding price as well as value decline brought the organisation into a problematic situation regarding their debt situation (Allen #00:06:34#-#00:07:08#).

George came across a professional interaction between all involved parties, who first of all sought to analyse "[...] what this actually means for us" (George #00:28:16#-#00:29:05#). During this situation the participant determined a "[...]"

kind of routine [...] in the team [...]” who in turn was acting on behalf of a company “*[...] with a certain consistency [...] positioned and not immediately [...] reacting in panic to any topic, but first observes what happens*” (George #00:35:00#-#00:35:45#). Jake experienced his employer as being “*[...] professional*” because they did not react in panic (Jake #00:48:59#-#00:50:03#). In this situation, George used the expertise from the stock trading department of his organisation (George #00:29:08#-#00:29:51#) and noted that CRE in comparison to other asset classes “*[...] actually moved always a bit different and also more sluggish [...]*” (George #00:29:08#-#00:29:51#). Charlie experienced that one “*[...] can only make it through as a team, during such crisis situation [...]*” and emphasised the “*[...] moving together of all employees of the company during this phase*” (Charlie #01:05:35#-#01:06:29#).

Jake followed up on the investment behaviour of the asset managers (Jake #00:55:53#-#00:56:34#). Olivia also analysed the properties acquired, but only afterwards, in order to know what kind of properties the company had acquired. In debates with appraisers, it was discussed whether the values are still correct. This included the review of the debt financing position of these properties to assess the situation in this regard as well (Olivia #01:01:32#-#01:05:14#).

Professionalism and routine were also presented by the executives in terms of their business model and strategy. Scarlett, for example, stressed that a diversified and flexible business model was advantageous for the CRE organisation during these times while not only being dependent on development activities but also having a second solid mainstay with asset management to generate a sufficient contribution margin (Scarlett #00:24:20#-#00:26:36#). Also, Jake noticed that transaction fees stagnated during this period but he had a fall back with on-going management fees for the existing portfolios (Jake #00:51:29#-#00:52:50#).

The outbreak of the crisis did mostly not trigger serious strategic measures with regard to the organisational structure but only with regard to some minor operational adjustments (Allen #00:10:06#-#00:10:23#; George #00:33:07#-

#00:33:16#; Sophia #00:40:07#-#00:40:07#). Jake felt “[...] *relatively good positioned* [...]” with his organisation and he only initiated personal measures in order to lift “[...] *potential of the existing employees*” (Jake #00:56:42#-#00:57:02#).

Extended Analysis of Information

A further point that was noted by the senior executives was the extended internal information intake and analysis during this event. This was primarily extended with the information from external partners.

Jake reasoned that internal dialogue allowed him to gather further information, which strengthened his opinion of the situation (Jake #01:00:32#-#01:01:06#). He used to discuss the portfolio and its strategy with the asset manager, which laid the ground for the next steps (Jake #00:55:27#-#00:55:38#). The asset manager was also the source of information regarding the standstill on the sell- and buy-side (Jake #00:42:16#-#00:43:15#).

Due to behavioural patterns with regards to information intake and sharing by the external partners, this phase was also considered as exhausting for doing CRE business (Jake #00:48:59#-#00:50:03#). The extended analysis of the information required a supplementary database. Allen received additional information from default letters of the financing banks (Allen #00:07:08#-#00:07:16#). George gathered information to assess the situation of his organisation due to the malfunctioning of the banking system, primarily from publications (George #00:24:48#-#00:25:46#). Other sources included research reports from renowned research companies (Jake #00:54:20#-#00:55:20#). William instead used Bloomberg information (William #00:40:20#-#00:40:32#). Harry noted that his CRE organisation engaged external valuation agencies for impairment tests in order to be able to deduce consequences (Harry #00:51:04#-#00:51:38#).

Adjustments under Uncertainty

This event was also characterised by several adjustments in the CRE organisation that were initiated to comply with demand-related-behaviour and

liquidity was procured from distressed asset sales. Notably, all of these decisions and measures were taken under uncertainty.

Where adjustment measures were initiated due to the event, Scarlett focused these on the corporate strategy as well as on the organisational structure and procedures to “[...] *adjust to changed requirements*” (Scarlett #00:39:04#-#00:39:23#). In terms of organisational structure, the capacities in departments involved with project development activities were reduced “[...] *to a great extent [...]*” and, instead, focused on asset management activities (Scarlett #00:33:29#-#00:34:31#), to be able to cope with the changed demand-related-behaviour of the CRE market (Scarlett #00:22:37#-#00:23:06#). Similarly, another company reacted with the implementation of an additional general advisory board in addition to the management board “[...] *while colleagues well thought about, in which direction investments can be made and how markets can be evaluated on a half-yearly basis*” (George #00:33:36#-#00:34:47#). Others installed strategy days for the board to improve the exchange while talking about growth opportunities and potential risks under the consideration of the management board members (Sophia #00:40:37#-#00:41:33#).

Based on his assessment of the situation, Charlie placed the focus on generating liquidity for his CRE organisation (Charlie #00:54:55#-#00:54:58#). Jake perceived that some CRE organisations considered distressed sales as inevitable and actually transacted those (Jake #00:42:16#-#00:43:15#).

Olivia noted that the developments that were perceived during this phase had not been included in the strategic planning of her CRE organisation (Olivia #00:51:07#-#00:51:09#). Charlie emphasised that he could not have foreseen the changes in the corporate environment to this extent (Charlie #00:46:21#-#00:46:52#). And James confessed that he “[...] *partly observed [...]*” the developments in the corporate environment, but he did not take these further into account (James #00:36:37#-#00:36:54#).

During this event, Sophia considered the effects of the changes in the corporate environment on her organisation as predictable, because she was

convinced that they “[...] *already hold so many assets, say a critical volume is reached, and no bank would ever pull the plug [...]*” (Sophia #00:36:42#-#00:37:12#). Meanwhile, Charlie did not consider the changes in the environment to have been foreseeable by his organisation (Charlie #00:49:37#-#00:49:37#).

Olivia emphasised that she recognised the shifts in the environment too late and therefore could not estimate the impact on her organisation (Olivia #00:53:14#-#00:53:21#). George also mentioned that such massive changes were not calculable (George #00:29:59#-#00:30:18#). Another participant also considered the effects on his organisation as non-predictable because “[...] *the respective risk management tools were not yet available in that configuration*” (Harry #00:49:21#-#00:50:10#).

Furthermore, one executive mentioned that the mechanisms and parameters for adjustments within the CRE organisations that were a response to the changing environment were known (Scarlett #00:24:20#-#00:26:36#). She also stressed that this kind of market situation does not provide any alternatives, and that it is just necessary to accept the situation (Scarlett #00:40:53#-#00:41:21#). Harry similarly considered the strategic measures that were implemented by the supervisory board as a reaction to the event as having no alternatives and one “[...] *had to bow to [...]*” these (Harry #00:53:19#-#00:53:37#) while recognising that “[...] *there were no more action alternatives due to the strategic, overall strategic approach.*” (Harry #00:55:26#-#00:56:20#).

During this phase, Charlie was well aware of the organisation`s possibilities to react to the event. Here, his company had respective lines of defence at its command, especially the generation of liquidity and the utilisation of credit lines within regulatory limits (Charlie #00:56:34#-#00:57:40#). Sophia, however, did not have any understanding of her specific decision and reaction alternatives (Sophia #00:40:25#-#00:40:25#). The same applied to James who also did not have any kind of catalogue of measures that could be applied in this situation (James #00:49:14#-#00:49:19#).

Adjustment of the Risk Awareness

Due to the perceived changes in the corporate environment of the CRE organisation, the senior executives adjusted the RM in terms of their perspective, general overview, and interpretation of the indicators. The risk awareness of the executives was extended, and new risks (i.e. tenant credit worthiness, interest-change risk, availability of CRE) were incorporated and additional qualitative parameters were included in the RM strategy while the anticipatory approach was strengthened.

As a consequence of the event, Harry newly set up the processes in the RM as well as the approach and type of assessment of CREs (Harry #00:54:52#-#00:55:16#). Their RM also incorporated the recent experiences and new risk areas were included (Harry #00:58:18#-#00:57:24#). Sophia, for example, identified the credit standing of the tenants as a “[...] *real risk* [...]”, which was then included in the RM report (Sophia #00:41:40#-#00:42:20#). The same applied to the key figure “[...] *interest-change risk* [...]” (Sophia #00:43:15#-#00:43:42#) that was added. Sophia also emphasised that the anticipatory approach remained in their RM strategy, but it was enhanced by additional key figures (Sophia #00:42:53#-#00:43:04#). Olivia also stayed with the anticipatory approach in her RM to remain flexible. She additionally stressed on the placing of “[...] *talented people* [...]” in such positions (Olivia #01:11:45#-#01:12:09#) and, overall, on implementing a common understanding of risk in the international CRE organisation (Olivia #01:07:29#-#01:11:27#). New qualitative parameters were introduced to the RM in this organisation (Olivia #01:12:21#-#01:12:35#). This included an analysis of the tenants and their global rent arrears (Olivia #01:12:43#-#01:14:01#).

Some other participants mentioned instead that the strategic approach to RM had not changed overall, but that the risk awareness of the executives had been sensitised (Allen #00:11:29#-#00:11:42#). The same was experienced by William who saw “[...] *very profound adjustments*” in the RM with regards to the product range (William #00:45:29#-#00:45:47#), i.e. he performed a more detailed risk analysis when thinking about new product placements (William #00:42:03#-#00:42:41#).

Harry emphasised that an assessment of the targeted markets prior to entering them had so far not been performed, but now, with such an event, processes were set up to identify risks that had not existed before (Harry #00:59:10#-#01:00:11#). As a response to the situation, George tried “[...] *a bit more multi-layered positioning [...]*” (George #00:33:36#-#00:34:47#) of the RM. Charlie perceived that the criteria for analysis and assessment in the RM had been adjusted (Charlie #00:58:34#-#00:58:35#). Consequently, the RM evaluations were also assimilated (Charlie #00:58:03#-#00:58:26#). Jake experienced only little adjustments in the RM, he recognised it as more of a fine-tuning of the existing key factors but noted a sensitised consideration of these factors by the executives (Jake #00:59:10#-#00:59:26#). Hence, the existing key figure systems were placed more broadly, allowing for an overall view and “[...] *providing an indication if a potential crisis is coming up or not*” (Jake #00:45:58#-#00:47:35#). Only such fine-tuning of the RM allowed for a profound analysis of the key indicators (Jake #00:58:46#-#00:59:08#) and the creation of awareness for potential scenarios and how to approach them (Jake #00:47:43#-#00:48:18#).

Like other participants, James mentioned that the general anticipatory approach to RM remained in force. For him, however, the risk assessment with regards to risk identification, analysis, and valuation was extended (James #00:51:10#-#00:51:22#). His company added interest risk types, like interest-change risk and availability of RE properties (James #00:50:03#-#00:50:49#).

Summary of the Theme “Without alternatives, alignment of the organisation in uncertainty”

This topic shows that the executives had no alternatives and simply had to align their organisation to the environmental changes in uncertainty, which was a result of the event of FC.

However, the senior executives experienced that the CRE organisations had handled the investment stop and the resulting standstill of the market professionally and performed routinely. The executives made use of the situation to analyse the organisational situation and review their investment

behaviour. Serious adjustments in the business strategy, however, largely fell short, and the review of their own investment behaviour was supported by external assessments.

Furthermore, in terms of their conduct, the evaluation of the organisational situation was driven by more intensive internal information and was extended by information from external parties.

The measures deployed during this event, and in response to the uncertain situation, the CRE organisation initiated several adjustments. This situation and the changed demand-related behaviour led the CRE companies to procure liquidity through distressed asset sales. The executives determined that the perceived event was neither projected in the strategic planning nor was it foreseeable; the implications of this event on the organisation were also mostly not predicable. Executives used existing mechanisms to react to the unexpected event, but considered these largely without any alternatives.

The result led to an adjustment of the risk awareness of the involved parties. This awareness related to a holistic approach and interpretation of the parameters, enforcement of the existing anticipatory RM approach, inclusion of new risks in the risk assessment, and the adjustment with few selected qualitative parameters. While strongly connected to the organisation and its actions during this time, the theme was predominantly related to 'lived space' in the course of van Manen`s (1990) existential analysis and reflection.

4.3.2.2.5 Irrational Behaviour in Perceived Uncertainty

The fifth theme that emerged is "Irrational behaviour in perceived uncertainty". It covers the three sub-themes of "Irrationality", "Uncertainty", and "Motivation".

Irrationality

During the event of FC, the senior executives perceived irrational behaviours by the decision-makers. This was explained by decisions and actions executed based on gut feelings.

Jake determined that the shareholders, as well as the institutional investors, behaved irrationally. In this regard, Jake observed that institutional investors tried to sell their CRE “[...] *in panic about losing their money [...]*” (Jake #00:43:28#-#00:45:44#). Thus, Jake saw “[...] *no single asset that [...]* disappeared in due to the subprime crisis.” From his perspective, “[...] *such irrational behaviour [...]* finally led to [...] *perceiving the crisis even stronger*” (Jake #00:43:18#-#00:45:44#). He described the relation as follows: “*Because, then there actually were distressed sales. Distressed sales would not have been necessary. But because everybody wanted to get his money back, this resulted in distressed sales, that strengthened the whole thing even more*” (Jake #00:43:18#-#00:45:44#).

Jake observed that

[...] such scaremongering [...] led people to either not make any decision any longer or irrationally from specific perspectives made irrational decisions. Potentially also the irrational decision, I do not invest in real estate any more.” (Jake #00:39:58#-#00:41:55#)

Such irrationality is justified by time because “[...] *it is only 10 years ago, that the market has more or less recovered completely*” (Jake #00:39:58#-#00:41:55#).

Jake himself based his decisions during this event on “[...] *a mixture of gut feelings and experience [...]*” (Jake #00:58:00#-#00:58:46#). Sophia was also led by her gut feelings and these were proven right, finally: “[...] *a very bad feeling, if your business model coincides, and it did*” (Sophia #00:32:46#-#00:33:48#).

Uncertainty

A further major point was the uncertainty perceived by the senior executives. There was tremendous uncertainty in assessing the situation, insecurities in SDM, panic behaviour in the markets, and mixed feelings of surprise, fear, and motivation.

Due to the cessation of investment activities and debt facilities in the CRE, in a very short time, Jake perceived that “[n]obody knew what is going to happen, nobody, there was a crazy uncertainty in the market [...]” (Jake #00:39:58#-#00:41:55#). William described the phase as “[...] associated with uncertainty, because you don’t know, if this is a permanent or temporary issue”. He emphasised the possibility that this event is “[...] more a profound trend and not a temporary problem, because at the end it is a macroeconomic adjustment, which you actually do not recognise immediately” (William #00:43:03#-#00:44:39#). Scarlett reflected that she felt insecure about her strategic decisions during this time because “[...] at the end it is [...] an assessment, an evaluation of the future developments. You can never say with absolute certainty if you are right here. Especially if it relates to macroeconomically influenced changes, but finally you have to act in any manner” (Scarlett #00:34:47#-#00:35:19#). Jake saw investors who were in panic due to the fear of losing their money. This mood resulted in claiming their invested funds back immediately “[...] when it is said, something burst” (Jake #00:43:18#-#00:45:44#). From Jake’s perspective, “[...] a lot emerged out of the situation, because panic also played a role” (Jake #00:48:59#-#00:50:03#) from the investors’ side. Sophia felt uncomfortable while their business model could collapse completely. She also feared firing employees (Sophia #00:32:46#-#00:33:48#). The executives experienced mixed feelings during this phase. Jake explicitly mentioned having been “[...] surprised, tense, motivated [...]” (Jake #00:50:17#-#00:50:24#). Allen felt “[...] stressed, bad night sleep, and testy” (Allen #00:08:00#-#00:08:09#).

Motivation

Beside the abovementioned impulses of the event, the senior executives also stated that they felt motivated during this phase. They regarded this situation as a chance and were inspired to make the best out of it (Allen #00:10:49#-#00:10:57#). Jake also felt motivated to “[...] make the best out of the unfortunate situation [...]” and to “[...] move forward [...]” (Jake #00:50:24#-#00:51:15#).

Summary of the Theme “Irrational behaviour in perceived uncertainty”

The senior executives characterised the behaviour of the parties during this event primarily as irrational. Decisions had predominantly been taken on the basis of gut feelings and experiences gained. The assessment of the situation, as well as the SDM, had to be taken under uncertainty during this time. Several parties were panicking and experienced mixed feelings ranging from surprise, to fear and motivation. However, the executives also experienced the event as a chance and were forward-looking to make the best out of the situation.

Similarly to the lived experience of FI, the analysis and reflection revealed that there is a need for an additional existential above the four general ones recommended by van Manen (1990). Considering the sub-themes and concepts of this theme, feelings, moods, and emotions seem to be vital in executives' lifeworld, as well as in the event of FC, which was recapped in the existential 'lived feelings'.

4.4 Analysing the Organisational Sensemaking of the Phenomenon of Financial Instability

4.4.1 Analysis

This section describes the analysis proceedings for discovering the organisational sensemaking process of CRE executives in detail and shows how the themes developed. It became obvious during the final analysis that the emerging themes were comparable to Weick's (1995) seven properties. Therefore axial coding was applied to link the themes back to these properties and the majority of the seven were corroborated within this study.

4.4.1.1 Preliminary Analysis

The preliminary analysis followed the same process described in section 4.2.1.1.

4.4.1.2 Final Analysis

The final analysis of the organisational sensemaking process was also separated into the prior phase of FI and the event of FC, while a differentiation by the executives became obvious during the preliminary analysis.

4.4.1.2.1 The Properties of Financial Instability

There emerged four themes from the 11 sub-themes regarding the organisational sensemaking process in the phase of FI. The property “Extracted cues of FI” with one of its sub-themes “Increasing investment pressure” will be used exemplarily to present the progress of the analysis. The other related sub-themes were “Contradictory moods“ and “Strong dynamics of the markets“.

The further properties of “Enactment through risk prevention”, “Social interaction for preparation”, and “Retrospective discernment of carelessness” will be presented afterwards to explain the organisational sensemaking process of the phenomenon of FI.

The sub-theme “Increasing investment pressure“ developed from the words of the participants, which were highlighted and assembled along others with similar thoughts.

Thus Olivia talked about her sensemaking in the phase of FI:

*“What made me recognise this was the basis for the decisions. In many cases the commercial **principles of a proper due diligence have been ignored**. Decisions have been made like this. Imagine, if you acquire a real estate asset, you have to carefully look what you are buying. This is not only opening the door and walk in. Technically – look at the property for different things. And if you recognise, it’s sufficient to arrange for a helicopter, I buy, you now, there is something wrong.” (Olivia #00:45:10#-#00:45:55#)*

James details the investment pressures during this time and names how the acquisition behaviour changed:

*“[...] one of the most alarming things was that the desperation about finding good assets in prime locations was that big, that you had to **pay more or less the same for peripheral properties**, if you got them. Meaning, the, the prime factor versus periphery collapsed more and more.”* (James #00:40:44#-#00:41:13#)

The keywords linked to these significant statements were “*principles of a proper due diligence have been ignored*”, “*pay more or less the same for peripheral properties*“ and the concept became “Increasing willingness to pay higher prices with negligent attitude“. This was summarised in the sub-theme “Increasing investment pressure“, which is part of the theme/property “Extracted cues of FI“.

The following table provides single examples of how the words of the participants progressed in each phase of the analysis by linking keywords, concepts, sub-themes, and finally became themes that were coded to properties.

Significant Idea or Statement (trans. from transcript)	Linking Keywords	Concept	Sub-Theme	Theme / Property
<p>“[...] and once it was recognised which assets were acquired, aware of the European market, then it becomes immediately apparent. And, at that time, I was already involved, to, to tighten the set screws significantly. Well, with the result to agree with this, because the major part of the portfolio had to be written off.” (Harry #00:45:26#-#00:46:15#)</p>	Assets acquired, immediately apparent, major part of the portfolio written off	Increasing willingness to pay higher prices with negligent attitude Acquisition at the expense of quality standards	Increasing investment pressure	Extracted Cues of FI
<p>„[...] that’s purely figures, which we that we then saw in the real estate sector. Meaning sizes, volumes and, and yields, return developments in connection with weakened economic developments [...]” (Charlie #00:42:07#-#00:42:27#)</p>	Sizes, volumes, yields, return developments	Acquisition at the expense of quality standards	Increasing investment pressure	Extracted Cues of FI

Table 15: Final Analysis “Extracted cues of FI”. Source: Author (2017).

The emergence of the other sub-themes of the theme “Extracted cues of FI” is presented in Appendix 8.

4.4.1.2.2 The Properties of the Financial Crisis

The property “Extracted cues of FC” comprises the sub-themes “Market standstill”, “(Irrational) decisions under uncertainty”, “Business model malfunctions”, and “Contentual enriched information intake”. The sub-theme “Market standstill” is presented exemplarily below.

The sub-theme “Market standstill” began with the participants’ statements. Scarlett, for example, talked about what attracted her attention in the event of FC:

*“This has been perceived in direct contact with the respective market players, because on the bank side there were specific, specific countries **did not want to invest any more**, while **equity availability was limited** and generally the **willingness to invest no longer existed**.”* (Scarlett #00:21:47#-#00:22:13#)

Another executive confirmed the market standstill and described the happenings he noticed in more detail:

*“But, I do not believe, that we have placed any thoughts in the run-up that it comes to a **total crash**. That the **lending was fully abandoned**, for example. Or that there were **not any market participants** asking for real estate **any more** while at the same time, at the same time actually **withdrew the money, in, in that great extent**.”* (Charlie #00:47:05#-#00:48:53#)

From these statements, the linking keywords in the analysis became “*did not want to invest any more*”, “*willingness to invest no longer existed*”, “*equity availability limited*”, “*total crash*”, “*lending fully abandoned*”, “*not any market participants any more*”, “*withdrew money in great extent*“, and developed into the concept “real estate ignored as an asset class“. The sub-theme became “Market standstill“, which is part of the theme/property “Extracted cues of FC“.

Table 16 provides examples of this progression from the words of the participants, to the keywords, concepts, sub-themes and themes, to properties.

Significant Idea or Statement (trans. from transcript)	Linking Keywords	Concept	Sub-Theme	Theme / Property
<p>„Suddenly, well, I am coming from the real estate sector, but suddenly real estate was ignored. Nobody was interested in real estate any more. Everybody thought ‘Goodness, here I do acquire risks’.” (Jake #00:37:43#-#00:39:41#)</p>	Nobody was interested in real estate any more, acquire risks	Real estate ignored as an asset class	Market standstill	Extracted cues of FC
<p>“[...] there were these refinancing efforts. At that time, it was customary to refinancing existing portfolios, withdrawing equity, let’s say, increasing the risk position of the bank while lowering the own one. Always against the background, if something happens, the bank is then to some extent dependent on the client and says ‘what shall we do now?’ At this, many customers had to learn, because the bank had to file bankruptcy. We had ABN Amro, Royal Bank of Scotland, Euro Hypo and Hypo Real Estate. All gone. Because the bank went bankrupt.” (Sophia #00:29:43#-#00:31:16#)</p>	Refinancing efforts, increasing the risk position of the bank, bank went bankrupt	Lack of refinancing efforts of banks	Market standstill	Extracted cues of

Table 16: Final Analysis “Extracted cues of FC”. Source: Author (2017).

The other emerging sub-themes and themes/properties “Enactment through organisational adjustments”, “Operational plausibility”, “Social interaction for reaction”, and “Retrospective discernment of misconduct and overreaction” are presented in Appendix 9.

4.4.2 Analysing the Organisational Sensemaking of Financial Instability and Financial Crisis

This part aims to discover how the senior executives made sense and hence created meaning about the phenomenon of FI.

The following section focuses on the interpretation of the findings from the analysed interview data using axial coding according to Weick's (1995) seven properties of sensemaking in organisations. The relevant empirical data fit four properties for FI phases and another five properties for FC events.

4.4.2.1 Organisational Sensemaking in a Phase of Financial Instability

4.4.2.1.1 Extracted Cues of Financial Instability

Extracted cues are relevant for if and how people make sense of the event or information and how they react to it (Maitlis and Christianson 2014). Which associative events are extracted as cues and how these are interpreted depends on the respective context (Weick 1995). Hence, extracted cues are to identify phases like FI in order to make sense of them.

From the variety of perceived information in the phase of FI, the senior executives extracted diverse cues that could be categorised according to "Increasing investment pressure", "Contradictory moods", and "Strong dynamics of the markets".

Increasing Investment Pressure

In the phase of FI, it was especially during the transaction processes, in acquisitions and sales, that the executives extracted cues which confirmed their increased willingness to pay higher prices for CREs, while at the same time managing these transactions with carelessness.

The participants stressed that during this phase they noticed an increasing investment pressure at the expense of quality standards in acquisitions. Olivia

extracted from the investment behaviour that “[i]n many cases the commercial principles of a proper due diligence have been ignored” (Olivia #00:45:10#-#00:45:55#). Similarly, Sophia noticed that there were acquisitions “[...] that were much worse in quality, at a price that could be considered favourable in comparison what has been paid elsewhere in the sector, but because the quality was much worse, it was yet much more expensive than acquiring quality at a higher price” (Sophia #00:24:00#-#00:25:27#). Also, Harry detected a mismatch between price and quality of the acquired properties with the result that “[...] the major part of the portfolio had to be written off completely” later (Harry #00:45:26#-#00:46:15#). James recognised the “[...] quality of the real estate products [...]” that were on the market (James #00:36:22#-#00:36:37#). Jake noticed similar developments with regards to rents that, according to his interpretation, were “[...] exorbitantly high in relation to the purchase price” (Jake #00:35:30#-#00:37:23#). Compared to the macroeconomic context, Charlie extracted the cues “[...] sizes, volumes and, and yields, return developments in connection with weakened economic developments [...]” (Charlie #00:42:07#-#00:42:27#).

Contradictory Moods

What is assumed to be associated with the above are the executives’ emotions, where the cue of diffused gut feelings was extracted from their behaviour. This resulted in them having mixed and contradictory moods between euphoria and nervousness.

One of the executives described this phase as an “[...] euphoric environment [...]” underpinned “[...] with the feeling: everything is possible” but it provided her with a “[...] diffuse feeling [...]” (Sophia #00:24:00#-#00:25:27#). Sophia also noticed an euphoric behaviour by the banks and interpreted this as “[...] strange [...]” (Sophia #00:25:35#-#00:27:57#). The bullish behaviour of the banks also made her “[...] nervous [...]” (Sophia, #00:43:59#-#00:44:11#). She further explained that she was “[...] actively contacted by the banks [...] to refinance”. Such recognised power of the clients towards the bank felt inconsistent and “[...] does not fit any more” (Sophia #00:31:33#-#00:31:55#). Other participants implicitly provided accounts of similar contradictory moods

by describing their actions and behaviour during this phase. While not explicitly stated, it is nevertheless believed that they extracted such cues, but were simply unable to talk about their interpretation and related emotions, as they were trying to preserve their countenance.

Strong Dynamics of the Markets

Additionally, the senior executives extracted cues from the developments in the relevant markets. These cues refer to the high availability of liquidity, high pricing for CRE assets of low quality, decreasing occupancy rates, and a shift of corporate risks to the banks.

Sophia noticed that during this phase “[...] *actively pushing risks from the client to the banks*” took place and she interpreted such behaviour as “[...] *strange*” (Sophia #00:28:08#-#00:28:48#). This understanding is affirmed by the extracted cue “[...] *that the banks provide [...] a lot of [liquidity], and also do so easily*” (Sophia ##00:25:35#-#00:27:57#) where the participant recognised that non-recourse financing was secured with leverage of up to 85% and 90% (Sophia #00:25:35#-#00:27:57#). Another executive extracted a cue from the investment behaviour, detecting high pricings for properties with low quality (Harry #00:45:26#-#00:46:15#) in the market. In his CRE organisation, he recognised that investors “[...] *just acquired everything that brought a return of 7%, because compared to the debt interest rate at that point of time, you could get the so-called spread*” (Harry #00:42:37#-#00:45:06#). Similarly, James noticed market dynamics where he considered the pricing to be too high. He extracted cues from “*vacancy rates [...]*” and “[...] *area supply to the market*” (James #00:36:22#-#00:36:37#) displaying strong dynamics on the tenant market, which was characteristic for this phase. Charlie interpreted the cues as “[...] *exaggeration [...]*” (Charlie #00:40:14#-#00:40:43#).

Summary of the Theme/Property “Extracted cues of FI”

In a phase of FI, senior executives extracted cues in order to develop a larger sense of what happened or may occur. These cues seemed to have been used by them as reference points to make sense of changes in the corporate environment and to manage their company in the volatile corporate context. This enabled them to react to, and stay competitive during, the phase of FI.

Executives extract cues based on internal and external information or events happening. It is clear that they extracted from numerous sources of information and behaviours in their acquisition and sale processes, noticing that something was going on. It seems however, that they did not apparently relate it to, or name it as, a phase of FI at that time.

Overall, the extracted cues are very much similar among the participants. The extracted cues are related to the mood of the actors and observations of the relevant markets, which suggests a more subjective assessment, where the cues they use are not fully tangible or quantifiable, which leads to uncertainty. Such uncertainty about what happened and the respective cues can hence also mislead.

It is visible that the executives believed in the cues they were given on the market but excused these signals with increasing investment pressures while still acquiring and exploiting market dynamics. Only in retrospective, now in the interviews, there seemed to be some reflection on their actions under pressure during that time. This is also because any consequences from potential misinterpretation or misleading from the extracted cues were only visible years later. This can be seen as a bias for managing such an unfamiliar phase of FI and consequentially evidences their underdeveloped ability to extract and interpret cues during these times.

4.4.2.1.2 Enactment through Risk Prevention

Enactment is about what senior executives made out of what they sensed and which action was taken in the situation. They enact the phenomenon they face through narratives and actions to understand and control the situation (Weick 1995). Hence, with enactment, executives can construct their reality and, as such, a part of their environment (Helms Mills 2003; Maitlis and Christianson 2014).

The property “Enactment through risk prevention” covers respective initiatives of the senior executives and comprises the two sub-themes “Irrational acquisition decisions” and “Internal organisational actions to avoid impending risks”.

Irrational Acquisition Decisions

Based on what was sensed in this phase, the executives made decisions under time pressure, which have been considered as non-rational.

Olivia emphasised that there was “[...] *little thought about the consequences*” of investment decisions, and that investments had been acquired by decisions under pressure (Olivia #01:00:09#-#01:00:40#) and without consideration of all the diligent examination (Olivia #01:00:50#-#01:01:25#). When the euphoric mood was added during this time, executives executed more non-rational decisions and the usual basis of a rational prior analysis was abandoned. Olivia, for example, confirmed that “[...] *ad-hoc reactions were much more important than diligent process-oriented work*” (Olivia #01:00:50#-#01:01:25#).

Internal Organisational Actions to Avoid Impending Risks

From the interviews it is clear that the executives reacted to a sensed situation of risk or at least associated it with potential risk.

One of the participants therefore initiated contractual cover mechanisms and amended the asset management agreements in her CRE organisation (Sophia #00:39:13#-#00:39:18#). At the same time, she pursued a different acquisition

policy and wanted to “[...] *being more critical in acquisitions*” (Sophia #00:39:23#-#00:39:30#). Another executive implemented proper process documentation in order to document her hints and recommendations, and she was embarrassed about that today because this was too little action (Olivia #00:58:25#-#00:59:55#). James turned to refocus on products that are “[...] *much more predictable [...]*” (James #00:47:18#-#00:48:09#).

Summary of the Theme “Enactment through risk prevention”

What is different in the case of the senior executives of CRE companies, compared to other organisations, is a strong dependency between their business model and the developments in the corporate environment. Hence, risks and uncertainties that occur when the corporate environment massively changes, but over which the executives have little control, are constantly part of their SDM.

With regards to this property, executives made decisions based on preconceptions and cues about this phase of FI and interpreted them as irrational. Such irrational decisions were particularly driven by the context of time pressure and investment pressure under which the executives had to perform their CRE transactions. If they were not able to comply, they would have lost the deals or mandates, which could have posed even worse consequences for their company.

Furthermore, the executives reacted with internal adjustments to avoid upcoming risks. This included contractual cover mechanisms but also process documentation so that they could some day tell ‘I knew it, I had documented it’. Additionally, they pursued a more critical acquisition policy, in order to act as a corrective in the SM of their CRE organisation. Overall, the enactments show that the senior executives had interpreted, or even constructed, the situation as unstable without explicitly stating their interpretation at the point in time when it occurred.

The executives provided the impression that they acted on what was sensed from the cues they extracted in the phase of FI. However, the pressures and

indefiniteness of the event prevented them from recognising and dealing with the phenomenon straight away. Without a clear understanding about the situation, they were not able to control the environment but only reacted to prevent potential risks to their businesses.

4.4.2.1.3 Social Interaction for Preparation

The property “Social interaction for preparation” is related to Weick’s (1995) property ‘social’. It refers to the fact that organisations and the business world are communicative networks with commonalities and shared meanings (Helms Mills 2003; Weick et al. 2005; Maitlis and Christianson 2014). Sensemaking though is social while involving others who add to one’s personal understanding and sense and is never solitary (Weick 1995; Sutcliffe 2013; Maitlis and Christianson 2014).

This property comprises two sub-themes: “Interpretation through inclusion and exchange of internal information” and “Interpretation through social interaction and inclusion of external information”.

Interpretation through Inclusion and Exchange of Internal Information

In the phase of FI, the senior executives exchanged information internally with different people on different professional levels.

The executives looked for an exchange with other like-minded people during this time. Jake conversed with the shareholders and other internals during this phase (Jake #00:52:50#-#00:53:49#) and did not limit this to any particular person or level. Charlie debated in “[d]iscussions with the management board [...]” due to the noticed changes in the environment while he addressed the question of possible alternatives to “[...] considering in the run-up what to do if the cycle goes down” (Charlie #00:47:05#-#00:48:53#). Following his recognition of the environmental changes, another participant gathered information through interaction with her colleagues, the heads of transaction or asset management, and discussed the assessment of the situation (Olivia #00:54:57#-#00:55:42#). Sophia also discussed with colleagues (Sophia

#00:37:52#-#00:38:01#). James talked to the global management committee about the situation and also involved the senior management of his company (James #00:42:32#-#00:42:43#). The internal social interaction is therefore used to process the information gained in a preparatory measure and forms part of his SM task to avoid potential harm for the company.

Interpretation through Social Interaction and Inclusion of External Information

The senior executives also assessed the situation through social interaction with the wider external network or information from newspapers.

Charlie, for example, also talked to friends and members of his personal network to assess the changes in the corporate environment (Charlie #00:49:51#-#00:49:55#). Beside the internal exchange, Sophia used “[...] *usual newspapers* [...]” (Sophia #00:37:52#-#00:38:01#) as a supplementary external source of information about the situation in this phase of FI.

Summary of the Theme/Property “Social interaction for preparation”

The senior executives applied sensemaking during the phase of FI as a social process. After they initiated the sensemaking process, they interpreted the situation predominantly with internal information that was derived and evolved from discussions with colleagues, the board, shareholders, as well as experts and responsible persons. Supplementary information came from external sources but this exchange was generally held lower. The executives preferred a more individualistic type of sensemaking, as it was important to avoid discussing half-baked or unclear and vague matters with other external decision-makers in the CRE sector in order to avoid being branded as a ‘party pooper’ or ‘naysayer’. However, external information was used to strengthen, or even confirm, the assessment of the situation.

Executives used internal and external exchanges and shared meanings in a form of collaborative sensemaking regarding the situation. Here, the complexity of the situation also seems to be reflected in the choice of

counterparts they used - ones who were predominantly on the same, or an even higher, occupational level as they were.

4.4.2.1.4 Retrospective Discernment of Carelessness

“Retrospective discernment of carelessness” relates to the senior executives’ meaningful lived experiences in the past, during the phase of FI, and afterwards, as well as how they made sense of it. This property describes an activity that may involve several possible thoughts and feelings occurring at the point in time of reflection (Weick 1995). Notably, the executives’ retrospective sensemaking only started during the interviews and was not applied during the phase of FI already.

This theme covers the four sub-themes: “Lack of risk awareness”, “Uncritical acquisition policy”, “Underestimated complexity of the products and methods”, and “Inconsequential action and communication”.

Lack of Risk Awareness

In retrospective, the senior executives determined that they had perceived certainty during the phase of FI, but that instability was hardly noticeable.

George described the phase prior to the outbreak of the crisis as follows:

“Honestly, the topic was not perceptible in the run-up. Well, I don’t know anybody here who was of the opinion, that a substantial crisis is emerging, I don’t believe that, I even don’t remember that.” (George #00:24:11#-#00:24:42#)

In retrospect, James stressed that he had observed the changes in the corporate environment and he was “[...] also worried to some extent”. However, his colleagues and he “[...] felt very secure and also too certain, because, the real estate is a late bloomer [...]” during this time (James #00:37:22#-#00:39:17#).

He emphasised in this context:

“So, in retrospect, it would have been right, I wanted to sell more assets during that time than the management, the higher management and the clients.” (James #00:37:22#-#00:39:17#)

Such perceived certainty and stability during this time resulted in a lack of risk awareness of the executives, and potential risks and consequences for the CRE companies remained unexploited.

Uncritical Acquisition Policy

In retrospect, the senior executives experienced an uncritical acquisition policy during the phase of FI. This was expressed by acquisitions of properties of poor quality, the lack of knowledge about the particularities of CRE as an asset class, an uncritical behaviour and blind faith, as well as the underestimation of the greed of banks.

When looking back, Sophia described the situation as follows:

“[...] we have acquired assets, that were much worse in quality, at a price that could be considered favourable in comparison what has been paid elsewhere in the sector, but because the quality was much worse, it was yet much more expensive then acquiring quality at a higher price.” (Sophia #00:24:00#-#00:25:27#)

From Sophia`s retrospective view, the correct strategy would have been *“[...] to either not acquire anything, and hold out, or very expensive, but not to fade away the quality, rather than further acquire the expensive assets.” (Sophia #00:24:00#-#00:25:27#)*

In this context, she determined with hindsight:

“I think, we have done a lot of things wrong due to ratings. And such throwing together of risks and then let someone ‘guess’ who did not have any knowledge about real estate, some things one cannot guess, this was a big mistake.” (Sophia #00:44:56#-#00:46:44#)

She also complained that she applied Anglo-Saxon valuation methods without criticism during this time (Sophia #00:44:56#-#00:46:44#). William emphasised retrospectively that *“[...] you should not acquire what you don’t know”*. According to him a proper analysis of the asset is necessary, so one can consciously accept weaknesses. In retrospect, it was exactly this weakness that *“[...] products were chosen where you did not understand all facets”* (William #00:41:00#-#00:41:48#). Sophia reflected that she tried to be more critical with regards to acquisition decisions at that time, but finally *“[...] could have been more critical”* (Sophia #00:39:23#-#00:39:30#). Jake identified that, in retrospect, he had *“[...] totally underestimated the greed of the banks for additional sources of income”* (Jake #00:29:17#-#00:31:12#).

Underestimated Complexity of the Products and Methods

Another issue mentioned in retrospect by the executives was a lack of understanding of new products and methods. This was linked to the underestimation of its complexity due to an isolated view of the asset.

In retrospect, Olivia described the situation as follows:

“I believe, what has been extremely underestimated were the new products that emerged on the market, that one surveyed. But this was not our playing field, not our sector. And we have only recognised this to a limited extent, no one really has dealt with this that much, actually. I think, we also focused on our real estates and the monies that were available. And probably, we were shy of looking beyond the end of our nose.” (Olivia #00:43:38#-#00:44:47#)

In this regard, William stressed that, from experience, he gained the insight that,

“[o]ne should really analyse, what is it what you want to acquire and trying to be clear about the weaknesses of the asset that one accepts. And I believe that was one of the weak points, especially when products were chosen where you did not understand all facets.” (William #00:41:00#-#00:41:48#)

One participant confessed that she had underestimated the Anglo-Saxon valuation methods (Sophia #00:44:56#-#00:46:44#). Another participant declared that she did not realise the overall complexity of the situation during this phase and the *“[...] real estate economy [was] simply considered isolated [...]”* (Olivia #00:47:02#-#00:50:39#).

Inconsequential Action and Communication

A further point that the senior executives recognised in retrospect was that their decisions and communication during this phase were inconsequential. The executives had been negligent in communicating the identified risks, and despite those risks, they did not recognise the gains of the value increase that had been achieved at that point in time.

One of the participants said she only sent discreet signals when communicating during this phase: *“You send signals [...] but you are not obtrusive, you are not so clear. And then you are perceived as unstable”* (Olivia #00:51:30#-#00:53:03#). Sophia determined that some risks had not been properly communicated because some individuals had not mastered the English language (Sophia #00:44:56#-#00:46:44#). James found: *“So, in retrospect, it would have been right, I wanted to sell more assets during that time than the management, the higher management and the clients. [...] Through profit taking no one ever became poor, old folk saying”* (James #00:37:22#-#00:39:17#).

Summary of the Theme “Retrospective discernment of carelessness”

Retrospective sensemaking in the phase of FI provided numerous thoughts and expressions with different evaluations of the importance of aspects during that time and then afterwards.

The senior executives did not actively engage with retrospective sensemaking during the phase of FI nor shortly after. They did not take the chance to benefit from retrospectives during that time. They were to manage without it. Or, it could be explained that executives were notably drawing on past equivalent cases. Regardless, retrospective sensemaking was not applied in this unfamiliar situation and their cognitive processing broke down in that moment. Only when asked now, years after the respective phase, their discernment, carelessness, and the retrospective helped them to understand the decisions they had made, and the situation they had been engaged in. Executives referred to their SDM and their experience as being the main factors enabling them to do their job and to quickly understand the situations they were in.

With a retrospective view on the situation, the executives acknowledge that they had underestimated the complexity of the CRE products and lacked an understanding of valuation methods. The executives did not sufficiently engage with the risks arising from the products and methods, which led to a lack of risk awareness. Consequently, CRE properties were acquired in blind faith as a pure yield providing assets without considering the particularities of CRE. Even though the executives tried to point out the risks they identified and make the necessary resulting decisions, the communication about these was hesitant, and even inconsequential.

Executives, during the phase of FI, were much more concerned with managing their business instead of taking the time to reflect on their behaviour and it was obvious that the participants in this study took a detailed look back on this time only because this was part of the interview. However, from the data it is clear that the executives tried to make sense of the given situation now when they were invited to do so and thought about what they could have done differently, or better, after the situation had already passed. In retrospect, the executives

discerned carelessness during the phase of FI, but could create new sensemaking frames, that then may be available for them to draw on in future similar situations.

4.4.2.2 Organisational Sensemaking in an Event of Financial Crisis

4.4.2.2.1 Extracted Cues of the Financial Crisis

The senior executives also extracted cues of the event of FC to make sense of the situation. These were related to “Market standstill”, “(Irrational) decisions under uncertainty”, “Business model malfunctions”, and “Contentual enriched information intake”.

Market Standstill

During the event of FC, the senior executives noticed a behavioural change in two main market participants. On the one hand, investors ignored the asset class CRE. On the other hand, the banks limited their refinancing efforts or even stopped it.

The participants recognised the standstill on the buy-side as well as on the sell-side. As a result, the market interaction of supply and demand came to a standstill. The situation actually attracted Jake’s attention because “[...] *an ongoing machinery, was principally abruptly stopped.*” (Jake 00:42:16#-#00:43:15#). Charlie detected “[...] *that the lending was fully abandoned [...]*” and “[...] *that there were not any market participants asking for real estate any more while at the same time, at the same time actually withdrew the money, in, in that great extent*” (Charlie #00:47:05#-#00:48:53#). Another participant observed a “[...] *price decline and depreciation of the assets*” (Allen #00:06:34#-#00:07:08#) during this event.

Scarlett extracted, from the investment behaviour, that investors and clients limited the provision of capital from their side, which led to an end to expansion for her CRE organisation (Scarlett #00:20:01#-#00:21:33#). The availability of equity was restricted and there was no willingness to invest any longer

(Scarlett #00:21:47#-#00:22:13#). On the other side, Charlie noticed that the debt financing was entirely suspended (Charlie #00:47:05#-#00:48:53#). At worst, banks had to file for bankruptcy during this event. For one of the participants this was a new exogenous factor (Sophia #00:29:43#-#00:31:16#) and a surprising event that resulted in an extracted cue.

(Irrational) decisions under uncertainty

A further major point during the event of FC was the recognised uncertainty. The market players made irrational decisions when reacting to the unexpected, non-controllable situation – from their sensing. The uncertainty and helplessness resulted in rough reactions and approaches.

One of the executives mentioned his uncertainty

“[...] because you don’t know, if this is a permanent or temporary issue [...] more a profound trend and not a temporary problem, because at the end it is a macroeconomic adjustment, which you actually do not recognise immediately. [...] This is a bit difficult here because it is also a kind of paradigm shift.” (William #00:43:03#-#00:44:39#)

Another participant talked about fears of potential consequences on the business of his CRE organisation and possible dismissals of employees (Sophia #00:32:46#-#00:33:48#), which can also be related to the perceived uncertainty.

Another executive extracted the cue of irrationality from the decision-making behaviour when mentioning to *“not make any decision any longer or irrationally from specific perspectives [...]. Potentially also the irrational decision, I do not invest in real estate any more.”* (Jake #00:39:58#-#00:41:55#). He himself also made decisions *“[...] out of a mixture of gut feelings and experience [...].”* (Jake #00:58:00#-#00:58:46#) during this time.

For William, the event occurred suddenly and was non-controllable:

“Well, it was the opposite of ‘I can perceive it and control it’, it was more actually a, a feeling of being hit by something surprisingly, from the left hand side, something that you did not expect, that a model did not foresee” (William #00:38:10#-#00:38:26#).

This also meant uncertainty about the situation, its occurrence, and coping. Another interviewee noticed that the decision-makers applied rough behaviour in their decisions and measures during this time in order to achieve the organisational strategic aims despite the actual occurrences in the corporate environment (Harry #00:48:38#-#00:49:21#).

Business Model Malfunctions

Another material cue extracted from the changed market conditions during the event of FC was the malfunctioning of models due to changed parameters and the withdrawal of liquidity, which led to a freeze in expansion.

The senior executive William determined that suddenly huge credit spreads had been priced compared to specific bonds. The interest development in several countries was recognised as displaying the risk in these countries as being much higher than in Germany (William #00:34:30#-#00:35:31#). Coherently, Scarlett noticed during this event *“[...] simply limited capital availability, even though the appraisal and evaluation of the assets, the profitability, risk profiles of the assets, did not provide for any explanation on this. And this has restricted our business insofar that the limited availability of capital led to a kind of expansion stop”* (Scarlett #00:20:01#-#00:21:33#). Similarly, another executive recognised that due to *“[...] a lack of liquidity together with a decrease in leverage also accompanied by an increase in interest costs, together with lower prices and decreasing values of the assets finally triggered a problematic situation with regard to the loan situation “* (Allen #00:06:34#-#00:07:08#) their models did not function any longer.

During this time, the withdrawal of money was a material cue that also contributed to the market standstill. Charlie talked about the circumstance that not only “[...] *lending was fully abandoned*“, but “[...] *while at the same time, at the same time actually withdrew the money, in, in that great extent*” (Charlie #00:47:05#-#00:48:53#). Jake detected a stagnation of their transaction fee but was able to further operate his CRE business due to constant management fees (Jake #00:51:29#-#00:52:50#). From his point of view, transactions came to a standstill during this event because of the absence of supply but also demand (Jake #00:42:16#-#00:43:15#). Jake noticed that the decision-makers practically no longer made any decisions during this event, which contributed to the standstill and malfunction of the models (Jake, #00:39:58#-#00:41:55#).

Contentual Enriched Information Intake

As further cues, the senior executives used to enhance their information intake. Therefore, they additionally included specific company information and also processed general information.

Several participants were informed about the event of FC through external information. There were default letters from the financing banks that drew the attention of one participant to the changes in the corporate environment (Allen #00:07:08#-#00:07:16#). Another executive became aware of the event (George #00:25:46#-#00:25:54#) and the consequential publications about the status of the banking system (George #00:24:48#-#00:25:46#) through press releases. Scarlett also took information from the media and used direct exchange with banks or expert talks as part of events (Scarlett #00:30:35#-#00:31:13#).

Summary of the Theme “Extracted cues of FC”

Using numerous cues extracted in the event of FC, executives seem to be very sensitive to triggers for FC situations and to making sense of them. During this event, the senior executives noticed signals, like market standstill and the malfunctioning of their business models, which led them to reconsider their strategies. At the same time, the situation provided the executives with

uncertainties as it was different from the patterns of their usual business and from any situation they had experienced before, which resulted in irrational decisions.

Where their own recognitions were limited, another cue was extracted from information from the media. The situation was still not crystal clear to the executives, some of them did not even recognise a FC themselves but only became aware of it when noticing information from the public.

It is apparent from the above that the cues extracted by the executives were moderated by their uncertainty about the event of FC and their resulting limited capacity to take note of the full extent and consequences of the situation.

4.4.2.2.2 Enactment through Organisational Adjustments

The second theme “Enactment through organisational adjustments” is about the actions towards what was sensed in the situation of FC. It comprises the four sub-themes, “Deinvestive actions to handle the realised portfolio risks”, “Analysis and adjustment of the financing management”, “Alignment of the business model and of strategic goals”, and “Adjustment of the risk management strategy”.

Deinvestive Actions to Handle the Realised Portfolio Risks

As a reaction to what was sensed from the extracted cues of the event, the senior executives stopped their investments and reduced their portfolio assets. One participant declared that they acquired “[...] *initially a long time [...] only few investments in the USA [...] as a more or less direct consequence*” (George #00:32:16#-#00:33:07#). In another CRE organisation, a “[...] *full stop of investments [...]*” was initiated which developed to a standstill (Olivia #01:01:32#-#01:05:14#). William`s preconceptions resulted in a general adjustment of the portfolio with regards to disposals and alignments of the hedging strategy (William #00:42:03#-#00:42:41#). Charlie was more aggressive and tested the market in order to determine the achievable prices for their CRE assets (Charlie #00:51:18#-#00:53:56#). Another participant

started the “[...] sale of portfolios or liquidation of divisions, so to say strategic participations that we were involved in, which we sold off because they did not fit to the core competencies of the organisation any longer” (Harry #00:52:43#-#00:53:06#). Following what he sensed, Allen also pushed exit strategies for the CRE assets of his organisation (Allen #00:07:26#-#00:07:54#).

The quotes confirm that the senior executives reviewed and tested their investment behaviour and the value of their portfolios based on what was sensed from the cues. As mentioned before, one participant reconsidered the US exposure but finally there were no massive impairments because of the high occupancy (George #00:26:12#-#00:27:28#). Olivia said, due to what was sensed, that “[f]or some assets, we have analysed afterwards what we actually acquired [...]”, and in this regards she emphasised “[...] big debates and discussions with appraisers if the values are still correct, and if the values are achievable” (Olivia #01:01:32#-#01:05:14#). Harry’s organisation initiated that “[...] the type of appraisal and approaches [...]” were “[...] newly established” (Harry #00:54:52#-#00:55:16#). Jake “[...] refocused on [...] how the investment behaviour of the asset managers is monitored. Meaning, do they still look for critical locations, do they take risks, how do they handle risks if they take them.” (Jake #00:55:53#-#00:56:34#).

Analysis and Adjustment of the Financing Management

Another enactment of the event of FC related to the financing management in the CRE organisations. Actions included an analysis of the financing situation and adjustments in the financing strategy.

The participants mentioned that due to what they sensed about the situation, they initiated “[...] adjustments in the hedging alternatives [...]” and “[...] newly customised hedging strategies” (William #00:42:03#-#00:42:41#). Another consequence was the “[...] restructuring of loans [...] in an adequate way that is acceptable for the bank and the equity investor” (Allen #00:07:26#-#00:07:54#). Olivia wanted to get an overall view on the financing situation and “[f]inancing agreement reviewed in full, where am I standing with regard to my debt. Am I able to deliver in any case” (Olivia #01:01:32#-#01:05:14#). Another executive

mentioned that they arranged for liquidity (Charlie #00:54:55#-#00:54:58#), which was placed as part of the internal credit lines (Charlie #00:56:34#-#00:57:40#).

It becomes clear that CRE is strongly connected with the financing and debt markets and that the processing of adjustments in the financing management and strategy to the market are vitally important for CRE businesses.

Alignment of the Business Model and of Strategic Goals

A third major point of the enactments that were consequential to what executives sensed about the event were adjustments of the business model and of the strategic goals of the CRE organisation.

All of the participants mentioned that the event of FC resulted in strategic decisions about adjustments in the CRE organisation with different intensities and forms. Innovations and a refocus were characteristic for this event.

Sophia started considering a new business model (Sophia #00:32:46#-#00:33:48#). Similarly, others mentioned that their senses about the situation resulted in an adjustment of the organisational structure of the company. Especially, project development capacities were decreased and the focus turned to other divisions related to portfolio management. Additionally, investments in new business areas, like special properties, were targeted and respective knowhow was gathered to establish a further pillar (Scarlett #00:33:29#-#00:34:31#). Harry reacted with *"[...] a refocus to the domestic core business. A full disposal of the non-core assets, meaning the ones previously defined a score investments and optimisation of the balance sheet, including the according third party debt positions"* (Harry #00:47:36#-#00:48:32#). This also resulted in sales of the assets *"[...] because they did not any longer belong to the core business of the organisation"* (Harry #00:52:43#-#00:53:06#). As an initiative with long-term effect, the CRE organisation *"[...] stepped back from business divisions, from the risk experience, that developed"* (Harry #00:57:24#-#00:58:18#).

George (#00:33:15#-#00:33:16#) and Sophia (#00:40:07#-#00:40:07#), however, did not see any necessity to implement any changes in their organisational structure after having made sense of the crisis situation. Jake (#00:57:07#-#00:57:07#) mentioned that his organisation became more innovative during that time.

Based on what was sensed, Charlie`s organisation decided to inform the investors about the situation (Charlie #00:54:58#-#00:55:08#). James also remembered his close contact with the clients during this phase and he had to manage the equity withdrawals while convincing the investors to keep their money in the fund (James #00:46:17#-#00:47:08#).

A further strategic action was the alignment of the strategic goals of the RM. One participant, for example, considered it necessary to implement a common understanding of risk for the whole group covering all different cultures (Olivia #01:06:55#-#01:11:27#).

Adjustment of the Risk Management Strategy

The adjustments also related to the RM strategy that was considered to be no longer adequate enough to manage and prevent the CRE risks and risk assessment needed to be extended.

One participant reacted to the situation with profound changes to the RM. The focus here was on “[...] *the new products [...]*” (William #00:45:29#-#00:45:47#). Also George “[...] *significantly enhanced the risk systems in the medium-term, and tried to, let`s say, to assess such topics also beforehand*” (George #00:32:16#-#00:33:07#). Others reacted with a fine-tuning of the RM and a more detailed analysis, while becoming more sensitive to key figures (Jake #00:59:08#-#00:59:26#).

He elaborated on this issue:

“What has changed is the handling. The interpretation of it. Surely, you may add further key figures or for certain have to include additional key figures. Preferably dynamic ones, because we have enough static ones. But the interpretation, what about this, this is what really changed, that there is an awareness if how to manage the situation of either scenario occurs.” (Jake #00:47:43#-#00:48:18#)

Scarlett, however, mentioned that as a result of what she had sensed from the situation, the concept and structure of their RM system was not changed, but *“[...] the focus and choice of risks is subject to changes”* (Scarlett #00:36:20#-#00:36:33#). Another organisation focused on *“[...] now hired talented people [...]”* for the RM team (Olivia #01:11:45#-#01:12:09#). Meanwhile George enhanced the scoring model with regards to CRE investment in different countries (George #00:33:28#-#00:34:47#). Harry restructured the processes in the RM and the monitoring of risk was implemented (Harry #00:54:52#-#00:55:16#). Additionally *“[...] new areas of risk [...] included in the overall view”* (Harry #00:57:24#-#00:58:18#). It became clear that a more thorough approach to risk identification was important (Harry #00:59:10#-#01:00:11#).

Similarly, in another CRE organisation, the processes of risk identification, analysis, and assessment were extended (James #00:51:22#-#00:51:22#):

“[...] we have changed it with regard to a significantly higher number of risks included in our 'types of risk', that we monitor. So, also, an example is not, how we monitor the interest-change risk, a question was how we assess the availability of real estate assets, how do we evaluate the implementation of the investment guideline in the individual funds. All of these were aspects which were not covered before because we were much more focused on if we achieve the volume of management fees that we had forecasted for that year.” (James #00:50:03#-#00:50:49#)

The assessment of risks and additional risk factors seemed to be an appropriate process of enactment for the senior executives. Olivia adjusted the analysis and assessment of risk for her organisation (Olivia #01:12:21#-#01:12:35#) especially implementing qualitative risk factors, like ones resulting from the tenant quality (Olivia #01:12:43#-#01:14:01#). Sophia considered more quantitative factors but also implemented additional factors, like interest change risk and tenant credit rating, in her RM (Sophia #00:43:15#-#00:43:42#).

Another interviewee mentioned a shift in risk relevance for his organisation where “[...] *particular risks have moved to the foreground even though previously not considered that strong*” (Allen #00:11:13#-#00:11:24#).

Summary of the Theme “Enactment through organisational adjustments”

The senior executives made sense of the extracted cues from the market change and sudden events that resulted in uncertainties and imposed risks to their organisation. However, this did not paralyse them as they initiated organisational and strategic adjustments. There is no evaluation of whether these actions have finally proven right or wrong.

With regards to this property, the common pattern is that the executives implemented deinvestive actions in order to handle the occurring portfolio risks, based on what they sensed. During this phase, these actions were not limited to cessation of investment but also included verification of the existing investment behaviours by means of evaluating the portfolio and reducing holdings.

Additionally, the financing management was analysed and, due to the actual perceived situation, was adjusted to needs. During this time, the executives made changes to their business model based on a newly established strategic direction. Here, beside the focus on the core competencies, the alignment of the capacities was paramount. Furthermore, the executives decided on an adjustment of the RM approach and an extension of the risk assessment.

Thus, the executives' reactions were influenced by their sensemaking of the event. What they sensed about the recognised crisis situation induced radical and far-reaching adjustments in the strategic and RM, as well as the resulting organisational adjustments in the CRE organisation.

4.4.2.2.3 Operational Plausibility

In Weick's (1995) view, sensemaking contains plausibility because the phenomenon will not be seen as most accurate, but rather plausible. This touch of hermeneutics is seen as a strength of sensemaking (Helms Mills et al. 2010) where the pragmatic and reasonable leaves room for the executives in their interpretation and their invention from the multiple cues they extracted. In a subjective world, plausibility comes into play where decisions need to be made even though information is missing or, in some cases, there is not enough time to reconsider all the information (Weick 1995; Maitlis and Christianson 2014).

The theme "Operational plausibility" comprises the sub-theme, "Prevalence of operative decisions".

Prevalence of Operative Decisions

During the event of FC, the executives felt that there was a lack of time to react to the event and had to make decisions at short notice. They had to react based on what was most plausible rather than accurate decision-making.

William stressed "[...] *there was little time to think about*" (William #00:38:42#-#00:39:08#). "*Actually, this was, it had to move quickly, there were no long reports or slow developments, but it was a relatively fast development.*" (William #00:46:48#-#00:46:58#). Similarly, Allen emphasised that this time required a "[...] *comprehensive operative utilisation, little time remaining to strategically change something in the organisation, that happened that, let's say, in retrospective*" (Allen #00:10:06#-#00:10:23#).

Summary of the Theme “Operational plausibility”

Based on the abovementioned quotes, it is obvious that the senior executives were not able to fully perceive, analyse, and interpret all cues prior to reacting to the new and complex situation. There was not sufficient time to reconsider all the alternatives and possibilities accurately, but a decision had to be made.

For the executives, it was sufficient to base their decisions on cues and information that were plausible and probable. During this event of FC, it became necessary to reply quickly and pragmatically to the event, limiting the time for reconsideration.

4.4.2.2.4 Social Interaction for Reaction

During the event of FC, social interaction was an essential part of the senior executive’s sensemaking of the situation. They used the exchange with manifold parties to share experiences and make sense of the situation collectively.

The property “Social interaction for reaction” refers to interaction for reaction in this study. It comprises two sub-themes “Ambitious information exchange” and “Assessment of events through social interaction”.

Ambitious Information Exchange

During the event of FC, the handling of information by the senior executives was strongly intensified but not standardised. The inclusion of the various different parties involved was challenging.

In this context, George mentioned that it was a multi-layered matter when the event of FC in the corporate environment was assessed from the perspective of the CRE company (George #00:30:26#-#00:30:42#). He determined that relations between all parties involved was very professional during this time and a proper analysis of the consequences for the organisation was the first thing to be done (George, #00:28:16#-#00:29:05#). Jake noticed that everybody dealt with the issue rather differently, “[b]ut because we have had

the exchange there existed a well-rounded picture” (Jake #01:02:09#-#01:02:54#). Allen considered it difficult to gain a maximum of knowledge and to involve all relevant persons in order “[...] *to get all knowledge carriers in the right compilation around the table or in the right compilation*“ (Allen #00:12:46#-#00:13:25#).

It became clear that the social interaction during the event of FC was challenging and an involvement of all parties was hardly possible. The information exchange was more interactive and focused on managing the situation.

Assessment of Events through Social Interaction

Above the prevailing internal exchange, the executives used their network and expert talks to assess the event of FC. Social interaction was rather important in evaluating the event.

Harry involved his management board and supervisory board for an evaluation of the situation (Harry #00:50:25#-#00:50:27#). Scarlett talked to her colleagues “[...] *those who are actively involved in the respective departments and who are responsible [...] and then this is obviously discussed between the board and usually also with our other committees in the advisory board, so that, for this case, we are intensively occupied with all these risk factors and the resulting response alternatives for our organisation*“ (Scarlett #00:26:55#-#00:27:35#). Charlie also involved the management board and experienced a collective sensemaking that allowed the members to move closer together (Charlie #01:03:32#-#01:04:14#). There were also bilateral discussions between one participant and his management colleagues as well as the advisory board members during this phase where the risks and scenarios were evaluated (Jake #00:59:49#-#01:00:20#). This also included the active involvement of the RM in the bilateral exchange (Jake #00:54:01#-#00:54:13#). George further obtained expertise from the headquarters and asked for expert opinions in diverse calls (George #00:30:45#-#00:31:21#).

During the crisis, it seemed that internal collaborative sensemaking became a substantial source for the executives; especially taking opinions from higher ranked executives and experts to evaluate the situation.

Summary of the Theme “Social interaction for reaction”

The statements show that the executives executed sensemaking as a social process during the event of FC. They performed an ambitious and interactive information exchange. It became clear that a standardised interaction could not be implemented because of the complex situation. The assembling of the numerous addressees was challenging but the social interaction in talks contributed to the interpretation and evaluation of the event. It was important for the executives to involve a high number of addressees to base their decisions on a broad foundation and thus increase certainty about the assessment.

For the event of FC, the information exchange increasingly extended beyond the intra-departmental level. Executives sought information on a broader basis and they also allowed themselves to talk more openly about their experiences and evaluations without being labelled as a ‘naysayer’ or a ‘party pooper’ – but moreover being recognised as a kind of ‘fellow sufferer’.

4.4.2.2.5 Retrospective Discernment of Misconduct and Overreaction

Referring to Weick (1995), people need to have experience before they can know what they are doing. For the event of FC, the senior executives acknowledged that only after the crisis did they become conscious of what they had done, as well as their misconduct and overreaction.

The property “Retrospective discernment of Misconduct and Overreaction” comprises two sub-themes, “Irrational management decisions” and “Panic reaction of clients”.

Irrational Management Decisions

In retrospect, the executives admitted that the market participants acted irrationally during the event of FC, which went along with strategic misconduct.

Nowadays, Harry named the event a “[...] *misjudgement of the market* [...]” (Harry #00:46:38#-#00:46:40#) and affirmed that, in retrospect, “[s]trategically it may even have been wrong to sell the one or the other, if we basically would have been able to resist longer, but the strategy, strategy was set and we had to bow to it [...]” (Harry #00:53:19#-#00:53:37#).

With some hindsight, George admitted that one could have done “[...] *bargains hunting* [...]”, if there had been a more open approach for dealing with the event (George #00:32:16#-#00:33:07#). In this context, he stressed that “[...] *from today`s view, we have to say, that it develops much, much better than we have expected at that time*” (George #00:26:12#-#00:27:28#).

Panic Reaction of Clients

Another material statement in retrospect was about the clients’ reaction and behaviour during that time. They expressed irrational fears and panic withdrawal from the asset class CRE.

Jake determined that the investors were in a panic fearing they would lose their money and therefore wanted to return their shares. This was especially pertinent in the case of open-ended mutual RE funds, where the FC resulted in forced sales of CRE assets to arrange for the necessary liquidity. From this perspective, the behaviour is considered irrational because the assets still existed and were still leased. Jake also stated that during the crisis “[...] *especially institutional investors, who were generally in panic to loose their money rather said, I want to get rid of my shares*” in fear that CRE could disappear in times of crises or that it would not longer exist afterwards (Jake #00:43:18#-#00:45:44#).

Summary of the Theme “Retrospective Discernment of Misconduct and Overreaction”

Looking at the senior executives’ expressed experiences about this event, it is clear that they did not involve retrospective sensemaking during the event of FC. It seems that this was not because of ignorance, but due to confusion and lack of time to reflect because the situation required speedy decisions and reactions. In hindsight, they felt retrospect could have assisted them, and they now understand the decisions that they made during that time, and the situations they previously engaged in. They all refer to their SDM and their experience as being the main factors in being able to do their job. A job that involves making strategic decisions and quickly understanding the situations they are in.

Furthermore, the situation was complex and unusual. The participants had not experience anything like this before, which consequently resulted in the failure of their usual patterns of sensemaking. Cognitive frames and irrationality drove their strategic misconduct, which they now recognise. Furthermore, the clients’ and investors’ behaviour was called a panic reaction. The withdrawal from the asset class CRE was based on the irrational fears of the investors.

With a retrospective view of these experiences, the executives are able to make sense of the situation and prevent further misconduct in future similar situations. In the event of FC, the ultimate effect of not being able to apply retrospective sensemaking may have been the initial paralysis, leading to the sudden market standstill. Even though professionalism appeared during FC, they did not have a solution or action response at hand. However, the findings indicate that the executives are able and willing to break down old sensemaking frames or even establish new ones to learn from this exceptional event.

4.5 Qualitative Indicators and Implications of the Phenomenon of Financial Instability

4.5.1 Analysis

In the course of the TAs that have been conducted for the study to investigate the lived experience as well as the process of organisational sensemaking, FI and FC concepts have been developed from the significant ideas and statements or linking keywords that were taken from the interview data. These existing concepts are now utilised when analysing and developing the QIs and implications of FI and FC.

In the first step, the concepts that emerged for the phase of FI (Appendices 6 and 8) were grouped thematically. Those that shared patterns were developed to QRIs. Separate indicators were attached as specific classifications for scalability. The classification and scales were established with caution, using suggestions and contributions from the interview data, but they should be considered as samples and are open for further refinement in future application. The QRIs and indicators together constitute a QI.

In the next step, the developed QRIs were linked with the potential risks and resulting potential effects on SM (corporate strategy) for the CRE company that executives experience. In order to substantiate these potential risks, the researcher referred back to the concepts of the sub-themes “Manifold strategic risks in the corporate environment”, “Strong dependencies of the business model on developments in the corporate environment” and “Numerous risk factors in the external corporate environment” that were explored beforehand for the organisational context (Appendix 5). Those mirror the generally applicable and perceived risks for CRE companies in the specific context and were considered as being inherent risks of, and for their business model. The same applied to the potential effects on SM, which were revealed based on the available concepts of the sub-theme “Business model is oriented toward growth” (Appendix 5). As described before in sec. 3.3.3.5, a reference back to

the original concepts of the corporate context was sensible as these specify reliable notions from the first cycle analysis of the original interview data.

In the final step, all the potential risks were allocated to the broad categories of 'strategic', 'financial', 'operational', and 'external' risks, as well as related sub-risks (Mitchell and Matruglio 2015) as acknowledged classifications (Appendix 12).

An example of how the QRI "Decision-makers act negligent and uncritical in real estate acquisitions", indicators, and potential risks for the phenomenon of FI developed during the analysis is shown in the following table:

Concept (Appendices 6 and 8)	QI	Potential Risk Concept (Appendix 5)	Broad Risk Category: Factor
Commercial principles of due diligence ignored	QRI: Decision-makers act negligent and uncritical in real estate acquisitions (lack of risk awareness / increased risk appetite)	Risks: Increasing prices Lack of transparency for the decision-maker	<i>Strategic risks:</i> <i>Pricing pressures</i> <i>Corporate governance</i> <i>Miscommunication</i>
Acquisition at the expense of quality standards		⇒ <i>potential effects on SM:</i>	
Poor letting and low occupancy		Improvement of performance of the CRE organisation (corporate strategy)	
Acquisition of properties of poor quality	Indicators:	Enhancing client satisfaction (corporate strategy)	
Uncritical acquisition of real estate	Diligence of the decision-makers in acquisitions (good/poor)	Increase of assets under management (corporate strategy)	
Uncritical behaviour and blind faith	Compliance with the principles for a proper due diligence (complete, partially complete, incomplete)	Achieving market leadership (corporate strategy)	
	Available time for performing a proper due diligence (appropriate, inappropriate)		

Table 17: Development of the QIs and Potential Risks in a Phase of FI. Source: Author (2018)

The QRIs and respective indicators are a narrative, descriptive assessment. They were established to allow the measuring of environmental changes in the

complex CRE environment against these specific criteria, illustrating the different dimensions of the phenomenon of FI.

Integrating such QRIs in the SRM of the CRE organisation involves a distinction and specification of individual indicators that meet the formal requirements and allow for a clear identification of the states. Thus, all indicators were well defined and clearly specified. Notably, the indicators do not involve any quantification. Nevertheless, for all of these indicators the researcher also developed a kind of metrics that allow for scalability to evaluation and operationalisation. These metrics are characteristic dimensions of these indicators as potential states, and display realistic capacity in order to account for the understanding and sustainability of these indicators and strive for a more objective view of the phenomenon.

After all this analysis, referencing and coding to categories took place, the 11 QRIs with 30 indicators were found to be related to potential risks during a phase of FI for CRE companies with corresponding effects on the SM (Appendix 10).

Together with the potential risks and related potential effects on SM, the QRIs make up implications for the CRE companies.

Similarly, the above-described analysis steps were applied for the event of FC and, exemplarily, the QRI “Investors ignore real estate as a form of investment and withdraw funds” and respective implications emerged as follows:

Concept (Appendices 7 and 9)	QI	Potential Risk Concept (Appendix 5)	Broad Risk Category: Factor
Within short time investments and debt financing abandoned	QRI: Investors ignore real estate as a form of investment and withdraw funds	Risks: Reaching performance targets Interest development Availability of liquidity	<i>Strategic risk:</i> <i>Demand shortfalls</i>
Real estate ignored as an asset class			<i>Operational risks:</i> <i>Earnings shortfall, cost overruns</i>
Drawback from the asset class real estate in a panic	Indicators: Willingness of investors to invest in real estate (high/ medium/ low)	⇒ <i>potential effect on SM:</i>	<i>Financial risks:</i> <i>Asset losses, high debt and interest rates, liquidity crises</i>
Irrational fears of investors	Availability of liquidity from investors (high/ normal/ low)	Achieving market leadership (corporate strategy)	<i>External risk:</i> <i>Rating impacts</i>
Limited availability of capital	Notice periods for return claim of funds (long/ medium/ short)	Increase of assets under management (corporate strategy)	
Lack of liquidity		Improvement of performance of the CRE organisation (corporate strategy)	
Withdrawal of liquidity and freeze on expansion		Enhancing client satisfaction (corporate strategy)	

Table 18: Development of the QIs and Potential Risks in an Event of FC. Source: Author (2018)

Finally, the analysis resulted in ten QRIs with 28 indicators in all the broad categories that impose potential risks during an event of FC (Appendix 11).

4.5.2 Developing Qualitative Indicators and Implications for CRE Companies

This section provides further understanding about the QRIs and implications developed in the analysis, as well as their potential effects on CRE companies. From the total of 21 QRIs, 11 have been identified as majorly relevant. This was due to their great expressiveness of the changes that occurred as a consequence of the event of FC in a phase of FI and because of characteristic

parallels in these QRIs that allow for a comparison and distinction between the two stages in the SRM. These QRIs are thus considered as representative for FI or FC respectively and could be coded to five overarching patterns (Table 21).

4.5.2.1 Qualitative Indicators and Implications for a Phase of Financial Instability

In general, it can be noted that the QRIs for a phase of FI are very much internally driven and predominantly subject to executives' behaviours. A statement about the individual specification and interpretation will be provided for each QRI, as follows.

Willingness of the Decision-maker to Acquire Overpriced RE Properties

This QRI covers the price acceptance of the decision-makers during the phase of FI. During this time, they were willing to acquire overpriced properties, with features (i.e. location) that did not justify the asking price. Furthermore, this willingness was provoked by the deficient availability (i.e. age, building condition, facilities) of CRE that satisfy the investors' demands.

With such price acceptance arises the potential risk of increasing prices for the CRE products. This is allocated to the strategic risks of the CRE company because higher prices bring increasing pricing pressures with them.

As a consequence, the decision-makers faced the potential risk of a lack of transparency regarding the situation. Therefore, this risk is allocated to the broad category of strategic risks. It does not meet the requirements of proper corporate governance and progresses to a miscommunication within the CRE organisation.

At the same time, the price acceptance leads to a stronger competition for RE assets with other CRE players in the market, which leads to a strategic risk because of the product competition with other players.

Due to a lack of transparency about the situation, the management may develop wrong strategies and make inappropriate decisions, which finally put the corporate goal aspired to by the senior executives - improvement of the performance of the CRE organisation - at risk.

Higher prices, along with a missing improvement of the performance of the CRE company, led to missing the strategic aim of enhanced client satisfaction. With paying higher prices comes the respective lack of performance improvement of the CRE company. Here, the increase in client satisfaction, as another strategic goal of the organisation, is at risk because the promised acquisition and sale yields cannot be reached and the client expectations of the investors are not fulfilled.

These potential affects on SM also put the achievements of the targets of an increase of assets under management as well as the achievement of market leadership at risk.

Integrating this QRI in the SRM of the CRE organisation is carried out by using the indicator of relation between purchase price and characteristics of the asset, which can be high, medium, or low. Another indicator is the availability of CRE properties that can vary between high, medium, and low. Finally, the traceability of the managers' acquisition decisions, based on objective characteristics, indicates a risk of overpricing. This one is also rated as high, medium, or low.

Decision-Makers Ignore Hints from the Markets in their Decisions (Perceived Certainty)

This QRI refers to the way executives handle the perceived signals of the markets during this situation and how they react and decide respectively.

It has been found that during the phase of FI, there is less consideration of hints and signals from the markets in executives' decisions. Moreover, they give a sense of certainty both to others and to themselves.

The insignificant consideration of hints relates to some kind of ignorance of information from the task environment of the CRE organisation, macroeconomic factors and the emotional state of the decision-makers due to their perception of the respective factors and signals.

Such ignorance of signs from the market entails the potential risk of increasing prices for RE and the strategic risk of pricing pressures. Where important information is deliberately faded out, executives may not consider those in the price negotiations and would be willing to pay prices at an unchanged level.

In this regard, there is also a potential risk of a lack of transparency regarding the situation for the decision-maker. Hence, there is a strategic risk of the CRE organisation where corporate governance becomes vulnerable because of an intransparent information basis for their decisions. Additionally, such ignorance will lead to a miscommunication within the organisation.

At the same time, the ignorance of market information entails the risk that developments of the markets are not taken into consideration in the SDM. As such, there is missing or little reaction and adequate adaption to the market, which results in the strategic risks of an inappropriate corporate governance when decision-makers become non-diligent, ultimately leading to miscommunication within the organisation.

The management may develop false strategies and make wrong decisions in such situations, which thwart the performance improvements of the organisation. Following this affects the strategic goal of enhancing client satisfaction, because the investment decisions may not meet the expectations of the investors in the long term.

The aforementioned is covered by indicators that present the handling of information by the decision-makers. On the one hand, this can be determined by the handling of information about the task environment. On the other hand, the handling of information regarding macroeconomic parameters is a further

indicator. Both are expressed according to the kind of reaction (no reaction, little reaction, comprehensive response).

Above these two, the emotional state of the executive, due to the perceived task environment as well as due to perceived macroeconomic parameters - whether they are certain or uncertain - is a suitable indicator.

Decision-Makers Act Euphoric in Strategic Decisions and Disregard Experiences

This further QRI looks at the emotional state of the executives in their strategic decisions during a phase of FI. It has been found that decision-makers act euphorically during this phase with the detriment of relying on their prior experiences. Here, euphoria means that decision-makers take more and more risks to remain competitive in the market and to meet investors' expectations. Personal experiences gained previously are faded out and predominated by euphoria and exaggerations. Several decision-makers have only few thoughts about immanent CRE cycles or future consequences. And even though they have some diffused gut feelings and negative impressions, the euphoric mood overruled.

This leads to the potential risk of increasing prices as well as the resulting strategic risk of pricing pressures. Here, decision-makers were found to be riding a wave of a euphoric positive mood and exercised a higher price acceptance. At the same time, this leads to the potential risk that developments of the market are not taken into consideration in strategic decisions. This again is a strategic risk while not conforming to the requirements of good corporate governance. Further executives' internal communication may be affected while no longer being in line with objective, rational, and logic considerations.

Executives' propensity for euphoric activism and their fading out of prior experiences may result in false strategy considerations and the consequent inappropriate strategic decisions. The improvement of the performance will then be affected and so will client satisfaction.

The above circumstances and emotional state of the decision-makers can be covered by the two indicators of emotional perception. The first one relates to the emotional perception of personal decision-making behaviour. The second indicator relates to the emotional perception of people's decision-making behaviour. Both can be expressed as euphoric, neutral or depressed, exaggeration, neutral or understatement, diffused or clear, critical or uncritical, secure or risky, correct or false.

Investors Treat Real Estate as a Pure Yield-providing Object

When it comes to the risks and indicators that are externally driven, investors are one of the most important parties to exert influence on the CRE company and its decision-makers. This QRI refers to the investors' investment objectives for RE during a phase of FI.

It has been found that investors treat CRE as a pure yield-providing object during an event of FI. Notably, CRE specifics are widely ignored by the investors as long as the promised yields suffice or overfulfil their requirements. This is the major feature of why a CRE property or product is selected, and a high ratio of debt financing is accepted which has a favourable impact on the returns. When the RE asset is only considered as a yield-providing object, the focus might turn from a long-term investment to a short-term one. Re-leasings are done to generate as much income as possible in the short term, mostly with short running contracts, and to a lesser extent with the purpose of providing a stable income over several years. Every possible value appreciation is immediately capitalised upon, and where exits with high profit margins are possible, assets are sold.

The target of the investors to treat CRE as only yield providing leads to the potential risk of a dependency on cash inflows from the investors' side as well as on the willingness of the banks to provide financing. This results in a financial risk for the CRE organisation because missing liquidity, either equity or debt, consequentially leads to a liquidity crisis within the organisation.

Further potential risks arise due to a stronger competition in CRE acquisitions because of yield expectations. This competition however is not only related to those that acquire and manage CRE with competitive yields, but also to other asset classes, because the returns are the decisive parameter. In order to fulfil the expectations of the investors, other risk factors have to be taken into consideration to meet the yields and the parameters of the return calculations required according to adjustments.

There is also a resulting potential risk of dependency on interest developments. While the yield expectations may be met with a higher leverage, the RE products become more dependent on interest rates and bond yields in the market. Such a financial risk derives from excessive indebtedness where increases in interest rates lead to increasing interest costs and press yields down.

The stronger, or even pure, focus on yields of CRE from the investors' side can lead to an erroneous focus in strategy and misleading strategic decisions that result in the company's failure to achieve their strategic goal of improved performance.

At the same time, the goal of enhanced client satisfaction is at risk when the targeted and promised yields cannot be met. This happens because the returns are affected due to changes in the dependent variables (i.e. interest development), or due to the unwillingness of the banks to finance at the estimated terms, or if a higher purchase price comes into effect due to increasing competition etc. Finally, this will possibly fall short of the investor's expectations.

When implementing the QRI in the SRM of a CRE organisation this can be controlled by two indicators. First, is the indicator of a loan to value ratio. Even though this is usually a quantitative figure, here there is no specific percentage that indicates a risk, but it is rather qualified as either high or low.

A further indicator is the relevance of asset specifics for investors when investing in CRE. This relates to the features of the properties and their quality and relevance can be determined as either high or low.

Credit Institutions Provide Real Estate Financing Uncritically

This QRI relates to the behaviour of credit institutions with regards to the financing of CRE and CRE products. During a phase of FI, the credit institutions have been found to provide financing for RE products uncritically and this developed as another external driver for risks.

Banks were willing to offer a disproportionately high loan amount in relation to the property value during this phase. At the same time, they also offered very favourable financing terms, so financing was an interesting opportunity for decision-makers. This also contributed to the aforementioned yield pressures, while a higher loan to value at favourable conditions contributed to higher yields.

However, in this phase, executives noted that they perceived a lack of expertise of the banks, which was conveyed through insufficient professional experience with the CRE products of the decision-makers at the credit institutions.

Following the uncritical position of the banks in financing RE, there arises the potential risk of stronger competition in CRE acquisitions but also in cheap financial products. The favourable financing terms that were offered by the banks could be used for financing various CRE products and there were less, or even no, warranties, securities, or any minimum equity proportion required by the banks.

As a consequence, competitors in CRE acquisitions were entering the market. Apart from the fact that some of them had not been active in the CRE sector before, others had not been able to enter the market because of the characteristics of the CRE product to be financed. This results in a strategic

risk for the CRE company because the decision-makers face further product competition due to the new participants in the market.

The uncritical financing behaviour of the banks and the consequential competition result in the potential risk of increasing prices for CRE. This is a further strategic risk because the price acceptance of the decision-makers entails an increasing pricing pressure.

Furthermore, the behaviour of the credit institutions leads to a potential risk of dependency on the interest developments for the CRE organisation. This makes up a financial risk for the company. Notably, such risk does not emerge because of an increasing indebtedness or over-indebtedness, but because of a rise in interest rates that will trigger increasing interest costs for the financed projects. An increasing dependency of the CRE organisation also exists with the existence and continuation of the bank's operative business.

A further potential risk results from the regulatory work applicable to CRE. This is especially true in debt financing, as well as in the banking sector in general, where a stronger regulation in leverage quota, requirements for equity coverage, or warranties by the borrower or its parent company, may bring the CRE organisation to its knees. More restrictive governance would require reducing the financing amounts or bring additional guarantees that require additional equity and a guarantor with a strong balance sheet. This adds to the strategic risks of a CRE company because regulations of supervision authorities may restrict financings or impose additional conditions they deem necessary.

Based on the aforementioned uncritical behaviour of the credit institutions, the executives may develop inappropriate strategies and make wrong strategic decisions that contradict the strategic goal of improved performance of the CRE organisation. The financing opportunities may lead to the situation that executives have cheap funds available for properties that otherwise would not have been acquired. The low financing costs can have a detrimental effect if

bond yields start to rise and the properties become unprofitable while not reaching the pursued performance goals.

Consequently, the other strategic goal of client satisfaction is at risk because the return expectations cannot be met. With variables of interest developments, or regulatory restrictions, or changing financing conditions margins narrow and move below the promised returns.

For implementing this QRI in the SDM, the indicators cover the externalities driven by the banks. Here, the indicator is the loan to value ratio. This indicator determines the proportion of debt financing in comparison to the value of the property that is financed, which can either be high or low.

The offered financing terms are an additional indicator. This relates to the interest, warranties, and guarantees required. These conditions can either be favourable, appropriate, or expensive.

As a further indicator, the professional expertise (high, medium, low) as well as the professional experience (long-term, medium-term, short-term) of the banks' decision-makers pertaining to RE products should be mentioned.

4.5.2.2 Qualitative Indicators and Implications for an Event of Financial Crisis

The QRIs of an event of FC are mostly externally driven and triggered by, or highly dependent on, the behaviour of credit institutions and investors. The conduct of the executives or the CRE companies is mostly a consequence of the banks' and investors' behaviour. A statement about the individual specification and interpretation will be provided for each QRI, as follows.

Decision-makers Discontinue Acquisitions and Investments

This first QRI of FC refers to the CRE investment behaviour of decision-makers during this event. The decision-makers discontinue their acquisitions in CRE and the investment volume is reduced or even stopped. The decision-

makers signal their lack of further investments in this asset class, causing it to come to a standstill.

Such cessation of investment in CRE leads to the potential risk that the performance goals of the CRE organisation can no longer be met. While there are no more acquisitions and investments in CRE, the transaction volumes and letting potential decrease. The usual management fees and rent can no longer be obtained and the targets cannot be achieved.

This poses an operational risk for the CRE organisation that comes along with a shortfall in earnings and an investment stop. This also becomes a financial risk because the decrease in income and fees, as well as in rents, results in asset losses. Where no additional investments are procured, the properties fall into disrepair, tenants move out, and these assets no longer generate enough income.

The investment stop in CRE places the increase of performance of the CRE organisation at risk. The management might consider inappropriate strategies and decisions and fail to take new opportunities in the markets. Furthermore, there is another strategic goal at risk. When returns can no longer be achieved due to the investment stop and asset losses, clients' satisfaction is reduced. Therefore, the strategic targets of an increase of assets under management, as well as the achievement of market leadership, cannot be reached.

The implementation of this QRI in the SRM of a CRE organisation is constituted by the investment volume for RE products. This indicator can take the dimension of high, medium, or low.

Decision-Makers Reduce Portfolio Assets in Order to Arrange for Liquidity

This QRI shows how the decision-makers behaved with regards to their portfolio assets. During this phase, the decision-makers reduced their portfolio assets, and disinvested in order to arrange for liquidity. When there was no additional cash inflow from the investors' side or from bank lending, the

decision-makers sold RE in order to procure liquidity. In this event, the necessity of funds resulted from a shortfall in liquidity due to the redemption requests of the investors who wanted to withdraw funds.

With the decrease of the portfolio assets comes the potential risk that performance targets cannot be reached. The decision-makers have to cope with the risk that the decrease in assets leads to an increasing disposition volume while at the same time the letting potential of these properties decreases. Fees and rents cannot be collected as planned and the respective performance targets are missed.

This is considered as an operational risk of the CRE organisation. The reduction of portfolio assets supplies liquidity from sale proceeds in the near-term, but at the same time there is an earnings shortfall in the medium- and long-terms. The sale of assets in order to arrange for liquidity may also pose the risk that the value of the RE property is not reflected in the sale price. In distressed sales the price is usually far below the actual value of the asset. This further results in additional financial risks for the CRE organisation because asset losses come along with the decrease of portfolio assets.

Due to the downturn that is shown in the disposal of properties and the decrease of the portfolio assets, the management might impose false strategies and respective inappropriate decisions that result from such movement. On the one hand, less properties means a reduction in rental income and management fees. Assets sold during this time may not reach the targeted exit prices, which will probably lead to worse performance and targets may not be reached.

Again, this puts the strategic goal of enhanced client satisfaction at risk. Due to asset sales, at worst below value, performances cannot be achieved and the investors' yield expectations are jeopardised. The increase of assets under management as well as the achievement of market leadership as strategic goals cannot be achieved.

For the SRM, the QRI is translated into several individual measurable indicators. As one indicator serves the disposition volume of RE products, it shows whether the volume is high, medium, or low, and can indicate whether the volume is rising, stable, or decreasing. A further indicator is the achieved, or achievable, exit price for the RE assets, which can either be high, low, or appropriate with regards to the value of the property.

Additionally, the duration of the sales transaction is an established indicator. This one specifies whether a transaction has been done under time pressure or under usual circumstances. The duration can either be long, medium, or short.

The Event is Perceived as Sudden and Unexpected by the Decision-Makers

This QRI refers to the way in which the decision-makers perceived the event of FC, which is characterised as sudden and unexpected. The event, in terms of its development, had not been taken into consideration for the strategic planning of the CRE organisation. Also, the organisation did not have adequate measures at hand to react to the event.

As the situation was perceived as sudden and unexpected, it is obvious that the decision-makers did not foresee, or plan for, the event strategically. Consequentially, they did not develop any corresponding scenarios. Performance targets had not been adjusted to the situation either. Hence, the potential risk of not achieving the performance targets for the CRE organisation increased.

This is an operational risk, on the one hand, and a financial risk on the other. Since, the event was perceived as sudden and unexpected this resulted in an earnings shortfall. This, in turn, is followed by cost overruns, because the structural, as well as the process organisation, cannot be adjusted in the short-term. The financial risk arises from the potential asset losses due to unexpectedness. Such perception of the situation also leads to the potential risk of a lack in transparency regarding the market situation. This is a strategic

risk where the organisation misses adequate corporate governance. Also, such lack in transparency may result in miscommunication within the organisation. At the same time, the executives may be disoriented or overstrained, which results in them making the wrong decisions based on strategies that have not been clearly thought out. As an example, during this time there may be considerations about asset sales that provide for liquidity but are far behind the targeted exit yields, and this will have a negative effect on the performance of the CRE company.

Following the other strategic goal of enhanced client satisfaction may place the company at risk because the returns and performances cannot be met and can fall well below client expectations.

Furthermore, the surprising outbreak of the event was followed by adjustments in the strategic planning of the CRE organisation that put the strategic aims of an increase of assets under management and an achievement of the market leadership at risk.

When applying the QRI, this has been transformed with several qualifying indicators. The first one is used to cover the development of the event as incorporated in the strategic planning, which can be included or partially or not at all. Another indicator looks at whether the consequences of the event are included in strategic planning or just partially or not at all. And a third indicator comprises the development of mechanisms to react to the event – either given, partially, or not at all.

Decision-Makers Focus on Core Competencies of the CRE Organisation

This QRI is supposed to comprise the way in which SDM is performed. During the event of FC specifically, decision-makers concentrated their strategic decisions on business model adjustments, and turned their focus back on the core competencies of their CRE company.

Such concentration refers to the portfolio assets on the one hand, as well as the business segments of the organisation. A further focus was on the competencies that relate to corporate participations.

Because of the decision-makers' refocus on their core competencies, the potential risk of failing the performance targets arises. This risk can be considered as an operational risk because this focus and the according exit of several properties, or the sale of participation interest in other companies, as well as the abandoning business segments, correlate with earning shortfalls.

Furthermore, this can also become a financial risk for the CRE organisation because the focus on core competencies may involve decisions to close or limit other business segments, which finally leads to asset losses.

Due to the decision to focus on the core competencies of a CRE organisation, the management may develop wrong strategies that limit the achievement of increased performance of the organisation. Assets that are sold due to such refocus may be sold with losses or lower the targeted exit yield. An early abandonment of previously profitable business areas may result in start-up losses not being compensated. Exiting participation interests that are not related to the core business can result in a loss of a strategically necessary position. The same applies to the loss of respective future earnings from these assets, which results in less stable cash returns, even though the exit might provide a one-time return and cash effect.

Again, this may result in performance losses and therefore the strategic target of enhancing client satisfaction may not be reached. Furthermore, due to the purification and sale of assets, the strategic goals of an increase of assets under management and the achievement of market leadership are also at risk.

For implementing this QRI in the SRM, the following indicators are used. First, the indicator of the development of the volume of assets under management. Second, the activities in different business segments that may also increase or decrease during this phase. And last, the number of existing participation

interests. All of these may be measured when considering whether they increased or decreased.

Investors Ignore Real Estate as a Form of Investment and Withdraw Funds

This QRI refers to the investment objectives for CRE of the investor. For an event of FC, the investors' readiness to invest in CRE levels off and finally comes to a standstill. Investors ignore the asset class CRE as an investment and withdraw their capital. The availability of liquidity from investors decreases or they claim the returns of their funds.

Due to investors ignoring the asset class CRE and withdrawing liquidity, there arises the potential risk of not being able to reach the performance targets of the CRE company. This strategic risk evolves due to the lack of interest in CRE and a decline in demand for CRE products. These demand shortfalls ultimately result in the operational risk of earning shortfalls because fees and income decline due to a lower volume of assets under management. At the same time, there is an operational risk of cost overruns if the process and organisational structure of the CRE organisation are not adjusted and are not flexible enough for alignments.

This, in turn, leads to a financial risk for the CRE organisation. The withdrawal of funds consequentially requires selling assets, which results in asset losses. There is also an external risk for the CRE organisation. The lack of liquidity from the investors and withdrawal of funds results in performance losses and impacts the rating of the CRE organisation.

The investors' ignorance of the asset class RE and their withdrawal of funds provides the risk of an increasing dependency on interest developments during this time. This is considered a financial risk for the CRE organisation. Due to the lack of equity, there is increasing demand for debt in RE products to balance the missing funds. Consequently, there is not only the risk of an increasing indebtedness or overindebtedness, but also an increase of interest which results in increasing costs that have to be borne by the company.

During this situation, while investors ignored the asset class and withdrew funds, the dependency of the CRE company on the cashflows of investors was intensified. This financial risk arose because a lack of liquidity from investors may lead to a liquidity crisis for the organisation.

The ignorance of the investors investing in CRE and the withdrawal of funds may lead to the wrong conclusions and strategies from management. Following such decisions, the performance of the CRE organisation may be at risk. To substitute the lack of capital, the executives may decide to take debt from banks, likely at terms that imply high financing costs that burden performance. Or they even sell assets. Therefore, the non-performance also puts the strategic goal of enhanced client satisfaction at risk and customer expectation cannot be met.

At the same time, the strategic goals of an increase in assets under management and market leadership are jeopardised because an investment in CRE or CRE products is only possible under unprofitable terms.

For implementing the QRI in the SRM of the organisation, the following indicators are used: The first indicator refers to the willingness of investors to invest in CRE, which is either high, medium, or low. Another indicator is the availability of liquidity from investors during this phase. This can be a high, normal, or low amount. Another indicator is the notice periods for return claims of funds, which can be either long, medium, or short-term.

Within Short Notice Credit Institutions Abandon Lending

This QRI relates to the behaviour of credit institutions with regards to the financing of CRE and CRE products in the event of FC.

Notably, during the event of a FC, credit institutions abandon lending for CRE within short notice. Their willingness to provide debt for CRE assets came to a standstill and liquidity to financing CRE was not available.

The missing engagement of credit institutions to provide financing for CRE products leads to the potential risk that CRE organisations cannot reach their performance targets. This strategic risk refers to the demand shortfalls for CRE products because debt is not available, yet is required in addition to equity in order to be able to acquire high-volume properties. At the same time, with its leverage effect, debt boosts the performance and is necessary to achieve the requested yields.

At the same time, this is an operational risk for the CRE organisation because the declining demands for CRE will lead to earning shortfalls in terms of fees and on-going earnings. This again results in a financial risk for the CRE organisation, because the lack of debt financing for CRE assets will result in asset losses due to the limited possibilities of refinancing followed by forced sales.

As a consequence of no further financing from the credit institutions at very short notice, there arises a potential risk for the decision-makers of a dependency on cashflows from the banks. The requested restructuring of debt financing, as well as a lack of refinancing efforts from the banks' side, requires the CRE organisation to arrange other liquidity sources. Where no equity can be provided, the lack of liquidity may lead to a liquidity crisis.

Due to the lack of willingness from the banks to finance the asset class CRE, the management may implement wrong strategies and make strategic decisions that jeopardise the improvement of the performance of the CRE company. To secure liquidity, CRE may be sold or distressed, and at lower returns than originally planned, which impacts the performance of the CRE organisation. These performance losses further result in a loss of client satisfaction and the failure to achieve this strategic goal.

Following the abandoning of lending for the CRE asset class and the resulting liquidity crisis, the strategic goals of an increase of assets under management as well as market leadership will consequently be missed.

This QRI is being implemented in the SRM using three indicators. These are defined as: the willingness of the banks to finance the asset class CRE, classified as high, medium, or low. Another indicator is the availability of funds from credit institutions, which is also categorised as high, medium, or low. And lastly, there is an indicator given that relates to the termination notice periods agreed upon in loan agreements. These can either be long, medium or short periods.

4.6 Chapter Summary

This chapter included an overview of the progression of the data analysis and the factual evidence of the findings. For each of the analyses considered - context, managerial lived experience, and the organisational sensemaking process - first, the approach to analysis and the emerging sub-themes and themes were presented. Followed by the TA and coding progress, as well as the interpretation of the findings. Finally based on the elaborated concepts from lived experience and sensemaking, QIs and implications of the phenomenon were developed.

A distinction between the phase of FI and the event of FC had to be drawn as these are characterised and perceived differently, and as a consequence, executives interpreted each in distinct ways.

The Themes of the Corporate Environment of CRE Companies

Acknowledging the context-sensitivity of this phenomenological study, in the first step, the CRE context was analysed. The executives provided three themes that represent their perception of the corporate environment in which they are usually operating (Table 19).

The findings show that the senior executives perceived the context of the CRE business as complex and dynamic in general. They noted the dependency of business performance on the developments in the corporate environment and mentioned that the severe changes related to the insecurities of the strategic

decision-makers. Hence, they confirmed that the specific corporate environmental conditions of CRE companies pertains their SM behaviour.

The Themes of the Managerial Lived Experience

In order to explore the corporate meaning of FI, the managerial lived experiences of the senior executives in the CRE organisations were analysed. To this end the data provided five themes that represent the corporate meaning of FI, as the preliminary phase, and another five for the corporate meaning of the event of FC.

Financial Instability	Financial Crisis
1. Unrealistic market situation	1. Unexpected market standstill
2. Euphoria and expansion pressures of the actors	2. Disillusionment and consolidation of the actors
3. Unregulated workload in the organization	3. Without alternatives, alignment of the organization in uncertainty
4. Ignorance in perceived certainty	4. Irrational behaviour in perceived uncertainty
5. Informal and individual intensification of lived relations	5. Formal and social intensification of lived relations
CRE Context	
1. A complex and dynamic corporate environment	
2. Dependency of business performance on developments in the corporate environment	
3. Uncontrollability of massive changes in the corporate environment	

Table 19: Summary of Themes about the Context, and the Corporate Meaning of FI and FC.

Source: Author (2018).

For the specific situation of a phase of FI, the findings show that executives perceived it as an unrealistic market situation. This is characterised by euphoria and expansion pressures from all market participants accompanied by an unregulated workload in the organisation. At the same time, the executives perceived certainty and ignored the warning signs of the market. During this phase, they preferred informal communication about the situation and have chosen their interlocutors individually, while intensifying their internal network.

Against the background of this lived experiences of a phase of FI, the executives perceived the event of FC as a sudden and unexpected situation. This is characterised by a standstill of operations in the relevant markets as well as by the disillusionment and consolidation of the actors in the CRE organisation. Adjustments of the organisation, as well as the risk awareness to the changed environmental conditions, were implemented in uncertainty and without alternatives, even though, or exactly because, executives performed professionally and routinely during the standstill. The executives perceived uncertainty and displayed irrational behaviour, based on gut feelings. At the same time, they looked for a more formal communication and social intensification of relationships to assess the situation and potential consequences.

The Properties of the Organisational Sensemaking Process of the Phenomenon of FI

The sensemaking process of the senior executives in the CRE organisations was analysed in order to discover the way they form their expectations regarding FI based on their meaning. The data provided four properties that represent the executives' sensemaking process of FI and another five for FC.

Financial Instability	Financial Crisis
<p><i>1. Extracted cues of FI</i></p> <ul style="list-style-type: none"> • Increasing investment pressure • Contradictory moods • Strong dynamics of the market 	<p><i>1. Extracted cues of FC</i></p> <ul style="list-style-type: none"> • Market standstill • (Irrational) decisions under uncertainty • Business model malfunctions • Contentual enriched information intake
<p><i>2. Enactment through risk prevention</i></p> <ul style="list-style-type: none"> • Irrational acquisition decisions • Internal organisational actions to avoid impending risks 	<p><i>2. Enactment through organisational adjustments</i></p> <ul style="list-style-type: none"> • Deinvestive actions to handle the realised portfolio risk • Analysis and adjustment of the financing management • Alignment of the business model and strategic goals • Adjustment of the risk management strategy
<p><i>3. Social interaction for preparation</i></p> <ul style="list-style-type: none"> • Interpretation through inclusion and exchange of internal information • Interpretation through social interaction and inclusion of external information 	<p><i>3. Social interaction for reaction</i></p> <ul style="list-style-type: none"> • Ambitious information exchange • Assessment of events through social interaction
<p><i>4. Retrospective discernment of carelessness</i></p> <ul style="list-style-type: none"> • Lack of risk awareness • Uncritical acquisition policy • Underestimated complexity of the products and methods • Inconsequential action and communication 	<p><i>4. Retrospective discernment of misconduct and overreaction</i></p> <ul style="list-style-type: none"> • Irrational management decisions • Panic reaction of clients
	<p><i>5. Operational plausibility</i></p> <ul style="list-style-type: none"> • Prevalence of operative decisions
CRE Context	

Table 20: Summary of Properties about the Process of Sensemaking of FI and FC.

Source: Author (2018).

These findings show that executives' sensemaking process is very much characterised by extracted cues and followed by enactment as well as social interaction. At the same time, they only made sense of the situation in retrospect because they had been interviewed and did not use their experiences during the particular phase of FI or the event of FC – executives

seemed unable or incapable of applying retrospective practices when facing the situation.

During a phase of FI, they were driven by cues of investment pressures and contradictory moods in order to comply with market pressures, which resulted in actions to prevent risk. Executives carried out manifold social interactions to grab internal and external information that contributed to further considerations in preparing for the situation. They reflected, in retrospect, that there was a lack of risk awareness and criticality in their acquisitions policy, which also led to inappropriate action and communication. At the same time, executives realised their underestimation of the complexity of the products and methods.

Differently, in the event of FC, executives extracted cues of market standstill and business model malfunctioning. Decisions were made under uncertainty and they drew on content enriched information. Their respective process of enactment was merely characterised by strategic organisational adjustments to reduce risks, implementing deinvestive actions, aligning the financing management, as well as overarching alignments of the business model and strategic goals or RM strategy. It became obvious that, during this time, operative decisions were prevailing. Furthermore, social interaction focused on the assessment of the event through ambitious information exchange. In retrospect, however, the executives discerned their misconduct and overreaction during this time. They admitted irrational management decisions and panic reactions of the clients.

Qualitative Indicators and Implications of the Phenomenon of FI

Finally, the analysis looked at how the corporate meaning and awareness of the respective expectations translate into different implications for SRM behaviour. The QIs (QRIs and indicators) and implications (potential risks and risk-related events) of the phenomenon of FI were identified. For both, FI and FC, several QRIs could be developed for implementation in SRM.

For FI, as well as for FC, these QRIs can be allocated to five overarching dynamics: executives' investment behaviour, executives' market perception,

executives' SDM behaviour, investors' investment behaviour, and banks' financing behaviour. There are different specifications in each of the QRIs that are expressed through individual indicators. The potential risk that is generally perceived together with the inherent potential effects on SM (risk-related events) for CRE companies, as found in the previous analysis about context, constitute the implications of a phase of FI, or an event of FC, from a corporate perspective.

Dynamics	FI		FC	
	QI	Implication	QI	Implication
		Potential Risk Broad Risk Category: Factor		Potential Risk Broad Risk Category: Factor
Executives' Investment Behaviour	<p>QRI</p> <p>Willingness of the decision-maker to acquire overpriced RE properties</p> <p>Indicators: Relation between purchase price and characteristics of the real estate (high / medium / low)</p> <p>Availability of real estate (high/ medium/ low)</p> <p>Traceability of the acquisition decision based on objective characteristics (high/ medium/ low)</p>	<p>Risks</p> <p><u>Increasing prices</u> <i>Strategic risk:</i> <i>Pricing pressures</i></p> <p><u>Lack of transparency for the decision-maker</u> <i>Strategic risks:</i> <i>Corporate governance, miscommunication</i></p> <p><u>Strong competition</u> <i>Strategic risk:</i> <i>Product competition</i></p> <p>⇒ <i>potential effect on SM:</i></p> <p>Improvement of performance of the CRE organisation (corporate strategy)</p> <p>Achieving market leadership (corporate strategy)</p> <p>Increase of assets under management (corporate strategy)</p> <p>Enhancing client satisfaction (corporate strategy)</p>	<p>QRI</p> <p>Decision-makers discontinue acquisitions and investments</p> <p>Decision-makers reduce portfolio assets in order to arrange for liquidity</p> <p>Indicator:</p> <p>Investment volume for real estate products (high/ medium/ low)</p> <p>Disposition volume (high/ medium/ low)</p> <p>Achieved or achievable exit prices for real estate (high/ appropriate/ low)</p> <p>Duration of sales (long/ medium/ short)</p>	<p>Risks</p> <p><u>Reaching performance targets</u> <i>Strategic risk:</i> <i>Demand shortfalls</i> <i>Operational risk:</i> <i>Earnings shortfall, cost overruns</i> <i>Financial risk:</i> <i>Asset losses</i> <i>External risk:</i> <i>Rating impacts</i></p> <p>⇒ <i>potential effect on SM:</i></p> <p>Improvement of performance of the CRE organisation (corporate strategy)</p> <p>Enhancing client satisfaction (corporate strategy)</p> <p>Increase of assets under management (corporate strategy)</p> <p>Achieving market leadership (corporate strategy)</p>

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Dynamics	FI		FC	
	QI	Implication	QI	Implication
		Potential Risk Broad Risk Category: Factor		Potential Risk Broad Risk Category: Factor
Executives` Market Perception	<p>QRI</p> <p>Decision-makers ignore hints from the markets in their decisions (perceived certainty)</p> <p>Indicators:</p> <p>Handling of information about the task environment by the decision-maker (no reaction, little reaction, comprehensive response)</p> <p>Handling of information about the macroeconomic parameters by the decision-maker (no reaction, little reaction, comprehensive response)</p> <p>Emotional state of the decision-maker due the perceived task environment (certain, uncertain)</p> <p>Emotional state of the decision-maker due the perceived macroeconomic parameters (certain, uncertain)</p>	<p>Risks</p> <p><u>Increasing prices</u> <i>Strategic risk:</i> <i>Pricing Pressures</i></p> <p><u>Lack of transparency for the decision-maker</u> <i>Strategic risks:</i> <i>Corporate governance, miscommunication</i></p> <p><u>Developments of the markets</u> <i>Strategic risks:</i> <i>Corporate governance, miscommunication</i></p> <p>⇒ <i>potential effect on SM:</i></p> <p>Improvement of performance of the CRE organisation (corporate strategy)</p> <p>Enhancing client satisfaction (corporate strategy)</p> <p>Increase of assets under management (corporate strategy)</p> <p>Achieving market leadership (corporate strategy)</p>	<p>QRI</p> <p>The event is perceived as sudden and unexpected by the decision-makers</p> <p>Indicators:</p> <p>Development of the event included in the strategic planning (yes/ partially/ no)</p> <p>Consequences of the event included in strategic planning (yes/ partially/ no)</p> <p>Development of mechanisms to react to the event (yes/ partially/ no)</p>	<p>Risks</p> <p><u>Reaching performance targets</u> <i>Operational risks:</i> <i>Earnings shortfall, cost overruns</i> <i>Financial risk:</i> <i>Asset losses</i></p> <p><u>Lack of transparency</u> <i>Strategic risks:</i> <i>Corporate governance, miscommunication</i></p> <p>⇒ <i>potential effect on SM:</i></p> <p>Achieving market leadership (corporate strategy)</p> <p>Increase of assets under management (corporate strategy)</p> <p>Improvement of performance of the CRE organisation (corporate strategy)</p> <p>Enhancing client satisfaction (corporate strategy)</p>

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Dynamics	FI		FC	
	QI	Implication	QI	Implication
		Potential Risk Broad Risk Category: Factor		Potential Risk Broad Risk Category: Factor
Executives` Strategic Decision Making Behaviour	<p>QRI</p> <p>Decision-makers act euphoric in strategic decisions and disregard experiences</p> <p>Indicators:</p> <p>Emotional perception of the own personal decision-making behaviour (euphoric/ neutral/ depressed, exaggeration/ neutral/ understatement, diffuse/ clear, critical/ uncritical, secured / risky, correct/ false)</p> <p>Emotional perception of people`s decision-making behaviour in this situation (euphoric/ neutral/ depressed, exaggeration/ neutral/ understatement, diffuse/ clear, critical/ uncritical, secured / risky, correct/ false)</p>	<p>Risks</p> <p><u>Increasing prices</u> Strategic risk: Pricing pressures</p> <p><u>Developments of the markets</u> <i>Strategic risks:</i> <i>Corporate governance, miscommunication</i></p> <p>⇒ <i>potential effect on SM:</i></p> <p>Improvement of performance of the CRE organisation (corporate strategy)</p> <p>Enhancing client satisfaction (corporate strategy)</p> <p>Increase of assets under management (corporate strategy)</p> <p>Achieving market leadership (corporate strategy)</p>	<p>QRI</p> <p>Decision-makers focus on core competencies of the CRE organisation</p> <p>Indicators:</p> <p>Asset under management in real estate (increase/ decrease)</p> <p>Existing business segments (increase/ decrease)</p> <p>Existing participation interests (increase/ decrease)</p>	<p>Risk</p> <p><u>Reaching performance targets</u> <i>Operational risk:</i> <i>Earnings shortfall</i> <i>Financial risk:</i> <i>Asset losses</i></p> <p>⇒ <i>potential effect on SM:</i></p> <p>Achieving market leadership (Corporate Strategy)</p> <p>Increase of assets under management (Corporate Strategy)</p> <p>Improvement of performance of the CRE organisation (corporate strategy)</p> <p>Enhancing client satisfaction (corporate strategy)</p>

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Dynamics	FI		FC	
	QI	Implication	QI	Implication
		<u>Potential Risk</u> <i>Broad Risk</i> <i>Category: Factor</i>		<u>Potential Risk</u> <i>Broad Risk</i> <i>Category: Factor</i>
Investors` Investment Behaviour	<p>QRI</p> <p>Investors treat real estate as a pure yield-providing object</p> <p>Indicators:</p> <p>Ratio: Loan to value for bank loans (high/ low)</p> <p>Relevance of real estate specifics for investors when investing in real estate (high/ low)</p>	<p>Risks</p> <p><u>Dependency on cash inflows and willingness to provide financing</u> <i>Financial risk: Liquidity crises</i></p> <p><u>Strong competition</u> <i>Strategic risk: Product competition</i></p> <p><u>Interest development</u> <i>Financial risk: High debt and interest rates</i></p> <p>⇒ <i>potential effect on SM:</i></p> <p>Improvement of performance of the CRE organisation (corporate strategy)</p> <p>Enhancing client satisfaction (corporate strategy)</p>	<p>QRI</p> <p>Investors ignore real estate as a form of investment and withdraw funds</p> <p>Indicators:</p> <p>Willingness of investors to invest in real estate (high/ medium/ low)</p> <p>Availability of liquidity from investors (high/ normal/ low)</p> <p>Notice periods for return claim of funds (long/ medium/ short)</p>	<p>Risks</p> <p><u>Reaching performance targets</u> <i>Strategic risk: Demand shortfalls</i> <i>Operational risks: Earnings shortfall, cost overruns</i> <i>Financial risk: Asset losses</i> <i>External risk: Rating impacts</i></p> <p><u>Interest development</u> <i>Financial risk: High debt and interest rates</i></p> <p><u>Availability of liquidity</u> <i>Financial risk: Liquidity crises</i></p> <p>⇒ <i>potential effect on SM:</i></p> <p>Achieving market leadership (corporate strategy)</p> <p>Increase of assets under management (corporate strategy)</p> <p>Improvement of performance of the CRE organisation (corporate strategy)</p> <p>Enhancing client satisfaction (corporate strategy)</p>

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Dynamics	FI		FC	
	QI	Implication	QI	Implication
		Potential Risk Broad Risk Category: Factor		Potential Risk Broad Risk Category: Factor
Banks` Financing Behaviour	<p>QRI</p> <p>Credit institutions provide real estate financing uncritically</p> <p>Indicators:</p> <p>Ratio: Loan to value of real estate financing (high/ low)</p> <p>Professional expertise of banks` decision-makers about real estate products (high/ medium/ low)</p> <p>Professional experience of banks` decision-makers about real estate products (long-term, medium-term, short-term)</p> <p>Financing terms (interest, warranties and guarantees) for real estate products (favourably/ appropriate/ expensive)</p>	<p>Risks</p> <p><u>Increasing prices</u> <i>Strategic risk: Pricing pressures</i></p> <p><u>Strong competition</u> <i>Strategic risk: Product competition</i></p> <p><u>Regulatory requirements</u> <i>Strategic risk: Regulation</i></p> <p><u>Interest development</u> <i>Financial risk: High debt and interest rates</i></p> <p><u>Dependency on cash inflows and willingness to provide financing</u> <i>Financial risk: Liquidity crises</i></p> <p>⇒ <i>potential effect on SM:</i></p> <p>Improvement of performance of the CRE organisation (corporate strategy)</p> <p>Enhancing client satisfaction (corporate strategy)</p> <p>Increase of assets under management (corporate strategy)</p> <p>Achieving market leadership (corporate strategy)</p>	<p>QRI</p> <p>Within short notice credit institutions abandon lending</p> <p>Indicators:</p> <p>Willingness of banks to finance the asset class real estate (high/ medium/ low)</p> <p>Availability of funds/liquidity from credit institutions (high/ medium/ low)</p> <p>Notice periods to terminate loan agreements (long/ medium/ short)</p>	<p>Risks</p> <p><u>Reaching performance targets</u> <i>Strategic risk: Demand shortfalls</i> <i>Operational risk: Earnings shortfall</i> <i>Financial risk: Asset losses</i> <i>External risks: Rating impacts, industry crises</i></p> <p><u>Availability of liquidity</u> <i>Financial risk: Liquidity crises</i></p> <p>⇒ <i>potential effect on SM:</i></p> <p>Reaching market leadership (corporate strategy)</p> <p>Increase of assets under management (corporate strategy)</p> <p>Improvement of performance of the CRE organisation (corporate strategy)</p> <p>Enhancing client satisfaction (corporate strategy)</p>

Table 21: Summary of Findings about the QIs and Implications of FI and FC.

Source: Author (2018).

It was found that the QRIs for the phase of FI are concerned with more internally driven factors, in terms of being actively pursued by the executives. This is their willingness to acquire overpriced CRE properties, ignoring hints

from the markets in their decisions, euphoric actions of the executives in strategic decisions and their disregard of past experiences. Investors' behaviour to treat the property as a pure yield-providing object, and the banks' lack of criticality in financing seem to contribute to this behaviour. These behaviours imply strategic and financial risks as major risks during this phase, predominated by factors like high debt and interest rates, pricing pressures, and strong competition.

In the event of FC, indicators are instead predominated by externally driven states. Executives could do nothing but react to the situation, as it was perceived as sudden and unexpected. While investors ignored CRE as an asset class and withdrew their funds, banks abandoned financing in the short-term. As a consequence, executives discontinued acquisitions, and finally reduced their portfolio assets in order to arrange for liquidity. They refocused and concentrated on the core competencies of the CRE organisation. This implies major risks during this phase, that were again strategic and financial but also operational, predominated by factors like demand and earning shortfalls, asset losses, and a liquidity crisis.

Although not all of the QRIs and factors have to be present at the same time, the more there are, the greater the implications for a phase of FI or event of FC. Thus the stronger the relationship between the QRI and the potential risks, the greater the implications for the organisation.

The upcoming chapter will discuss these research findings and provide the answers to the RQs.

Chapter Five: Discussion

This phenomenological research used executives' lived experience to explore the corporate meaning of the phenomenon of FI and to discover how they form their expectations about it. With these achievements, indicators and implications of FI were determined to complement SM. This section discusses these findings about the phenomenon with a distinction to the event of FC in relation to existing literature in order to answer the RQs and close the research gaps.

5.1 The Corporate Meaning of the Phenomenon in the Context of Organisational Adaption

The research aimed to explore the meaning of the phenomenon of FI from a senior executive perspective at the corporate level in the field of German CRE companies and intended to create an extended definition of FI. In the hermeneutical means of the study, the analysis was extended to include the general CRE context for a more profound understanding of the phenomenon.

In pursuit of this objective, the study provided three major findings: First, the general corporate in situ context, in which the decision-makers of CRE companies operate, already holds specific features that are an inevitable prerequisite to the lived experience of the phenomenon of FI while shaping the perceptions and interpretations of the executives. Second, the study highlights relevant themes that constitute the corporate meaning of FI, and third, this study sheds light on the themes that govern the corporate meaning of the event of FC.

The Environmental Context and Conditions of CRE Companies

The research found that the environmental context and conditions of CRE companies hold particular characteristics such as complexities and dynamics. This means that the executives have to cope with sector-specifics and environmental dependencies in their SM decisions, which require them to hold specific knowledge and characteristics. At the same time, the business

performance and growth of the CRE organisation depends on the developments in this corporate environment, which involve manifold strategic risks. The study found that executives consider these conditions as usual ground and they state that the known environmental stances can generally be managed and are calculable. However, the executives were found to experience uncontrollability and insecurities when massive changes and unusual events occur in the corporate environment.

The findings suggest that the complexities of the corporate environment are characterised by a heterogeneous structure of stakeholder demands, numerous dependencies on the developments of different structures and markets, as well as a great amount of influencing factors in the remote environment of the CRE organisation. This is generally in line with previous organisational research (Child 1972; Dess and Beard 1984; Keats and Hitt 1988; Thompson 2017), which mentions that a corporate environment becomes complex when it is increasingly heterogeneous and comprises multidimensional factors that act upon the organisation. However, existing studies often remain inexplicit about particulars that this research now specified for CRE.

In the same context, the researcher found that the perception of environmental dynamics results from the constantly changing structure of the demands of the market participants, due to the ever-shorter life cycles of the business models as well as geostrategic and demographic developments. This is consistent with extent literature although it is more specific and detailed. The works of Dess and Beard (1984) and Aldrich (2008) correlated the dynamism of the environment with volatility, turbulence, or instability. In the context of organisational theory, dynamism is also referred to as a degree of instability (Tushman and Romanelli 1985; Thompson 2017), which was similarly found in this study represented by the constant changes and shorter cycles. Furthermore, the findings were considered to be in line with Mintzberg (1979) who relates the unpredictability and uncertainty of changes to dynamism. The determinants of dynamics for the CRE sector are all hardly foreseeable or

controllable for the organisation while driven by other market participants or developments in the remote environment.

Notably, Dess and Beard (1984) are the ones who consistently also mention both complexity and dynamism, and their multidimensional concept of the environment can therefore be deemed applicable to the CRE context. In this regard, the literature indicates that managing such complexities and dynamics lets executives perceive a greater uncertainty (Duncan 1972; Mintzberg 1979; Pfeffer and Salancik 2003) and requires a stronger strategic intervention (Emery and Trist 1965). As pertains to CRE business, however, executives are used to these environmental complexities and feel certain in their known setting.

While perceiving the environment as dynamic, executives consider rents and the interest rate development as strong parameters for stability in the CRE sector, but interestingly also for unpredictability. This seems to be exceptional but explainable, because the volatility of the remote environment does not directly penetrate the existing lease contracts or financing agreements immediately, but only upon renewal. In this regard, CRE is perceived as a late bloomer, which brings security, but one usually cannot anticipate when and to what extent the change knocks down. These findings are generally compatible with Aldrich (2008) or Pfeffer and Salancik (1978) who stress the influence through interdependence of externalities that are not limited in their unpredictability, cause, change, or consequences. Moreover, the findings are consistent with previous research which stresses that companies in dynamic environments look for such homogenous elements of their environment in order to be better capable to cope with uncertainties (March and Simon 1993).

The environmental states become even more important because the researcher evidenced the dependency of business performance on the developments in the corporate environment. First and foremost, the CRE business model has been found to be oriented towards growth by achieving market leadership, increasing assets under management, improving performance, and enhancing client satisfaction. These sector-specific growth

objectives are consistent with SM research which generally mentions strategy as a long-term concept that seeks to create a unique valuable position for the company (Chandler 1962; Porter 2004; Porter 2006), achieve performance (Thompson and Martens 2010), and remain competitive (Donaldson 2001; Morgan 2006). In this regard, executives of CRE companies perceive a strong dependency of their business model on developments in the task and remote environments, which can affect their performance. These findings are in harmony with the widely expressed view that organisations are open systems (von Bertalanffy 1949; Hatch and Cunliffe 2013; Chikere and Nwoka 2015; Mele et al. 2017). They are moreover consistent with previous research about the environment-organisation relation pertaining to the necessity to adapt to environmental stances (Donaldson 2001; Daft 2007; Bess and Dee 2008; Prajogo 2016; Scott and Davis 2016) - so-called CT. In this context, the results specifically back up the various assertions of the existing literature in organisational theory with regards to RDT, which focuses on the degree of organisational dependency on, and uncertainty about resources in its external environment (Pfeffer and Salancik 1978; Hickson and Pugh 2007; Hillman et al. 2009). But, the findings counter the criticism in extant research that RDT only relates to general relations (Hillman et al. 2009) or is too narrow while objective (Clegg and Rura-Polley 1998), because specific relationships that influence organisational behaviour and structures in CRE companies were found to constitute the socially constructed influences of the executives.

The findings have been found to be consistent with SM research, placing environmental determinants in the context of SDM in order to align the corporate strategy (Galbraith and Nathanson 1978; Jemison 1981; Thompson and Martens 2010) and to implement organisational action (Miller and Friesen 1983; Hambrick 1988; Venkatraman and Prescott 1990; Wiersema and Bantel 1993). The results are in line with extant literature about environmental munificence, which has been quantified by the environmental resources available and sustainable industry growth factors (Starbuck 1976; Dess and Beard 1984) and concretise it for CRE. From this perspective, the resources are utilisable for a proactive strategy to the environment, to add capabilities and become more innovative, which in turn fosters internal structural changes

to be ready ahead of time and ahead of competitors (Aragón-Correa and Sharma 2003). This means, that the CRE sector seems generally well equipped to grow, change, and respond to competition as long as RE is traded and funds from investors and banks are available, which obviously maintains a reciprocal relation.

With the dependency on the environment, these stances led to a higher degree of uncertainty for the executives (Duncan 1972; Mintzberg 1979; Pfeffer and Salancik 2003; Thompson 2017). While uncertainty is also associated with risks, this is well in line with this investigation, which refers to the existence of manifold strategic risks in the corporate environment, which are suitable for endangering the successful implementation of strategic corporate goals. These risks have been found to relate to the development of the markets, price increases, a lack of transparency, strong competition, interest rate or political developments, as well as regulatory requirements. These findings show different specifics that place multi-dimensional pressure on the company and its management, which is generally compatible with existing research that suggests a wide range of risk factors (airmic et al. 2010; Mitchell and Matruglio 2015). In their example, Mitchell and Matruglio (2015) found that the majority of value losses are driven by strategic and external risks. Even though the risks identified by the participants of this research come unstructured, they show consistency with several risks of the strategic, financial, operational, and external risk categories suggested in their model (Figure 2). Further details are discussed in section 5.3.

Despite the executives having identified numerous risk factors in the corporate environment, they generally consider their environment to be predictable due to previously determined expectations and assumptions about its developments. This was with RE being considered a sustainable asset class and therefore usually unsurprising. At the same time, the study found that there is a great deal of uncontrollability when changes in the corporate environment are more severe. Beside the uncontrollability of the changes, the decision-makers can fail to control the consequences for the organisation that result from such massive changes in the task environment and the remote

environment. In this case, routine decisions are neither useful nor feasible, and the accomplishment of external changes is dependent on their solidity. The decision-makers therefore only have limited alternatives to respond to epochal changes in the corporate environment within the CRE organisation. They are at the mercy of such externalities and can only try to mitigate the consequences. The literature also distinguishes from changes in the corporate environment that are considered as radical and profound (Ginsberg and Buchholz 1990; Heugens and Lander 2009). Deroy and Clegg (2011) also emphasise that guidance and practices for unanticipated or unexpected events are generally missing.

The market participants link such perception of massive or severe changes to the unexpected, the non-controllable or the unusual, and their effect may even be worse while the unexpectedness fosters the perceived massiveness of the change. In relation to the literature, the findings were comparable with uncertainty, where uncontrollability and uncertainty are often used interchangeably (Peterson et al. 2003; Grupe and Nitschke 2013). When relating the above findings to Milliken's (1987) three types of PEU, they have been found to be consistent with the CRE business context: (1) state uncertainty, due to the uncontrollability of potential massive changes in the corporate environment that cannot be predicted; (2) effect uncertainty, because the executives find the consequences of massive changes for the CRE organisation uncontrollable; and (3) response uncertainty, where executives have limited reaction alternatives to epochal changes or don't know the alternatives or what their efficacies are.

As for the corporate meaning, these major findings and discussions about the corporate context show how the decision-makers classify their corporate environment in the SM of the CRE company and in terms of respective chances and risks for the SRM. It could be shown that the findings are generally in line with extant research in organisational and strategic management, but comprise those of detailed specifics of the CRE sector. This allows for a sensitisation towards the general context to better understand the phenomenon of FI and the event of FC within this corporate background.

The Corporate Meaning of a Phase of Financial Instability

The analysis of the lived experiences provides corporate means of the phenomenon of FI. The researcher found that the senior executives of CRE companies define the phenomenon of FI as a phase of an unrealistic market situation where the actors experience euphoria and expansion pressures. This is an episode with an unregulated workload in the organisation, which is also characterised by informal and individual intensification of lived relations of the executives while ignorance strengthens executives' perceived certainty.

The findings suggest that executives experienced this time of FI as an unrealistic situation where usual market mechanisms ceased to be in force. This was underpinned with the impression of a lack of transparency pertaining to the types of investment, RE products, and the bad quality of acquired properties that came along with inexperienced decision-makers. This finding is generally in line with Mishkin's (1999) definition of FI, which stipulates that funds are no longer channelled to productive investments and hence the financial system ceases to fulfil its actual task. Also, it can be related to various studies, which emphasise that the disruptions and imbalances hinder the normal functioning of the real economy (Laker 1999; Davis 2003; Schinasi 2004).

Mishkin's (1999) definition was also in line with the findings that more and more properties were acquired, but at low quality, thus leading to less productive investments, which was also emphasised by other researchers (Davis 2003; ECB 2014b) and appears as common understanding. This was a result of the risk-free availability of capital that was found meaningful during a phase of FI. Funds were easily accessible without depositing warranties and a high allowance of loan to value. Following, more and more investments were directed into the asset class RE and even to properties with a poor quality standard. These findings are also consistent with Ferguson (2003) who determined FI as a phase where financial asset prices significantly deviate from fundamentals, when market operations and credit availability are substantially distorted, while aggregate spending noticeably diverges from the accessibility of products. However, he remains unspecific about what

'significantly' means. His is one definition that leaves room for the assumption of a positive or negative deviation, whereby others predominantly refer, in their definition and choice of words, to negative abnormalities and consequences. The results of this study can though be seen approximate to his definition but yet contradictory to the majority of extant definitions of researchers and institutions that mention the missing liquidity as well as credit unavailability as major characteristics of FI (Mishkin 1999; Davis 2003; Ferguson 2003; Schinasi 2004), and not the excessive availability of liquidity and financing. This is a surprising but momentous finding that is exactly opposite to other definitions from a more macroeconomic perspective.

It seems that the above was conducive to the situation, as the researcher further found that investors exert investment pressures and banks exert financing pressures, which fueled the continuously existing decision and success pressures of the executives. Notably, all of them with a positive sentiment. Clients focused on RE as a yield providing object, which resulted in higher loan to values and riskier investments that provide higher yields, and this was supported by the high availability of debt requesting only few or no warranties. In this regard, the researcher found that executives' decisions under pressure to succeed caused them to fade out potential consequences or complexities. With the prospect of success, relating back to the general strategic and performance goals, addressees were either not interested in information for further assessment of the situation or lacked the relevant knowledge to consider it appropriately, which finally culminated in consequences such as the commercial principles of a proper due diligence being disregarded. The euphoria and success pressures were characteristic during this time. While there is hardly any extant literature referring to such details, this is at least contradictory to definitions referring to asset sales (Adrian et al. 2014), where this research found that acquisitions were fostered and there was strong investment pressure. However, the literature does not refer to behaviours or moods in any of its definitions but attaches turbulence (Laker 1999) or financial stress (Allen and Wood 2006) as situational states, which could be considered to only roughly refer to the same thing. Rather, these stances could be seen as a consequence to the behaviour of the actors.

In the context of organisational research, executives' behaviour could be explained by the fact that organisations usually have to adapt to their environment to remain competitive (Daft 2007; Bess and Dee 2008), and hence they followed the market that was taking the opportunities but did not want to see any potential (future) risk.

This was further reflected in their communication, which was unclear and cautious during the phase of FI. Executives realised the changing environmental conditions and they talked about the situation with individual persons involved while addressing the long-term risks of the situation only informally, while almost exclusively internally and in whispers. The executives looked for a kind of valve to make their voice heard about their perception of the situation, to informally exchange information in their internal network, or to cover their back through internal documentation. This finding can partly be related to Mishkin's (1999) definition of FI. He stipulated that, on a more macroeconomic level, the phase could be traced back to asymmetric information, arising with the disruption in information flows. According to Mishkin (1999), this may lead to unfavourable selections, which was also found in the acquisition of properties of bad quality and the unregulated processing of a large number of projects.

Such overstrain led to resignation and fostered ignorance. In this regard, the research evidenced that ignorance and perceived certainty seem to become major characteristics of executives' behaviour during a phase of FI. Their euphoria and exaggeration was displayed in the overpriced acquisitions and lack of problem awareness while they did not recognise the market situation. Potential threats were removed or, even worse, ignored, and this was naturally followed by little reaction to the warning signs of the market. In their usual habit, the actors felt the necessity to strive for their aspired successes and strategic goals, and for the most part faded out the concerns they had from gut feelings or previous experiences. Hence, they missed an according adaption to the actual situational risks and remained uncritical in their acquisitions, on the outside.

This can be explained by the expressive meaning determinant of perceived certainty. The executives had the impression that the corporate environment of the CRE organisation was in a stable and apparently harmonious state. Indeed, objectively the determinants of the external environment, especially the remote one, did not change dramatically during this time and the task environment was positively influenced. This therefore did not suggest any kind of uncertainty, and the prevailing positive mood was not surprising. This relates back to Mishkin's (1999) abovementioned asymmetric information, but also shows that objective measures or single individual perception of environmental states are not sufficiently practicable to determine corporate action, which was also earlier affirmed by other researchers (Donaldson and Lorsch 1983; Starbuck and Milliken 1988; Romano et al. 2001; Michel 2007; Selznick 2011; Hatch and Cunliffe 2013). Where the information exchange did not take place collectively and openly, it is assumed that market participants had different accurate information and while their impression was not confirmed, they ignored the signs and followed the dominant market to achieve performance. Finally, it could be said that this fuelled the situation instead of calming it down.

In this regard, existing research also found that executives remained optimistic about the stability of the economies (Bezemer 2011; Lin and Treichel 2012) even though there were seemingly obvious signs in the phase before the outbreak of the GFC (Bezemer 2010; Bezemer 2011; Hindmoor and McConnell 2013). But extant research does not provide an explanation to this. Hence, this study provides evidence that seemingly, over-optimism and euphoria contributed to the developments of this situation. Furthermore, existing definitions of FI do not refer to perception, behaviour, or interaction of the market participants during this phase. Despite mentioning uncertainty (Group of Ten 2001) and the effects on the macroeconomy (Allen and Wood 2006), extant research remains limited to general statements. The findings of this study indicate that executives' behaviour during this time had an important impact on how they understood the situation.

This relates to a further meaning determinant that the study made explicit: the workability of the executives in CRE organisations. With the investment

pressures and availability of funds in this phase came increasing numbers of investments, which led to an unregulated workload with a lack in processes and control systems. The market dynamics resulted in only marginal, proactive adjustments in the internal processes. This means that while executives were overstrained, also in terms of capacities and caught in the run on assets, they were relatively free in their decisions. Guidelines and regulations as well as time for diligent management of the projects, for example, were limited. The study found that the focus of their analysis on the rental markets and macroeconomic developments, as well as the moods in reports and discussions, had a modest tendency of change or were in line with the overall developments. This led to less comprehensiveness in their analysis, which overall left room for oversights and decision errors, bringing risks for the business. Any such detailed description of the situation and consequential actions could hardly be found in existing research and remains at a general, more macroeconomic level. A connection could be assumed with regards to the general turbulence in the market (Laker 1999), which can be considered expressed in the unregulated workload for CRE.

While the existing literature could only provide several inconsistent macro-level definitions of FI for addressees in the financial sector, the corporate meaning provides a more detailed and precise definition that covers contextual and sector specifics of the CRE companies. While generally existing definitions and the corporate meaning share several similarities, a strong controversy, however, could be found relating to the availability of liquidity. At the same time, existing definitions are extended by practices and habits of executives while they define the corporate meaning mainly through the behaviour of the actors in the CRE sector. Perceptions of certainty, lived ignorance about parameters in the remote and task environment, as well as executives' internal communication behaviour and their type of workability become advanced characteristics of the thus far implicit corporate meaning of FI.

The further specification of the event of FC made clear how executives differentiate between these two distinct occasions.

The Corporate Meaning of the Event of Financial Crisis

The analysis of the lived experiences also provides corporate means of the event of FC. The researcher found that the senior executives of CRE companies defined the event of FC as an unexpected market standstill, where actors behaved irrationally in perceived uncertainty. The event is characterised by disillusionment and consolidation of the actors. Without consideration of the potential alternatives, executives performed professionally and routinely, pertaining to how and what was adequate, when trying to align the organisation to the changed corporate environment. The executives used a predominantly formal form of communication during this time, while intensifying their relation to colleagues, employees, and external interlocutors.

The research found the widely expressed view of the event of FC as an unexpected market standstill that resulted from the investors' investment behaviour which was abandoned within short-notice. At the same time, the banks stopped debt financing for RE acquisitions. Such limitations restricted the availability of capital and forced the CRE organisations to a radical stop of expansion due to a lack of liquidity. The executives stated that this came suddenly and surprisingly and they did not have a chance to foresee or predict this situation. Executives' perception of the event of FC, from the view of the CRE companies, shows several consistencies with the existing literature, which mentioned that the event was unanticipated (Deroy and Clegg 2011) or unexpected (Allen and Wood 2006; Bezemer 2010; Bezemer 2011; Lin and Treichel 2012), which equates to a radical and profound environmental change (Ginsberg and Buchholz 1990; Heugens and Lander 2009) or a systemic event (Lai 2003). Allen and Wood (2006) exceptionally include aspects of the real economy in describing the event of FC, like the sharp and unexpected limitation of access to money that forces a company to immediately and significantly reduce its spending. The abrupt stop in lending was also earlier considered as related to FC by Claessens and Kose (2013), which is widely in line with this underlying research.

At the same time, the executives described their experiences about the actors, as well as themselves, as irrational when the event occurred. Irrational, in this

regard, means that decisions were taken based on gut feelings and were influenced by previous experiences. Chances that derived from such a situation were not disregarded by the executives, but, to a great extent, the changes in the corporate environment made them feel insecure about the assessment of the situation as well as in their decision-making. This insecurity, together with their uncertainties, meant that the executives perceived a kind of panic behaviour in the market, which was expressed by their mixed feelings, between fear and motivation, to get the most out of the situation. Existing definitions about FC remain indefinite here while seldom referring to the moods of the actors. The exceptional definition of Lai (2003) relates to a loss in confidence, which may be considered consistent in this context. These environmental states resulted not only in uncertainties about the conditions of the corporate environment, but also in consequences for the CRE company and possible responses to the situation.

Executives realised the changing environmental conditions, but even though, or precisely because, the appearance of the FC was new and to some extent intangible, the executives were not able to explain the situation and tried to manage it routinely, with usual familiar standards not knowing if those can be successful. These were considered as the only alternatives to react quickly. When referring back to old habits, executives missed the application of sensemaking for innovation (Berghman et al. 2013) and learning (Daft and Weick 1984) or to reduce uncertainty (Smerek 2011), as it is intended to be. Even though they extended their analysis of information, they remained uncertain when adjusting the organisation to the situation, which particularly included distressed sales to procure liquidity and demand-related behaviour. Interestingly, the existing literature especially refers to large-scale balance sheet problems that require financial support from governments (Claessens and Kose 2013), but CRE companies at least try to manage the situation without such detrimental effect while also considering arising chances.

The need to adjust their strategic goals and respective RM to the changes of the corporate environment let the decision-makers focus to their core competencies, on selling assets, withdrawing from particular countries, or

disposing participation interests. Their mood changed from over-optimism to a more realistic view on the situation, with doubts that were displayed in their considerations about countermeasures, consolidation, and competencies. The corporate perspective that was taken in this study could confirm similar findings in existing literature with regards to an unexpected market standstill and an according disillusionment and consolidation of the actors (Ginsberg and Buchholz 1990; Allen and Wood 2006; Heugens and Lander 2009). Generally, the adaptation of the organisation to the corporate environment in order to remain competitive (Morgan 2006; Daft 2007; Bess and Dee 2008) and to achieve better performance (Donaldson 2001), as stated in organisational research, was confirmed.

Such perceived situation could be explained because this event and its development, were not considered in the strategic planning. The executives also claimed that this event could not even have been foreseen, no toolkit or obvious indicators were available that could have guided them in their forecasting and strategic planning. It sounds like an excuse for their behaviour or rather non-behaviour, and their paralysis and overstrains with the situation, but it has also been found in existing literature that it indeed could not have been predicted by anyone (Bezemer 2010), which can be explained by the lack of explicit means about the situation.

Hereto, decision-makers looked for an intensive collaboration and involvement of all parties to assess the situation and its consequences in order to create more transparency. This now included the whole company as well as the external network seeking for transparency and better assessment of the event. During the FC, the behaviour was much more determined by formal proceedings and finally a coordinated, joined approach of the management in communicating the evaluation of the situation and its consequences for the company, resulting in the necessary strategic decisions. This allowed for socialising, or institutionalising, the enactment and its consequences that result from the situation, in a way that they become more transparent and familiar. At the same time, this caused more and more actors in the task environment to become uncertain about the situation, which can be assumed to partly

contribute to the downturn in the FC. Existing research lacks a consistent approach while providing for fragmented and diverse definitions. Furthermore, compared to the extant literature, the behaviour of the actors has so far seldom been taken into consideration by researchers or financial institutions when defining an event of FC. Specifically, this can be explained by the thus far prevailing positivistic tradition and quantitative approaches to such definitions.

The FC boosted the already existing complexities and dynamics of the CRE environment even more, which provided objective insecurities to the decision-makers (Hatch and Cunliffe 2013). This was also enforced because the determinants of the corporate environment changed so massively during a short time. This is supported by Milliken (1987) who pointed out that the PEU emerges from a massive change that could not be predicted. Additional uncertainty came up with regards to the consequences of the event. The decision-makers could also not foresee what impact the event would have on the organisation and the CRE business. Not exactly knowing what to do, the executives became irrational in their decisions, and also relied on their lived feelings.

In the definitions of extant literature, the event of FC is defined as an episode or an extreme case of FI (Chant 2003; Lai 2003; Allen and Wood 2006; Alawode and Al Sadek 2008). From the themes that were found in this study, it must be stated that even though these confirm FC as an even worse situation of FI, it cannot be considered an extreme case. This is explained by the executives' dissimilar meaning of FI compared to researchers and public institutions. At the same time, existing definitions are extended by executives' behaviour in this event, while the corporate meaning is determined by the changed actions and moods of the actors. Irrational behaviour in perceived uncertainty, disillusionment, consolidation of the actors, organisational alignment without alternatives, as well as executives' formal and social communication behaviour, becomes an advanced characteristic of the thus far implicit corporate meaning of FC.

Hence, despite sharing some similarities, the corporate meaning of FC that was made explicit exceeds those of researchers and financial institutions by far and includes the particularities of the CRE sector, but moreover those of the strategic decision-makers.

5.2 The Corporate Sensemaking Process of the Phenomenon in the Context of Organisational Interpretation

The second research objective of the study was to discover the way in which executive management board members form their expectations about FI based on their meaning and how sensemaking attempts are accomplished in CRE.

In the pursuit of this objective, the study provided three major findings. First, executives do not require all seven properties to form their expectations about FI and FC. Second, even though their sensemaking is not applied in Weick's (1995) original means, it is partly characterised by extracted cues and following enactment as well as social interaction. But executives are not exposed to retrospective sensemaking when facing the situation. Third, the researcher found that the process is different in an event of FC, compared to a phase of FI, also because executives make use of the additional property of 'plausibility'.

For both, FI and FC, the two properties of 'identity' and 'continuation' could not be discovered. Even though Weick (1995) claims that sensemaking is continuous and executives are continuously engaged, it can be noted that executives have not consciously applied this process. Moreover, they unconsciously and only partially made use of the properties of sensemaking as proposed by Weick (1995) up until that point in time where the situation became more familiar again or they could justify it. Furthermore, the property of identity was not found. Interestingly, the role of the executives during this time, how they saw themselves, and which role was attributed to them does not entail a particular relevance in the corporate sensemaking process during FI and FC.

The Process of Sensemaking in a Phase of Financial Instability

The research found that executives, during a phase of FI, applied organisational sensemaking in their business actions, but only with reservations. The findings show conformity with four of Weick's (1995) seven properties: cues, enactment, as well as social interaction and retrospective practices, where the latter was however only affected when they had been interviewed in the course of this investigation. It is remarkable that executives only apply fragments of sensemaking in its original means and hence could not call the situation a FI nor react appropriately. After the fact, the situation was deemed a FI and executives' discernment appeared.

The findings show that executives make use of organisational sensemaking in a phase of FI where the phases of scanning, interpretation, and action, as referred to in existing literature (Fahey and King 1977; Daft and Weick 1984; Milliken 1990), are hardly identifiable. It becomes obvious that such sensemaking process was apparently disturbed or finally not affected due to the specifics of the situation and is assumed to remain implicit.

The study provides evidence that executives scan the environment and they extract cues because they noticed a change, or an irregular and uncommon situation: market dynamics were stronger than usual, the investment pressures and prices increased above what was normal and they had contradictory moods towards the situation. Executives needed to make sense of this to gain back control of the setting. This is in line with the sensemaking literature that associated cues with sudden and unexpected (Weick 1995), or contradictory events (Chia 2000), these cues are dependent on context for extraction and interpretation. However, the recognised change seems to be only considered as an overheated situation, and not an interruption that could put the strategic goals and the aspired business performance at risk. Moreover it was a mere positive distortion of the situation that promoted organisational performance, where quantity was placed over quality.

In combination with noted investment pressures and euphoria, executives unconsciously ignored their contradictory moods or their gut feelings as a

decent sign that something is going wrong, but were performance-driven while pursuing business strategy and goals. Ericson (2001) emphasised that events are often ignored or just observed, but here it can be assumed that executives did not fully consider these signals in their interpretation and action nor interpret it related to FI.

The researcher found that social interaction was used to interpret and evaluate these extracted cues in a phase of FI. The inclusion and exchange of internal information and social interaction together with the consumption of external information helped to look for shared meanings and commonalities in the context. Executives seemed to be insecure about the evaluation and used different sources of information from other experts and executives to expand knowledge, but they relied on the usual ways of perceiving and interpreting. It is remarkable that at this senior level, the findings suggest that organisational interpretation took place only behind the curtains and therefore presumably was not comprehensive. They were also driven by the fact to avoid discussing half-baked or being branded as a 'naysayer'. Consistent with existing literature, sensemaking is the social interaction and communication among members of organisations (Weick 1995), as applied. Socialisation is considered a primary property in sensemaking literature (Weick 1995), but was only implemented rudimentarily in the phase of FI. As will be discussed later, the ability to interpret such a situation may be a difficulty for executives due to their habitual actions and their inability to experience completely.

As a result of such ill-processed interpretation, the market players have executed irrational acquisition decisions deduced from the perceived hints. The irrationality was also driven by the time pressures under which they had to make the decisions in this phase. The resulting actions referred to risk prevention and cover mechanisms that were not consequentially implemented. This is generally in line with existing literature that sees enactment as constructing reality that leads to actions (Weick 1979; Helms Mills 2003). However, their irrationality in acquisition decisions as well as their internal organisational actions show that they missed the novelty of the situation in their interpretation and in corresponding action. The expectations they created

about this perceived certain situation did not picture the corporate environment to its full extent. Hence, they only enacted some individual risk prevention to the situation they extracted, but did not respond to the situation of FI with all its facets. Any major changes in strategy or structure as indicated by the literature (Dutton and Duncan 1987; Ginsberg 1988) could rarely be found in the phase of FI and they hence missed getting prepared.

This also favours another interesting finding of this study. The property 'retrospection' was discovered, but executives did not apply their retrospective knowledge, they only had a retrospective view on it when being asked during the interviews, far off from the phase of FI that they described. Nevertheless, it should be noted that executives' retrospective discernment was critical and open. They confessed that a lack of risk awareness and criticality in acquisitions, together with an underestimation of the complexity of the situation and products, was careless during this situation. This was explained by the non-predictability of the phenomenon and the perceived uncertainty which also favoured the uncritical behaviour and blind faith but also by the lack of knowledge about the RE asset class. The complexities of RE products and assessment methods have been underestimated by the actors. Even though the decision-makers did extract cues in terms of anomalies in the corporate environment and within the CRE organisation, they did not analyse those consequentially and/or implement according actions. Executives usually talk a lot about their experiences but when looking at the retrospection in the sensemaking process this was hardly the case. This is contradictory to existing literature where retrospection in sensemaking requires reflection by the executives and assumes to produce some learnings from their past experiences to inform future decisions (Weick 1979; Weick et al. 2005). It also supports clarity about the situation and behaviour and the near past, while placing things in order and finally allowing for more rationality (Starbuck and Milliken 1988; Weick 1995), which was not the case in sensemaking during a phase of FI.

At the same time, existing literature emphasises an increasing risk of misconception, the shorter the length of time between the situation and the

reflection (Weick 1995), while phenomena are better understood backward-looking. However, the executives' ability to process retrospective experiences during a phase of FI just did not exist at all. Moreover, the study found that retrospection seemed unimportant to the executives' sensemaking process, and was only evoked because they were asked during the interview in the context of this study. None of them had retrospective considerations before that. As a possible explanation, it may be pointed out that this was also hardly possible for the GFC 2007/08 and other major crises during the last decade. The phase of FI just led to an event of FC and there was probably no time or necessity to reflect on the situation, but to immediately react to it. Furthermore, most of the participants have a long history in CRE and in managing those companies but they did not experience comparable situations of FI before to make use of any retrospectives, and at this the latest phases that turned into the FC seemed to be mere exceptions. Because they had not and could not make use of retrospective sensemaking, the crisis could not be prevented or limited in scale. On the basis of the investigation and the interviews conducted, this is now possible where the explicit meaning of the phenomenon from a corporate perspective has been explored and shortages in organisational sensemaking procedures have been discovered.

Notably, during this phase, executives were very much concerned with chances and did not want to see any risks because the situational characteristics were just too favourable for their businesses. Where the assessment became critical, this was only used for inconsequential action and communication. Afterwards, it was found that they lacked respective awareness of the situation and were too uncritical, merely naïve, as their contradictory moods were dominated by on-going investment and financing pressures. Therefore, hints from the organisation and the corporate environment had only been recognised selectively, and other signs had even been ignored.

This overall process of sensemaking pertaining to the phenomenon of FI, as applied by the executives in CRE companies, shows that they form their expectations during a phase of FI based on their meaning, but apply

organisational sensemaking procedures in parts. Emphasis is on the extracted cues of market conduct, but also personal affect that let them engage in the process and respective actions. The shared experiences of the executives show that during this time, sensemaking was focused on the chances rather than potential risks that the phase might bring. Hence, the relevance of interpreting the cues right and not being prevented by superimposed behaviour or feelings was shown because only then can the sensemaking process be applied appropriately to support SM in organisations.

The Process of Sensemaking in an Event of Financial Crisis

What the study found was that executives use five of seven properties for sensemaking in an event of FC. These are the same as the ones for FI, with the addition of 'plausibility'. Nevertheless, surprisingly, in such a massive occurrence the cues did not initiate the sensemaking process, neither to enable meaningmaking, learning, nor creativity, change or innovation.

During the outbreak of the FC, executives recognised the unexpected and non-controllable changes through the extracted cues of market standstill and business model malfunctions, as well as in terms of irrational decisions under uncertainty. In line with existing research (Maitlis and Christianson 2014), the unexpected event was not further processed to make sense of it and regain control.

This information, scanned from the corporate perspective, triggered further interpretation, diving into more social interaction. Even though the information exchange was contemplated as ambitious during this time, because of the manifold addresses and individual consideration of information, some shared meanings and commonalities could be provided. As mentioned above, the interpretation of unusual and unexpected events may be difficult for executives. The findings show that for the event of FC, executives leverage their ways of socialisation and extend their collaboration and exchange with their external network, which is much more in line with existing research (Weick 1995). This may lead to their ability to better interpret and recognise the event of FC, while during FI their limited socialisation behind the curtains did not allow them to

interpret such phase sufficiently. However, even the exchange in the event of FC was not mature enough and the habitual ways they applied accentuated the problem of missing the novelty of the unexpected FC. At the same time, executives seemed overstrained in managing this situation and tried to make the best out of it for their business, ensuring to reach the strategic goals of the company and the targeted business performance or at least minimising losses. It seems that there was no time for considering the sensemaking process and they preferred usual business procedures and retain old habits to manage the situation.

As a result from such collaborative interpretation, the executives shared stories suggesting that they initiated deinvestive actions to handle the realised portfolio risks as part of their SM. Beside procedural adjustment, they tended to adjust the strategic focus to risks and aligned the RM strategy to the situation, to varying degrees. Notably, findings suggest that strategic changes were not initiated. This is at odds with existing sensemaking research (Dutton and Duncan 1987; Ginsberg 1988) that sees strategic or structural changes as a natural reaction to major changes in the organisational context.

As another factor, it was found that, in the event of FC, executives seemed to rest their sensemaking on plausibility rather than accuracy. They did not aim for an exact reproduction of the results but a plausible justification of the experiences to their constructed reality about the event. This is consistent with extant sensemaking literature while emphasising that constructing a possible explanation let them reduce the perceived uncertainty and facilitated sensemaking (Weick 1993; Weick 1995; Maitlis 2005). Due to the unexpected situation, however, executives felt that a quick response and action was required, while keeping the business running during this challenging time was of primary interest for the executives pertaining to their strategic goals. Time for longer considerations and big strategic moves was limited, and their inability to make sense of the unusual situation mainly prompted a prevalence of operative decisions.

Only in retrospect did the executives admit discernment about misconduct through their irrational management decisions, and also considered the panic of the clients and actors as an overreaction. The reflection of people's past experiences as a part of the usual sensemaking process (Weick 1979; Weick et al. 2005) was only applied after the event, and only while being asked for it in the interview. The executives' ability to make use of retrospective experiences during FC just did not exist at all. None of the executives had retrospective considerations before being asked about the situation in the interview. This step was never actively used in their sensemaking processes, neither during the situation nor shortly afterwards to place things in order, as suggested in literature (Starbuck and Milliken 1988; Weick 1995). It seemed minor relevant for them to superordinate scanning, interpretation, and their actions because they could finally make it through the situation, or they just did not have the time idleness. Most of them did not experience a FC before, so there was no retrospective available in this regard. Furthermore, they did not take any time to reconsider; they just wanted to initiate countermeasures to limit the severe consequences of this unusual and massive event on their business performance. Because they had not and could not make use of retrospective sensemaking, conduct and reaction could not be carried out in a manner adapted to the situation.

For the SM, this entails executives forming their expectations about FC based on their meaning and partially using sensemaking attempts that conform with the theoretical concept of Weick (1995). The data indicated that the extracted cues of FC were essential to recognise and make sense of the event, but due to operational decisions that were considered necessary, and due to the limited time, the sensemaking process was almost deliberately repressed to make meaning of the situation and react accordingly.

5.3 The Qualitative Indicators and Implications in the Context of Strategic Risk Management

The research further intended to develop QRIs of FI based on the corporate meaning and awareness of the respective expectations of the phenomenon to

adjust and enrich the SRM of a CRE company. This also envisioned to investigating how this translates into different implications for SM.

In pursuit of these objectives, the study provided three major findings, which cannot yet be found in extant research. First, 11 QRIs and related implications about the phenomenon of FI and another nine QRIs and implications about the event of FC are presented. Out of these, five clusters (overarching dynamics; Table 21) were determined that share category similarities for both, FI and FC, and were hence considered as meaningful, comparable QIs to identify either situation. Second, the different dimensions of the indicators allow for classification whether a phase of FI or an event of FC is occurring and whether it is emerging or not. This becomes decisive for SM, because all of the indicators imply that the respective potential risks effect the improvement of performance of the CRE organisation. As a further general and surprising finding, all dynamics relate to the behaviour of the major market participants during these times: executives' investment behaviour, executives' strategic decision behaviour, investors' investment behaviour, as well as the financing behaviour of financial institutions.

For the following discussion about the QRIs and respective indicators, the researcher first provides a discourse to distinguish a phase of FI and an event of FC that are now available, before relating these findings to previous literature. The discussion does not dive deep into each single indicator that make up the QRI but outlines the characteristics these indicators hold for implying either FI or FC.

The researcher found that the executives' investment behaviour provides a strong QRI for FI and FC. Executives behave euphorically and in an adrenaline-driven manner in a phase of FI, which is expressed in their motivation to acquire RE properties of poor quality for high prices, a negligent attitude and irrational behaviour that pertains acquisition decisions based on objective characteristics, that have been translated to indicators. When the event of FC strikes the unstable environment, executives' behaviour suddenly changes and the researcher found discontinuance in investments as a QRI

during this time. Further, the QRI of decreasing portfolio assets for procurement of liquidity was characteristic. Interestingly, even though the behaviour seems to accelerate throughout the phase of FI, it does not mount in FC, but is completely reversed. Furthermore, as this is a solid pattern with empirical evidence from this study, the investment behaviour, when exercised by the majority of the participants shapes the market and can accelerate dynamics even further, in either direction.

Strongly connected to this, the researcher's analysis shows the relevance of executives' market perception expressed in a QRI. During the phase of FI, the executives produced strategic risks while ignoring the behaviour of the actors in the market and arising warning signals. Their perceived certainty was strong enough to fade away information for further assessment of the situation and repress problem awareness that became indicators for the phase of FI. Such ignorance and suppression stops when the event of FC occurs, which although comes suddenly and unexpectedly. This constitutes a QRI during FC. Executives' behaviour during the prior phase of FI let them feel prepared and the market development in an event of FC could neither be predicted nor planned. Due to the non-preparedness and to some extent paralysis, there arose operational and strategic risks that affected the SM and the goal of achieving performance targets even more harshly.

As a third QRI, the researcher found that executives' strategic decision behaviour is another indicator for FI and FC. It is evidenced that executives' euphoric behaviour in this regard implies several strategic risks for the CRE company because their emotional state lets them disregard important factors they should consider in their SDM. However, in the event of FC, the researcher found the indicator that executives return to the core competencies of the CRE organisation in order to be able to minimise the performance damages from earning shortfalls and asset losses.

These QRIs assume that when the aforementioned behavioural patterns of executives are linked together in either phase, and are applied simultaneously, this set encourages itself and impairs the respective situation from within the

organisation. Hence, these QRIs evoke a self-reflection of the executives but also of other fellows pertaining to their investment behaviour.

The research further found that other market players, like investors and banks, also have an impact on the businesses during these times, and qualify as a QRI.

Similar to the executives, the investors' investment behaviour is characterised by high investment activity during FI and a low one, if at all, when the event of FC occurs. This mirroring of the executives' behaviour can be explained because the CRE companies are, to a great extent, dependent on the cash inflows from their clients. If they do not want to invest, CRE companies cannot. However, their tactics and aims are different. During FI, investors consider the property as a pure yield-providing asset. Totally different, the findings suggest that investors ignore the asset class of RE in FC. Moreover, they do not only stop investing, but also withdraw funds. As a consequence, the CRE companies have to suffer demand shortfalls, respective earning shortfalls, cost overruns, asset losses, etc. This pressurises the performance and means that targets may not be reached. This indicates that one should keep an eye on investors' behaviour, as changes in this are a strong signal from the market. Due to the high dependency on investors' money, severe consequences for the CRE company can only be avoided when taking care of their clients.

The same applies to the credit institutions that are moving alongside investors' behaviour. The research found that this other market player also has significant influence on the CRE companies during these times and also has different behaviour during FI and FC. As a further QRI, the researcher found that they are uncritical in providing financing during the phase of FI, which is characterised by favourable financing terms, high loan to values, and less professional expertise at the financing banks. After this relatively random financing, banks changed their behaviour after the outbreak of the FC and abruptly abandoned their financing or refinancing efforts, which also became a QRI. Following this indicator, CRE companies can flip their strategies and will

not suddenly be caught off by guard with demand shortfalls, earning shortfalls, asset losses, and liquidity crises that squeeze performance.

When looking at the existing research, policymakers and academics have focused on several quantitative measures to approach FS (Gadanecz and Jayaram 2009), and hence implicitly FI, to prevent systemic risks through policy responses (Group of Ten 2001; ECB 2010). Such soundness indicators of monitoring variables are used in several works (Davis 1999; Hawkins and Klau 2000; Gray et al. 2007; Nelson and Perli 2007), focusing on six main sectors that were discussed and determined as commonly used in the literature (Table 1). Overall, the indicators that were developed by researchers and financial institutions so far are mostly quantitative and signal the systemic risk of an economy as pertains to a possible FC breakout. The researcher's findings are to some extent at odds with those of the existing literature, which have a strong macroeconomic perspective. Existing indicators and risks mirror sectors and key features that were compiled from generally accepted factors and data. They do not look at the behaviour of the market participants.

Nevertheless, it could be shown that some of the existing systemic risk indicators (Gadanecz and Jayaram 2009) were also inherent for the CRE sector during FI and FC. Those that are comparable relate to pricing pressures that parallel the financial market factor of house prices, and interest development and financing terms as well as resulting risks that confirm the financial sector factors of real interest rates as well as the corporate sector's riskiness of earnings to interest. Furthermore, the willingness to finance and the related risk of high debt in the market as well as liquidity crises can be related to the factor of liquidity ratio of the financial sector, as well as cash inflows of investors, and the related risk of liquidity crises to the factor of capital flow in the external sector's conditions. Also, the loan to value ratio for bank loans and for RE financing can be found in the leverage ratio in the financial sector. Furthermore, it can be concluded that there is a high availability of liquidity when banks are uncritical in debt financing and increase their number of offers for financing, which equates to the financial sector's factor of monetary aggregates. Due to investments in RE as a yield-providing

property, it might be reasonably assumed that bonds are not competitive, and this can be equally applied to financial markets that use the factor of corporate bond spreads. Finally, there are regulatory requirements in terms of loan to value and capital adequacy obligations with the potential risk of debt, and therefore investment limitations that parallel the corporate sector's riskiness of total debt to equity.

Hence, a great number of the systemic risk indicators in literature were found to be related to the CRE sector's implications pertaining the banks' financing behaviour and investors' investment behaviour, in terms of providing liquidity for CRE. The real economy sector or household sector's health are not even touched by any QI, and external sectors' conditions are only marginally considered. However, it must be said that the overlap is more due to contextuality. The extent indicators provided in the literature, their characteristics, signalling properties, frequency, as well as measurements, also when combined in composite indicators, do not provide a tailor-made quantification. The developed QRIs and implications are much more precise in terms of what a change of these indicators implies for the strategic goals and their respective SM of the CRE company and depart from the prevailing quantitative focus that predominates this field over a long time and still does (Scarlat et al. 2012). It follows the claim of extant literature for an enrichment with indicators of peoples' perception and judgement (Church and Rogers 2011; Raghunath et al. 2017).

In the corporate context, literature has claimed that in a volatile environment, corporate risks should be managed proactively and therefore strategically (Raghunath et al. 2017). Hence, risk identification should take care about the risks with the strongest impact on the organisation, its strategy, and on achieving business aims (Frigo and Anderson 2009). The findings of this study are therefore compatible with extant research while showing a strong focus on risks regarding performance targets and corporate strategy. Also, the findings seem to suggest that CRE organisations can better prepare for these situation with an anticipatory risk strategy, implementing countermeasures due to expected losses (Pezzulo et al. 2008), or even a transformatory one for large-

scale structural changes to keep up with the times (Taplin 2005; Goto 2007; Stulz 2009; Taleb et al. 2009) and to be able to make rigorous, pro-active, and prompt risk-based strategic decisions.

Above the QRIs, the study found inherent potential risks for the CRE company that potentially effect the SM. Such risks were allocated to broad risk categories and strategic, as well as financial, operational and external risks could be determined. The researcher discovered that the risks during FI were predominately strategic risks related to increasing prices, strong competition, and market developments, as well as availability of liquidity. This is not surprising when considering the explored corporate meaning of FI: while competition leads to increasing prices and both could hinder the euphoria and expansion pressures, thus representing a risk. The same applies for a limitation in liquidity. For the event of FC, the risks were instead predominated by financial risk related to asset losses and operational risk of earning shortfalls. This can also be traced back to the explored corporate meaning of FC that was characterised by a market standstill.

In general, the QRIs and related risks that were found, can be considered in line with existing SRM approaches and broad risk categories as proposed by Mitchell and Matruglio (2015; Figure 2). However, their study found that the most frequently occurring risks could be related to the broad categories of strategic and external risks, where operational and financial risks occur only half frequently or less (Mitchell and Matruglio 2015), which is partly contradictory to what has been found for FI and FC. During FI, the majority of risks for the organisation are related to strategy and only very little to the other categories. For FC, the implications are attributed almost equally to strategic, financial, and operational risks. For both situations, external risks seem to have a subordinate role, which is not surprising from a corporate perspective and underpins the subordinate role of the remote environment.

The potential effect on SM is predominated to influence the strategic goals of performance improvements of the CRE organisation and enhancing client satisfaction, while also the achievement of market leadership and an increase

of assets under management may be impeded. These are not further discussed here as they relate to the general growth aspirations of the CRE companies as laid out previously in section 5.1.

The kind of investing and financing is a compelling indicator, comparable to 'systemic risk' for the economy, during this time, and is deemed the leading one where the change in the behaviour of the actors is most significant. Interestingly, these findings provide evidence about a predominant influence from internally and externally driven determinants and personal facts shown in the actors' behaviours above macroeconomic developments in the remote environment. Additionally, it should be noted that the behaviour of the investors and banks might exert an accelerating effect in the CRE business. Where both market participants seem to move alongside each other in their behaviour, CRE companies become even more at risk, as there will be no fall-back position if either of the two fails.

The QIs and implications, compared to existing research, do not only provide for additional qualitative factors to be taken into consideration, but as well for a more detailed specification of FI and FC in the CRE context. For the SM of a CRE company, it has been shown that a clear distinction between a phase of FI and the event of FC can be drawn with these QRIs that imply potential risks to the performance and strategic aims of the CRE organisation. From the discussion of the findings, it is argued for an integrated and holistic strategy and SRM taking into account several interdependent sources of macroeconomic factors in different environmental stances that are an exposure for the organisation together with the internally driven indicators of behaviour and emotional states. A departure from the pure rational and objectivised factors seems necessary to know the full extent of the potential indicators that flag the emergence of a phase of FI or an event of FC from a corporate SRM perspective.

5.4 Chapter Summary

This chapter discussed the findings about the phenomenon of FI and the event of FC in relation to extant literature.

For each of the RQs, answers were provided that partly confirm, but also add controversial and newfound results to both existing theory and practice. With the exploration of the corporate meaning, and the discovery of the underlying sensemaking procedures that were compressed in QIs and implications, the research provided the theoretical basis for inserting the phenomenon of FI in the SM of CRE companies.

Chapter Six: Conclusion and Contributions

This final chapter provides a conclusion to the empirical findings followed by a synthesis of the contributions to theory and implications for practice. The limitations of the investigation are addressed and recommendations for future avenues in research are proposed. The chapter closes with concluding remarks.

6.1 Conclusion

The central research problem addressed in this thesis is that the existing definitions of the phenomenon of FI on the economy level are generally relevant for the real economy sector, but may not be directly applicable, and inappropriate or insufficient for controlling a CRE company prior to, during and after an event of a FC as part of SM. Hence, there are only implicit means for meaningmaking and consideration in SM. There is, however, a lack of empirical knowledge pertaining to the extent to which executives know how to react to such situation, and the degree to which established routines or sensemaking procedures are significant to their organisational behaviour.

Furthermore, the consequences of FCs on the economy demonstrate that, to date, companies have failed to establish appropriate initiatives and manage crisis and pre-crisis situations with foresight. Existing definitions of risks and particular indicators and implications on the economy level cannot entirely substantiate the risk strategy and context for the SRM of a company, and have thus far lacked the necessary sophistication for meaningful application on the corporate level to control the potential risks that arise for a CRE company from a phase of FI.

Therefore, the thesis pursued four objectives, covered by three RQs, and investigated the lived experience of German senior executives in the CRE sector to explore the corporate meaning (RQ1), discover the organisational sensemaking process (RQ2), and develop resulting QRIs and implications (RQ3) about the phenomenon of FI. The hermeneutic phenomenological

design substantiated the managerial perspective, and the qualitative approach to data contributed towards gaining extensive insights and yielded rigorous findings.

Below are the main conclusions which the researcher sees emerging from this work.

6.1.1 The Corporate Meaning of the Phenomenon of Financial Instability

The first research objective was to explore the meaning of FI from a senior executive perspective (corporate meaning), focusing on CRE companies, and to create an extended definition of FI on the corporate level.

In this regard, the study showed that the executives have to manage particular sector-specifics and environmental dependencies in their SM decisions, however, only massive changes in the environment engage with uncertainties or uncontrollability in this regard. This corporate context is essential to the lived experience of the phenomenon and shapes the perceptions and interpretations of the executives, which substantiate the further findings of the corporate meanings of the phase of FI and the event of FC, that were explored.

Hence, the key conclusions suggest that context matters for SM and that the personal lived experience of the market participants, inherent in the corporate meaning of FI and FC, constitute an antecedent for what researchers and public institutions define. A distinction between a phase of FI and the event of FC, not only as pertains to the macroeconomic definitions but also on the corporate level, is instrumental in recognising either situation.

CRE and the Corporate Environment: The Context Matters

Although not related to a separate RQ, the research findings provided substantive evidence regarding the relative importance of the corporate context for organisations and SM, holding particular characteristics. The study shows that executives in the CRE sector perceive their corporate environment as generally dynamic and complex, especially because of the heterogeneous,

and constantly changing, demands and multiplicities. At the same time, there exist dependencies of the CRE organisations on the developments in their corporate environment, but they have limited control over the developments in the task and no control over the remote environment. This results in a great deal of uncertainty, deriving from the general environmental stances that executives must master in their SM. Hence, companies need to place sufficient efforts to understand the context and superordinate relationships; they have to identify the determinants of the ascertained environmental dynamics and complexities as part of their SM on an on-going basis in order to reduce PEU and not be caught off by unexpected and non-controllable events in the corporate environment that put their strategic goals or performance at risk.

Even though theoretical models usually attach uncertainties to such environments, executives in the CRE sector are aware of sector-specifics, as well as the manifold related risks that they are exposed to. For them, these uncertain circumstances are customary and can be well managed in their SM to ensure greater growth target achievements and performance. However, executives still admit that massive changes in the corporate (task and remote) environment are unpredictable and incalculable in their SM.

The study further made the sector-specifics of CRE explicit and captured the common ground for SM in CRE companies, where the existing theoretical models which are assigned certain importance can, in this sense, only serve to generally relate the organisation to the environmental context and are also dispensable to organisations by providing a sense of guidance and security in case of massive changes in the environment.

The uncovered environmental contextual factors shape the personal and social presence, which is irrevocably included in the rich and deep account of the presented phenomenon, while simultaneously acknowledging the personal implicit assumptions about the corporate context that became explicit here (Kafle 2011). Hence, context is central to executives' understanding and to the extent to which they proficiently implement sensemaking in dealing with environmental changes in FI and FC.

The Corporate Meaning of FI: Positive Distortion Is Not Considered as Instability

Based on the lived experiences of CRE executives, the study provides a corporate meaning that defines the phenomenon of FI as a phase of an unrealistic market situation where the actors experience euphoria and expansion pressures. This is an episode with an unregulated workload in the organisation, which is also characterised by informal and individual intensification of lived relations of the executives while ignorance strengthens the executives' perceived certainty.

The executives do not perceive the phase of macroeconomic FI as constituting instability. This may be explained through their general expectations of CRE, as they do not consider instabilities in their businesses to be immediately dependent on environmental stances, but rather see CRE as a 'late bloomer'. Hence, executives feel certain, relaxed, and safe when changes only take place in the remote environment or when these changes do not surpass the 'usual' dynamism and are not substantial enough to directly effect their business, but only their task environment.

This phase was scarcely considered unstable due to the apparently harmonious macroeconomic factors as well as the positive CRE market developments, expansion, and increasing performance. None of the characteristics related to instability predominated their little concerns regarding the situation. Hence, the corporate meaning of FI was found to be different to existing macroeconomic definitions because the vast majority of these only relate instability to situational stances and adverse changes or consequences. This study, however, evidenced that positive distortion can also mean FI when there is significant liquidity available and the market deviates above fundamentals.

The existing definitions are extended by the perceived market situation and the behaviour of the market participants. This behaviour, which is inherent in the corporate meaning of FI, reflects the accelerating developments during this time. Equity from investors and debt from banks was easily accessible, as

were properties. CRE market participants were driven by performance, yields, and interest rates, which fostered riskier and overpriced investments of lower quality with increasing leverage. The executives perceived the phase of FI as an unrealistic market situation, and they acknowledged the euphoria and expansion pressures as well as the unregulated workload within the organisation. Although perceived as being unrealistic, this situation was considered to be a positive development for the organisation. This is best explained with reference to a stable remote environment and a good to booming task environment. Their euphoria and over-optimism prevented them from considering the warning signs and listening to their diffuse gut feelings while presuming further performance increases. In line with the previously explored strategic goals, executives went along with the developments in the sector, following clients` demands, and pushing aside any negative feelings during FI. Particularly, this is due to the fact of the generally dynamic and complex environment in which they are used to handling uncertainties. Hence, such unconscious ignorance strengthened executives` perceived certainty and they resisted the realistic assessment of the situation. Their strictly internal and informal information exchange could not contribute to a meaningful assessment of the situation, and was only taken selectively or disregarded.

As a key accomplishment, this perceived behaviour of the market participants seems to be the predecessor for what researchers and public institutions define as FI. Using the example of Ferguson (2003: 2), it can be said that investors` investment behaviour, driven by yields, resulted in “[...] *financial asset prices [which] seem to have diverged sharply from fundamentals [...]*”, banks` uncritical financing behaviour led to a distortion of “[...] *credit availability [...]*”, and executives` imprudent investment behaviour fueled “[...] *aggregate spending [...] above [...] from the economy`s ability to produce*”.

The macroeconomic situational definitions of FI are a consequence of the occurrences in the task environment, while the behaviour of the market participants, in turn, was a result of what they had perceived as a phase of FI. This leads to the further conclusion that the perception and related behaviour of the market participants, at least partially, contributes to what is defined as FI on a macroeconomic level.

It can be said that their habits also prevented them from experiencing the phase to its full extent, following a line of least resistance and ambitiously striving to successfully achieve their goals. The complementary finding of the emerging existential 'lived feelings' adds this underrepresented perspective for businesses and executives' lifeworld as pertains to the phenomenon of FI. Virtually, every participant acknowledged being emotionally charged to varying degrees. Over-optimism and euphoria, were especially characteristic and it is tentatively concluded that these, amongst other practices and habits, promoted the dynamics of the phase towards a FC.

The Corporate Meaning of FC: An Unexpected Reversal

Coincidentally, the researcher deduced a corporate meaning of the event of FC. Senior executives of CRE companies define this event as an unexpected market standstill, where actors behave irrationally in perceived uncertainty. This is characterised by disillusionment and consolidation of the actors. Without consideration of the potential alternatives, executives perform professionally and routinely, pertaining to how and what was adequate, when trying to align the organisation to the changed corporate environment. The executives adopt a predominantly formal form of communication during this time, while intensifying their relation to colleagues, employees, and external interlocutors.

The data revealed disparate attributes for the corporate meaning of a FC when compared to FI. First, the event of FC has been defined as the strongest form of FI in extant research, but for the CRE sector this is not the case. Based on the behaviour of the market participants, a FC is perceived as a mere reversal of the situation. At the same time, the corporate meaning provides an

extended perspective to the event of FC, despite widely sharing characteristics with existing definitions.

Because CRE is considered a 'late bloomer', executives did not believe that the crisis on the macroeconomic level at that time could hit the CRE sector or their organisation severely and with immediate effect. They could not imagine a fast crash where banks fail and can no longer provide financing. But the executives were proven to be incorrect as banks and investors abruptly stopped their financing, which resulted in an unexpected market standstill.

Executives' behaviour is now characterised by a radical investment stop and strategic adjustments to reduce risks while refocusing on their core business. At the same time, banks abandoned debt financing in the short-term and investors turned away from RE as an asset class. Driven by the lack of liquidity, executives leveraged the situation with asset sales to arrange for liquidity following investors' cash requests.

The event was perceived as an unexpected standstill of the operations in the relevant markets in the CRE organisation. Only under such massive changes of the relevant parameters in the corporate environment did executives begin to perceive the dramatic potential effects of the situation and the gravity of the circumstance in which they found themselves. The perceptions of the executives about the event of FC resulted in irrational behaviour of the market participants because they were overstrained with the situation, which was no longer a normal dynamic but a massive change that they were not prepared to handle. The situation was not explainable to them, sudden, and unexpected, which exposed manifold insecurities in the corporate context during this time and had potential resounding effects on their business performance as well as resulting in insecurity because they did not know how to handle the situation or the consequences.

What followed immediately was disillusionment and consolidation of the actors while the radical stop in investments allowed them to adjust their strategic focus. Without consideration of the potential alternatives, executives performed

professionally but did not know how to resolve the situation, so they relied on routines when trying to align the organisation to the changed corporate environment with regards to how and what was adequate. Social interaction was also used because it was thought to be necessary to overcome the situation and now focused on collaborative assessment of the event through ambitious information exchange. Their doubts were now corroborated by the negative development of the task environment and a disrupted remote environment.

Interestingly, it can be concluded that the behaviour of the market participants, inherent in the meaning of FC from the concepts and sub-themes, seems to be the predecessor to what researchers and public institutions define as FC. Using the example of Allen and Wood (2006: 159), it can be said that investors' investment behaviour and banks' financing behaviour resulted in a situation where "[...] *access to money is sharply and unexpectedly reduced [...]*", while executives' investment behaviour "[...] *reduce [...]* *spending abruptly and by a large amount*". This allows the further conclusion that the perception of the senior executives and the related behaviour of the market participants, at least partially, contributed to what is defined as a FC on a macroeconomic level.

Here, the macroeconomic situational definitions of FC can be deduced as a consequence of what happens in the task environment, while the behaviour of the market participants, in turn, is a result of what executives had perceived as the event of FC. This leads to the subsequent conclusion that the event of FC, as defined on a macroeconomic level, is at least partially encouraged by the perception and related behaviour of the market participants.

Additionally, as pertains to a FC, the complementary finding of the existential 'lived feelings' adds otherwise underrepresented perceptions for the businesses and executives' lifeworld regarding the phenomenon of FI. Here irrationality and uncertainty, as well as motivation were characteristic and it is tentatively concluded that these behaviours contributed towards accelerating the dynamics of the event of FC.

A key issue here is that all of what was experienced by the executives (unexpectedness, unpreparedness) can then be seen as consequential to their insufficient deliberation of the preceding phase of FI while engaged with business performance, asset runs, and pressures of investors.

6.1.2 The Organisational Sensemaking Process of the Phenomenon

The second objective of the study was to discover the way in which executive management board members form their expectations regarding FI, based on their meaning of it, and how sensemaking attempts are accomplished in CRE.

In the pursuit of this objective, the study showed that executives' sensemaking regarding the phenomenon of FI is largely characterised by extracted cues and following enactment as well as social interaction. Executives unconsciously and only partially make use of the properties of sensemaking as proposed by Weick (1995) to form their expectations about FI and FC. However, the properties of 'identity' and 'continuity' could not be discovered, i.e. sensemaking is not considered to be a continuous process for CRE executives during FI or FC and thus the role of the executives during this time, their self-perception, and the role that was attributed to them do not entail a particular relevance in the corporate sensemaking process. The research further provides evidence that the different situations require different processing strategies as sensemaking is applied differently in an event of FC, compared to the preliminary phase of FI.

A main conclusion is that the CRE executives only adopt implicit and limited sensemaking attempts during a phase of FI and the event of FC, and do not take advantage of the sensemaking process for a SM with greater foresight towards learning or innovation.

Sensemaking in FI: Extracted Cues Unconsciously Ignored

The research found that, during a phase of FI, executives applied organisational sensemaking in their business actions, in conformity with four of Weick's (1995) seven properties: cues, enactment, social interaction, and

retrospective practices, where the latter was however only triggered when they were being interviewed in the course of this investigation.

It becomes obvious that the phases of sensemaking - scanning, interpretation, and action (Fahey and King 1977; Daft and Weick 1984; Milliken 1990) - are hardly identifiable. Findings suggest that the sensemaking process was apparently disturbed, or finally not affected, due to the specifics of the situation and remains tacit.

Their corporate meaning of FI, then implicit, meant that executives did not expect any instability and they could not imagine it developing into a crisis. With the positive developments in the corporate environment during the phase preceding the FC, executives became rather overly optimistic than alerted while presuming further performance increases and doing good business. Given these expectations, it is not surprising that they did not take any major precautionary action but rather followed the market.

These expectations were also reflected in the sensemaking process. Even though change was recognised, executives presumably just considered the market as overheated but not interrupted. The positive distortion, due to increasing business opportunities and acquisitions in the generally dynamic environment, simply evoked contradictory moods because it was stronger than usual. The sensemaking process was not further initiated because the cues had not been strong enough, moreover they had unconsciously been ignored due to superimposed euphoria and over-optimism, where larger quantities of projects were available and business was moving in the right direction. The general positive market developments and strong upward dynamics in the task environment of the CRE company pushed the sensemaking process aside even further, because performance goals prevailed at the expense of the quality of the projects. In their view, the whole market was rushing and therefore could not be wrong. Hence, they could not call the situation a FI nor react to it appropriately.

With these strong positive developments, however, executives enacted the environment with irrational acquisition decisions while only initiating little and very reduced risk prevention within their internal organisational actions. At the same time, their communication regarding the assessment of the situation remained limited to only their closest internal network. Hence, there was no social collaboration on the situation and the market participants were finally pushed by the positive sentiment of the market. As became obvious, the executives shared concerns and perceptions and if they had shared these, they could have recognised the situation as an FI. The behaviour of the actors and their inappropriate enactment of the phase of FI had significantly shaped the task environment instead of preventing an acceleration of the situation. While in retrospect it is easy to explain, they now discern their carelessness, uncriticality, and underestimation of the situation.

There are two possible reasons that the sensemaking of FI was not applied in its original means (Weick 1995) to the CRE sector: organisational expectations regarding the warning signs of a crisis were unfulfilled, and the behaviour of the market participants was therefore performance-driven, which ultimately contributed to unconsciously ignoring the cues.

Sensemaking in FC: Extracted Cues Consciously Faded Out

For the event of FC, the study discovered that executives applied the sensemaking process with partial restrictions, but in general terms using five of the seven properties for sensemaking. These are equivalent to the ones for FI, with the addition of 'plausibility'.

Executives' meaning of the event of FC, then implicit, meant that executives did not expect a fast crash where banks would fail, investors would no longer provide financing, and the market would come to a form of standstill. Given their expectations, it is not surprising that the FC was perceived as sudden and unexpected.

Hence, the surprise factor as well as the harsh cutback in the quantity of business, made the executives recognise the change. It may also be assumed

that while sensemaking procedures during FI failed, the event of FC was recognised as being more severe and uncontrollable by the executives. The insufficient perception and interpretation during the phase of FI meant that the executives were operating in a casualised environment, which made the occurrence of the FC an even greater surprise to the executives who could only enact what they perceived, which was reactive rather than proactive. However, such cues were consciously faded out because executives were busy running their business operations to reduce the impact of the situation on the business performance. The executives had then come to, collectively and collaboratively, perceive the FC as constituting a crisis which had to be resolved, and therefore implemented an ambitious information exchange, and social interaction to work on finding solutions together. However, the communication regarding their evaluation and concerns about the situation, which was envisaged to help them regain certainty, resulted in an even stronger negative recognition of the situation.

At the same time, it must be mentioned that operative decisions prevailed in the event of FC and decisions at short-notice were deemed necessary. The disclosure of emerging emotional powers and a departure to plausibility flowed into the process and fostered irrational behaviour in uncertainty. Finally, the interruption of the sensemaking process resulted in misconduct and over-reactions, which the participants only discerned in retrospect.

Hence, even though a massive change occurred, sensemaking was also only partially processed in the FC. Neither meaningmaking, learning, creativity nor change were fully enabled. This can be explained by self-imposed time constraints and unknowingness. Executives' expectations, based on their meaning, about the occurrence and consequences of a crisis remained unfulfilled also because sensemaking did not widely take place during the preceding phase of FI, which both contributed towards consciously fading out the cues.

6.1.3 The Qualitative Indicators and Implications of the Phenomenon

As further objectives, the study sought to develop QRIs of FI based on the corporate meaning and awareness of the respective expectations of FI to adjust and enrich the SRM of a CRE company and to discover how the corporate meaning of FI and awareness of the respective expectations translates into different implications (potential risks and risk-related events) for SRM behaviour.

The study provided 20 QRIs - 11 about the phenomenon of FI, and 9 about the event of FC – as well as respective implications. Five clusters, or dynamics, were determined that share category similarities for both, FI and FC, and were considered as meaningful and comparable QIs that can enable the identification of either situation. Different dimensions of each indicator classify whether a phase of FI or an event of FC is occurring and whether it is emerging or not.

To this end, the main conclusion is that quantitative indicators alone will not enable executives to foresee a phase of FI or an event of FC in their SRM, where the decisive dynamics that the research found all pertain to the behaviour of the major market participants during these times: executives' investment behaviour, executives' strategic decision behaviour, investors' investment behaviour, as well as the financing behaviour of financial institutions.

A Decisive Qualitative Indicator: Market Participants' Behaviour

The study showed that while the phase of FI was not recognised, as such, and the event of FC was not anticipated, organisations continued their operations in line with their business aims while striving for high performance without appropriate consideration of the situation. Hereto, the findings on corporate meaning and sensemaking make obvious the fact that executives did not have an adequate repertoire to assess the event appropriately and identify risks or chances for their company.

From the corporate meaning and awareness of the respective expectations, the study developed several indicators and implications for FI as well as for a FC that complement an anticipatory approach to risks, as well as SM, and allow monitoring and evaluation of the development of the corporate environment. Despite the majority of existing research, the study found qualitative, rather than quantitative, indicators to be meaningful in signalling the emergence of the phase of FI or the event of FC, and these do not wait for specific hurdles or scores to be reached.

Each of the QRIs was expressed by individual indicators and these, in turn, were expressed with different grades which they may assume while qualifying to identify changes in the corporate environment. Together with the potential risk that may be imposed, such QIs determine the implications of FI or FC respectively.

The QRIs that were identified are allocated to five overarching dynamics that compress one key accomplishment of the study. It was discovered that it is not the macroeconomic determinants from the remote environment that are decisive for indicating a phase of FI or an event of FC, but rather the task environment. More particularly, it is the behaviour of the market participants - executives, investors, banks – that is assigned with a superordinate role with regards to identifying and controlling FI and FC.

The QRIs of FI were determined in order to show a stronger trigger from internally driven factors, such as executives' investment behaviour and their SDM, as well as their market perception. These are prevailing alerts during FI, characterised by ignorance, euphoria, and overpricing. Investors' behaviour to treat a real estate asset as a pure yield-providing object, and the banks' uncriticality towards financing seemed to contribute to this behaviour, but were not symptomatic.

Instead, in the event of FC, the identified QRIs are more driven by external actors. While investors ignore RE as an asset class and withdraw their capital during this time, banks abandon financing within the short-term. As a

consequence, executives had to discontinue acquisitions, and finally also reduce their portfolio assets in order to arrange for liquidity.

From the findings and discussion about the potential implications, it could also be seen that CRE organisations only tend to focus on safeguarding their business aims and strive for strategic aims (corporate strategy), i.e. reaching growth and performance. It is not surprising that many QRIs were related to strategic risks, and some to financial risks as well as operational ones, all probably closely and indirectly related to strategic goals, but were only minorly related to external risks.

The indicators mirror the determinants of the corporate meaning and even more obviously call for a departure from determinism and for considering dominant indicators of the 'human factor'. These indicators are appropriate for adjusting and enriching the SRM of CRE companies with qualitative means and for managing the company during these times with better foresight. Executives are required to continuously monitor and control the market participants' behaviour, especially their own, in order to prevent adverse implications from FI or FC on their organisations.

If it is considered that the behaviour of the market participants and predominantly that of the executives' is the major shared pattern for indicating a FI and FC, this puts into question whether the behaviour or the situation occurred first. The findings led to the conclusion that the phenomenon is to some extent being self-created. Their perception of the phenomenon, their reaction to it, and the measures that were made explicit within this study provide evidence that besides some environmental and macroeconomic factors, these people also contributed to the emergence of FI and its escalation into a FC through their behaviour.

Moreover, it can be concluded that the behaviours that were found pertinent in the corporate perspective, precede the situation, as defined by researchers and public institutions. When, finally, not only a small portion, but the majority of the CRE market participants act with what has been found as

incomprehensive, ignorant, and intransparent conduct, a FC cannot be discouraged. The possible explanation led to a tentative notion that the less executives learn from their experiences while they strive for greater performance and yields, and the more they ignore the market signs, the worse the situation ultimately becomes, especially when they are caught off guard by a market standstill and a great deal of money is lost in the downturn of a FC.

Hence, the deduction that the behaviour of the market participants in the CRE sector is a decisive indicator for FI and FC which precedes the consequential situations in existing definitions also suggests that the phenomenon is to some extent self-created.

6.2 Contribution to Theory and Managerial Implications

The study of the phenomenon of FI holds strong significance in its seeking to broaden the empirical knowledge and for practitioners to better manage their organisations. Hereto, the study makes multiple contributions to knowledge through a distinctive view on the inner meaning of the phenomenon, from a content and a sensemaking process perspective, by elaborating a distinction between the phase of FI and the event of FC underpinned with tangible QIs and implications. This also provides some implications for practice.

6.2.1 The Meaning of the Phenomenon: Contributing a Corporate Perspective

Contribution to Knowledge

To date, existing theory about the phenomenon of FI is not comprehensive and is limited to a more macroeconomic understanding, leaving the corporate perspective aside. Prevailing definitions are flawed and formed by the perspective of researchers and public institutions, addressed to financial institutions and supposed to assist macroprudential supervision. Hence, SM and organisational theory lack a comprehensive understanding of the phenomenon.

The present study extends the existing definitions (economy level) of FI and FC with a more microeconomic one (corporate level), offering a broader view on such a massive, far-reaching incident. Additionally, the study places the people who make the decisions in the foreground, while also including the angles of relevant market participants and key sectors. This new corporate perspective and perception of the phenomenon and its particular context by the strategic decision-makers extends existing SM, RM, and organisational theory to another level when these specifics are inserted as common ground. The additional empirical knowledge gained regarding the complex environment-organisation-relationships and the meaning of the phenomenon of FI brings transparency about individual characteristics and a refined, more holistic description of the phenomenon, which were so far lacking.

As for the corporate context, the major findings show the way in which executives comprehend their corporate environment in the SM of the CRE company, in terms of respective chances and risks for the SRM. The study provided empirical evidence regarding detailed environmental particulars of the CRE sector confirming, and specifying, extant theoretical approaches.

Subsequently, the study contributes to strategic and organisational management research by acknowledging the particular circumstances and effects for organisations in a CRE environment. The study also highlights the relative importance of context and implies that appropriate attention should be given to substantiate sector-specific characteristics for the perception and understanding of environmental changes and their consequences from a corporate perspective. The findings allow for a sensitisation towards the general context to better specify the phenomenon of FI and the event of FC within this corporate background and add to the (extended) definition of FI that was to be achieved.

The study further contributes to empirical knowledge with a more detailed and precise definition of the phase of FI, as well as a clear distinction for the event of FC. The corporate meaning covers the contextual and sector specifics of the

CRE companies while extending existing macroeconomic definitions by practices of executives and particularities of CRE.

With this contribution, the study emphasises the importance of a differentiated view on the phenomenon, which is also subject to different industries, without relying on superior directives at the macroeconomic level. Furthermore, instability should not always be associated with negative consequences and circumstances, as the study offers suggestive evidence that positively perceived distortions and deviations can also lead to a corporate meaning-making of FI.

Moreover, the clear distinction between FI and FC contributes to a differentiated theoretical perspective on the ties between FI and FC, and while the thus far prevailing theory suggests that FC is the most severe form of FI, it also has an inverse meaning for CRE.

Contribution to Methodology

A major characteristic of the majority of existing organisational and management studies about the phenomenon of FI is their positivistic paradigm. This study challenges the prevailing notion and shortcomings of quantitative approaches in a positivistic context. It therefore provides for novelty and contributes with new deep dived meaning and comprehensive views about the phenomenon in context. This alternative perspective reveals rare and valuable data from the stories and experiences of the senior executives that would not have been available in quantitative measures and which contributed to the extensive findings of this study. The study also provides suggestive evidence that the hermeneutic phenomenological approach, with its different emphases, can enrich and expand theory. Only through the qualitative approach was it possible to uncover the emerging importance of feelings and emotions in organisational behaviour (Ashkanasy and Humphrey 2011) which is an underexposed area in management research (Kim 2012). Hereto, a theoretical contribution can also be made to make such method applicable to other studies and for other sectors or other phenomena.

The study seems to support the argument for a more extensive consideration of the 'human' factor in research about SM and environmental change, which has so far been reserved for more socially-oriented research. Although executives are said to act rationally and inherit a strong professional self-identity as well as long-standing experiences, the results show that they were outweighed by feelings and perceptions during FI and FC. SM is peoples' business and executives' individual perspective, above their organisational one, becomes important when only their interpretation and meaning of the phenomenon is decisive for recognition and further action.

Implications for Practice

In a volatile and crisis-affected business world the study highlights the significance of SM when executives need to be able to identify a phase of FI and enact relevant changes in the corporate environment in order to manage respective chances and risks resulting from it.

Existing studies leave the organisational view and resulting consequences for corporates during this time undetermined. Hence, the investigation explored a corporate definition of the phenomenon, which is necessary for executive management board members to recognise the status and change of the corporate environment towards a phase of FI and the event of FC, in terms of SM and SRM in order to control a CRE company.

First and foremost, the investigated context provides practical support because, thus far, for most of those who are working in the sector for several years, the contextual circumstances are simply accepted as normal. When familiar with these, they do not think about any particularities, as the executives do not have any comparable situation from other sectors. The findings about the context therefore enable executives to better assess, reflect upon, and integrate their context in their decision-making as well as recognise potential chances and threats which they might not have identified before. Furthermore, with the explicitness of the general situation of CRE companies, compared to a phase of FI and an event of FC, it is now possible to identify respective changes in the corporate environment and make those transparent.

Further, the explored corporate meaning enables management to earlier identify a phase of FI or movements towards FC. The distinction of a phase of FI from an event of FC provides even greater transparency for the decision-makers to differentiate between these two interconnected circumstances. Precautions and countermeasures to resulting risks or consequences can be initiated in due time and, when linked with strategy and SM, executives become able to control their businesses and fulfil its corporate aims in the long-term. The corporate meaning of the event of FC is also beneficial to executives, as it now explicitly outlines the specific characteristics of the situations for their organisation, which they can take into consideration in the SM. Hence, this study contributes to organisational strategy and executives' decision-making while linking this to SM. Executives are also enabled to cope with the special environmental conditions and are better able to manage the company successfully prior to, during, and after an event of FC.

Third, the meaning that derives from executives' experiences during FI and FC also allows for objectifying the situations. Executives now have the possibility of preparing for a FC, due to these experiences and learnings from which they can develop a variety of countermeasures and initiatives. Even though they might not have been involved in previous FCs and/or in CRE at all, it is now possible to establish a better sense of, and become more familiar with, such event in order to avoid irrational actions and panic reactions, as well as limiting their feeling of uncertainty to be able to react appropriately to any crisis symptoms with more rationality.

6.2.2 The Organisational Sensemaking Process: CRE Executives' Approaches to the Phenomenon

Contribution to Knowledge

Extant organisational and SM research provides little empirical knowledge as to how executives make sense of the phenomenon or how they form their expectations about it. Hence, the study became significant in enhancing sensemaking and organisational theory in order to uncover the thus far implicit

and unconscious sensemaking attempts during challenging times of environmental change in the remote environment, specifically FI and FC.

While the findings generally conform with the theoretical concept of Weick (1995), the study contributes to this knowledge by making details of the organisational sensemaking process regarding environmental change in the remote environment during a phase of FI and the event of FC explicit. The study showed how executives in CRE companies accomplish corporate meaningmaking and sensemaking attempts in FI and FC situations that occur in the macroeconomic environment, which were yet unexplored.

The overall process of sensemaking pertaining to the phenomenon of FI, as applied by the executives in CRE companies, shows that they form their expectations during a phase of FI and in the event of FC based on their definition of the phenomenon. However, the study has made explicit that executives apply organisational sensemaking procedures only in parts. Extracted cues were essential for executives to recognise and make sense of the event, but they were still unable to make meaning of the situation and react to it accordingly. Their sensemaking was focused on the chances rather than the potential risks that the phase might bring.

Organisational sensemaking has been applied in several previous studies in the area of strategic and organisational management, but with a more general focus or in different areas of research (Maitlis and Christianson 2014; Kudesia 2017). The process of sensemaking regarding the phenomenon of FI, as applied by the executives, contributes to extent knowledge with its specific focus on the phenomenon of FI and by establishing an association between macroeconomic change and organisational sensemaking. A set of characterising themes are referenced back to several of Weick's (1995) properties of organisational sensemaking, extending his acknowledged theory in the context of FI. A particular emphasis is placed on the extracted cues that trigger the process and respective enactment processes, as well as the personal aspects that allow executives to engage in the process and respective actions. The study supports the argument that sensemaking cannot

only be triggered by an interruption of business processes due to a lack of the business basis (in an event of FC), but also by a lack of qualitative adequate management of the processes due to increased business activities (in a preliminary phase of FI). Apparently, this suggests that the perception and interpretation of such cues should be extended by positive distortions which promote organisational performance to avoid commencing or interrupting the sensemaking process.

Implications for Practice

The study also contributes practical relevance in understanding what happened in organisations in the phase prior to the FC and what executives really accomplish when facing that situation.

With the findings pertaining to the organisational sensemaking process of the phenomenon, the research provides transparency and supports executive management board members while consciously recognising and learning about their own skills and behaviour for future consideration. This also encourages executives to place greater attention on correctly interpreting the cues and not being hindered by superimposed behaviours or feelings. Only then can the sensemaking process contribute to their achievement of an efficient and orderly decision-making process in terms of SM and SRM to control a CRE company prior to, during, or after a phase of FI.

The process of sensemaking regarding the phenomenon of FI, as applied by the executives, provides awareness regarding their procedural behaviour and, explicitly, their limitations and the resulting potential severe consequences. With a particular emphasis on the extracted cues that trigger the process and respective actions, executives now have explicit means regarding the practical and procedural obstacles in CRE organisations during a phase of FI and the event of FC, which allows them to reflect upon the way in which they perceive the phenomenon, how they interpret it and behave through it, and how they can act with greater foresight.

This further implies a continuous scanning and sensemaking of the changes in the corporate environment. The study supports the argument for an integrated and holistic strategy and SM, taking into account several interdependent sources of macroeconomic factors in different environmental stances that are an exposure to the organisation, together with the internally driven indicators of behaviour and emotional states. When applied appropriately, executives can initiate behavioural and procedural changes to circumvent the prevailing lack of transparency during this phase and implement a more open communication while allowing themselves a greater consciousness of critical situations. For the event of FC, uncertainties can be reduced and they are enabled to adjust their practices more proactively while also looking for chances in critical times.

Additionally, executives are made aware of their potential emotionality and the impact of gut feelings on their decisions, exemplified in the newfound existential of 'lived feelings'. A reflection of these uncommon determinants in organisational action can help to manage uncertainties and FI or FC even better. Hereto, the findings suggest that executives should consider incorporating sensemaking procedures more systematically and allow themselves more open and timely discussions to reduce the complexities and uncertainties experienced by the individual. Executives can benefit from setting their thoughts free and allowing their experiences and feelings to add a sensitive basis to their decision-making, and not displace it in favour of performance goals. This condition must first be de-stigmatised by executives so that social interaction can come more freely and is not too easily undermined by positive effects, lack of time, performance targets, or emerging critical situations.

6.2.3 Indicators and Implications of the Phenomenon: Inserting Qualitative Means

Contribution to Knowledge

Similarly to the definition of the phenomenon, the indicators and implications have thus far remained with a macroeconomic perspective to identify systemic financial risk on the level of the economy. The extended definition of the

phenomenon now requires the adjustment of the specific indicators and implications to this corporate level.

The study investigated precise and particular indicators and implications to contribute to the knowledge on organisational adaption (SM and SRM) to environmental changes in the remote environment. The study developed numerous QIs and implications of FI and FC based on its corporate meaning and sensemaking for a distinctive identification of a phase of FI and the event of FC. These extended, CRE-specific and qualitative findings rebound to the benefit of academics as well as researchers in the field of organisational management and SM, especially considering the increasing interest in the phenomenon in the sciences nowadays.

The study provided enhanced knowledge on an integrated and holistic SM and SRM, taking into account several macroeconomic factors in different environmental stances that are an exposure for the organisation. This also includes internally driven indicators of behaviour and emotional states. A departure from the pure rational and objectivised factors was necessary in order to capture the full extent of the potential indicators that flag the emergence of a phase of FI or the event of FC from a corporate SRM perspective.

Earlier studies that have been conducted in the field of FI and systemic risk are limited to quantitative indicators and monitoring variables, with the aim of seeking an objective view on macroeconomic states of a financial system in an economy (Kaminsky et al. 1998; Hawkins and Klau 2000; Geršl and Hermánek 2007; Gray et al. 2007; Gadanez and Jayaram 2009). Compared to existing research, the QIs and implications do not only provide additional qualitative dimensions to be taken into consideration, but also contribute a more detailed specification of FI and FC in the CRE context. The indicators provide a composition of material factors into a QRI which are considered to potentially put the corporate goals and strategies of a CRE organisation at risk. The findings adjust and enrich the SRM of CRE companies, while providing

empirical evidence about the distinctive indicators and implications for a phase of FI and an event of FC on a corporate level.

Implications for Practice

So far, practitioners could not be equipped with particular indicators and implications that support their strategic and operational decision-making preparedness in SRM in order to make a proper risk assessment about a phase of FI or an event of FC. Together with the increasing complexities in risk structure, this study unfolds significance to provide executives with such specific indicators and implications to identify, analyse, and evaluate potential resulting risks for the CRE company.

Hence, a final, yet important, contribution comes in the form of the several QRIs that are beneficial for executives in supporting their decision-making in terms of SM and initiating a reconsideration and adjustment, moreover an enrichment, of the SRM of CRE companies. The distinctive indicators alert the executives and enable them to employ more mature approaches to adjust and enrich their SRM with a more continuous and prudent sense regarding the potential resulting risks arising from a phase of FI for the CRE company, as well as providing them with additional tools to gain extra foresight into the likelihood of the emergence of an event of FC. This will ultimately allow executives to soften or even prevent the (adverse) impacts of a FC on the corporate level while managing to respond to the changes in the corporate environment.

The study also supports the relevance of monitoring the behaviour of the market participants in the task environment, which precedes a phase of FI or an event of FC. This extended risk identification also implies a departure from the pure rational and objectivised factors, complemented by profound, qualitative, more socially constructed ones to embrace the full extent of potential indicators in the specific CRE context. CRE companies can take advantage of subjective means by institutionalising the monitoring and control of such QRIs in their SRM to become better prepared for, and to professionally manage, upcoming phases of FI.

6.3 Limitations and Challenges of the Research

The qualitative study explored the lived experiences of senior executives in the CRE sector regarding FI. The careful choice of methodology and interview participants ensured the rigour of this study. However, some limitations and challenges of this research shall be emphasised.

The phenomenon under investigation was limited in terms of its time horizon. Even though the results include a differentiation between contexts, the phase of FI and the event of FC, the investigation was a temporal view on the most recent FCs. It was a retrospective to the decade from 2005 to 2015, covering three major crises in the financial system (SCC, GFC, SDC) that affected the CRE sector in Germany.

Second, this study was about understanding the lived experience of ten senior executives in the German CRE Sector. While originally not a limitation, as defended in the methodology section, empiricists may consider this as a small sample. Within the research strategy of hermeneutic phenomenology, the study was looking for rich and in-depth information of the participants, also considering the high complexity of the phenomenon. Hereto, the sample was able to provide sound information and it became obvious that a smaller number of participants would have been a too insignificant sample. Considering the large amount of gathered information, the extensive number of extracted themes and broad consensus in the results show that additional participants would not have provided any further path-breaking insights.

Third, the research strategy developed over time. Initially, Husserl's (1970) transcendental phenomenological approach was considered to provide a good route to investigate the phenomenon. While progressing with the research, this approach reached its limits when the context-sensitivity of the study was determined, and the researcher adopted the hermeneutic phenomenological approach of van Manen (1990) that fulfils this requirement and is in line with researcher's anti-positivistic stance as well. With the "[...] *more poetically* [...]" (Valle et al. 1989, cited in Dowling 2007: 132) phenomenological and

qualitative approach, based on van Manen (1990), the research utilised intuitive practices and thinking processes to uncover in-depth information of experiences in a new way. It may be claimed that qualitative approaches are not yet fully accepted in management research and these are also early attempts of the researcher in this area. But, the criticism of lacking credibility in qualitative research is opposed by a diligent research procedure and analysis with full transparency about each step pertaining to how data has emerged, as well as by the meaningful findings of the approach brought forward.

At the same time, it appeared challenging to approach a positivistic area of research with an anti-positivistic stance, especially during data collection. The qualitative approach for the study was selected on the basis that little previous research has been done on the topic. Relying on information from a series of semi-structured interviews with executives of CRE companies produces rich data to foster the understanding about the phenomenon of FI, but the interviewees seem to be challenged with the open-ended question format as well as with talking about their perceptions and feelings. In reflection, the researcher had to skilfully reformulate and slightly specify some of the early questions in the interview because the executives were lost in answering questions that were too open. This improved during the interview but it was interesting to see that basically all of them shared this experience.

Limitations arose where the researcher could potentially direct the interpretation of the data. As highlighted above, the researcher's bias was acknowledged and respective measures were taken during the whole study to mitigate the risk of such an influence. Besides, such limitation is considered outweighed with the unfiltered and rich descriptions that could be gained about the lived experience regarding the phenomenon where all participants were exceptionally open in sharing their experiences with the researcher. The study focussed attention to the strategic choice perspective, analysing meaning and sensemaking processes of CRE executives about the environmental phenomenon of FI. Hence, the role of managerial cognition in SDM in a phase of FI has not been part of this study.

Sixth, some authors (Helms Mills et al. 2010; Maitlis and Christianson 2014) have criticised Weick's (1995) approach to organisational sensemaking, which was used in this study, as not accounting for matters concerned with power and emotion, but interpretation and enactment, which could be considered a limitation in accounting for all possible influences to sensemaking. Beside the critics however, it has been acknowledged that emotions effect sensemaking (Weick 1995; Maitlis et al. 2013), cognition, and behaviour (Maitlis and Ozcelik 2004; Hmieleski and Baron 2009). Where this study also found a material effect of managerial behaviour and feelings, it indirectly accounted for the role of emotion in SDM during a phase of FI and the event of FC and counters the criticism while complying with the call of further research in this regard on the organisational level (Maitlis and Christianson 2014).

During the analytical phase of the research, emphasis was placed on explaining and interpreting the properties that emerged for both stages, FI and FC, and less attention was given to accounting for those of Weick's seven properties of sensemaking, which seem not applicable: 'identity' and 'continuation'.

The study has addressed the issue of developing indicators and made suggestions for their potential specifications. These were not grounded on empirical evidence and are subject to further modification, optimisation, and verification. In this regard, the RM assessment is considered limited to risk identification, and does not include a further risk analysis or evaluation, also because this is always in the discretion of the respective organisation and is dependent on its risk appetite. The focus here is on establishing indicators as a reference to the context of the CRE organisation and identifying risks resulting from the corporate meaning and sensemaking of a CRE organisation about the phenomenon of FI.

Furthermore, the outcome of this study is not designed for a generalisation to any wider population outside the CRE sector in Germany. With this country and industry restriction, it has provided a good range of CRE companies, including different sizes, business models, and ownership. Other countries,

cultures, or industries have not been addressed. In this regard, however, it should be noted that the study proved the strong position of the CRE sector in the real economy and its particular influence on the financial system of an economy in particular. So findings may not be easily transferable to other industries but to other countries, as FI is a global phenomenon.

The technical limitations during the analysis became another challenge. NVivo software was used to support the efficient handling of the data and speed up the coding. However, this systemic support was only useful up to the point of extracting significant statements. Due to the great amount of interview data and a lack of support in structure, the concepts, sub-themes, and themes in relation to the context and also for axial coding, the researcher had to move on manually, extracting NVivo data to Microsoft Word. This was slightly frustrating because it eliminated the possibility to automate the process as far as possible. The MS Word table grew to a bulky summary of data, but it was handy to group, link, and manage the data, while moving, adding, and amending was certainly possible. Although mentioned as a challenge, the MS Word format proved much more convenient for the researcher as he is better accustomed to this format than NVivo, which is limited in intuitive handling.

Ultimately, the extensive scope and result of this work, which is owed to the researcher's urge for comprehensiveness, provided a challenge with regards to the efficient handling of a lot of data and findings within the limitations of the word count. It is defended that the particular interpretation of the context of CRE companies is a significant backbone for the research findings. Only the clarification of the normality allowed for interpreting the meaning and sensemaking of the phenomenon appropriately. Furthermore, the investigation about the sensemaking procedures of executives was essential for a comprehensive view of the meaning beyond its pure context, while also adding to more rigorous complementary advances. The dual approach to meaning proved viable while the sensemaking perspective of the phenomenon was declared insufficiently applied. Also, the distinction between FI and FC is most sensible. Otherwise, the emergence of the event of FC within the phase of FI

cannot be recognised. Finally, the resulting QRIs add to a conclusive and comprehensive concept about the phenomenon of FI.

6.4 Suggested Avenues for Future Research

The research presents an advance in understanding the phenomenon of FI from a corporate perspective out of the CRE sector, using the lived experience of senior executives.

However, for future research, it could be of value to investigate beyond the SM concepts and look further into the context of SRM. Risk managers may contribute additional information on operations from a different perspective. In this regard, it would also be interesting to see future RM literature to further identify potential cause-related risks and risk-related events to be covered as risk indicators in the SRM of a CRE Company. Additionally, further research to extend the QRIs into risk analysis and evaluation would be important to see, how these qualify in risk assessments in CRE companies. This could also include verifying and optimising the proposed grades of the indicators.

Second, this investigation has taken place in Germany, so future research might be usefully focused on other countries. This will open up promising research avenues on the corporate meaning of FI across different cultural or national settings and to look for possible generalisations.

Third, the indicators that have been uncovered show that there might be dependencies between some. Hence, the qualitative considerations of this study would be useful for conducting some quantitative research about the correlation of the individual indicators to further ground these assumptions or possibly create composite indicators. Additionally, a quantitative study can provide further confirmation about the strength of the effect of the developed single indicators in FI and FC for the CRE company. Furthermore, as the study did not aim to predict future states or episodes of FI, it would be beneficial to know the intensity and spread of the perceived changes to determine when the

critical point of FI (from FS) or FC (from FI) is reached from a corporate perspective.

Fourth, the phenomenon under investigation is a temporal snapshot. Even though the results include a differentiation between the general context, the phase of FI prior to the event of FC, and the event itself, the investigation took a retrospective view on the most recent FCs during the decade from 2005 to 2015 covering three crises. Yet, it might be useful to focus on how executives would be investigated in a study exactly during a phase of FI in the financial system of the economy, or over a longer period of different stages of FI and FC (i.e. case study). In this context, it would also be inspiring to see if they are then better prepared, to act more retrospectively and with foresight. An investigation during, or shortly after, this phase may be beneficial for a comparative study over time and might challenge the notion of a learning organisation. Hereto, a further elaboration within the behavioural economics could provide additional insights about the indicated cognitive courses of action of the executives.

Another avenue for further research would be research into the specific properties of sensemaking in organisations, which this study did not bring forward: 'identity' and 'continuation'. Future investigations on these two particulars can gain knowledge whether these play a role in sensemaking for CRE companies at all, and seek an explanation for why these have not been found for a phase of FI and the event of FC.

Sixth, findings suggest that there is an extensive behavioural influence of the executives and other market participants, which enlightens behavioural economics and cognition as a related field of interest for this research. Future research about the psychological backgrounds of executives meaning and sensemaking of the phenomenon of FI would be an interesting opportunity.

Finally, an extension of this study into the specific area of sensegiving in organisations would be insightful and could further deepen the findings about

executives' influence on fueling the emergence of a phase of FI and/or an event of FC. This is how much executives attempt to influence the sensemaking process towards a preferred definition of organisational reality and how much the recipients (i.e. colleagues, board) can resist this influence (Maitlis and Lawrence 2007; Maitlis and Christianson 2014).

6.5 Concluding Remarks

While unfolding senior executives' lived experience about meaning and sensemaking of FI, the investigation gave voice to otherwise unspoken aspects and facilitated the understanding of the phenomenon on the level of the organisation.

The study uncovered the general context circumstances of a CRE organisation while simultaneously acknowledging the executives' implicit assumptions which became explicit. The perception of dependency of the business performance on developments in the corporate environment and its complexities and dynamics shape the everyday lifeworld of the CRE executives. Consequently, only massive changes in the environmental conditions of this industry are recognised and perceived as uncontrollable in their business lives. Hence, the importance of acknowledging the corporate context for the SDM of executives and the degree of proficiency of their implementation of sensemaking in relation to environmental changes in their SM are emphasised. Thus, it is inevitable to make the sector specifics of these context-sensitive organisations explicit and to capture the common ground for SM in organisations as a sound basis to understanding the corporate environment, its changes, as well as the external dependencies of the firm comprehensively.

Using the lived experience of senior executives in their everyday lifeworld offers a new perspective and understanding of the phenomenon of FI beyond existing macroeconomic definitions. These are extended with the explored corporate meaning to a more holistic understanding of the phenomenon. In the CRE sector, executives particularly characterise the phase of FI as an

unrealistic market situation with expansion pressures, while remaining ignorant of the associated risks. This stimulates optimistic behaviours and the perceived certainty of the actors, which is assumed to promote dynamics towards an event of FC, which then evolves unexpectedly with a complete reversal of the situation. Hence, it becomes compulsory for a proper organisational adaption of the phenomenon to place the perception of the people who make the decisions in the foreground, including the behaviour of relevant market participants and key sectors. It is evidenced that a corporate perspective on different phases and events of the phenomenon is unavoidable, since the defined peculiarities, which are decisive for an efficient and appropriate SM, can deviate from those on the economy level.

The research further studied the way in which executives apply their understanding and beliefs of the phenomenon of FI to make sense of it. In the CRE industry, executives only partially apply the sensemaking process within their organisations. The research provides evidence that changes in environmental conditions clearly require diverse processing as organisational sensemaking is applied differently, or even contradictorily, depending on the macroeconomic situation. With preference to achieving the business goals, CRE executives unconsciously ignore the extracted cues in the preliminary phase of FI, in comparison to the event of FC where these are consciously faded out. Hence, it seems that executives do not take advantage of sensemaking in their organisation to adopt a SM approach with greater foresight. Therefore, the knowledge about how and why executives apply sensemaking procedures about a phenomenon is fundamental for organisational interpretation and learning about executives' skills and behaviour for the benefit of future consideration.

Acknowledging the increasing complexities in risk structure, the study provides executives in the CRE sector with specific indicators and implications about the phenomenon of FI to contribute to more mature approaches and continuous processing in SRM. These decisive QIs all pertain to the behaviour of the major market participants namely that of executives', investors' and banks', and their SDM, investment, and financing behaviour. Hence, the study

emphasises that quantitative indicators alone will not enable executives to foresee the phenomenon in their SRM. Precise and particular QRIs and implications based on the corporate meaning and awareness of the respective expectations of a phenomenon on the economy level are essential for executives in supporting a better monitoring and decision-making in terms of SM to initiating a reconsideration and adjustment, moreover an enrichment, of their SRM behaviour.

From the methodological angle, the qualitative approach indicates that hermeneutic phenomenology, with its different emphasis on subjective views in context, can enrich and expand theory about the phenomenon of FI in the corporate environment of a CRE organisation. It brings forth unconsciously proceeded habits and thoughts that executives use in their everyday business activities, thus developing new knowledge for the industry.

Overall, the study supports the argument for an emerging importance of an integrated and holistic strategy in organisational research about SM and environmental change, taking into account several interdependent sources of macroeconomic factors in different environmental stances that are an exposure to the organisation, together with the internally driven indicators of behaviour and emotional states, i.e. the 'human factor'. SM is people's business and executive's individual perspective, above their organisational one, becomes important when their interpretation and meaning of a phenomenon is the only decisive for recognition and further action.

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Appendices

Appendix 1	<i>Information Letter</i>	415
Appendix 2	<i>Consent Form</i>	417
Appendix 3	<i>Interview Guideline</i>	418
Appendix 4	<i>Significant Statements from Transcripts (trans.)</i>	420
Appendix 5	<i>Emerging Themes for Explaining the Context of CRE Organisations</i>	452
Appendix 6	<i>Emerging Themes to Exploring the Corporate Meaning of a Phase of FI</i>	457
Appendix 7	<i>Emerging Themes to Exploring the Corporate Meaning of an Event of FC</i>	461
Appendix 8	<i>Emerging Properties in Discovering the Process of Sensemaking in a Phase of FI</i>	466
Appendix 9	<i>Emerging Properties in Discovering the Process of Sensemaking in an Event of FC</i>	469
Appendix 10	<i>Open-ended Qualitative Indicators for FI</i>	472
Appendix 11	<i>Open-ended Qualitative Indicators for FC</i>	480
Appendix 12	<i>Potential Broad Risk Categories in the CRE Context</i>	486

Appendix 1

Information Letter

Participant Information Sheet

Project title: Inserting Financial Instability in Strategic Management of Commercial Real Estate Companies

Investigator: Bernd Sagemann **Contact phone number:** +xx 151 xxxxxx

Contact Email: x@xx.com

Dear [participant],

I am a business researcher at the University of Bradford – School of Management, UK. You are invited to take part in a research study on Financial Instability in the Commercial Real Estate (CRE) sector with special focus on strategic (risk) management considerations.

You have been chosen due to your extensive professional experience as an executive management board member in the CRE sector and I would like you to participate in an interview (e.g. face-to-face) at a time and place (e.g. workplace) appropriate for you. This will not take more than 60 minutes of your time. The interviews will be held in English or German.

By taking part in this study, you may help to contribute to professional practice and risk management approaches for awareness on corporate level prior, during, or after a phase of financial crises.

Whether or not you take part is your personal choice. If you don't want to participate, you don't have to give a reason, and it won't affect the care you receive. If you do want to take part now, but change your mind later, you can pull out of the study at any time. You can also withdraw consent at any stage up to two weeks after the interview. Your decision to stop participating, or to refuse to answer particular questions, will not affect your relationship with the researcher, University of Bradford, or any other group associated with this project. In the event you withdraw from the study, all associated

data collected will be destroyed immediately. The study is voluntary and you will only be included if you provide your permission.

If you agree to take part in this study, you will be asked to sign the attached **Consent Form**. You will be given a copy of both the Participant Information Sheet and the Consent Form for your records.

I will keep all data private and secret. This applies to you as the participant and also to the company you are with. There is no sponsorship for this study or any influence to the researcher. I will keep data in a locked office and only I will have access to the data. In compliance with University regulations, I will keep data for ten years after the study has finished. After ten years, I will destroy the data. Once I have finished the study I will present the results at conferences and publish e.g. in an academic journal. When I publish the results, no participant and company will be identifiable by name or special features. There are no known risks associated with taking part in this study. If you have any concerns please do not hesitate to contact me.

The ethics approval for the study has been granted by the Chair of the Humanities, Social and Health Sciences Research Ethics Panel at the University of Bradford on 25th May 2016. Please contact Dr [...], chair of the research ethics committee for the Humanities, Social and Health Sciences Research Ethics Panel at the University of Bradford, if you have any concerns (Email: y@bradford.ac.uk). Dr [...] has no direct involvement in the study.

If you would like to participate in this study, please read and sign the informed consent form and return it to my Email account (x@xx.com).

If you have any further questions, please do not hesitate to contact me. Many thanks in advance.

Kind regards,
Bernd Sagemann

Appendix 2

Consent Form



CONSENT FORM

Project title: *Integrating Financial Instability in Strategic (Risk) Management of Commercial Real Estate Companies*

Name and email address of Student: Bernd Sagemann (x@xx.com)

Name and email address of Supervisor: Prof. Dr. Charlie X. Cai (x@xx.ac.uk)

Please state 'Yes' or 'No' to the following statements:

Please circle
as appropriate

- | | |
|--|--------|
| 1. I have been informed about the purpose for which my interview will be used if I give my consent and I have been given the opportunity to ask questions. | YES/NO |
| 2. I give my consent for the interview to be audio-recorded. | YES/NO |
| 3. I understand that I can withdraw my consent at any stage up to two weeks after the interview, without giving a reason why, leading to my data not being used in the research. | YES/NO |
| 4. I understand that any information that would identify me, my peculiar job title or specified company features will be removed from project data. | YES/NO |
| 5. I am aware that my anonymised data will be kept for up to ten years, held securely on a University of Bradford computer for audit purposes. | YES/NO |
| 6. If necessary, I have informed/obtained approval by according authorized party (i.e. board) to participate in the study and talk freely about internal matters related to the study. | YES/NO |
| 7. I give my consent for anonymised extracts from my interview to be used in publications reporting on the findings from the research. | YES/NO |

I give my consent for my interview data to be used as described in the Participant Information Sheet.

Interviewee:

Student:

Signed

Signed




NAME

BERND SAGEMANN

Date.....

Date.....

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* Status: May 25th, 2016, approval granted by the Chair of the Humanities, Social, and Health Sciences Research Ethics Panel at the University of Bradford

Appendix 3

Interview Guideline

A. Introduction

1. Personal background information: person, university
2. PhD thesis background information: areas of interest
3. Important information about the interview: anonymity, recording of interview

B. Background Information

4. Please provide some information about **yourself and the organisation** you are working for.
5. Please specify some aspects of the **strategic management** within your organisation.
 - a) What are the strategic objectives of your organisation?
 - b) Could you kindly elaborate, which strategic risks you have identified, in consideration of pursuing your organisational strategic objectives. Can you please describe these risks briefly?
6. Please describe the relation between the corporate environment and your CRE organisation.
 - a) By what characteristics do you make this assessment?
 - b) How do you monitor and control those characteristics?

C. Financial Instability – The Lived Experience in an CRE organisation

7. Kindly describe your lived experience in the CRE organisation in the context of a financial crisis. What have you experienced in your organisation and who was involved?
 - a) How did you perceive the business environment (externally and internally) of your organisation prior to the occurrence of the financial crisis?
 - b) Through which event in your business environment did you perceive the change to a crisis?
 - c) How did you become aware of it?
 - d) How did you experience the crisis event from your perspective?
 - e) Which decisions were based on the assessment of the event?

D. Concluding Questions

8. Are there any open issues that you would like to add in the context we just discussed?
9. Are there any questions that you think I should have addressed but did not?

Appendix 4

Significant Statements from Transcripts (trans.)

Significant Statement from Transcripts (Original)	Significant Statement from Transcripts (Convenience Translation)
<p>„Das Umfeld ist komplexer geworden. Auf jeden Fall finde ich es nicht mehr einfach, nicht mehr simpel, es ist komplexer geworden und jeder, der anderer Meinung ist, ist entweder nur in einem Teil des Geschäftes dabei oder noch nicht sehr lange. [...] Ich mach meine Einschätzung fest an mehreren Merkmalen. Es ist einfach, ich glaube, es ist auf einer Seite die Erfahrung, die man sammelt übertrifft das [...] und auch an eigener Erfahrung auch sammeln kann. Und zweitens ist auch durch Erweiterung der Geschäftsmodelle oder innerhalb der Firma sieht man auch andere Facetten des Geschäftes. Nochmal muss ich auf das Thema KVG zurückkommen. Mit den Regulierungen ist nichts einfacher geworden. Von da kommen meine Feststellungen, dass es eher komplexer geworden ist.“ (Olivia #00:12:05#-#00:13:04#)</p>	<p>“The environment has become more complex. In any case, I don’t think it is easy any more, no longer simple, it has become more complex and everybody who is of a different opinion, is either only involved in a part of the business or really has not been here that long. [...] My assessment derives from numerous characteristics. It is easy, I mean, on the one hand it is experience that one gained exceeds that [...] and also the personal experience that one can gain. And second, one sees different aspects of the business because of business model expansion or internally. Again I have to come back to the topic KVG. With the regulations nothing has become easier. This is where my assessment that it has merely become more complex derives from.”</p>
<p>„Es ist relativ komplex, weil sehr viele Faktoren in so was wie Investment Performance mit reinspielen. Es ist weniger komplex, weil in die, in viele unterschiedliche - aber die Mechanismen bleiben sich relativ gleich. Insofern ist, ist unser Geschäft noch relativ gut vorhersehbar und planbar.“ (James #00:06:45#-#00:07:10#)</p>	<p>“It is relatively complex because various factors do influence something like investment performance. It is less complex, because in the, in many different – but the mechanisms remain relatively the same. Insofar, our business is relatively well foreseeable and predictable.”</p>

Significant Statement from Transcripts (Original)	Significant Statement from Transcripts (Convenience Translation)
<p>„Da wird sie komplex. Denn hier wird's kompliziert und unübersichtlich, weil wir in der Mieternachfrage sehr komplexe Strukturen haben, geo-politische Sachen. Meine Mieter müssen ja auch Geld verdienen und die wiederum sind abhängig von Geopolitik/Wirtschaft. Das ganze Umfeld ist momentan so ein bisschen aus den Fugen geraten und dasselbe gilt für die Investmentnachfrage, das geht einher. Leute, die in Immobilien investieren, wollen einen sicheren Hafen haben und wenn, wenn es nicht mehr gewährleistet ist und wenn auf einmal ein Bond wieder sicherer ist, als eine Immobilie, dann lässt die Nachfrage nach. Damit ist es komplexer. [...] Zinsen und GDP Growth.“ (Sophia #00:05:21#-#00:06:17#)</p>	<p>“Here it gets complex. Because at this point it becomes complicated and confusing, because we have very complex structures in tenant demand, geopolitical issues. My tenants also have to earn money and they in turn are dependent on geopolitics/economy. The whole environment is currently a bit unsettled and the same applies for the investment demand, this goes hand in hand. People who invest in real estate want to have a safe haven, and if this cannot be secured any longer and a bond is again more secure like real estate, demands will decrease. Therefore it is more complex. [...] Interest rates and GDP growth.”</p>
<p>„Was uns beeinflusst ist natürlich die Zinspolitik der EZB. Wir können lange diskutieren, ob sie richtig ist oder nicht. [...] Und das ist z.B. wie sich die Margen der Banken zusammensetzen. [...] Ich glaube, dass wir zu wenig Liquidität haben. Das ist die Unsicherheit. Das ist die Unsicherheit, die die Banken mit sich führen, die auf den ersten Blick für uns nicht logisch sind. Also Zinsumfeld, Politik, GDP Growth - es kommt darauf an wie man sich das anschaut [...]“ (Olivia #00:16:27#-#00:18:55#)</p>	<p>“What affects us is of course the interest rate policy of ECB. We could discuss at length if it is right or not. [...] And this is for example the composition of the margin of the bank. [...] I believe, we have too less liquidity. That's the uncertainty. This is the uncertainty, which the banks carry with them, and that is not logical for us, at first sight. Well, interest rate environment, politics, GDP growth – it depends how you look at it [...]”</p>

Significant Statement from Transcripts (Original)	Significant Statement from Transcripts (Convenience Translation)
<p>„Also, sehr, sehr komplex würde ich sagen. Es gibt eben halt auf der einen Seite, auf der Finanzierungsseite, Zinsentwicklungsthemen, was wichtig ist für die Wirtschaftlichkeit des Objektes. Auf der anderen Seite gibt es eben halt den institutionellen Investor, der in Deutschland sicherlich keine homogene Gestalt ist, sondern es gibt Versicherungen, die sehr professionell unterwegs sind, es gibt Versorgungsmärkte, die sich im Investitionsvolumen zwischen 2 und 10 Millionen bewegen und eher emotional agieren als professionell agieren. Dazu gibt es eben hat einen Investment-Markt, der sich deutlich schwierig gestaltet, nicht nur temporär, sondern in, in Zeiten in denen die Nachfrage nicht so groß ist. Es sind auch eben weniger Developments am Markt erreichbar. Also schon aus den vielen exogenen Themen die es gibt, eine sehr komplexe Struktur, die es gilt eben halt hier auf den Punkt zu bringen und zusammenzuführen. Das ist, was auch unser Hauptthema ist.“ (Harry #00:08:16#-#00:09:14#)</p>	<p>“Well, very, very complex, I would say. On the one hand, on the financing side, there are interest rate developments, that are important for the profitability of the property. On the other hand, there is the institutional investor, who is certainly not presented homogenously in Germany, but there are insurance companies, who are acting very professional, pensions schemes whose investment volume is around 2 to 10 million and who are more emotional than professional. Further, the investment market is considerably difficult, not only temporarily but in, in times when demand is not that high. There are also fewer developments available in the market. That is, because of the manifold exogenous topics, a complex structure, and you must get to the heart of it and bring these together.”</p>
<p>“Komplex. [...] Zum einen, zum einen eben die, die politischen Risiken, in denen wir uns momentan bewegen, innerhalb eines Umfeldes der regulatorischen, nach der Finanzmarkt-krise, sehr starken, wo die Regulatur einen sehr starken Einfluss ausgeübt, ausgeübt hat. Und dann entsprechend daraus folgend die Risiken, die sich für die Märkte ergeben. Während wir in der Vergangenheit auch wirklich Zyklen gesehen haben in den jeweiligen, bspw. in den jeweiligen Immobilien-märkten weltweit, ist festzustellen, dass aus momentaner Sicht diese Zyklen sich einfach verändern. Und das stellen ja auch Volkswirte häufig fest, dass sie, sage ich mal, vergangenheitsbezogene Entwicklungen sich nicht mehr in die Zukunft fortsetzen</p>	<p>“Complex. [...] On the one hand, the political risk in which we operate currently, in an environment where regulatory encroachments exert great influence, after the financial crisis. And, as well the resulting risks for the markets. While in the past, we have seen real cycles in the respective, for example global real estate markets, we can currently see that the cycles simply change. And that is what economists determine oftentimes, that, let`s say, historic developments cannot be extrapolated to the future any more, because many, many developments are just diametrical illogical.”</p>

Significant Statement from Transcripts (Original)	Significant Statement from Transcripts (Convenience Translation)
lassen, weil eben viele, viele Entwicklungen sich einfach diametral unlogisch entwickeln (Charlie #00:08:38#-#00:10:02#)	
„[...] in allen Dingen in denen wir uns bewegen, seien es Mieten oder andererseits sind wir ja von unseren Kunden, also unseren Mietern abhängig und da wir ja nicht selber aktives Geschäft betreiben, sondern letztlich Flächen zur Verfügung stellen, sind wir immer in irgendeiner Weise, beim Retail noch sehr deutlich, beim Hotel genauso und auch beim Büro müssen die Mieter halt letztlich das Geld verdienen und letztlich auch ihre Miete, natürlich viel mittelbarer dann im Geschäft, als wir das sind. Aber das trifft uns genauso.“ (George #00:11:33#-#00:12:02#)	“[...] all things that we are engaged in, say rent or otherwise we are dependent on our clients, thus our tenants, and because we are not actively managing but ultimately just provide the space, we are always also to some extent, lets say in retail still very significantly, also hotel and same for office, where the tenants ultimately have to make their money and the rent, much more indirectly involved the business than we are. But this also applies for us.”
„Sicherlich neue Objekte kaufen zu können, also sprich die, die Verbindung zu Asset-Managern, Bestandshaltern, Developern um dann Objekte für das eigene Fonds- und Asset-Management-Geschäft erwerben und akquirieren zu können [...]“ (Harry #00:27:13-#00:27:52#)	“For sure, the possibility to acquire new properties, say the connection to the asset managers, property managers, developers to then purchasing and acquiring properties for the own fund and asset management [...]”
„Makro ist jetzt wieder, sind ja auch Zinssätze, sind ja auch geopolitische Sachen, bin ich sehr abhängig davon. Und beeinflussen kann ich sie alle nicht, ich kann sie nur umsetzen.“ (Sophia #00:19:30-#00:19:45#)	“Now it is macro again, it is also interest rates, also geopolitical issues, I am very much dependent on that. And I cannot influence any of them, I can just implement them.”
„Also, wie gesagt, die makroökonomischen Themen, Bevölkerungsentwicklung, Inflation, Zinsentwicklung haben einen, einen direkten Einfluss auf unser Asset-Management und Fonds-Management-Performance-Themen, also definitiv: Ja.“ (Harry #00:21:21#-#00:21:40#)	“Well, as I said, the macroeconomic issues, population development, inflation, interest rate development have a, have a direct influence on our asset management and fund management performance, therefore definitively: yes.”

Significant Statement from Transcripts (Original)	Significant Statement from Transcripts (Convenience Translation)
<p>„Schon stark. [...] Weil doch die einzelnen Faktoren, die dazu führen das Leute beispielsweise, ich habe ja nix anderes als Immobilien anzubieten, ist manchmal fast binär, also entweder wollen das ganz toll alle, oder gerade keiner, ist gerade nicht en Vogue und dass macht die Abhängigkeit so stark. [...] Auch hier ist es grotesker Weise, also hauptsächlich, das Zinsumfeld, weil viel dranhängt.“ (James #00:19:39#-#00:20:37#)</p>	<p>“Certainly, strong. [...] Because the individual factors, that make people to, for example, I have nothing more to offer then real estate, this is sometimes even binary, so either everybody wants it and likes it, or even no one, it is actually not en vogue and this is why the dependency is so strong. [...] Here also, it is grotesque, I mean primarily, the interest rate environment, because a lot depends on it.”</p>
<p>„Also, Ressourcen sind bei uns ja im Wesentlichen Mittelzuflüsse. Ich hatte es ja schon gesagt, unser Anleger ist ja eher 50 plus und von daher glaube ich, ist es schon sehr stark vom Wohlstand in Deutschland abhängig. [...] Im Bereich Individualkunden sind wir dann natürlich ein bisschen breiter aufgestellt, aber natürlich stark auf Deutschland fokussiert. Also letztlich sind wir stark vom deutschen, sozusagen, Kunden abhängig, das muss man schon so sehen.“ (George #00:17:29#-#00:18:09#)</p>	<p>“Well, resources are essentially the cash inflows. As I said before, our investor is more a 50+ and this is why I assume it is very strongly dependent on the prosperity in Germany. [...] For individual customers we are obviously slightly broader positioned, but very much focussed on Germany. Finally, we are much dependent on the German customer, that’s clear.”</p>
<p>„Risikobereitschaft des Geldes. Und Verfügbarkeit eines stabilen Finanzmarktumfeldes, d.h. Gesetze, also diese Sachen. Nicht nur wie der Zinssatz ist, sondern auch wie das gesetzliche Parameter außen rum ist, wenn auf einmal Deutschland oder Europa anfängt, sehr schnell Gesetze wieder umzuwerfen, dann habe ich ein Problem, weil es keine Sicherheit gibt und dass würde mein, mein sehr langfristig ausgelegtes Modell gefährden.“ (Sophia #00:18:46#-#00:19:17#)</p>	<p>“The risk appetite of the money. And availability of a stable financial market environment, i.e. statutes, all these things. Not only how the interest rates look like, but also how the legal parameters are set, if at once Germany or Europe start to change their regulation, then I do have a problem, because there is no certainty and that would put my long-term business model at risk.”</p>

Significant Statement from Transcripts (Original)	Significant Statement from Transcripts (Convenience Translation)
<p>„Es könnte - wir sind momentan in einem Umfeld, wo Immobilien sehr gefragt ist, die Preise natürlich auch sehr hoch sind. Es kann aber eine Zeit kommen, wo sich plötzlich das Umfeld wesentlich ändert und wir dann nicht, nicht die Möglichkeit haben werden, mit dem teuer eingekauften gut später wegzukommen. Das ist, ich glaube, das ist das größte Risiko, was wir haben.“ (Olivia #00:36:35#-#00:37:54#)</p>	<p>“It could – we are currently in an environment, where real estate is much in demand, the prices are also very high. There may come a time, were the environment suddenly materially changes and we will not have any possibility to exit the dearly bought properties well. That is, I believe, that is the highest risk that we face.”</p>
<p>„Also, das ist sicherlich das politische Umfeld, auf jeden Fall das politisch stabile Umfeld und das, die Bereitstellung eben halt von Finanzmitteln, Zinsentwicklung. Das sind die zwei Haupteinflussfaktoren. Ich würde vielleicht sogar noch ein drittes nennen, dass ist das Regulierungsumfeld [...]“ (Harry #00:28:11#-#00:29:04#)</p>	<p>“Well, certainly that is the political environment, in any case the politically stable environment and the supply of financial resources, interest rate development. These are the two primary drivers. I would, may be, add a third one, that is the regulatory environment [...]”</p>
<p>„Wenn ich die letzten Jahre angesehen hätte, hätte ich gesagt, wir sind sehr stabil. Ich erwarte aber Turbulenzen, ich sehe es förmlich schon vor mir und deswegen erwarte ich Turbulenzen, die ich nicht, nicht unter Kontrolle habe, ich werde aber trotzdem auf die in gewohnter Weise reagieren. Mein Verhaltens-schema wird sich deswegen nicht massiv ändern.“ (Sophia #00:07:24#-#00:07:51#)</p>	<p>“If I had looked at the last years, I had said, we are very stable. But I expect turbulences, I could see it coming already, and that’s why I expect turbulences that I will not be able to control, but I will react in the usual manner. I would not materially change my behavioural attitude because of that.”</p>
<p>„Man trifft Annahmen. Wir können zu einer Zinsentwicklung falsch liegen, aber sicherlich kann man im Rahmen eines Researchs und der makroökonomischen Betrachtungsweise eines Wirtschaftsraumes schon gewisse Vorhersagen treffen, wo die Zinsentwicklung denn hingehen könnte.“ (Harry #00:12:56#-#00:13:19#)</p>	<p>“People make assumptions. We can be wrong with the interest rate development, but for sure you can make certain predictions about the interest rate developments in the course of research and a macroeconomic consideration for a specific economic region.”</p>

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<p>„[...] für kalkulierbar, weil wir Annahmen treffen die nicht ein “Worst-Case-Szenario” abgreifen. Aber sicherlich immer ein “Base Case”, “Best case” und “Worst Case”. Und im Rahmen dieser Gesamtbetrachtungsweise bilden wir eben halt Risiken mit ab. Und insofern, wird auch nur dann ein Investment erfolgen von unserer Seite, wenn wir mit kalkulierbaren Risiken umgehen können.“ (Harry #00:12:13#-#00:12:41#)</p>	<p>“[...] calculable, because we are making assumptions that do not represent a “worst-case-scenario”. But certainly alsway a “bade case”, “best case” and “worst case”. And in the course of the overall view we do also illustrate the risks. And insofar, the investment will only be done when we can handle the calculable risks.”</p>
<p>„[...] makroökonomisch teilweise kann man schon viele Dinge vorsehen, sich vorbereiten und man muss die Hausaufgaben auch machen, definitiv. Alles wird man natürlich nicht sehen, weil dass Verhalten der anderen ist abhängig wieder von anderen Faktoren. Aber, denke ich mir, dass ist die Verpflichtung jedes Mitglieds eines Managementboards darüber nachzudenken, was beeinflusst mich, wie will ich darauf reagieren, wie bereite ich mich vor.“ (Olivia #00:22:06#-#00:22:48#)</p>	<p>“[...] on the macroeconomic level, to some extent, one can predict many things, prepare oneself and you have to do your homework, definitely. You can't see everything, because the behaviour of the other is depending on other factors. But, I believe, that's the responsibility of every member of the management board, to think about what influences myself, how do I want to react on it, how do I prepare.”</p>
<p>„Einfach gesagt, die Assetklasse ‚Alternatives‘ ist in den letzten Jahren eine echte Assetklasse geworden und ich gehe auch davon aus, dass sich das nachhaltig weiterentwickeln wird. [...] Aber es ist einfach festzustellen, dass die Globalisierung der Welt dazu geführt hat, dass die Assetklasse Immobilie eine echte Assetklasse geworden ist.“ (Charlie #00:20:15#-#00:21:06#)</p>	<p>“Simply put, the asset class ‘alternatives’ has advanced to a real asset class during the last year and I expect that this will develop further, sustainably. [...] But it is easily recognisable that the globalization of the world has led real estate as an asset class to becoming a real asset class.”</p>
<p>„[...] makroökonomische Situation einer Stadt [...]“ (Harry #00:09:35#-#00:10:09#)</p>	<p>“[...] macroeconomic situation of a city [...]“</p>
<p>„[...] zunehmend kürzer [...]“ (James #00:10:36#-#00:10:56#)</p>	<p>“[...] becoming shorter and shorter [...]“</p>
<p>„[...] Stabilitätsanker.“ (George #00:06:18#-#00:07:16#)</p>	<p>“[...] anchor of stability.“</p>

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„[...] unruhig [...] geostrategische Umfeld [...]“ (George #00:06:18#-#00:07:16#)	“[...] turbulent geostrategic environment [...]“
„[...] demografischen Entwicklung [...]“ (James #00:11:04#-#00:11:14#)	“[...] demographic development [...]“
„[...] Dinge zu tun, die sie normalerweise nicht getan hätten“ (James #00:11:11#-#00:11:20#)	“[...] doing things, they would not have done normally.“
„[...] aus unterschiedlichen Gründen nicht mehr so beeinflussbar zu sein scheint.“ (Charlie #00:14:50#-#00:15:30#)	“[...] seems no longer as influenceable due to different reasons.“
„[...] die Nummer 1 im Markt zu sein.“ (Scarlett #00:04:06#-#00:04:37#)	“[...] being number 1 in the market.”
„[...] besser zu sein, als die Wettbewerber.“ (Charlie #00:04:59#-#00:05:20#)	„[...] be better than the competition.“
„[...] Kunden glücklich zu machen [...] möglichst sicher und auch durch Krisen führen [...]“ (George #00:02:17#-#00:02:46#)	“[...] make clients happy [...] as securely as possible and to lead through crises [...] “
„[...] die Schaffung von Mehrwerten.“ (Jake #00:05:27#-#00:06:20#)	“[...] creation of added value.“
„Der zweite Bereich der Risiken, die wir da führen, ist, oder die wir gegebenenfalls haben, ist zuviel zu versprechen unseren Investoren, was Investitionsvolumina angeht.“ (Olivia #00:09:01#-#00:10:45#)	“A second field of risk, that we run is, or that we may carry, that we overpromise to our investors in terms of investment volumes.”
„[...] viele Leute in diesen gemütlichen Core-Sektor jetzt einbrechen, die vorher eher Investment Banking oder opportunistische Anlage betrieben haben.“ (James #00:05:11#-#00:05:56#)	“[...] many people enter the cosy core sector who previously were rather involved in investment banking or opportunistic asset classes.”
„[...] Appetite der Investoren [...]“ (Olivia #00:27:08#-#00:27:19#)	“[...] appetite of investors [...]“
„[...] Verfügbarkeit von Kapital und Verfügbarkeit von Objekten.“ (James #00:27:27#-#00:27:34#)	“[...] availability of capital and availability of assets.“

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„[...] availability von Mitarbeitern [...]“ (Olivia #00:35:26#-#00:36:21)	“[...] availability of staff [...]“
„[...] Objekte anbieten zu können, die im Markt dann auch nachgefragt werden.“ (Harry #00:19:48#-#00:21:08#).	“[...] offering assets that are yet also demanded in the market.“
„[...] sicherlich stark abhängig [...]“ (Charlie #00:25:09#-#00:25:21#)	“[...] certainly heavily dependent [...]“
„[...] welches Produkt wird zu welchem Preis gekauft.“ (Sophia #00:21:24#- #00:22:21#)	“[...] which product is acquired at what price.“
„[...] was macht mein direktes Umfeld, nicht nur mein direkter Mitbewerber [...]“ (Sophia #00:21:24#-#00:22:21#)	“[...] how does my direct environment behave, not only my direct competitor [...]“
„[...] nicht so ganz vom Himmel fallen [...]“ (George #00:08:00#-#00:08:25#)	“[...] do not at all fall from the sky [...]“
„[...] es nicht eine Ausbildung ist wie „Euro bricht auseinander“ [...]“ (James #00:18:17#-#00:18:25#)	“[...] it is not an expression like ‘Euro bursts’ [...]“
“Es war aber aus damaliger Sicht alles möglich und es war grundsätzlich alles okay, ja. Ich glaube was man extrem unterschätzt, das war, waren die neuen Produkte, die entstanden sind auf dem Markt, die man überblickt hat. Das war aber auch nicht unser Feld, das war nicht unser Bereich. Und die haben wir nur so seitlich wahrgenommen, keiner hat sich wirklich damit auseinandergesetzt. Ich glaube, wir hatten auch nur Fokus auf unsere Immobilien und auf die Gelder, die zur Verfügung stehen. Und wahrscheinlich haben wir zu wenig über den Tellerrand geschaut” (Olivia #00:43:38#-#00:44:47#)	“At that time, everything was possible and everything was generally okay, you know. I believe, what has been extremely underestimated were the new products that emerged on the market, that one surveyed. But this was not our playing field, not our sector. And we have only recognised this to a limited extent, no one really has dealt with this that much, actually. I think, we also focussed on our real estates and the monies that were available. And probably, we were shy of looking beyond the end of our nose.”

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<p>“[...] ein voll regulierter und an der Börse gelisteter REIT war, der auf seinem Heimatmarkt extrem konservativ und mit allen Instrumentarien des Risikomanagements unterwegs war, sich aber dann eben halt auf Forderung der Analysten und aus den Banken eben halt [...] in einem Risikobereich bewegt hat, den man selber kaum überblickt hat beziehungsweise nicht überblicken konnte” (Harry #00:38:21#-#00:39:56#)</p>	<p>“[...] a fully regulated and publicly listed REIT that was operating extremely conservative and with all approaches to risk management in its domestic market, but had to, by request of analysts and banks [...], transfer to another risk area that one did not oversee moreover was not able to survey.”</p>
<p>„[...] Investmentformen, die man damals betrieben hat, wie beispielsweise Mezzanine-Finanzierungen, [...] dazu braucht man eine Bankenausbildung um [...] aktiv an so einem Geschäft teilzunehmen. Diese Ausbildung muss man mitbringen [...] als dass man sich jetzt als reiner Immobilieninvestor in dem Bereich tummeln sollte.” (Harry #00:57:24#-#00:58:18#)</p>	<p>“[...] the types of investments that were practiced in those days, for example mezzanine financing, [...] for that you need to be trained as a banker [...] to actively operate in that business. You need such an apprenticeship [...] these days you should not operate like a pure real estate investor in that area.”</p>
<p>„[...] eigentlich davor war es keine echte Situation, sondern erst danach war es eine richtige Situation, die die makroökonomische Situation richtig abbildet.” (William #00:43:03#-#00:44:39#)</p>	<p>“[...] actually, prior to this there was no real situation, it was only afterwards a real situation that properly shows the macroeconomic circumstances.”</p>
<p>„Und als man dann sah, welche Objekte gekauft worden sind, in der Erkenntnis des europäischen Marktes, dann ist es einem dort schon sofort aufgefallen. [...] und dann mit dem Ergebnis einem Recht gegeben, weil eben der größte Teil des Portfolios komplett abgeschrieben werden musste.” (Harry #00:45:26#-#00:46:15#)</p>	<p>“And once you notice which properties were acquired, in recognition of the European market, then this immediately attracted your attention. [...] with the result that this proves right because the major part of the portfolio had to be written off completely.”</p>

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<p>„Es war, im Prinzip war ja innerhalb kürzester Zeit war ein Investitionsverhalten, Kreditvergabeverhalten, Zustimmung zu Investitionen im Immobilienbereich, war ja komplett abgebrochen. Also es war ja wie so ein, wie so ein Tsunami, der, der irgendwann mal über einen hereingebrochen ist, wo man gesagt hat: Jetzt steht alles still. Keiner wusste wohin es geht, keiner, es war eine irre Unsicherheit am Markt – kann ich überhaupt noch finanzieren, kann ich überhaupt noch kaufen, kann ich zu dem Mietniveau kaufen, kann ich zu den Cap-Rates überhaupt noch kaufen.“ (Jake #00:39:58-#00:41:55#)</p>	<p>“In principle, it was during a very short time when investment behaviour, bank lending behaviour, consent to investments in real estate was completely interrupted. Let’s say, it grew like a tsunami that irrupted at some point and people said: now everything is standing still. Nobody knew where it will lead to, nobody, it was a crazy uncertainty in the market – am I able to finance at all, am I able to acquire at that rent levels, am I still able to acquire at these cap rates.”</p>
<p>„[...] die Modelle funktionierten dann plötzlich nicht mehr als mit zurückgehendem Leverageumfang auch die Zinskosten stiegen, ja, und bei damit einhergehenden Preisrückgang und Wertrückgang der Assets, ja, also letztlich dann auch problematische Situationen in Bezug auf Kredit-situationen ausgelöst wurden.“ (Allen #00:06:34#-#00:07:08#)</p>	<p>“[...] then, the models suddenly did not work any longer because decreased leverage incurred increasing interest rate, well, and at the same time price declines as well as the lower value of the assets, and, then finally also causing the problematic situation with regard to the loans.”</p>
<p>„[...] erst die Publizität der - sozusagen - da ist ein System, das vorher leidlich funktioniert hat, das Bankensystem dann auf einmal doch relativ schnell ja in Mitleidenschaft gezogen worden ist, ich glaube das war in der Tat etwas, wo wir gesagt haben ‚Oh da passiert jetzt wirklich massiv eine Veränderung‘.“ (George #00:24:48#-#00:25:46#)</p>	<p>“[...] first of all the publicity - so to say – with the existing system that goodish operates, the banking system was then however suddenly relatively quickly affected, I believe, this was definitely something where we thought, ‘well now, this will bring a massive change’.”</p>

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„Das hat sich geändert, als [...] Kapitalverfügbarkeiten eingeschränkt wurden, obwohl in der Bewertung und Beurteilung der Objekte, der Rentabilität, der Risikoprofile der Objekte, hierin keine Begründung zu finden war. Und das hat unser Geschäft in dem Aspekt eingeschränkt und hat einfach aufgrund mangelnder Kapitalverfügbarkeit zu einem gewissen Expansionsstop geführt [...]“ (Scarlett #00:20:01#-#00:21:33#)	“This has changed when [...] capital availability became limited, even though the valuation and evaluation of the properties, the profitability, the risk profiles of the assets did not provide for any reasons hereto. This has limited our business in this regard and it required us to stop further expansion due to limited capital availability [...]”
„[...] horrendo Mehrwerte [...], die dann teilweise noch zusätzlich finanziert worden sind“ (Jake #00:27:45#-#00:29:16#)	“[...] horrendous added values [...], that were yet also in part additionally financed“
„[...] dass da auch viele dabei waren, die einfach die Situation genutzt haben, aus der Unerfahrenheit Dritter Geschäfte zu machen [...]“ (Harry #00:42:37#-#00:45:06#)	“[...] there were also several actors who exploited the situation to profit from other third parties` inexperience [...]“
„Ich weiß nicht, wie ich das geschafft habe, aber Gott sei Dank haben sie zugehört. Also, vielleicht hat sich der Eine oder Andere gedacht „Mein Gott, die übertreibt“. Aber mir gegenüber hat das niemand so wirklich geäußert. Oder, wenn geäußert, dann in einem - mit gutem Ton, das war nicht abweisend oder so irgendwie abwertend. Ich glaube, auch weil ich neu war, hat man zugehört. Ich hatte nicht das Gefühl, dass mich jemand auf die leichte Schulter nimmt, aber ich hatte generell das Gefühl gehabt, ich komme nicht durch“ (Olivia #01:11:45#-#01:19:08#)	“Actually, I don` t know how I made it, but thanks to god they have listened. May be one or the other thought ‘goodness, she is exaggerating’. But no one really expressed that toward me. Or even if they said something like that then it was – with a nice manner, this was not dismissive or somehow pejorative. I think, also because I was new, they listened. I did not have the feeling, that they were casual about me, but I generally had the feeling that I cannot get away with this.”
“Abwertend und negierend.“ (Sophia #00:44:34#-#00:44:36#)	“Pejoratively and dismissive.“
“Sofort vergessen.“ (Sophia #00:44:39#-#00:44:41#)	“Immediately forgotten.“

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<p>„Nein. Da muss man auch sagen, manche Leute wollen es gar nicht wissen. Das war so. Wenn ich nur schon in diese Richtung gesprochen habe, habe ich ja schon gemerkt, dass mein Gegenüber, sei es jetzt mein Gesellschafter oder Investor, die waren nicht interessiert an warnenden Hinweisen.“ (Sophia #00:38:38#-#00:39:00#).</p>	<p>“No. Yet, it must be said that, people actually don't want to know it. That's it. If I talked about things like that, I realised that my counterpart, being it shareholder or investor, they were not interested in warning statements.”</p>
<p>„Woran ich das gemerkt habe waren die Grundlagen auf welchen die Entscheidungen getroffen worden sind. In vielen oder in manchen Fällen waren die Grundlagen einer ordentlichen Due Diligence nicht beachtet. Entscheidungen waren so getroffen. Sie müssen sich wirklich vorstellen, wenn Sie eine Immobilie kaufen wollen, dann müssen Sie sich genau anschauen, was Sie kaufen. Anschauen ist nicht nur die Tür öffnen und reingehen. Technisch - guck dir das Gebäude nach unterschiedlichen Sachen an. Und wenn Sie dann feststellen, dass es reicht, einen Helikopter zu bestellen, kauf ich, wissen Sie, etwas läuft schief.“ (Olivia #00:45:10#-#00:45:55#)</p>	<p>“What made me recognising this was the basis for the decisions. In many cases the commercial principles of a proper due diligence have been ignored. Decisions have been made like this. Imagine, if you acquire a real estate asset, you have to carefully look what you are buying. This is not only opening the door and walk in. Technically – look at the property for different things. And if you recognise, it's sufficient to arrange for a helicopter, I buy, you now, there is something wrong.”</p>
<p>“Früher hätte man Zins und Tilgung bedienen müssen, auf einmal musste man nur noch als Covenant IC, also Interest Cover Ratio, früher war es Debt Coverages, wo Zins und Tilgung dabei waren. D.h., die Banken waren sehr euphorisch und komisch kam es mir wie gesagt vor, wenn dann eine Bank sagt, ob ich nicht den Bewerber dazu bekommen kann, dass er einen höheren Wert macht.“ (Sophia #00:25:35#-#00:27:57#)</p>	<p>“In the past you would have had to service interest and repayment obligations, but suddenly you only had to use the covenant IC, i.e. interest cover ratio; in the past it was debt coverages, which included interest and repayment. I.e., the banks were very euphoric and it struck me as said, if then a bank says whether I can't get the evaluator to make it a higher value.”</p>

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„[...] man sich wenig Gedanken gemacht über die Konsequenzen. Und, weil man solche Investments zugelassen hat, die man zugelassen hat, waren die Entscheidungen wahrscheinlich am Ende aus, aus Druckgründen getroffen“ (Olivia #01:00:09#-#01:00:40#)	“[...] little thought about the consequences. And, because such investments were authorised, the decisions were finally made by, under pressure.”
„[...] wir hatten dann Sachen gekauft, die in der Qualität soviel schlechter waren, für einen Preis, der zwar noch sehr günstig ausschaut im Umfeld was sonst bezahlt worden ist, aber weil die Qualität so viel schlechter war, war es dann doch viel teurer, wie wenn ich für teureres Geld, Qualität gekauft hätte.“ (Sophia #00:24:00#-#00:25:27#)	“[...] we have acquired assets, that were much worse in quality, at a price that could be considered favourable in comparison what has been paid elsewhere in the sector, but because the quality was much worse, it was yet much more expensive then acquiring quality at a higher price.”
„[...] die unterschiedlichen Produkte zusammengebastelt und weiterverkauft, was machen die Hedgefonds, was sind die Alternativen. [...] Immobilienwirtschaft einfach isoliert gesehen [...]“ (Olivia #00:47:02#-#00:50:39#)	“[...] the different products were compiled and resold, what are the hedgefonds doing, what are alternatives. [...] real estate economy simply considered isolated [...]”
„[...] in vielen Publikumsfonds viele Institutionen und Investoren drin waren [...] haben da einfach mal die Gelder geparkt. Und die damalige Regulierung erlaubte ihnen, dann das Geld jederzeit relativ kurzfristig wieder zurückzuziehen.“ (Olivia #00:47:02#-#00:50:39#).	“[...] a lot of institutions and investors in several retail funds [...] just have parked their monies there. And the regulation at that point of time did permit that they could request their money back within relatively short notice.”
„[...] losgeschickt worden, Investments weltweit, [...] zu betreiben auf der Basis eines Spreads zwischen den Finanzierungskosten und den tatsächlichen Netto-Anfangsrenditen eines Objektes, ungeachtet dessen, wo es belegen ist, welche Qualität es hatte [...] sondern man war nur auf den Spread aus von rund 250 Basispunkten [...] und führte am Ende dazu, dass der Partner YY losgelassen alles kaufte, was eben halt 7% Rendite abwarf [...]“ (Harry #00:42:37#-#00:45:06#)	“[...] send off, to manager investment worldwide [...] based on a spread of financing costs and the actual net initial yields of the property, regardless of where the property is located, of its quality [...] but the target was just the spread of around 250 basis points [...] which finally led the partner, when released, acquired everything with a yield of more than 7% [...]”

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„[...] jeden Monat ein Closing stattgefunden hat. Jeden Monat kam eine Immobilie dazu. [...] Und jeden Monat eine Immobilie, das ist extrem viel Arbeit und da bleibt extrem viel liegen und so war das.“ (Olivia #01:01:32#-#01:05:14#)	“[...] closing deals every month. Every month another property was added. [...] And every month a further property, that means a lot of work and of stuff remains behind and that’s what happened.”
„Governance war nicht vorhanden [...] Damals war alles so ein bisschen freier.“ (Olivia #01:05:41#-#01:06:55#)	“Governance was non-existent [...] At the time, everything was a bit more loosely.”
„[...] operativ vorbereitend, Prozesse und Maßnahmen eingeleitet, um für möglichst jeden Risikofall schnell agieren zu können“ (Charlie #00:55:26#-#00:56:18#)	“[...] operationally preparatory, imposing processes and measures, in order to being able to every possible risk event”
„[...] reduziert - allein auf ordentliche Dokumentation des Prozesses. [...] absolut zu wenig. Aber das war aus damaliger Sicht war es das Richtige.“ (Olivia #00:58:25#-#00:59:55#)	“[...] reduced – to a proper documentation of the process [...] absolutely not sufficient. But at that point in time it was the right thing.”
„[...] man sich Produkten zuwendet, die besser kalkulierbar sind [...]“ (James #00:47:33#-#00:48:09#)	“[...] to turn to products that are much more predictable [...]”
„[...] es war ein großer Optimismus überall und ich glaube das hat uns blind gemacht“ (Olivia #00:42:53#-#00:43:30#)	“[...] there was great optimism everywhere and I believe this made us blind.“
„[...] auch ein Portfolio total überteuert gekauft“ (Sophia #00:24:00#-#00:25:27#)	“[...] also acquired a portfolio at an exorbitant price.“
„[...] hohen Preise für Immobilien“ (James #00:56:39#-#00:59:14#)	“[...] high prices for real estate.“
„[...] damals nicht die Einzigen waren, die so euphorisch, so [...] ungezügelt in den Markt gestartet sind“ (Harry #00:42:37#-#00:45:06#)	“[...] not the only ones who were very euphoric, at that time, so [...] unbridled in the market.”
„[...] selbst überschätzend und nur auf Expansion ausgelegt“ (Harry #00:40:06#-#00:40:26)	“[...] overestimating oneself and only seeking for expansion.”

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„Übertreibung, Augen schließen, Vergessen von Erfahrungen aus der Vergangenheit, Nichtbeachtung von Zyklen.“ (Charlie #00:40:14#-#00:40:43#)	“Exaggeration, closing the eyes, forgetting past experiences, non-observance of cycles.”
„[...] es war ein großer Optimismus überall und ich glaube das hat uns blind gemacht“ (Olivia #00:42:53#-#00:43:30#)	“[...] there was great optimism everywhere and I believe this made us blind.”
„[...] ein Portfolio total überteuert gekauft“ (Sophia #00:24:00#-#00:25:27#)	“[...] acquire a portfolio at an exorbitant price.”
„[...] damals nicht die Einzigen waren, die so euphorisch, so [...] ungezügelt in den Markt gestartet sind.“ (Harry #00:42:37#-#00:45:06#)	“[...] not the only ones who were very euphoric, at that time, so [...] unbridled in the market.”
„[...] selbst überschätzend und nur auf Expansion ausgelegt“ (Harry #00:40:06#-#00:40:26#)	“[...] overestimating oneself and only seeking for expansion”
„[...] Übertreibung, Augen schließen, Vergessen von Erfahrungen aus der Vergangenheit, Nichtbeachtung von Zyklen [...]“ (Charlie #00:40:14#-#00:40:43#)	“[...] exaggeration, closing the eyes, forgetting past experiences, non-observance of cycles [...]”
„[...] die Entscheidungen waren nicht rational - basierten nicht auf einer rationalen Analyse, sondern waren aus einem Druck getroffen. Investieren, schnell machen, schnell Geld platzieren ohne nachzudenken.“ (Olivia #01:00:50#-#01:01:25#)	“[...] no rational decisions – not based on a rational analysis, but made under pressure. Investing, being fast, placing money quickly without thinking.”
„[...] mit dieser doch naiven Herangehensweise gescheitert, weil sie sich dem ausländischen Markt nicht richtig angepasst haben, oder eben halt ihre internen Erfahrungen [...] den ausländischen Märkten übergestülpt haben. Und daran sind eben halt viele gescheitert.“ (Harry #00:38:21#-#00:39:56#)	“[...] failed with such a naive approach, because they did not adjust to the foreign market, or placed their internal experiences [...] onto the foreign market. And this is why many failed.”
„[...] habe ich alles getan, habe ich alles gesehen, habe ich die Risiken alle entdeckt.“ (Olivia #01:00:50#-#01:01:25#)	“[...] did I do everything, did I see everything, did I uncover all risks.”

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„[...] alles nicht mehr gesund [...] gehofft, dass es den nächsten trifft, dass es ein Jahr später ist“ (Sophia #00:34:01#-#00:35:18#)	“[...] no longer healthy [...] hoping that it hits the others, that it comes a year later”
„[...] dass es zu einem totalen Crash kommt.“ (Charlie #00:47:05#-#00:48:53#)	“[...] that it comes to a total crash.”
„[...] Gefühl, ich würde eigentlich mehr verkaufen wollen [...], den Kunden das Geld zurückgeben, warten bis der Markt unten [...] und dann können wir wieder neu kaufen.“ (James #00:37:22#-#00:39:17#)	“[...] feeling, I would like to sell more [...], to reward the money back to the clients, waiting until the market is down [...] and then we can start to acquire again.”
„[...] sie spüren die Entscheidung ist nicht richtig. Oder vielleicht ist die Entscheidung auch richtig, aber wie ich zu der Entscheidung komme, ist nicht richtig. Und wenn ihnen dann dieser Prozess fehlt, die Schritte fehlen, dann ist ganz klar, da läuft was schief.“ (Olivia #00:46:11#-#00:46:43#)	“[...] you feel the decision is not right. Or, may be the decision is right, but how I derived there is not correct. And then, if you don't know the process, the steps, it becomes clear, there is something wrong.”
„[...] dass irgendwann mal keine Musik mehr in dem Markt gewesen ist, also keine Ideen mehr für Wertsteigerung und damit ist irgendwann die Blase geplatzt.“ (Jake #00:35:30#-#00:37:23#)	“[...] at a time where there was no more leeway in the market, say, no more ideas to add value and this is why the bubble burst some day.”
“[...] einer gewissen Unangreifbarkeits-illusion [...]“ (James #00:37:22#-#00:39:17#)	“[...] a certain illusion of unassailability [...]“
„[...] alles ist relativ im grünen Bereich.“ (Olivia #00:42:53#-#00:43:30#)	“[...] everything is more or less in the green area.“
„[...] riesige Portfolien im [...] Immobilienmarkt zu sehen [...] und [...] dass die Größenordnung wichtiger war, als die Immobilie.“ (Charlie #00:41:10#-#00:41:39#)	“[...] huge portfolios could be seen in [...] the real estate market [...] and [...] the size was much more important than the asset.”
„[...] eine gute analytische Grundlage liefern konnten, für das, was da passiert und was da passieren kann.“ (George #00:29:08#-#00:29:51#)	“[...] delivering an appropriate analytical basis, for what happens or may happen.”

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„[...] ein größeres Bild auch gewinnen zu können.“ (Jake #01:00:32#-#01:01:06#)	“[...] to also get a better picture.”
„[...] mit den Konsequenzen auseinandergesetzt [...]“ (Jake #01:03:43#-#01:04:14#)	“[...] consider the consequences [...]“
„[...] Zusammenrücken innerhalb des Geschäftsführungsbereiches [...] Muttergesellschaft natürlich an einem Strang gezogen.“ (Charlie #01:03:32#-#01:04:14#)	“[...] moving closer within the management division [...] parent company has actually pulled in the same direction.”
„[...] Vertrauen zu schaffen [...]“ (Charlie #00:59:36#-#01:00:54#)	“[...] creating trust [...]“
„[...] die Strategie operativ und langfristig nachhaltig entsprechend umzusetzen.“ (Charlie #00:59:00#-#00:59:28#),	“[...] to implementing the strategy over the long-term and sustainably.”
“[...] die Sensibilität für die Risikomanagementparameter, die zu Grunde gelegt wurden, dass die noch mal verschärft, beziehungsweise gesteigert werden konnten.“ (Jake #01:01:18#-#01:01:28#)	“[...] the sensitivity for the underlying risk management parameters which could be further strengthened or enhanced.”
„[...] Restrukturierungen von Darlehen bei Entwicklungen von Exit-Strategien.“ (Allen #00:07:26#-#00:07:54#)	“[...] restructuring of debt financing when developing of exit strategies.“
„[...] eine oder andere Richtung geschärft worden.“ (Allen #00:11:29#-#00:11:42#)	“[...] sharpened in one direction or the other.“
„[...] kompletten Investitionsstopp, also Stillstand.“ (Olivia #01:01:32#-#01:05:14#)	“[...] full stop of investments, i.e. standstill.“
„Es war auf der Käufer- wie [...] auf der Verkäuferseite, es war Stillstand.“ (Jake #00:42:16#-#00:43:15#)	“On the acquirer – as well as [...] on the sell side, it was a standstill.”
„[...] innerhalb kurzer Zeit einen Kapitalabfluss in den offenen Immobilienpublikumsfonds von 1,3 Mrd. verkraften [...]“ (Charlie, #00:47:05#-#00:48:53#)	“[...] within short-term suffered a cash outflow of 1.3 bn in the open-ended real estate retail funds [...]”

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„[...] indem einfach auf Bankenseite [...] keine Investitionsbereitschaft mehr bestanden hat, indem Eigenkapitalverfügbarkeiten eingeschränkt waren und einfach keine Investitionsbereitschaft mehr bestand.“ (Scarlett #00:21:47#-#00:22:13#)	“[...] so that there was no more willingness to invest [...] on the bank side, while limiting availability of equity and actually there was simply no more propensity to invest.”
„[...] ein sehr rabiates Vorgehen [...]“ (Harry #00:48:38#-#00:49:21#)	“[...] a very rough behaviour [...]”
„[...] diese Panikmache [...] dazu geführt, dass Leute zum Teil entweder gar keine Entscheidungen mehr getroffen haben, oder irrational aus bestimmten Sichtweisen irrationale Entscheidungen getroffen haben. Vielleicht sogar die irrationale Entscheidung, ich investiere gar nicht mehr in Immobilien. [...] es jetzt gerade mal 10 Jahre her, dass sich der Markt eigentlich wieder komplett erholt hat.“ (Jake #00:39:58#-#00:41:55#)	“[...] such scaremongering [...] led people to either not make any decision any longer or irrationally from specific perspectives made irrational decisions. Potentially also the irrational decision, I do not invest in real estate any more. [...] it is only 10 years ago, that the market has more or less recovered completely.“
„[...] kompletten Zusammenbruch des Neugeschäfts für 2 Jahre erlebt.“ (Sophia #00:32:46#-#00:33:48#)	“[...] experienced a complete breakdown of the new business for 2 years.”
„[...] was das überhaupt für uns bedeutet“ (George #00:28:16#-#00:29:05#)	“[...] what this actually means for us.“
„[...] gewisse Routine [...] in der Mannschaft [...] mit einer gewissen Konstanz [...] positioniert ist und nicht sofort auf jede [...] Thematik panisch reagiert, sondern erst mal guckt, was passiert“ (George #00:35:00#-#00:35:45#)	“[...] kind of routine [...] in the team [...] with a certain consistency [...] positioned and not immediately [...] reacting in panic to any topic, but first observes what happens.”
„[...] natürlich immer ein bisschen anders bewegt und natürlich auch viel träger.“ (George #00:29:08#-#00:29:51#)	“[...] actually moved always a bit different and also more sluggish.”
„[...] in solchen Krisensituationen nur als Mannschaft es schafft, da durchzukommen [...] das Zusammenrücken der Mitarbeiter des gesamten Unternehmens in der Phase.“ (Charlie #01:05:35#-#01:06:29#)	“[...] can only make it through as a team, during such crisis situation [...] moving together of all employees of the company during this phase.”

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„[...] relativ gut aufgestellt [...] bei den bestehenden Personen mehr Potenzial.“ (Jake #00:56:42#-#00:57:02#)	“[...] relatively good positioned [...] potential of the existing employees.”
„[...] veränderte Erfordernisse anzupassen.“ (Scarlett #00:39:04#-#00:39:23#)	“[...] adjust to changed requirements.”
„[...] wo sich die Kollegen eben Gedanken machen, in welche Richtung kann man investieren und wie werden Märkte halbjährlich eingeschätzt.“ (George #00:33:36#-#00:34:47#)	“[...] while colleagues well thought about, in which direction investments can be made and how markets can be evaluated on a half-yearly basis.”
„[...] so viele Immobilien schon habe, also eine kritische Größe erreicht habe, und das keine Bank den Stecker zieht [...]“ (Sophia #00:36:42#-#00:37:12#)	“[...] already hold so many assets, say a critical volume is reached, and no bank would ever pull the plug [...]”
„[...] die entsprechenden Risikomanagement-Tools noch nicht in der Form vorhanden waren.“ (Harry #00:49:21#-#00:50:10#)	“[...] the respective risk management tools were not yet available in that configuration.”
“[...] Handlungsalternativen aufgrund des strategischen, des gesamtstrategischen Ansatzes gab es da nicht mehr.“ (Harry #00:55:26#-#00:56:20#)	„[...] there were no more action alternatives due to the strategic, overall strategic approach.”
„[...] sehr tiefgreifende Anpassungen [...]“ (William #00:45:29#-#00:45:47#)	“[...] very profound adjustments [...]”
„[...] ein bisschen vielschichtiger aufzustellen [...]“ (George #00:33:36#-#00:34:47#)	“[...] a bit more multi-layered positioning [...]”
„[...] eine Indikation dafür geben zu können, ob eine mögliche Krise bevorstehen könnte, oder nicht“. (Jake #00:45:58#-#00:47:35#).	“[...] providing an indication if a potential crisis is coming up or not.”
„[...] aus Panik ihr Geld zu verlieren [...]“ (Jake #00:43:28#-#00:45:44#)	“[...] in panic about loosing their money [...]”

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<p>“[...] keine einzige Immobilie, die wegen der Sub-Prime Krise [...] auf einmal verschwunden wäre. [...] dieses irrationale Verhalten [...] Das hat im Endeffekt dazu geführt, dass diese diese Krise noch viel verstärkter wahrgenommen wurde. Weil dann gab es tatsächlich Notverkäufe. Notverkäufe hätte es eigentlich nicht geben müssen. Aber dadurch, dass jeder sein Geld wiederhaben wollte, gab es eben Notverkäufe, die das Ganze noch verstärkt haben.“ (Jake #00:43:18#-#00:45:44#)</p>	<p>“[...] no single asset that [...] disappeared in due to the subprime crisis [...] such irrational behaviour [...] This finally led to [...] perceiving the crisis even stronger. [...] Because then there actually were distressed sales. Distressed sales would not have been necessary. But because everybody wanted to get his money back, this resulted in distressed sales that strengthened the whole thing even more.”</p>
<p>„[...] aus einem Mix von Bauchgefühl und Erfahrung [...]“ (Jake #00:58:00#-#00:58:46#)</p>	<p>“[...] out of a mixture of gut feelings and experience [...]”</p>
<p>„[...] sehr ungutes Gefühl, wenn Ihr Geschäftsmodell in sich zusammenfällt, und es fiel zusammen.“ (Sophia #00:32:46#-#00:33:48#)</p>	<p>“[...] a very bad feeling, if your business model coincides, and it did.”</p>
<p>“Keiner wusste wohin es geht, keiner, es war eine irre Unsicherheit am Markt [...]“ (Jake #00:39:58#-#00:41:55#)</p>	<p>“Nobody knew what is going to happen, nobody, there was a crazy uncertainty in the market [...]”</p>
<p>„[...] mit Unsicherheit verbunden, weil man ja nicht weiß, ob das ein permanentes oder ein vorübergehendes Thema ist. [...] eher ein tiefgreifender Trend ist und nicht nur ein vorübergehendes Problem ist, weil es dann am Ende eine makroökonomische Anpassung ist, das realisiert man hier natürlich nicht sofort [...] Das ist hier ganz schwer, weil es ja auch eine Art Paradigmenwechsel ist“ (William #00:43:03#-#00:44:39#)</p>	<p>“[...] associated with uncertainty, because you don't know, if this is a permanent or temporary issue. [...] more a profound trend and not a temporary problem, because at the end it is a macroeconomic adjustment, which you actually do not recognise immediately [...] This is a bit difficult here because it is also a kind of paradigm shift.”</p>

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„[...] es ist ja am Ende alles eine, eine, eine Bewertung, eine Einschätzung der Entwicklung der Zukunft. Man kann nie mit absoluter Sicherheit sagen, ob man damit richtigliegt. Gerade wenn es makroökonomisch beeinflusste Veränderungen sind, aber letztendlich muss man ja in irgendeiner Art und Weise handeln.“ (Scarlett #00:34:47#-#00:35:19#)	“[...] at the end it is a, a, an assessment, an evaluation of the future developments. You can never say with absolute certainty if you are right here. Especially if it relates to macroeconomically influenced changes, but finally you have to act in any manner.”
„[...] wenn es heißt, irgendetwas ist geplatzt“. (Jake #00:43:18#-#00:45:44#)	“[...] when it is said, something burst.”
„[...] vieles aus der damaligen Situation heraus [...] entstanden, weil Panik mit eine Rolle gespielt hat.“ (Jake #00:48:59#-#00:50:03#)	“[...] a lot emerged out of the situation, because panic also played a role.”
„[...] überrascht, angespannt und motiviert.“ (Jake #00:50:17#-#00:50:24#)	“[...] surprised, tense, motivated [...]“
„[...] sehr beansprucht, schlecht schlafend und gereizt.“ (Allen #00:08:00#-#00:08:09#)	“[...] stressed, bad night sleep and testy.”
„[...] misslichen Lage [...] das Beste noch heraus zu holen [...] nach vorne zu schauen.“ (Jake #00:50:24#-#00:51:15#)	“[...] make the best out of the unfortunate situation [...] move forward.”
“[...] eine der beunruhigendsten Sachen war, dass die Verzweiflung, gute Objekte in Bestlagen zu finden, so groß war, dass man für periphere Objekte, wo überhaupt was zu bekommen, fast das selbe gezahlt hat. Also die, das, der Prime Faktor gegenüber Peripheren, sank immer mehr zusammen.“ (James #00:40:44#-#00:41:13#)	“[...] one of the most alarming things was that the desperation about finding good assets in prime locations was that big, that you had to pay more or less the same for peripheral properties, if you got them. Meaning, the, the prime factor versus periphery collapsed more and more.”

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<p>“[...] Und als man dann sah, welche Objekte gekauft worden sind, in der Erkenntnis des europäischen Marktes, dann ist es einem dort schon sofort aufgefallen. Und ich habe damals eben halt schon mitbegleitet, da die, die Stellschrauben deutlich anzuziehen. Ja und dann mit dem Ergebnis einem Recht gegeben, weil eben der größte Teil des Portfolios komplett abgeschrieben werden musste [...] (Harry #00:45:26#-#00:46:15#)</p>	<p>“[...] and once it was recognised which assets were acquired, aware of the European market, then it becomes immediately apparent. And, at that time, I was already involved, to, to tighten the set screws significantly. Well, with the result to agree with this, because the major part of the portfolio had to be written off.”</p>
<p>“[...] das ist pur die Zahlen, die wir, die wir dann eben dort gesehen haben im Immobilienbereich. Also Größenordnungen, Voluminas und, und Rendite, Renditeentwicklung in Verbindung mit schwächer werdenden wirtschaftlichen Entwicklungen [...]“ (Charlie #00:42:07#-#00:42:27#)</p>	<p>“[...] that`s purely figures, which we that we then saw in the real estate sector. Meaning, sizes, volumes and, and yields, return developments in connection with weakened economic developments [...]”</p>
<p>„Das hat man im direkten Kontakt mit den entsprechenden Playern am Markt wahrgenommen, indem einfach auf Bankenseite bestimmte, in bestimmten Ländern keine Investitionsbereitschaft mehr bestanden hat, indem Eigenkapitalverfügbarkeiten eingeschränkt waren und einfach keine Investitionsbereitschaft mehr bestand.“ (Scarlett #00:21:47#-#00:22:13#)</p>	<p>“This has been perceived in direct contact with the respective market players, because on the bank side there were specific, specific countries did not want to invest any more, while equity availability was limited and generally the willingness to invest no longer existed.”</p>
<p>“Aber, ich glaube nicht, dass wir uns im Vorfeld darüber Gedanken gemacht, gemacht haben, dass es zu einem totalen Crash kommt. Dass die Kreditvergabe komplett eingestellt wird beispielsweise. Oder dass es keine Marktteilnehmer gab, die überhaupt Immobilien nachgefragt haben und gleichzeitig, und gleichzeitig eben das Kapital dann auch entsprechend abgezogen wurde, in dem, in dem großen Ausmaß.” (Charlie #00:47:05#-#00:48:53#)</p>	<p>“But, I do not believe, that we have placed any thoughts in the run-up that it comes to a total crash. That the lending was fully abandoned for example. Or that there were not any market participants asking for real estate any more while at the same time, at the same time actually withdrew the money, in, in that great extent.”</p>

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„Es wurde auf einmal, nun gut, jetzt komme ich natürlich aus dem Immobilienbereich heraus, es wurde auf einmal die Immobilie ignoriert. Keiner wollte mehr die Immobilie. Jeder hat gedacht, „Oh je, da kaufe ich mir ja Risiken ein“ (Jake #00:37:43#-#00:39:41#)	“Suddenly, well, I am coming from the real estate sector, but suddenly real estate was ignored. Nobody was interested in real estate any more. Everybody thought ‘Goodness, here I do acquire risks’.”
“[...] das waren diese Refinanzierungsbemühungen. Es war damals üblich, dass man ein bestehendes Portfolio refinanziert, Eigenkapital rauszieht, quasi die Risikoposition der Bank erhöht und die eigene reduziert. Immer vor dem Hintergrund, dass wenn was passiert, der Banker in gewisser Weise abhängig ist von seinem Kunden und sagt ‚Was machen wir denn jetzt?‘. Und da haben auch viele Kunden lernen müssen, weil die Bank nämlich dann Pleite gegangen ist. Wir hatten die ABN Amro, die Royal Bank of Scotland, die Euro Hypo und die Hypo Real Estate. Alle weg. Weil die Bank Pleite gegangen ist.” (Sophia #00:29:43#-#00:31:16#)	“[...] there were these refinancing efforts. At that time, it was customary to refinancing existing portfolios, withdrawing equity, let’s say, increasing the risk position of the bank while lowering the own one. Always against the background, if something happen, the bank is then to some extent dependent on the client and says ‘what shall we do now?’ At this, many customers had to learn, because the bank had to file bankruptcy. We had ABN Amro, Royal Bank of Scotland, Euro Hypo and Hypo Real Estate. All gone. Because the bank went bankrupt.”
„[...] Güte und Qualität der Immobilienprodukte.“ (James #00:36:22#-#00:36:37#)	“[...] quality of the real estate products.“
„[...] exorbitant zu hoch waren in einer Relation zum Kaufpreis.“ (Jake, #00:35:30#-#00:37:23#)	“[...] exorbitantly high in relation to the purchase price.“
„[...] euphorische Umgebung [...] mit dem Gefühl: Alles ist möglich [...] diffuses Gefühl. [...]“ (Sophia #00:24:00#-#00:25:27#)	“[...] euphoric environment [...] with the feeling: everything is possible [...] diffuse feeling [...]“
„[...] aktiv von Banken angesprochen worden ist [...] ob man was refinanzieren kann. [...] das passt nicht mehr“ (Sophia #00:31:33#-#00:31:55#)	“[...] actively contacted by the banks [...] to refinance [...] that does not fit any more.”
„[...] aktives Ausgliedern von Risiken vom Kunden zur Bank“ (Sophia #00:28:08#-#00:28:48#)	“[...] actively pushing risks from the client to the banks.”

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„[...] dass die Banken [...] viel (Liquidität) [...] auch leicht zur Verfügung stellen.“ (Sophia #00:25:35#-#00:27:57#)	“[...] that the banks provide [...] a lot of, and also do so easily.”
„[...] alles gekauft, was eben halt 7% Rendite abwarf, weil es eben halt im Unterschied zu den damals vorhandenen Finanzierungszinsen eben den, den besagten Spread abwarf.“ (Harry #00:42:37#-#00:45:06#)	“[...] just acquired everything that brought a return of 7%, because compared to the debt interest rate at that point of time, you could get the so-called spread.”
„[...] ad hoc-Reaktion wichtiger war als ordentliche prozessbezogene Arbeit.“ (Olivia #01:00:50#-#01:01:25#)	“[...] ad-hoc reactions were much more important than diligent process-oriented work.”
„[...] kritischer bei Ankäufen zu sein.“ (Sophia #00:39:23#-#00:39:30#)	“[...] being more critical in acquisitions.”
„Diskussion innerhalb der Geschäftsführung [...] im Vorfeld darüber schon Gedanken zu machen, wie wir darauf reagieren, wenn der Zyklus eben nach unten geht“ (Charlie #00:47:05#-#00:48:53#)	“Discussions with the management board [...] considering in the run-up what to do if the cycle goes down.”
„[...] ganz normale Zeitungen [...]“ (Sophia #00:37:52#-#00:38:01#)	“[...] usual newspapers [...]”
„Eigentlich war für uns dieses Thema vorher, muss man ehrlich sagen, kaum spürbar. Also ich wüsste nicht das irgendjemand hier im Hause der Meinung war, dass da eine handfeste Krise aufzieht, also das glaube ich nicht, daran erinnere ich mich zumindest nicht mehr.“ (George #00:24:11#-#00:24:42#)	“Honestly, the topic was not perceptible in the run-up. Well, I don’t know anybody here who was of the opinion, that a substantial crisis is emerging, I don’t believe that, I even don’t remember that.”

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<p>„[...] natürlich auch in gewisser Hinsicht beunruhigt. [...] sehr sicher und auch zu sicher gefühlt, dadurch, dass die Immobilie ein Spätzykler ist. [...] Also, richtig wäre natürlich im Nachhinein gewesen ich wollte zu dem Zeitpunkt vielmehr Immobilien verkaufen, als das Management, das höher Management und die Kunden wollten. [...] Mit Gewinnmitnahme ist noch keiner arm geworden, alte Bauernregel.“ (James #00:37:22#-#00:39:17#)</p>	<p>“[...] also worried to some extent. [...] felt very secure and also too certain, because, the real estate is a late bloomer. [...] So, in retrospect, it would have been right, I wanted to sell more assets during that time than the management, the higher management and the clients. [...] Through profit taking no one ever became poor, old folk saying.”</p>
<p>„[...] die richtige Strategie gewesen, entweder gar nichts zu kaufen und auszuharren, oder richtig teuer, also aber die Qualität nicht weg zu tun, sondern weiter die teuren Immobilien zu kaufen.“ (Sophia #00:24:00#-#00:25:27#)</p>	<p>“[...] the right strategy to either not acquire anything, and hold out, or very expensive, but not to fade away the quality, rather than further acquire the expensive assets.“</p>
<p>„Ich glaube, dass wir sehr viel falsch gemacht haben über Ratings. Und dieses Zusammenwürfeln von Risiken und dann “raten” lassen, von jemandem der keine Ahnung von Immobilien hat, manche Sachen kann man nicht “raten”, war ein ganz großer Fehler.“ (Sophia #00:44:56#-#00:46:44#)</p>	<p>“I think, we have done a lot of things wrong due to ratings. And such throwing together of risks and then let someone ‘guess’ who did not have any knowledge about real estate, some things one cannot guess, this was a big mistake.“</p>
<p>„[...] man nicht kaufen darf, was man nicht kennt. [...] Man sollte sich wirklich dann analysieren, was ist das eigentlich, was man da kauft und versuchen über die Schwächen eines Produktes, das man einnimmt für bestimmte Zwecke auch klar zu sein. Und, ich glaube, das war eine der Schwachstellen, gerade dort, dass man Produkte gewählt hat, bei denen man nicht ganz alle Facetten verstanden hat.“ (William #00:41:00#-#00:41:48#)</p>	<p>“[...] you should not acquire what you don’t know. [...] One should really analyse, what is it what you want to acquire and trying to be clear about the weaknesses of the asset that one accepts. And I believe that was one of the weak points, especially when products were chosen where you did not understand all facets.“</p>
<p>„[...] die Gier der Banken, nach zusätzlichen Einnahmequellen komplett unterschätzt.“ (Jake #00:29:17#-#00:31:12#)</p>	<p>“[...] totally underestimated the greed of the banks for additional sources of income.“</p>

Significant Statement from Transcripts (Original)	Significant Statement from Transcripts (Convenience Translation)
<p>“Man sendet Signale [...] aber man ist nicht penetrant, man ist nicht so klar. Und man wird auch dann als wackelig wahrgenommen“ (Olivia #00:51:30#-#00:53:03#)</p>	<p>“You send signals [...] but you are not obtrusive, you are not so clear. And then you are perceived as unstable.“</p>
<p>„Und daran haben wir das im Endeffekt gemerkt, dass eigentlich [...] eine durchweg laufende Maschinerie, im Prinzip abrupt gestoppt wurde.“ (Jake #00:42:16#-#00:43:15#)</p>	<p>“And this was where we finally recognised it, that actually [...] an ongoing machinery, was principally abruptly stopped.”</p>
<p>„[...] Preisrückgang und Wertrückgang der Assets.“(Allen #00:06:34#-#00:07:08#)</p>	<p>“[...] price decline and depreciation of the assets.“</p>
<p>„Naja, also das war das Gegenteil von „Ich kann das wahrnehmen und beherrschen“, sondern es war ja dann eigentlich ein, ein Gefühl von etwas unerwartet von Links getroffen zu werden, etwas womit man nicht gerechnet hat das ein Modell nicht vorhergesehen hatte.“ (William #00:38:10#-#00:38:26#)</p>	<p>“Well, it was the opposite of ‘I can perceive it and control it’, it was more actually a, a feeling of being hit by something surprisingly, from the left hand side, something that you did not expect, that a model did not foresee.”</p>
<p>„[...] einfach Kapitalverfügbarkeiten eingeschränkt wurden, obwohl in der Bewertung und Beurteilung der Objekte, der Rentabilität, der Risikoprofile der Objekte, keine Begründung zu finden war. Und, das hat unser Geschäft in dem Aspekt eingeschränkt und hat aufgrund mangelnder Kapitalverfügbarkeit zu einem gewissen Expansionstop geführt“ (Scarlett #00:20:01#-#00:21:33#)</p>	<p>“[...] simply limited capital availability, even though the appraisal and evaluation of the assets, the profitability, risk profiles of the assets, did not provide for any explanation on this. And this has restricted our business insofar that the limited availability of capital led to a certain expansion stop.“</p>

Significant Statement from Transcripts (Original)	Significant Statement from Transcripts (Convenience Translation)
„[...] fehlender Liquiditätsbereitstellung mit zurückgehendem Leverageumfang auch die Zinskosten stiegen und bei damit einhergehenden Preisrückgang und Wertrückgang der Assets letztlich eine problematische Situation in Bezug auf die Kreditsituation ausgelöst wurde“ (Allen #00:06:34#-#00:07:08#)	“[...] a lack of liquidity together with a decrease in leverage also accompanied by an increase in interest costs, together with lower prices and decreasing values of the assets finally triggered a problematic situation with regard to the loan situation.“
“[...] erst mal eine lange Zeit, [...] wenig in die USA investiert [...] als fast direkte Folge“ (George #00:32:16#-#00:33:07#)	“[...] initially a long time [...] only few investments in the USA [...] as a more or less direct consequence.“
„[...] Abverkaufs von Portfolien oder das Abwickeln von Geschäftsbereichen so spricht strategischen Beteiligungen die wir eingegangen haben, die dann verkauft worden sind, weil sie nicht mehr zum, zum Core-Geschäft des, des Unternehmens gehörten.“ (Harry #00:52:43#-#00:53:06#)	“[...] sale of portfolios or liquidation of divisions, so to say strategic participations that we were involved in, which we sold off because they did not fit to the core competencies of the organisation any longer.“
„Bei manchen Objekten hat man nachträglich sich die Arbeit gemacht und analysiert, was habe ich hier überhaupt gekauft. [...] große Debatten und Diskussionen mit den Gutachtern, inwiefern die Werte noch stimmen, inwiefern die Werte erreichbar sind. Finanzierungen komplett sich angeschaut, wo stehe ich mit all meinen Finanzierungen. Bin ich überhaupt in der Lage zu liefern.“ (Olivia #01:01:32#-#01:05:14#)	“For some assets, we have analysed afterwards what we actually acquired [...] big debates and discussions with appraisers if the values are still correct, and if the values are achievable. Financing agreement reviewed in full, where am I standing with regard to my debt. Am I able to deliver in any case.“
„[...] die Bewertungsform und Herangehensweisen [...] neu aufgesetzt [...]“ (Harry #00:54:52#-#00:55:16#)	“[...] the type of appraisal and approaches [...] newly established [...]“
„[...] mehr Augenmerk daraufgelegt, [...] wie das Investitionsverhalten halt der Asset Manager dann nochmal nachgehalten wird. Also gehen die nach wie vor in, in kritische Lagen, gehen die Risiken ein, wie gehen sie mit Risiken um wenn sie das eingehen.“ (Jake #00:55:53#-#00:56:34#)	“[...] refocused on [...] how the investment behaviour of the asset managers is monitored. Meaning, do they still look for critical locations, do they take risks, how do they handle risks if they take them.“

Significant Statement from Transcripts (Original)	Significant Statement from Transcripts (Convenience Translation)
„[...] eine Anpassung von Hedging-Möglichkeiten [...] die Hedging-Strategien dann neu angepasst.“ (William, #00:42:03# - #00:42:41#)	“[...] adjustments in the hedging alternatives [...] newly customised hedging strategies.”
„[...] Restrukturierungen von Darlehen [...] in einer für die Bank, als auch den Eigenkapitalinvestor auskömmlichen Weise.“ (Allen #00:07:26#-#00:07:54#)	“[...] restructuring of loans [...] in an adequate way that is acceptable for the bank and the equity investor.”
„[...] eine Refokussierung auf das jeweilige heimische Core-Business. Ein komplettes Herausdrehen der nicht Core, also der damals definierten Core-Investments und die Bereinigung des Balance Sheets, einschließlich einer Bereinigung der damit verbundenen Fremdfinanzierungen.“ (Harry #00:47:36#-#00:48:32#)	“[...] a refocus to the domestic core business. A full disposal of the non-core assets, meaning the ones previously defined as core investments and optimisation of the balance sheet, including the according third party debt positions.”
„[...] weil sie nicht mehr zum, zum Core-Geschäft des, des Unternehmens gehörten.“ (Harry #00:52:43#-#00:53:06#)	“[...] because they did not any longer belong to the core business of the organisation.”
„[...] aus der Erfahrung heraus jetzt von Geschäftsfeldern Abstand genommen, aus der Erfahrung des Risikos, dass sich entwickelt hat.“ (Harry #00:57:24#-#00:58:18#)	“[...] from experience, stepped back from business divisions, from the risk experience, that developed.”
„[...] die Risikosysteme in der Mittelfristigkeit einfach noch deutlich weiter ausgeweitet und versucht dort, sozusagen, ein bisschen weiter noch solche Themen auch vorher einschätzen zu können.“ (George #00:32:16#-#00:33:07#)	“[...] significantly enhanced the risk systems in the medium-term, and tried to, let`s say, to assess such topics also beforehand.”

Significant Statement from Transcripts (Original)	Significant Statement from Transcripts (Convenience Translation)
<p>„Was sich verändert hat, ist der Umgang damit. Die Interpretation damit. Man kann mit Sicherheit noch weitere Kennzahlen oder wird mit Sicherheit noch weitere Kennzahlen mit einfließen lassen müssen. Am liebsten dynamische, weil statische haben wir genug. Aber die Interpretation, was mache ich daraus, das ist das, was sich tatsächlich verändert hat. Dass man ein Bewusstsein geschaffen hat, wenn das und das Szenario eintritt, gehe ich so und so damit um.“ (Jake #00:47:43#-#00:48:18#)</p>	<p>“What has changed is the handling. The interpretation of it. Surely, you may add further key figures or for certain have to include additional key figures. Preferably dynamic ones, because we have enough static ones. But the interpretation, what about this, this is what really changed, that there is an awareness of how to manage the situation if either scenario occurs.”</p>
<p>„Die Struktur, der Aufbau und so wie wir das betreiben, nicht. Lediglich, sage ich mal, die Fokussierung und die Auswahl der Risiken, unterliegt durchaus Veränderungen.“ (Scarlett #00:36:20#-#00:36:33#)</p>	<p>“The composition, the structure and how we operate, not. Only, let’s say, the focus and choice of risks is subject to changes.”</p>
<p>„[...] jetzt gute Leute eingestellt [...]“ (Olivia #01:11:45#-#01:12:09#)</p>	<p>“[...] now hired talented people [...]“</p>
<p>„[...] neue Risikobereiche in [...] die Gesamtbetrachtung mit aufgenommen worden.“ (Harry #00:57:24#-#00:58:18#)</p>	<p>“[...] new areas of risk [...] included in the overall view.“</p>
<p>„[...] wir haben es dahingehend geändert, dass wir deutlich mehr Risiken bei unseren ‘Risikoarten’ genannt, mit aufgenommen haben, die wir dann beobachten. Also auch die, also ein Beispiel war nicht, wie wir das Zinsänderungsrisiko betrachten, eine Frage war:., Wie, wie beurteilen wir die Verfügbarkeit der Immobilien, wie beurteilen wir aktuell die Durchführbarkeit der Investment-Richtlinie in den einzelnen Fonds.“ Das waren alles Dinge, die vorher nicht drin waren, weil wir vielmehr fokussiert haben auf „Erreichten wir die Managementgebühren, die wir für das Jahr prognostiziert haben.“ (James #00:50:03#-#00:50:49#)</p>	<p>“[...] we have changed it with regard to a significantly higher number of risks included in our ‘types of risk’, that we monitor. So, also, an example is not, how we monitor the interest-change risk, a question was how we assess the availability of real estate assets, how do we evaluate the implementation of the investment guideline in the individual funds. All of these were aspects which were not covered before, because we were much more focussed on if we achieve the volume of management fees that we had forecasted for that year.“</p>

Significant Statement from Transcripts (Original)	Significant Statement from Transcripts (Convenience Translation)
„[...] bestimmte, vorher vielleicht nicht so stark gesehene Risiken doch sehr stark in den Vordergrund gerückt“ (Allen #00:11:13#-#00:11:24#)	“[...] particular risks have moved to the foreground even though previously not considered that strong.”
“ [...] war wenig Zeit zu überlegen.“ (William #00:38:42#-#00:39:08#)	“[...] there was little time to think about.”
„Also das war, das musste schnell gehen, das waren keine langen Berichte und langsame Entwicklung, sondern es war eine relativ schnelle Entwicklung“ (William #00:46:48#-#00:46:58#)	“Actually, this was, it had to move quickly, there were no long reports or slow developments, but it was a relatively fast development.”
“[...] umfassende operative Inanspruchnahme, blieb eigentlich wenig Zeit um strategisch in der Unternehmensorganisation was zu ändern, das ist dann, ich sag mal, im Nachlauf irgendwo geschehen“ (Allen #00:10:06#-#00:10:23#)	“[...] comprehensive operative utilisation, little time remaining to strategically change something in the organisation, that happened that, let`s say, in retrospective.“
„Aber dadurch, dass man sich ausgetauscht hat, hat man relativ rundes Bild gehabt.“ (Jake #01:02:09#-#01:02:54#)	“But because we have had the exchange there existed a well-rounded picture.”
„[...] alle Know-how-Inhaber hier in einer richtigen Runde um einen Tisch zu bekommen oder in der richtigen Runde.“ (Allen #00:12:46#-#00:13:25#)	“[...] to get all knowledge carriers in the right compilation around the table or in the right compilation.“
„[...] die in den entsprechenden Bereichen aktiv und verantwortlich sind [...] und dann wird das natürlich auch besprochen bei uns im Kreis der Geschäftsführung und natürlich auch mit unseren weiteren Gremien im Beirat, so dass wir dann, in dem Falle dort, auch sehr intensiv mit diesen Risikofaktoren und daraus resultierenden Reaktionsmöglichkeiten für unser Unternehmen beschäftigen.“ (Scarlett #00:26:55#-#00:27:35#)	“[...] those who are actively involved in the respective departments and who are responsible [...] and then this is obviously discussed between the board and usually also with our other committees in the advisory board, so that, for this case, we are intensively occupied with all these risk factors and the resulting response alternatives for our organisation.“

Significant Statement from Transcripts (Original)	Significant Statement from Transcripts (Convenience Translation)
„Strategisch war es vielleicht sogar falsch das Eine oder Andere zu verkaufen, hätte man im Grunde genommen den langen Atem gehabt, aber die Strategie war aufgesetzt und wir mussten uns dieser Strategie, Strategie beugen [...]“ (Harry #00:53:19#-#00:53:37#)	“Strategically it may even have been wrong to sell the one or the other, if we basically would have been able to resist longer, but the strategy, strategy was set and we had to bow to it [...]“
„[...] Fehleinschätzung der Märkte [...]“ (Harry #00:46:38#-#00:46:40#)	“[...] misjudgement of the market [...]“
„[...] Schnäppchen jagen können [...]“ (George #00:32:16#-#00:33:07#)	“[...] bargains hunting [...]“
“[...] wenn man es aus heutiger Sicht betrachtet, dann muss man eigentlich sagen, es hat sich viel, viel besser entwickelt, als dass wir das damals je erwartet haben.“ (George #00:26:12#-#00:27:28#)	“[...] from today`s view, we have to say, that it develops much, much better than we have expected at that time.“
„[...] insbesondere institutionelle Investoren, insgesamt aus Panik ihr Geld zu verlieren, eher gesagt haben, ich will meine Anteile loswerden.“ (Jake #00:43:18#-#00:45:44#)	“[...] especially institutional investors, who were generally in panic to loose their money rather said, I want to get rid of my shares.”

Appendix 5

Emerging Themes for Explaining the Context of CRE Organisations

Concept	Sub-Theme	Theme
<p>Heterogeneous structure of demands of the stakeholder <i>Heterogene Bedürfnisstruktur der Stakeholder</i></p> <p>Numerous dependencies on the developments of different structures and markets <i>Vielzahl von Abhängigkeiten in der Entwicklung unterschiedlicher Strukturen und Märkte</i></p> <p>A great amount of influencing factors in the remote environment <i>Hohe Anzahl beeinflussender Faktoren im Remote Environment</i></p>	<p>Complex external environment <i>Komplexes externes Umfeld</i></p>	<p>A complex and dynamic corporate environment <i>Ein komplexes und dynamisches Unternehmensumfeld</i></p>
<p>Constantly changing structure of demands of the market participants <i>Eine sich ständig ändernde Bedürfnisstruktur der Marktteilnehmer</i></p> <p>Life cycle of the business models are becoming shorter <i>Zunehmend kürzere Lebensdauer der Geschäftsmodelle</i></p> <p>Rental income as a stable cash-flow dimension <i>Miete als stabile Cash-Flow-Größe</i></p> <p>Dynamic geostrategic and demographic development <i>Geostrategische und demografische Entwicklung dynamisch</i></p> <p>Interest rate development as a factor of stability and unpredictability <i>Zinsentwicklung als Faktor für Stabilität und Unberechenbarkeit</i></p>	<p>Dynamic external environment <i>Dynamisches externes Umfeld</i></p>	<p>A complex and dynamic corporate environment <i>Ein komplexes und dynamisches Unternehmensumfeld</i></p>

Concept	Sub-Theme	Theme
<p>Improvement of performance <i>Steigerung Performance</i></p> <p>Achieving market leadership <i>Erreichen Marktführerschaft</i></p> <p>Increase of assets under management <i>Steigerung Assets under Management</i></p> <p>Enhancing client satisfaction <i>Erhöhung Kundenzufriedenheit</i></p>	<p>Business model is oriented towards growth <i>Auf Wachstum ausgerichtetes Geschäftsmodell</i></p>	<p>Dependency of business performance on developments in the corporate environment <i>Abhängigkeit Business-Performance von Entwicklung im Corporate Environment</i></p>
<p>Reaching performance targets <i>Erreichung Performance-vorgaben</i></p> <p>Developments of the markets <i>Entwicklung der Märkte</i></p> <p>Increasing prices <i>Erhöhte Preise</i></p> <p>Lack of transparency <i>Fehlende Transparenz</i></p> <p>Strong competition <i>Starker Wettbewerb</i></p> <p>Interest rate developments <i>Zinsentwicklung</i></p> <p>Regulatory requirements <i>Regulatorische Anforderungen</i></p> <p>Political developments <i>Politische Entwicklung</i></p>	<p>Manifold strategic risks in the corporate environment <i>Vielfältige strategische Risiken im Corporate Environment</i></p>	<p>Dependency of business performance on developments in the corporate environment <i>Abhängigkeit Business-Performance von Entwicklung im Corporate Environment</i></p>
<p>Dependency on interest rate development <i>Abhängigkeit von Zinsentwicklung</i></p> <p>Dependency on cash inflows and willingness to provide financing <i>Abhängigkeit von Mittelzuflüssen und Finanzierungsbereitschaft</i></p> <p>Dependency on developments in the remote environment <i>Abhängigkeit von Entwicklungen im Remote Environment</i></p> <p>Dependency on developments in the task environment <i>Abhängigkeit von Entwicklungen im Task Environment</i></p>	<p>Strong dependencies of the business model on developments in the corporate environment <i>Starke Abhängigkeit des Geschäftsmodells von Entwicklungen im Corporate Environment</i></p>	<p>Dependency of business performance on developments in the corporate environment <i>Abhängigkeit Business-Performance von Entwicklung im Corporate Environment</i></p>

Concept	Sub-Theme	Theme
-continued-		
Availability of human resources <i>Verfügbarkeit Personal</i>		
Availability of projects <i>Verfügbarkeit Objekte</i>		
Development of the tenant market <i>Entwicklung Mietermarkt</i>	Numerous risk factors in the external corporate environment <i>Vielfältige Risikofaktoren im externen Unternehmensumfeld</i>	Uncontrollability of massive changes in the corporate environment <i>Unkontrollierbarkeit von massiven Veränderungen im Corporate Environment</i>
Transactions <i>Transaktionen</i>		
Interest rate development <i>Zinsentwicklung</i>		
Availability of liquidity <i>Verfügbarkeit Liquidität</i>		
Regulatory factors <i>Regulatorische Faktoren</i>		
Demographic developments <i>Demografische Entwicklung</i>		
Changes in the task environment <i>Veränderungen im Task Environment</i>		
Changes in the remote environment <i>Veränderungen im Remote Environment</i>		
Predictable external environment due to previously determined expectations <i>Externes Umfeld kalkulierbar aufgrund im Vorfeld festgelegter Erwartungen</i>	Predictable development of the corporate environment <i>Kalkulierbare Entwicklung des Unternehmensumfelds</i>	Uncontrollability of massive changes in the corporate environment <i>Unkontrollierbarkeit von massiven Veränderungen im Corporate Environment</i>
Assumptions made about the developments of the corporate environment <i>Getroffene Annahmen über Entwicklung des Unternehmensumfelds</i>		
Predictability due to real estate being a sustainable asset class <i>Vorhersehbarkeit aufgrund Immobilie als nachhaltige Assetklasse</i>		

Concept	Sub-Theme	Theme
<p>Non-controllable consequences for the organisation resulting from events in the task environment <i>Auswirkungen von Events im Task Environment auf Organisation nicht kalkulierbar</i></p> <p>Non-controllable consequences for the organisation resulting from changes in the political and regulatory environment <i>Auswirkungen von Veränderungen im politischen und regulatorischen Umfeld auf Organisation nicht kalkulierbar</i></p> <p>Impact of changes in the macroeconomic environment on the organisation are controllable <i>Einfluss von Veränderungen im makroökonomischen Umfeld auf Organisation kalkulierbar</i></p> <p>Consequences of epochal events in the corporate environment are not controllable <i>Auswirkungen von epochalen Ereignissen im Unternehmensumfeld nicht kalkulierbar</i></p>	<p>Non-controllable effects due to massive changes in the corporate environment <i>Unkalkulierbare Effekte bei massiven Veränderungen des Unternehmensumfelds</i></p>	<p>Uncontrollability of massive changes in the corporate environment Unkontrollierbarkeit von massiven Veränderungen im Corporate Environment</p>
<p>Limited number of available responses to react upon changes in the corporate environment <i>Anzahl verfügbarer Alternativen zur Reaktion auf Veränderungen im Unternehmensumfeld begrenzt</i></p> <p>No alternatives to react upon epochal events in the corporate environment <i>Keine verfügbaren Alternativen zur Reaktion auf epochale Ereignisse im Unternehmensumfeld</i></p>	<p>Limited alternatives to respond to epochal changes in the corporate environment <i>Begrenzte Reaktionsmöglichkeiten bei epochalen Veränderungen im Unternehmensumfeld</i></p>	<p>Uncontrollability of massive changes in the corporate environment Unkontrollierbarkeit von massiven Veränderungen im Corporate Environment</p>

Concept	Sub-Theme	Theme
Ongoing alignment of processes <i>Stetige Prozessanpassungen</i>	Massive changes in the external corporate environment are not manageable with usual routines <i>Massive Veränderungen im externen Unternehmensumfeld nicht mit Routinen bewältigbar</i>	Uncontrollability of massive changes in the corporate environment <i>Unkontrollierbarkeit von massiven Veränderungen im Corporate Environment</i>
Routine and non-routine transactions are manageable <i>Routine- und Nichtroutinetransaktionen bewältigbar</i>		
Massive epochal changes are unmanageable <i>Massive epochale Veränderungen nicht bewältigbar</i>		
Accomplishment of external changes are dependent on their solidity <i>Bewältigung externer Veränderungen abhängig von deren Massivität</i>		

Appendix 6

Emerging Themes to Exploring the Corporate Meaning of a Phase of FI

Concept	Sub-Theme	Theme
Investments in ambitious and intransparent types of investment <i>Investitionen in anspruchsvolle und intransparente Investmentformen</i>	Eroded market mechanisms and experiences <i>Marktmechanismen und Erfahrungen außer Kraft gesetzt</i>	Unrealistic market situation <i>Unrealistische Situation der Märkte</i>
Unrealistic macroeconomic situation (market mechanisms suspended) <i>Unrealistische makroökonomische Situation (Marktmechanismen außer Kraft)</i>		
Bad quality of acquired properties <i>Ankauf Objekte mit schlechter Qualität</i>		
Inexperienced decision-makers <i>Unerfahrenheit der Entscheider</i>		
High availability of capital without warranties <i>Hohe und garantielose Kapitalverfügbarkeit</i>	Risk-free availability of capital <i>Risikolose Kapitalverfügbarkeit</i>	Unrealistic market situation <i>Unrealistische Situation der Märkte</i>
Extremely high ratio of loan to value <i>Extrem hohes Verhältnis Loan to Value</i>		
Outsourcing of risks to financing banks <i>Ausgliederung von Risiken an finanzierende Banken</i>		
Multi-layered approach to assess the situation <i>Mehrschichtige Veranstaltung zur Beurteilung der Situation</i>	Informal intensification of the relations in order to assess the situation <i>Informelle Intensivierung der Beziehungen zur Beurteilung der Situation</i>	Informal and individual intensification of lived relations <i>Informelle und individuelle Intensivierung der Beziehungen</i>
Informal exchange of information to assess the situation <i>Informeller Informationsaustausch zur Beurteilung der Situation</i>		
Interaction with numerous parties involved <i>Austausch mit verschiedenen Beteiligten</i>		

Concept	Sub-Theme	Theme
<p>Addressing long-term risks arising from the situation <i>Adressierung langfristiger Risiken aus der Situation</i></p> <p>Detailed documentation of the situation <i>Detallierte Dokumentation der Situation</i></p> <p>Assessment of the investment approach <i>Bewertung des Investmentansatzes</i></p>	<p>Individual intensification of the relation in order to account for potential consequences <i>Individuelle Intensivierung der Beziehungen zur Darstellung möglicher Folgen</i></p>	<p>Informal and individual intensification of lived relations <i>Informelle und individuelle Intensivierung der Beziehungen</i></p>
<p>Addressees are not interested in the information for further assessment of the situation <i>Adressaten an Informationen zur Einschätzung der Situation nicht interessiert</i></p> <p>No relevant knowledge to asses information <i>Nicht vorhandene Kenntnisse zur Einordnung der Informationen</i></p> <p>Commercial principles of due diligence ignored <i>Kaufmännische Grundsätze einer Due Diligence nicht beachtet</i></p>	<p>Ignorance of the decision-makers <i>Ignoranz der Entscheider</i></p>	<p>Euphoria and expansion pressures of the actors <i>Euphorie und Expansionsdruck der Akteure</i></p>
<p>Open approach to clients about refinancing requirements <i>Offene Ansprache des Kunden wegen Refinanzierungsbedarf</i></p> <p>Feeling of power of the client towards the banks <i>Gefühl der Macht des Kunden gegenüber Banken</i></p> <p>No warranties or securities required by banks <i>Keine Garantien oder Sicherheiten von Banken gefordert</i></p> <p>Financing banks without necessary real estate expertise <i>Fehlende Immobilienexpertise der finanzierenden Banken</i></p>	<p>Financing pressure of the banks <i>Finanzierungsdruck der Banken</i></p>	<p>Euphoria and expansion pressures of the actors <i>Euphorie und Expansionsdruck der Akteure</i></p>

Concept	Sub-Theme	Theme
<p>Little thoughts about consequences <i>Wenige Gedanken über Konsequenzen</i></p> <p>Decisions under pressure <i>Entscheidungen unter Druck</i></p> <p>Complexities not detected <i>Komplexität nicht erkannt</i></p>	<p>Decisions under pressure to succeed <i>Entscheidungen unter Erfolgsdruck</i></p>	<p>Euphoria and expansion pressures of the actors <i>Euphorie und Expansionsdruck der Akteure</i></p>
<p>Increasing investment pressure of clients <i>Erhöhter Anlagedruck der Kunden</i></p> <p>Desire of clients for a high LTV <i>Wunsch nach hohem LTV durch Investor</i></p> <p>Real estate as a yield providing object <i>Immobilie als Renditeobjekt</i></p>	<p>Investment pressures of the clients <i>Investitionsdruck der Anleger</i></p>	<p>Euphoria and expansion pressures of the actors <i>Euphorie und Expansionsdruck der Akteure</i></p>
<p>Increasing number of projects and workload <i>Erhöhter Projekt- und Arbeitsanfall</i></p> <p>Limited guidelines/rules <i>Begrenztes Regelwerk</i></p>	<p>Unregulated processing of a large number of projects <i>Unregulierte Abarbeitung einer Vielzahl von Projekten</i></p>	<p>Unregulated workload in the organisation <i>Unregulierte Arbeitsbelastung in der Organisation</i></p>
<p>Dynamics on the rental markets <i>Dynamik an den Mietmärkten</i></p> <p>Macroeconomic development <i>Gesamtwirtschaftliche Entwicklung</i></p> <p>Moods in reports and discussions <i>Stimmungslage in Berichten und Gesprächen</i></p>	<p>Unchanged analysis of information <i>Unveränderte Informationsanalyse</i></p>	<p>Unregulated workload in the organisation <i>Unregulierte Arbeitsbelastung in der Organisation</i></p>
<p>Marginal, pro-active changes in processes <i>Marginale, proaktive Veränderungen in den Prozessen</i></p> <p>Proper documentation <i>Ordentliche Dokumentation</i></p>	<p>Maintenance of the strategic focus <i>Beibehaltung der strategischen Ausrichtung</i></p>	<p>Unregulated workload in the organisation <i>Unregulierte Arbeitsbelastung in der Organisation</i></p>

Concept	Sub-Theme	Theme
<p>Communication as a challenge <i>Kommunikation als Herausforderung</i></p> <p>Cautious approach towards recipient of the message <i>Vorsichtiges Auftreten gegenüber Adressaten</i></p> <p>Unclear and unencouraged communication <i>Unklare und unmutige Kommunikation</i></p>	<p>Overstrain leads to resignation <i>Überforderung führt zu Resignation</i></p>	<p>Ignorance in perceived certainty <i>Ignorantes Verhalten bei gefühlter Sicherheit</i></p>
<p>Euphoria and exaggeration <i>Euphorie und Übertreibung</i></p> <p>Overpriced acquisition of real estate <i>Überteuerter Einkauf von Immobilien</i></p> <p>Lack of problem awareness <i>Fehlendes Problembewusstsein</i></p>	<p>Over-optimism <i>Übertriebener Optimismus</i></p>	<p>Ignorance in perceived certainty <i>Ignorantes Verhalten bei gefühlter Sicherheit</i></p>
<p>Little reaction to warning signs <i>Geringe Reaktion auf mahnende Hinweise</i></p> <p>Lack of adaption to market situation <i>Fehlende Anpassung an Marktsituation</i></p> <p>Uncritical acquisition of real estate <i>Unkritische Immobilienankäufe</i></p> <p>Ignorance of experiences <i>Erfahrungen ignoriert</i></p> <p>Diffuse gut feeling <i>Diffuses Bauchgefühl</i></p> <p>Impression of unhealthy market situation or wrong decision <i>Gefühlt ungesunde Marktsituation bzw. falsche Entscheidung</i></p>	<p>Ignorance <i>Ignoranz</i></p>	<p>Ignorance in perceived certainty <i>Ignorantes Verhalten bei gefühlter Sicherheit</i></p>
<p>Perceived Certainty <i>Gefühlte Sicherheit</i></p> <p>Apparently harmonious macroeconomic factors <i>Harmonisch wirkende makroökonomische Parameter</i></p>	<p>Certainty <i>Sicherheit</i></p>	<p>Ignorance in perceived certainty <i>Ignorantes Verhalten bei gefühlter Sicherheit</i></p>

Appendix 7

Emerging Themes to Exploring the Corporate Meaning of an Event of FC

Concept	Sub-Theme	Theme
<p>Within short time investments and debt financing abandoned <i>Innerhalb kürzester Zeit Investitionsverhalten und Kreditvergabe abgebrochen</i></p> <p>Limited availability of capital <i>Kapitalverfügbarkeit eingeschränkt</i></p> <p>Stop of expansions <i>Expansionsstopp</i></p>	Standstill <i>Stillstand</i>	Unexpected market standstill <i>Unerwarteter Stillstand der Märkte</i>
<p>Sudden and surprising <i>Plötzlich und unerwartet</i></p> <p>Lack of predictability <i>Fehlende Vorhersagbarkeit</i></p>	Unexpectedness <i>Unerwartet</i>	Unexpected market standstill <i>Unerwarteter Stillstand der Märkte</i>
<p>Intensive involvement of the parties to assess the situation <i>Intensive Einbindung der Beteiligten zur Beurteilung der Situation</i></p> <p>Intensive interaction between the participants to provide transparency <i>Intensiver Austausch zwischen den Beteiligten zur Schaffung von Transparenz</i></p>	Formal intensification of relations to assess the situation <i>Formelle Intensivierung der Beziehungen zur Beurteilung der Situation</i>	Formal and social intensification of lived relations <i>Formelle und soziale Intensivierung der Beziehungen</i>
<p>Intensification of relations in order to determine potential impact of the situation <i>Intensivierung der Beziehungen zur Darstellung möglicher Folgen aus der Situation</i></p> <p>Joint, coordinated approach <i>Gemeinsame, abgestimmte Vorgehensweise</i></p> <p>Create trust and keep calm <i>Vertrauen schaffen und Ruhe bewahren</i></p>	Social intensification of relations to constitute potential consequences and proceedings <i>Soziale Intensivierung der Beziehungen zur Darstellung möglicher Folgen und Vorgehensweisen</i>	Formal and social intensification of lived relations <i>Formelle und soziale Intensivierung der Beziehungen</i>

Concept	Sub-Theme	Theme
Restructuring of debt financing <i>Restrukturierung von Finanzierungen</i> Bank lending stopped suddenly <i>Kurzfristige Einstellung Kreditvergabe</i>	Bank lending abruptly stopped <i>Kreditvergabe abrupt gestoppt</i>	Disillusionment and consolidation of the actors <i>Ernüchterung und Konsolidierung seitens der Akteure</i>
Adjustment of strategic focus risk management <i>Anpassung strategische Ausrichtung Risk Management</i> Increase of innovative abilities <i>Steigerung der innovativen Fähigkeiten</i> Consideration of arising chances <i>Betrachtung entstehender Chancen</i> Purification and refocusing on core competencies <i>Entschlackung und Refokussierung auf Kerngeschäft</i> Focus on good asset classes <i>Ausrichtung auf gute Investmentklassen</i>	Refocusing on core business <i>Refokussierung auf Kerngeschäft</i>	Disillusionment and consolidation of the actors <i>Ernüchterung und Konsolidierung seitens der Akteure</i>
Standstill <i>Stillstand</i> Lack of liquidity <i>Fehlende Liquidität</i> Rough approaches <i>Rabiäte Vorgehensweisen</i> Restructuring <i>Restrukturierung</i>	Radical investment stop <i>Radikaler Investitionsstopp</i>	Disillusionment and consolidation of the actors <i>Ernüchterung und Konsolidierung seitens der Akteure</i>
Routine and contingency <i>Routine und Konstanz</i> Stop of expansion and standstill <i>Expansionsstopp und Stillstand</i> Analysis of the situation and own investment behaviour <i>Analyse der Situation und eigenes Investitionsverhalten</i> Professional handling of involved parties and situation <i>Professioneller Umgang mit Beteiligten und Situation</i> No strategic changes <i>Keine strategischen Veränderungen</i>	Professionalism and routine during standstill <i>Professionalität und Routine im Stillstand</i>	Without alternatives, alignment of the organisation in uncertainty <i>Alternativlose Anpassungen in der Organisation unter Unsicherheit</i>

Concept	Sub-Theme	Theme
<p>Internal reception of information and analysis <i>Interne Informationsaufnahme und Analyse</i></p> <p>Extended information from external partners <i>Erweiterte Informationsaufnahme von externen Partnern</i></p> <p>Real estate valuation through third parties <i>Immobilienbewertung durch Externe</i></p>	<p>Extended analysis of information <i>Erweiterte Informationsanalyse</i></p>	<p>Without alternatives, alignment of the organisation in uncertainty <i>Alternativlose Anpassungen in der Organisation unter Unsicherheit</i></p>
<p>Adjustment of the organisation to the situation and to the demand-related behaviour (capacities, new advisory board, strategy days) <i>Anpassung Unternehmensorganisation an Situation und Nachfrageverhalten (Kapazitätsanpassungen, neues Advisory Board, Strategietage)</i></p> <p>Procurement of liquidity through distressed sales <i>Liquiditätsbeschaffung durch Notverkäufe</i></p> <p>Development not included in strategic planning <i>Entwicklung in strategischer Planung nicht einkalkuliert</i></p> <p>Impact of the event on the organisation hardly predictable <i>Auswirkungen Event auf Organisation überwiegend nicht kalkulierbar</i></p> <p>Familiar reactions and mechanisms without alternatives <i>Bekannte und alternativlose Reaktionsmechanismen</i></p>	<p>Adjustments under uncertainty <i>Anpassungen unter Unsicherheit</i></p>	<p>Without alternatives, alignment of the organisation in uncertainty <i>Alternativlose Anpassungen in der Organisation unter Unsicherheit</i></p>

Concept	Sub-Theme	Theme
<p>Adjustment of the risk management strategy by qualitative factors <i>Anpassung Risk Management Strategie um qualitative Parameter</i></p> <p>Alignment risk management perspective in overall view and interpretation <i>Anpassung Risk Management Perspektive in Gesamtbetrachtung und Interpretation</i></p> <p>Enhancement of the risk awareness <i>Erweiterung des Risikobewusstseins</i></p> <p>Acceleration of the anticipatory approach strengthened in risk management strategy <i>Forcierung des antizipatorischen Ansatzes in Risk Management Strategie verstärkt</i></p> <p>Inclusion of new risks (tenant credit worthiness, interest-change risk, availability of real estate) <i>Aufnahme neuer Risiken (Mieterbonität, Zinsänderungsrisiko, Verfügbarkeit Immobilien)</i></p>	<p>Adjustment of the risk awareness <i>Anpassung des Risikobewusstseins</i></p>	<p>Without alternatives, alignment of the organisation in uncertainty Alternativlose Anpassungen in der Organisation unter Unsicherheit</p>
<p>Irrational behaviour <i>Irrationales Verhalten</i></p> <p>Actions based on gut feelings and experiences <i>Handlungen auf Basis von Bauchgefühl und Erfahrung</i></p>	<p>Irrationality <i>Irrationalität</i></p>	<p>Irrational behaviour in perceived uncertainty Irrationales Verhalten bei gefühlter Unsicherheit</p>
<p>Tremendous uncertainty with assessing the situation <i>Enorme Unsicherheit in der Einschätzung der Situation</i></p> <p>Insecurities in strategic decision-making <i>Unsicherheit bei strategischer Entscheidungsfindung</i></p> <p>Panic behaviour on the markets <i>Panisches Verhalten an den Märkten</i></p> <p>Mixed feelings between surprise, fear and motivation <i>Gemischte Gefühle zwischen Überraschung, Angst und Motivation</i></p>	<p>Uncertainty <i>Unsicherheit</i></p>	<p>Irrational behaviour in perceived uncertainty Irrationales Verhalten bei gefühlter Unsicherheit</p>

Concept	Sub-Theme	Theme
Classification of the crisis as a chance <i>Einordnung der Krise als Chance</i> Motivated, to get the best out of it <i>Motiviert, das Beste herauszuholen</i>	Motivation <i>Motivation</i>	Irrational behaviour in perceived uncertainty <i>Irrationales Verhalten bei gefühlter Unsicherheit</i>

Appendix 8

Emerging Properties in Discovering the Process of Sensemaking in a Phase of FI

Concept	Sub-Theme	Theme / Property
<p>Increasing willingness to pay higher prices with negligent attitude <i>Erhöhte Preisbereitschaft unter Sorglosigkeit</i></p> <p>Acquisition at the expense of quality standards <i>Erwerb zu Lasten der Qualität</i></p>	<p>Increasing investment pressure <i>Erhöhter Anlagedruck</i></p>	<p>Extracted cues of FI Extrahierte Hinweise der FI</p>
<p>Difuse gut feeling <i>Diffuses Bauchgefühl</i></p> <p>Between euphoria and nervousness <i>Zwischen Euphorie und Nervosität</i></p>	<p>Contradictory moods <i>Widersprüchliche Gefühlslage</i></p>	<p>Extracted cues of FI Extrahierte Hinweise der FI</p>
<p>Pushing risks to banks <i>Risikoverlagerung an Banken</i></p> <p>High availability of liquidity <i>Hohe Verfügbarkeit von Liquidität</i></p> <p>High prices for poor quality of available property <i>Hohe Preise für geringe Qualität verfügbarer Immobilien</i></p> <p>Poor letting and low occupancy <i>Schlechte Vermietung und hoher Leerstand</i></p> <p>In general: exaggeration <i>Allgemeine Übertreibung</i></p>	<p>Strong dynamics of the markets <i>Hohe Dynamik der Märkte</i></p>	<p>Extracted cues of FI Extrahierte Hinweise der FI</p>
<p>Decisions under time pressure <i>Entscheidungen unter zeitlichem Druck ausgeübt</i></p> <p>Irrational decisions of market players <i>Irrationale Entscheidungen der Akteure</i></p>	<p>Irrational acquisition decisions <i>Irrationale Ankaufsentscheidungen</i></p>	<p>Enactment through risk prevention Inkraftsetzen der Risikoprävention</p>

Concept	Sub-Theme	Theme / Property
<p>Implementation of contractual cover mechanisms <i>Implementierung vertraglicher Absicherungsmechanismen</i></p> <p>Proper process documentation <i>Ordentliche Prozessdokumentation</i></p> <p>Critical acquisition policy pursued <i>Kritische Ankaufspolitik angestrebt</i></p>	<p>Internal organisational actions to avoid impending risks <i>Interne organisatorische Handlungen zur Vermeidung drohender Risiken</i></p>	<p>Enactment through risk prevention <i>Inkraftsetzen der Risikoprävention</i></p>
<p>Exchange with other shareholders <i>Austausch mit anderen Gesellschaftern</i></p> <p>Discussion between the board members <i>Diskussionen innerhalb der Geschäftsführung</i></p> <p>Discussion with internal experts and responsible persons <i>Austausch mit internen Experten und Verantwortlichen</i></p>	<p>Interpretation through inclusion and exchange of internal information <i>Interpretation durch Aufnahme und Austausch interner Informationen</i></p>	<p>Social interaction for preparation <i>Soziale Interaktion zur Vorbereitung</i></p>
<p>Assessment of the situation with acquaintances and network <i>Beurteilung der Situation mit Bekannten und Netzwerk</i></p> <p>Assessment through newspapers <i>Beurteilung durch Zeitungen</i></p>	<p>Interpretation through social interaction and inclusion of external information <i>Interpretation durch soziale Interaktion und Aufnahme externer Informationen</i></p>	<p>Social interaction for preparation <i>Soziale Interaktion zur Vorbereitung</i></p>
<p>Topic hardly perceptible <i>Thema kaum spürbar</i></p> <p>Short-term monies allocated to funds <i>Kurzfristige Gelder in Fonds geparkt</i></p> <p>Perceived certainty <i>Gefühlte Sicherheit</i></p>	<p>Lack of risk awareness <i>Fehlendes Risikobewusstsein</i></p>	<p>Retrospective discernment of carelessness <i>Rückwirkende Einsicht der Unachtsamkeit</i></p>

Concept	Sub-Theme	Theme / Property
Acquisition of properties of poor quality <i>Ankauf Objekte mit schlechter Qualität</i>	Uncritical acquisition policy <i>Unkritische Ankaufspolitik</i>	Retrospective discernment of carelessness Rückwirkende Einsicht der Unachtsamkeit
Lack of knowledge about real estate as asset class <i>Fehlende Kenntnisse über Immobilien als Assetklasse</i>		
Uncritical behaviour and blind faith <i>Unkritisches Verhalten und blindes Vertrauen</i>		
Underestimation of the greed of banks <i>Gier der Banken unterschätzt</i>		
Lack of understanding for new products and methods <i>Fehlendes Verständnis für neue Produkte und Methoden</i>	Underestimated complexity of the products and methods <i>Unterschätzte Komplexität der Produkte und Methoden</i>	Retrospective discernment of carelessness Rückwirkende Einsicht der Unachtsamkeit
Underestimated complexity due to isolated view of the asset <i>Unterschätzte Komplexität aufgrund isolierter Betrachtung der Immobilie</i>		
Value increases have not been realised as gains <i>Wertsteigerungen nicht als Gewinn realisiert</i>	Inconsequential action and communication <i>Inkonsequente Handlung und Kommunikation</i>	Retrospective discernment of carelessness Rückwirkende Einsicht der Unachtsamkeit
Inconsequential communication of identified risks <i>Inkonsequente Kommunikation identifizierter Risiken</i>		

Appendix 9

Emerging Properties in Discovering the Process of Sensemaking in an Event of FC

Concept	Sub-Theme	Theme / Property
Real estate ignored as an asset class <i>Immobilien als Assetklasse ignoriert</i>	Market standstill <i>Stillstand der Märkte</i>	Extracted cues of FC Extrahierte Hinweise der Finanzkrise
Lack of refinancing efforts of banks <i>Fehlende Refinanzierungsbemühungen der Banken</i>		
Perceived uncertainty <i>Wahrgenommene Unsicherheit</i>	(Irrational) decisions under uncertainty <i>(Irrationale) Entscheidungen unter Unsicherheit</i>	Extracted cues of FC Extrahierte Hinweise der Finanzkrise
Irrational decisions of market players <i>Irrationale Entscheidungen der Akteure</i>		
Unexpected, non-controllable event <i>Unerwartetes, nicht beherrschbares Ereignis</i>		
Rough approaches <i>Rabiäte Vorgehensweisen</i>		
Malfunction of models due to changed parameters <i>Fehlende Funktion der Modelle aufgrund veränderter Parameter</i>	Business model malfunctions <i>Fehlendes Funktionieren des Geschäftsmodells</i>	Extracted cues of FC Extrahierte Hinweise der Finanzkrise
Withdrawal of liquidity and freeze on expansion <i>Abzug von Liquidität und Expansionsstopp</i>		
Inclusion of specific company information <i>Aufnahme spezifischer Unternehmensinformationen</i>	Contentual enriched information intake <i>Inhaltlich angereicherte Informationsaufnahme</i>	Extracted cues of FC Extrahierte Hinweise der Finanzkrise
Processing of general information <i>Verarbeitung allgemeiner Informationen</i>		
Investment stop <i>Einstellung Investitionen</i>	Deinvestive actions to handle the realised portfolio risks <i>Desinvestive Handlungen zur Bewältigung eingetretener Portfoliorisiken</i>	Enactment through organisational adjustments Inkraftsetzen von organisatorischen Anpassungen
Decrease of portfolio assets <i>Reduzierung Portfoliobestand</i>		
Verification of investment approach and portfolio value <i>Verifikation Investitionsverhalten und Portfoliobewertung</i>		

Concept	Sub-Theme	Theme / Property
<p>Analysis of the financing situation <i>Analyse Finanzierungssituation</i></p> <p>Adjustment of the financing strategy <i>Anpassung Finanzierungsstrategie</i></p>	<p>Analysis and adjustment of the financing management <i>Analyse und Anpassung Finanzierungsmanagement</i></p>	<p>Enactment through organisational adjustments Inkraftsetzen von organisatorischen Anpassungen</p>
<p>Innovation of the business model <i>Innovationen im Geschäftsmodell</i></p> <p>Focus on the core competencies <i>Konzentration auf Kerngeschäft</i></p> <p>Realisation of information and transparency <i>Schaffung von Information und Transparenz</i></p> <p>Adjustment of the strategic goals <i>Anpassung strategische Ausrichtung</i></p> <p>Alignment of capacities <i>Anpassung von Kapazitäten</i></p> <p>Retention of the organisational structure <i>Beibehaltung der Organisationsstruktur</i></p>	<p>Alignment of the business model and of strategic goals <i>Anpassung Geschäftsmodell und strategische Ausrichtung</i></p>	<p>Enactment through organisational adjustments Inkraftsetzen von organisatorischen Anpassungen</p>
<p>Alignment risk management approach <i>Anpassung Risk Management Ansatz</i></p> <p>Extension of the risk assessment <i>Erweiterung des Risk Assessments</i></p>	<p>Adjustment of the risk management strategy <i>Anpassung der Risikomanagement-Strategie</i></p>	<p>Enactment through organisational adjustments Inkraftsetzen von organisatorischen Anpassungen</p>
<p>Lack of available time <i>Fehlende verfügbare Zeit</i></p> <p>Decisions at short notice <i>Kurzfristige Entscheidungen</i></p>	<p>Prevalence of operative decisions <i>Vorrang operativer Entscheidungen</i></p>	<p>Operational plausibility Operationale Plausibilität</p>
<p>Individual consideration of information <i>Individueller Umgang mit Informationen</i></p> <p>Inclusion of manifold addressees challenging <i>Einbindung einer Vielzahl von Adressaten anspruchsvoll</i></p>	<p>Ambitious information exchange <i>Anspruchsvoller Informationsaustausch</i></p>	<p>Social interaction for reaction Soziale Interaktion um zu reagieren</p>

Concept	Sub-Theme	Theme / Property
<p>Assessment of events through discussion <i>Beurteilung des Events durch Gespräche</i></p> <p>Integration of experts <i>Einbeziehung von Experten</i></p>	<p>Assessment of events through social interaction <i>Beurteilung der Ereignisse durch soziale Interaktion</i></p>	<p>Social interaction for reaction Soziale Interaktion um zu reagieren</p>
<p>Irrational behaviour <i>Irrationales Verhalten</i></p> <p>Strategic misconduct <i>Strategisches Fehlverhalten</i></p>	<p>Irrational management decisions <i>Irrationale Managemententscheidungen</i></p>	<p>Retrospective discernment of misconduct and overreaction Rückwirkende Einsicht von Fehlverhalten und Überreaktion</p>
<p>Drawback from the asset class real estate in a panic <i>Panischer Rückzug aus Assetklasse Immobilie</i></p> <p>Irrational fear of investors <i>Irrationale Ängste der Investoren</i></p>	<p>Panic reaction of clients <i>Panikreaktionen der Kunden</i></p>	<p>Retrospective discernment of misconduct and overreaction Rückwirkende Einsicht von Fehlverhalten und Überreaktion</p>

Appendix 10

Open-ended Qualitative Indicators for FI

Concept	QI	Potential Risk <i>Broad Risk Category: Factor</i>
<p>Informal exchange of information to assess the situation <i>Informeller Informationsaustausch zur Beurteilung der Situation</i></p> <p>Exchange with other shareholders <i>Austausch mit anderen Gesellschaftern</i></p> <p>Discussion between the board members <i>Diskussionen innerhalb der Geschäftsführung</i></p> <p>Discussion with internal experts and responsible persons <i>Austausch mit internen Experten und Verantwortlichen</i></p> <p>Assessment of the situation with acquaintances and network <i>Beurteilung der Situation mit Bekannten und Netzwerk</i></p> <p>Assessment through newspapers <i>Beurteilung durch Zeitungen</i></p>	<p>QRI:</p> <p>Decision-makers interpret the situation informally and individually based on internal communication</p> <p>Indicators:</p> <p>Type of information exchange (formal, informal)</p> <p>Parties involved in the information exchange (internal, external)</p> <p>Type of cues used (internal/ external, informal/ formal)</p>	<p>Risk:</p> <p><u>Lack of transparency for the decision-maker</u> <i>Strategic risks: Corporate governance, miscommunication</i></p> <p>⇒ <i>potential effect on SM:</i></p> <p>Improvement of performance of the CRE organisation (corporate strategy)</p> <p>Enhancing client satisfaction (corporate strategy)</p>
<p>Cautious approach towards recipient of the message <i>Vorsichtiges Auftreten gegenüber Adressaten</i></p> <p>Unclear and unencouraged communication <i>Unklare und unmutige Kommunikation</i></p> <p>Inconsequential communication of identified risks <i>Inkonsequente Kommunikation identifizierter Risiken</i></p> <p>Communication as a challenge <i>Kommunikation als Herausforderung</i></p>	<p>QRI:</p> <p>Decision-makers are uncertain when communicating their interpretation of the situation (cautious, unencouraged, unclear, inconsequent, challenging)</p> <p>Indicator:</p> <p>Perception of own communication (cautious/ careless, unclear/ clear, unencouraged/ courageous, inconsequent/ consequent, challenging/ easy)</p>	<p>Risk:</p> <p><u>Lack of transparency for the decision-maker</u> <i>Strategic risks: Corporate governance, miscommunication</i></p> <p>⇒ <i>potential effect on SM:</i></p> <p>Improvement of performance of the CRE organisation (corporate strategy)</p> <p>Enhancing client satisfaction (corporate strategy)</p>

Concept	QI	Potential Risk <i>Broad Risk Category: Factor</i>
<p>Lack of understanding for new products and methods <i>Fehlendes Verständnis für neue Produkte und Methoden</i></p> <p>Investments in ambitious and intransparent types of investment <i>Investitionen in anspruchsvolle und intransparente Investmentformen</i></p> <p>Inexperienced decision-makers <i>Unerfahrenheit der Entscheider</i></p> <p>No relevant knowledge to asses information <i>Nicht vorhandene Kenntnisse zur Einordnung der Informationen</i></p> <p>Lack of knowledge about real estate as asset class <i>Fehlende Kenntnisse über Immobilien als Assetklasse</i></p> <p>Underestimated complexity due to isolated view of the asset <i>Unterschätzte Komplexität aufgrund isolierter Betrachtung der Immobilie</i></p> <p>Complexities not detected <i>Komplexität nicht erkannt</i></p>	<p>QRI:</p> <p>Decision-makers do not have sufficient experiences and knowledge about real estate and RE products</p> <p>Indicators:</p> <p>Professional experience of the decision-maker about real estate and real estate products (long-standing/ medium, short)</p> <p>Professional expertise of the decision-maker about real estate and real estate products (high/ medium/ low)</p>	<p>Risks:</p> <p><u>Lack of transparency for the decision-maker</u> <i>Strategic risks: Corporate governance, miscommunication</i></p> <p><u>Increasing prices</u> <i>Strategic risk: Pricing pressures</i></p> <p>⇒ <i>potential effect on SM:</i></p> <p>Improvement of performance of the CRE organisation (corporate strategy)</p> <p>Enhancing client satisfaction (corporate strategy)</p> <p>Increase of assets under management (corporate strategy)</p> <p>Achieving market leadership (corporate strategy)</p>

Concept	QI	Potential Risk <i>Broad Risk Category: Factor</i>
<p>High prices for poor quality of available property <i>Hohe Preise für geringe Qualität verfügbarer Immobilien</i></p> <p>Overpriced acquisition of real estate <i>Überteuerter Einkauf von Immobilien</i></p> <p>Increasing willingness to pay higher prices with negligent attitude <i>Erhöhte Preisbereitschaft unter Sorglosigkeit</i></p> <p>Irrational behaviour <i>Irrationales Verhalten</i></p>	<p>QRI:</p> <p>Willingness of the decision-maker to acquire overpriced RE properties</p> <p>Indicators:</p> <p>Relation between purchase price and characteristics of the real estate (high / medium / low)</p> <p>Availability of real estate (high/ medium/ low)</p> <p>Traceability of the acquisition decision based on objective characteristics (high/ medium/ low)</p>	<p>Risks:</p> <p>Increasing prices <i>Strategic risk: Pricing pressures</i></p> <p><u>Lack of transparency for the decision-maker</u> <i>Strategic risks: Corporate governance, miscommunication</i></p> <p><u>Strong competition</u> <i>Strategic risk: Product competition</i></p> <p>⇒ <i>potential effect on SM:</i></p> <p>Improvement of performance of the CRE organisation (corporate strategy)</p> <p>Achieving market leadership (corporate strategy)</p> <p>Increase of assets under management (corporate strategy)</p> <p>Enhancing client satisfaction (corporate strategy)</p>

Concept	QI	Potential Risk <i>Broad Risk Category: Factor</i>
<p>Commercial principles of due diligence ignored <i>Kaufmännische Grundsätze einer Due Diligence nicht beachtet</i></p> <p>Acquisition at the expense of quality standards <i>Erwerb zu Lasten der Qualität</i></p> <p>Poor letting and low occupancy <i>Schlechte Vermietung und hoher Leerstand</i></p> <p>Acquisition of properties of poor quality <i>Ankauf Objekte mit schlechter Qualität</i></p> <p>Uncritical acquisition of real estate <i>Unkritische Immobilienankäufe</i></p> <p>Uncritical behaviour and blind faith <i>Unkritisches Verhalten und blindes Vertrauen</i></p>	<p>QRI:</p> <p>Decision-makers act negligent and uncritical in real estate acquisitions (lack of risk awareness / increased risk appetite)</p> <p>Indicators:</p> <p>Diligence of the decision-makers in acquisitions (good/ poor)</p> <p>Compliance with the principles for a proper due diligence (complete, partially complete, incomplete)</p> <p>Available time for performing a proper due diligence (appropriate, inappropriate)</p>	<p>Risks:</p> <p><u>Increasing prices</u> <i>Strategic risk: Pricing pressures</i></p> <p><u>Lack of transparency for the decision-maker</u> <i>Strategic risks: Corporate governance, miscommunication</i></p> <p>⇒ <i>potential effect on SM:</i></p> <p>Improvement of performance of the CRE organisation (corporate strategy)</p> <p>Enhancing client satisfaction (corporate strategy)</p> <p>Increase of assets under management (corporate strategy)</p> <p>Achieving market leadership (corporate strategy)</p>
<p>Addressees are not interested in the information for further assessment of the situation <i>Adressaten an Informationen zur Einschätzung der Situation nicht interessiert</i></p> <p>Lack of problem awareness <i>Fehlendes Problembewusstsein</i></p> <p>Little reaction to warning signs <i>Geringe Reaktion auf mahnende Hinweise</i></p> <p>Lack of adaption to market situation <i>Fehlende Anpassung an Marktsituation</i></p> <p>Perceived Certainty <i>Gefühlte Sicherheit</i></p> <p>Apparently harmonious macroeconomic factors <i>Harmonisch wirkende makroökonomische Parameter</i></p> <p>Topic hardly perceptible <i>Thema kaum spürbar</i></p>	<p>QRI:</p> <p>Decision-makers ignore hints from the markets in their decisions (perceived certainty)</p> <p>Indicators:</p> <p>Handling of information about the task environment by the decision-maker (no reaction, little reaction, comprehensive response)</p> <p>Handling of information about the macroeconomic parameters by the decision-maker (no reaction, little reaction, comprehensive response)</p> <p>Emotional state of the decision-maker due the perceived task environment (certain, uncertain)</p> <p>Emotional state of the decision-maker due the perceived macroeconomic parameters (certain, uncertain)</p>	<p>Risks:</p> <p><u>Increasing prices</u> <i>Strategic risk: Pricing Pressures</i></p> <p><u>Lack of transparency for decision-maker</u> <i>Strategic risks: Corporate governance, miscommunication</i></p> <p><u>Developments of the markets</u> <i>Strategic risks: Corporate governance, miscommunication</i></p> <p>⇒ <i>potential effect on SM:</i></p> <p>Improvement of performance of the CRE organisation (corporate strategy)</p> <p>Enhancing client satisfaction (corporate strategy)</p> <p>Increase of assets under management (corporate strategy)</p> <p>Achieving market leadership (corporate strategy)</p>

Concept	QI	Potential Risk <i>Broad Risk Category: Factor</i>
<p>Decisions under pressure <i>Entscheidungen unter Druck</i></p> <p>Increasing number of projects and workload <i>Erhöhter Projekt- und Arbeitsanfall</i></p> <p>Limited guidelines/rules <i>Begrenztes Regelwerk</i></p> <p>Decisions under time pressure <i>Entscheidungen unter zeitlichem Druck ausgeübt</i></p>	<p>QRI:</p> <p>Managers make decisions under time and organisational pressure</p> <p>Indicators:</p> <p>Type of decision (strategic/operational, acquisition/disposition of RE, portfolio/CRE organisation)</p> <p>Available time for decision (appropriate/ inappropriate)</p> <p>Available guidelines for decision-making (existent/non existent)</p>	<p>Risks:</p> <p><u>Lack of transparency for the decision-maker</u> <i>Strategic risks: Corporate governance, miscommunication</i></p> <p><u>Strong competition</u> <i>Strategic risk: Product competition</i></p> <p>⇒ <i>potential effect on SM:</i></p> <p>Improvement of performance of the CRE organisation (corporate strategy)</p> <p>Enhancing client satisfaction (corporate strategy)</p> <p>Increase of assets under management (corporate strategy)</p> <p>Achieving market leadership (corporate strategy)</p>

Concept	QI	Potential Risk <i>Broad Risk Category: Factor</i>
<p>Little thoughts about consequences <i>Wenige Gedanken über Konsequenzen</i></p> <p>Euphoria and exaggeration <i>Euphorie und Übertreibung</i></p> <p>Ignorance of experiences <i>Erfahrungen ignoriert</i></p> <p>Diffuse gut feeling <i>Diffuses Bauchgefühl</i></p> <p>Impression of unhealthy market situation or wrong decision <i>Gefühlt ungesunde Marktsituation bzw. falsche Entscheidung</i></p> <p>Diffuse gut feeling <i>Diffuses Bauchgefühl</i></p> <p>Between euphoria and nervousness <i>Zwischen Euphorie und Nervosität</i></p> <p>In general: exaggeration <i>Allgemeine Übertreibung</i></p> <p>Critical acquisition policy pursued <i>Kritischere Ankaufspolitik angestrebt</i></p> <p>Value increases have not been realised as gains <i>Wertsteigerungen nicht als Gewinn realisiert</i></p>	<p>QRI:</p> <p>Decision-makers act euphoric in strategic decisions and disregard experiences</p> <p>Indicators:</p> <p>Emotional perception of the own personal decision-making behaviour (euphoric/ neutral/ depressed, exaggeration/ neutral/ understatement, diffuse/ clear, critical/ uncritical, secured / risky, correct/ false)</p> <p>Emotional perception of people`s decision-making behaviour in this situation (euphoric/ neutral/ depressed, exaggeration/ neutral/ understatement, diffuse/ clear, critical/ uncritical, secured / risky, correct/ false)</p>	<p>Risks:</p> <p>Increasing prices <i>Strategic risk: Pricing pressures</i></p> <p>Developments of the markets <i>Strategic risks: Corporate governance, miscommunication</i></p> <p>⇒ <i>potential effect on SM:</i></p> <p>Improvement of performance of the CRE organisation (corporate strategy)</p> <p>Enhancing client satisfaction (corporate strategy)</p> <p>Increase of assets under management (corporate strategy)</p> <p>Achieving market leadership (corporate strategy)</p>

Concept	QI	Potential Risk <i>Broad Risk Category: Factor</i>
<p>Real estate as a yield providing object <i>Immobilie als Renditeobjekt</i></p> <p>Desire of clients for a high LTV <i>Wunsch nach hohem LTV durch Investor</i></p>	<p>QRI:</p> <p>Investors treat real estate as a pure yield-providing object</p> <p>Indicators:</p> <p>Ratio: Loan to value for bank loans (high/ low)</p> <p>Relevance of real estate specifics for investors when investing in real estate (high/ low)</p>	<p>Risks:</p> <p><u>Dependency on cash inflows and willingness to provide financing</u> <i>Financial risk: Liquidity crises</i></p> <p><u>Strong competition</u> <i>Strategic risk: Product competition</i></p> <p><u>Interest development</u> <i>Financial risk: High debt and interest rates</i></p> <p>⇒ <i>potential effect on SM:</i></p> <p>Improvement of performance of the CRE organisation (corporate strategy)</p> <p>Enhancing client satisfaction (corporate strategy)</p>
<p>Extremely high ratio of loan to value <i>Extrem hohes Verhältnis Loan to Value</i></p> <p>High availability of capital without warranties <i>Hohe und garantielose Kapitalverfügbarkeit</i></p> <p>No warranties or securities required by banks <i>Keine Garantien oder Sicherheiten von Banken gefordert</i></p> <p>Financing banks without necessary real estate expertise <i>Fehlende Immobilienexpertise der finanzierungen Banken</i></p> <p>Underestimation of the greed of banks <i>Gier der Banken unterschätzt</i></p> <p>Pushing risks to banks <i>Risikoverlagerung an Banken</i></p>	<p>QRI:</p> <p>Credit institutions provide real estate financing uncritically</p> <p>Indicators:</p> <p>Ratio: Loan to value of real estate financing (high/ low)</p> <p>Professional expertise of banks` decision-makers about real estate products (high/ medium/ low)</p> <p>Professional experience of banks` decision-makers about real estate products (long-term, medium-term, short-term)</p> <p>Financing terms (interest, warranties and guarantees) for real estate products (favourably/ appropriate/ expensive)</p>	<p>Risks:</p> <p><u>Increasing prices</u> <i>Strategic risk: Pricing pressures</i></p> <p><u>Strong competition</u> <i>Strategic risk: Product competition</i></p> <p><u>Interest development</u> <i>Financial risk: High debt and interest rates</i></p> <p><u>Regulatory requirements</u> <i>Strategic risk: Regulation</i></p> <p><u>Dependency on cash inflows and willingness to provide financing</u> <i>Financial risk: Liquidity crises</i></p> <p>⇒ <i>potential effect on SM:</i></p> <p>Improvement of performance of the CRE organisation (corporate strategy)</p> <p>Enhancing client satisfaction (corporate strategy)</p> <p>Increase of assets under management (corporate strategy)</p> <p>Achieving market leadership (corporate strategy)</p>

Concept	QI	Potential Risk <i>Broad Risk Category: Factor</i>
<p>Open discussion of clients about refinancing requirements <i>Offene Ansprache des Kunden wegen Refinanzierungsbedarf</i></p> <p>High availability of liquidity <i>Hohe Verfügbarkeit von Liquidität</i></p>	<p>QRI:</p> <p>Investors and credit institutions exert high investment and financing pressure</p> <p>Indicators:</p> <p>Perceived investment behaviour of the investors to invest in real estate (willing/ neutral/ negative)</p> <p>Perceived acquisition behaviour of the credit institutions to finance real estate products (aggressive/ neutral/ negative)</p> <p>Number of financing offers from banks for real estate products (high/ medium/ low)</p>	<p>Risks:</p> <p><u>Increasing prices</u> <i>Strategic risk: Pricing pressures</i></p> <p><u>Strong competition</u> <i>Strategic risk: Product competition</i></p> <p><u>Lack of transparency for the decision-maker</u> <i>Strategic risks: Corporate governance, miscommunication</i></p> <p>⇒ <i>potential effect on SM:</i></p> <p>Improvement of performance of the CRE organisation (corporate strategy)</p> <p>Enhancing client satisfaction (corporate strategy)</p> <p>Increase of assets under management (corporate strategy)</p> <p>Achieving market leadership (corporate strategy)</p>

Appendix 11

Open-ended Qualitative Indicators for FC

Concept	QI	Potential Risk <i>Broad Risk Category: Factor</i>
<p>Investment stop <i>Einstellung Investitionen</i></p> <p>Standstill <i>Stillstand</i></p>	<p>QRI:</p> <p>Decision-makers discontinue acquisitions and investments</p> <p>Indicator:</p> <p>Investment volume for real estate products (high/ medium/ low)</p>	<p>Risk:</p> <p><u>Reaching performance targets</u> <i>Strategic risk: Demand shortfalls</i> <i>Operational risks: Earnings shortfall, cost overruns</i> <i>Financial risk: Asset losses</i> <i>External risk: Rating impacts</i></p> <p>⇒ <i>potential effect on SM:</i></p> <p>Achieving market leadership (corporate strategy)</p> <p>Increase of assets under management (corporate strategy)</p> <p>Improvement of performance of the CRE organisation (corporate strategy)</p> <p>Enhancing client satisfaction (corporate strategy)</p>
<p>Decrease of portfolio assets <i>Reduzierung Portfoliobestand</i></p> <p>Procurement of liquidity through distressed sales <i>Liquiditätsbeschaffung durch Notverkäufe</i></p>	<p>QRI:</p> <p>Decision-makers reduce portfolio assets in order to arrange for liquidity</p> <p>Indicators:</p> <p>Disposition volume (high/ medium/ low)</p> <p>Achieved or achievable exit prices for real estate (high/ appropriate/ low)</p> <p>Duration of sales transaction (long/ medium/ short)</p>	<p>Risk:</p> <p><u>Reaching performance targets</u> <i>Strategic risk: Demand shortfalls</i> <i>Operational risks: Earnings shortfall, cost overruns</i> <i>Financial risk: Asset losses</i> <i>External risk: Rating impacts</i></p> <p>⇒ <i>potential effect on SM:</i></p> <p>Achieving market leadership (corporate strategy)</p> <p>Increase of assets under management (corporate strategy)</p> <p>Improvement of performance of the CRE organisation (corporate strategy)</p> <p>Enhancing client satisfaction (corporate strategy)</p>

Concept	QI	Potential Risk <i>Broad Risk Category: Factor</i>
<p>Malfunction of models due to changed parameters <i>Fehlende Funktion der Modelle aufgrund veränderter Parameter</i></p> <p>Stop of expansion and standstill <i>Expansionsstopp und Stillstand</i></p>	<p>QRI:</p> <p>Decision-makers recognise the malfunctioning of the business model of their CRE organisation</p> <p>Indicators:</p> <p>Internal rate of return of (high/ medium/ low)</p> <p>Level of bond yields (high/ medium/ low)</p> <p>Volume of launch/ acquisition of real estate products (high/ medium/ low)</p> <p>Cash in- and outflows of investors for RE investments (high/ medium/ low)</p>	<p>Risk:</p> <p><u>Reaching performance targets</u> <i>Strategic risk: Demand shortfalls</i> <i>Operational risks: Earnings shortfall, cost overruns</i> <i>Financial risk: Asset losses</i> <i>External risk: Rating impacts</i></p> <p>⇒ <i>potential effect on SM:</i></p> <p>Achieving market leadership (corporate strategy)</p> <p>Increase of assets under management (corporate strategy)</p> <p>Improvement of performance of the CRE organisation (corporate strategy)</p> <p>Enhancing client satisfaction (corporate strategy)</p>
<p>Unexpected, non-controllable event <i>Unerwartetes, nicht beherrschbares Ereignis</i></p> <p>Sudden and surprising <i>Plötzlich und unerwartet</i></p> <p>Lack of predictability <i>Fehlende Vorhersagbarkeit</i></p> <p>Development not included in strategic planning <i>Entwicklung in strategischer Planung nicht einkalkuliert</i></p> <p>Impact of the event on the organisation hardly predictable <i>Auswirkungen Event auf Organisation überwiegend nicht kalkulierbar</i></p>	<p>QRI:</p> <p>The event is perceived as sudden and unexpected by the decision-makers</p> <p>Indicators:</p> <p>Development of the event included in the strategic planning (yes/ partially/ no)</p> <p>Consequences of the event included in strategic planning (yes/ partially/ no)</p> <p>Development of mechanisms to react to the event (yes/ partially/ no)</p>	<p>Risks:</p> <p><u>Reaching performance targets</u> <i>Operational risks: Earnings shortfall, cost overruns</i> <i>Financial risk: Asset losses</i></p> <p><u>Lack of transparency for the decision-makers</u> <i>Strategic risks: Corporate governance, miscommunication</i></p> <p>⇒ <i>potential effect on SM:</i></p> <p>Achieving market leadership (corporate strategy)</p> <p>Increase of assets under management (corporate strategy)</p> <p>Improvement of performance of the CRE organisation (corporate strategy)</p> <p>Enhancing client satisfaction (corporate strategy)</p>

Concept	QI	Potential Risk Broad Risk Category: Factor
<p>Adjustment of the organisation to the situation and to the demand-related behaviour (capacities, new advisory board, strategy days) <i>Anpassung Unternehmensorganisation an Situation und Nachfrageverhalten (Kapazitätsanpassungen, neues Advisor Board, Strategietage)</i></p> <p>Procurement of liquidity through distressed sales <i>Liquiditätsbeschaffung durch Notverkäufe</i></p> <p>Development not included in strategic planning <i>Entwicklung in strategischer Planung nicht einkalkuliert</i></p> <p>Impact of the event on the organisation hardly predictable <i>Auswirkungen Event auf Organisation überwiegend nicht kalkulierbar</i></p> <p>Familiar reactions and mechanisms without alternatives <i>Bekannte und alternativlose Reaktionsmechanismen</i></p> <p>Tremendous uncertainty with assessing the situation <i>Enorme Unsicherheit in der Einschätzung der Situation</i></p> <p>Insecurities in strategic decision-making <i>Unsicherheit bei strategischer Entscheidungsfindung</i></p> <p>Panic behaviour on the markets <i>Panisches Verhalten an den Märkten</i></p> <p>Mixed feelings between surprise, fear and motivation <i>Gemischte Gefühle zwischen Überraschung, Angst und Motivation</i></p> <p>Perceived uncertainty <i>Wahrgenommene Unsicherheit</i></p>	<p>QRI:</p> <p>Decisions are made under uncertainty during this situation</p> <p>Indicators:</p> <p>Perceived certainty by the decision-maker (high, standard, low)</p> <p>Perceived emotions of the decision-maker (motivated, neutral, anxious/ panic)</p> <p>Perceived behaviour of the decision-maker (aktive, neutral, passive)</p>	<p>Risks:</p> <p><u>Reaching performance targets</u> <i>Strategic risk: Demand shortfalls</i> <i>Operational risk: Earnings shortfall</i> <i>Financial risk: Asset losses</i></p> <p><u>Lack of transparency for the decision-maker</u> <i>Strategic risks: Corporate governance, miscommunication</i></p> <p>⇒ <i>potential effect on SM:</i></p> <p>Achieving market leadership (corporate strategy)</p> <p>Increase of assets under management (corporate strategy)</p> <p>Improvement of performance of the CRE organisation (corporate strategy)</p> <p>Enhancing client satisfaction (corporate strategy)</p>

Concept	QI	Potential Risk <i>Broad Risk Category: Factor</i>
<p>Irrational decisions of actors <i>Irrationale Entscheidungen der Akteure</i></p> <p>Actions based on gut feelings and experiences <i>Handlungen auf Basis von Bauchgefühl und Erfahrung</i></p> <p>Irrational decisions of actors <i>Irrationale Entscheidungen der Akteure</i></p> <p>Rough approaches <i>Rabiante Vorgehensweisen</i></p> <p>Irrational behaviour <i>Irrationales Verhalten</i></p> <p>Strategic misconduct <i>Strategisches Fehlverhalten</i></p> <p>Lack of available time <i>Fehlende verfügbare Zeit</i></p> <p>Decisions at short notice <i>Kurzfristige Entscheidungen</i></p>	<p>QRI:</p> <p>Decision-makers act irrational and with strategic misconduct during this situation</p> <p>Indicators:</p> <p>Kind of implementation of the decisions (thoughtful/ rough)</p> <p>Period for decisions (long/ medium/ short)</p> <p>Plausibility of decisions (high/ medium/ low)</p> <p>Correctness of decisions (correct/ wrong)</p> <p>Available time for decisions (long/ appropriate/ short)</p>	<p>Risks:</p> <p><u>Reaching performance targets</u> <i>Strategic risk: Demand shortfalls</i> <i>Operational risk: Earnings shortfall</i> <i>External risk: Rating impacts</i></p> <p><u>Lack of transparency for the decision-maker</u> <i>Strategic risks: Corporate governance, miscommunication</i></p> <p>⇒ <i>potential effect on SM:</i></p> <p>Achieving market leadership (corporate strategy)</p> <p>Increase of assets under management (corporate strategy)</p> <p>Improvement of performance of the CRE organisation (corporate strategy)</p> <p>Enhancing client satisfaction (corporate strategy)</p>
<p>Focus on the core competencies <i>Konzentration auf Kerngeschäft</i></p> <p>Purification and refocusing on core competencies <i>Entschlackung und Refokussierung auf Kerngeschäft</i></p>	<p>QRI:</p> <p>Decision-makers focus on core competencies of the CRE organisation</p> <p>Indicators:</p> <p>Asset under management in real estate (increase/ decrease)</p> <p>Existing business segments (increase/ decrease)</p> <p>Existing participation interests (increase/ decrease)</p>	<p>Risk:</p> <p><u>Reaching performance targets</u> <i>Operational risk: Earnings shortfall</i> <i>Financial risk: Asset losses</i></p> <p>⇒ <i>potential effect on SM:</i></p> <p>Achieving market leadership (corporate strategy)</p> <p>Increase of assets under management (corporate strategy)</p> <p>Improvement of performance of the CRE organisation (corporate strategy)</p> <p>Enhancing client satisfaction (corporate strategy)</p>

Concept	QI	Potential Risk <i>Broad Risk Category: Factor</i>
<p>Within short time investments and debt financing abandoned <i>Innerhalb kürzester Zeit Investitionsverhalten und Kreditvergabe abgebrochen</i></p> <p>Real estate ignored as an asset class <i>Immobilien als Assetklasse ignoriert</i></p> <p>Drawback from the asset class real estate in a panic <i>Panischer Rückzug aus Assetklasse Immobilie</i></p> <p>Irrational fear of investors <i>Irrationale Ängste der Investoren</i></p> <p>Limited availability of capital <i>Kapitalverfügbarkeit eingeschränkt</i></p> <p>Lack of liquidity <i>Fehlende Liquidität</i></p> <p>Withdrawal of liquidity and freeze on expansion <i>Abzug von Liquidität und Expansionsstopp</i></p>	<p>QRI: Investors ignore real estate as a form of investment and withdraw funds</p> <p>Indicators: Willingness of investors to invest in real estate (high/ medium/ low) Availability of liquidity from investors (high/ normal/ low) Notice periods for return claim of funds (long/ medium/ short)</p>	<p>Risks: <u>Reaching performance targets</u> <i>Strategic risk: Demand shortfalls</i> <i>Operational risks: Earnings shortfall, cost overruns</i> <i>Financial risk: Asset losses</i> <i>External risk: Rating Impacts</i></p> <p><u>Interest development</u> <i>Financial risk: High debt and interest rates</i></p> <p><u>Availability of liquidity</u> <i>Financial risk: Liquidity Crises</i></p> <p>⇒ <i>potential effect on SM:</i> Achieving market leadership (corporate strategy) Increase of assets under management (corporate strategy) Improvement of performance of the CRE organisation (corporate strategy) Enhancing client satisfaction (corporate strategy)</p>

Concept	QI	Potential Risk <i>Broad Risk Category: Factor</i>
<p>Bank lending stopped suddenly <i>Kurzfristige Einstellung Kreditvergabe</i></p> <p>Within short time investments and debt financing abandoned <i>Innerhalb kürzester Zeit Investitionsverhalten und Kreditvergabe abgebrochen</i></p> <p>Restructuring of debt financing <i>Restrukturierung von Finanzierungen</i></p> <p>Lack of refinancing efforts of banks <i>Fehlende Refinanzierungsbemühungen der Banken</i></p>	<p>QRI:</p> <p>Within short notice credit institutions abandon lending</p> <p>Indicators:</p> <p>Willingness of banks to finance the asset class real estate (high/ medium/ low)</p> <p>Availability of funds/liquidity from credit institutions (high/ medium/ low)</p> <p>Notice periods to terminate loan agreements (long/ medium/ short)</p>	<p>Risks:</p> <p><u>Reaching performance targets</u></p> <p><i>Strategic risk: Demand shortfalls</i></p> <p><i>Operational risk: Earnings shortfall</i></p> <p><i>Financial risk: Asset losses</i></p> <p><i>External risks: Rating impacts, industry crises</i></p> <p><u>Availability of liquidity</u></p> <p><i>Financial risk: Liquidity crises</i></p> <p>⇒ <i>potential effect on SM:</i></p> <p>Reaching market leadership (corporate strategy)</p> <p>Increase of assets under management (corporate strategy)</p> <p>Improvement of performance of the CRE organisation (corporate strategy)</p> <p>Enhancing client satisfaction (corporate strategy)</p>

Appendix 12

Potential Broad Risk Categories in the CRE Context

Potential Risk (from Appendix 5)	Potential Risk <i>Broad Risk Category: Factor</i>	Potential effect on SM (from Appendix 5)
Lack of transparency (for the decision-maker)	Strategic risks: Corporate governance Miscommunication	Improvement of performance (of the CRE organisation) <i>Steigerung Performance</i> Enhancing client satisfaction <i>Erhöhung Kundenzufriedenheit</i>
Increasing prices	Strategic risk: Pricing pressures	Increase of assets under management <i>Steigerung</i> <i>Assets under Management</i> Improvement of performance (of the CRE organisation) <i>Steigerung Performance</i> Enhancing client satisfaction <i>Erhöhung Kundenzufriedenheit</i> Achieving market leadership <i>Erreichen Marktführerschaft</i>
Strong competition	Strategic risk: Product competition	Increase of assets under management <i>Steigerung</i> <i>Assets under Management</i> Improvement of performance (of the CRE organisation) <i>Steigerung Performance</i> Enhancing client satisfaction <i>Erhöhung Kundenzufriedenheit</i> Achieving market leadership <i>Erreichen Marktführerschaft</i>
Developments of the markets	Strategic risks: Corporate governance Miscommunication	Improvement of performance (of the CRE organisation) <i>Steigerung Performance</i> Enhancing client satisfaction <i>Erhöhung Kundenzufriedenheit</i>
Dependency on cash inflows and willingness to provide financing	Financial risk: Liquidity crises	Improvement of performance (of the CRE organisation) <i>Steigerung Performance</i> Enhancing client satisfaction <i>Erhöhung Kundenzufriedenheit</i>
Interest development	Financial risk: High debt and interest rates	Improvement of performance (of the CRE organisation) <i>Steigerung Performance</i> Enhancing client satisfaction <i>Erhöhung Kundenzufriedenheit</i>

Potential Risk (from Appendix 5)	Potential Risk <i>Broad Risk Category: Factor</i>	Potential effect on SM (from Appendix 5)
Regulatory requirements	Strategic risk: Regulation	Improvement of performance (of the CRE organisation) <i>Steigerung Performance</i> Enhancing client satisfaction <i>Erhöhung Kundenzufriedenheit</i>
Reaching performance targets	Strategic risk: Demand shortfalls Operational risk: Earning shortfall Cost overruns Financial risk: Asset losses External risk: Rating impacts	Increase of assets under management <i>Steigerung Assets under Management</i> Improvement of performance (of the CRE organisation) <i>Steigerung Performance</i> Enhancing client satisfaction <i>Erhöhung Kundenzufriedenheit</i> Achieving market leadership <i>Erreichen Marktführerschaft</i>
Availability of Liquidity	Financial risk: Liquidity crises	Increase of assets under management <i>Steigerung Assets under Management</i> Improvement of performance (of the CRE organisation) <i>Steigerung Performance</i> Enhancing client satisfaction <i>Erhöhung Kundenzufriedenheit</i> Achieving market leadership <i>Erreichen Marktführerschaft</i>