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JPMorgan Chase, Bank of America, Wells Fargo, and the mortgage crisis of 2008

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JPMORGAN CHASE, BANK OF AMERICA, WELLS FARGO, AND THE
MORTGAGE CRISIS OF 2008

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by

Lauren Berkshire Hearit

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For my parents, who first introduced me to the joy of learning. You continue to be incredibly gracious with your time, energy, and support. I could not do this without you.

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ABSTRACT

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The practice of financial public relations is widespread in the field of public relations, but there is little research concerning the practice of financial public relations. In response to the call for additional research on financial public relations, this paper will examine the intersections of financial public relations, issue management, and organizational communication. Specifically, this project will explore how contemporary issue management requires companies to maintain their actional and institutional legitimacy.

Following the Financial Crisis of 2008, major banks such as JPMorgan Chase, Bank of America, and Wells Fargo attempted to rebuild stakeholder and shareholder trust in the American financial system. Financial public relations played a key role in rebuilding this trust. Through a rhetorical analysis of the use of strategic communication by JPMorgan Chase, Bank of America, and Wells Fargo, a number of conclusions can be drawn about the practice of issue management and financial public relations. Specifically, this paper found that legitimacy is of importance in post-crisis corporate communication. How JPMorgan Chase, Bank of America, and Wells Fargo responded to questions

raised about their actional and institutional legitimacy impacted their press coverage and organizational discourse. This underscores the importance of careful communication in managing shareholder and stakeholder concerns and rebuilding public trust in their corporations.

Keywords: financial public relations; issue management; strategic communication;

Financial Crisis of 2008; actional legitimacy.

CHAPTER 1. INTRODUCTION

Size, we are told, is not a crime. But size may, at least, become noxious by reason of the means through which it was attained or the uses to which it is put.

-Louis Brandeis, *Other People's Money: And How the Bankers Use It*, 1923

In early 2009, JPMorgan Chase launched an advertisement series called “The Way Forward.” The bank took out print advertisements in *The New York Times*, *The Wall Street Journal*, and *The Washington Post* and launched over 11 television commercials centered on this theme (Hobson, 2009). Using language like, “we’re focusing on The Way Forward to help improve the health of our economy,” “we’re reaching out to small businesses...lending them more than \$10 billion,” and claiming to have prevented 565,000 foreclosures since 2007, JPMorgan Chase sent a clear message of organizational stability, guidance, and success.

In the aftermath of the 2008 financial crisis, big Wall Street banks like JPMorgan Chase were faced with a crisis of legitimation. During a severe economic downturn attributed to poor lending and trading practices (e.g., the trading of mortgage-backed securities), the institutional and actional legitimacy of Wall Street banks was questioned. Calls for increased regulation were fierce. Consequently, JPMorgan Chase’s advertisement series stressing it is the bank to lead America forward was bold, but

important to the revitalization of the organization. For example, analyst Brad Hintz said these ads were important for JPMorgan Chase's standing with Congress as the bank was trying to position itself as the organization keeping middle-class Americans in their homes (Hobson, 2009). With the examination of other public relations activities like annual reports, letters to shareholders, and press releases, I explore themes of success, stability, and guidance that emerged from JPMorgan Chase, Bank of America, and Wells Fargo's rhetoric as they tried to recover from the 2008 financial crisis.

These advertisements were not the only piece in the image restoration activity of JPMorgan Chase, Bank of America, and Wells Fargo. The everyday public relations activity, such as the issuing of press releases, was also of importance to these banks and their stability post-financial crisis. However, public relations scholarship does not always reflect these everyday public relations activities. For example, crisis management gets more play than issue management, perhaps because crisis management is more glamorous. Crisis communication case studies like the BP oil spill, Johnson & Johnson's Tylenol case, and Firestone's tire fiasco have found their way into the common corpus of public relations literature, whereas everyday public relations functions (e.g., pitching stories to the media) are not as frequently discussed. Even topics such as development and fundraising, both of which are vital to the success of universities where academics work, get almost no mention in the public relations literature despite their importance in the practice of public relations at the university level. When surveying the practice of public relations, crisis communication only constitutes a small portion of the day-to-day practice of public relations. In fact, issue management is considerably more common but can be overlooked despite Heath and Palenchar's (2009) findings that 91% of *Fortune*

500 companies had issue management programs, and those programs were oftentimes considered extremely important (23.8%) or very important (50.0%) to CEOs and organizational leaders. Issue management can prevent issues from becoming crises, thereby negating the potential for any public crisis, and some executives claim they spend as much as 50 percent of their time attending to issue management (Gaunt & Ollenburger, 1995). However, academic literature does not reflect this trend. For example, Gaunt and Ollenburger (1995) argue the field has not developed rapidly because of the difficulty in predicting issues. In 1990, an “end of first decade progress report” was published to measure how the concept of issue management, coined in 1980, was performing in the academic literature. Heath and Cousino (1990) found that more than 240 scholarly and professional articles as well as scholarly books and public relations texts discussed issues management directly, or featured topics essential to its practice. However, this required a literature search across disciplines such as business, business planning and management, public policy, public affairs, and communication, and certainly does not reflect the trend that executives spend as much as half their time attending to issue management.

Financial public relations also struggles with adequate representation in scholarly literature. Current literature that falls under the financial public relations umbrella includes research on annual reports (e.g., Camiciotti, 2009; Linsley & Shrides, 2006; Gerbner, 1969; Parker, 1982), financial ethics (e.g., Camiciotti, 2011), the dot-com bubble (e.g., Goodnight & Green, 2010), and organizational trust and strategic ambiguity (e.g., Christensen & Langer, 2009). This study provides additional research on financial public relations through a focus on three financial institutions and their issue management after the 2008 financial crisis. This chapter will provide a brief overview of the financial

crisis and how I plan to study responses rhetorically. The following chapter will more fully expand on the relevant literature in financial public relations, issue management, and legitimacy. The third chapter will introduce the proposed research methodology for conducting this study. The fourth chapter will analyze the data and highlight the themes that emerge from each bank's discourse. The fifth chapter will provide some conclusions and future directions for research.

1.1 The Financial Crisis of 2008

News outlets, financial analysts, and economists regularly refer to the financial crisis of 2008 as the worst economic downturn since the Great Depression (e.g., Ro, 2013; Sorkin, 2010; Reuters, 2009). Initially, Lehman Brothers, the fourth-largest firm on Wall Street, was in major trouble. Bear Stearns was allowed to go bankrupt, causing the stock market to plummet and creating a global panic among banks and banking customers. This immediately caused financial trouble for Lehman Brothers (Sorkin, 2010). The financial sector is so dependent on the trust of investors that when news leaked that Bear Stearns was on shaky ground, panicky investors refused to trade with Bear Stearns, thereby bringing about the demise of the firm much more quickly than any analysts imagined (Sorkin, 2010). After an unpopular bailout where Bear Stearns was sold to JPMorgan for \$2 per share, Lehman Brothers was considered next most likely to fail. Over the weekend of September 13-14, 2008, a deal was arranged for either Bank of America or Barclays to purchase Lehman Brothers, much as how the U.S. Treasury arranged for Bear Stearns's purchase (Sorkin, 2010).

However, the deal fell through with potential buyers, and Lehman Brothers was allowed to go under. The global repercussions were severe. The decision led to a number of unforeseen consequences, which resulted in the United States government having to take steps to provide enormous amounts of credit to large banks and investment banking firms such as JPMorgan Chase, Bank of America, and Wells Fargo. The government also created a Troubled Asset Relief Program (TARP) for banks to disburse “problematic” loans (Sorkin, 2010). TARP allowed the U.S. Treasury to purchase and/or insure up to \$700 billion of “troubled assets” (CBO, 2009). In other words, TARP allowed the Treasury to purchase illiquid or “junk” assets from banks and other financial institutions. TARP was meant to help stabilize the market and keep the mortgage and credit markets liquid. Despite these efforts by the Treasury, many consumers still lost their trust in the strength and stability of these banks as foreclosure rates skyrocketed and mortgages became difficult to obtain, which led the banking industry to have to work to repair its damaged relationships with American consumers as well as assuage public anger for the bailout (and its causes).

Today, JPMorgan Chase, Bank of America, and Wells Fargo all exist. These banks were deemed “too big to fail” by the government. “Too big to fail” is an interesting rhetorical construct. Too big to fail means these banks are considered to hold too great a market share and are so interconnected that they will be supported by the government when they face difficulty (Lin, 2012). The term was popularized in 1984 during a set of Congressional hearings on the Federal Deposit Insurance Corporation’s (FDIC) intervention with Illinois (Dash, 2009a). Too big to fail allows banks to participate in risky lending and trading practices without actually absorbing any of the risk (also

referred to by economists as moral hazard). Rather, these banks could be unforgiving in their lending and trading practices as they had a promise from the government that they would not be allowed to go under.

Today, these banks are larger than ever. For example, JPMorgan not only bought Bear Stearns, but also merged with Chase (Sorkin, 2010). Whereas before the financial crisis there were several large banks, today there are fewer banks that are even larger. *The Wall Street Journal* reported the number of federally insured banking institutions nationwide is 6,891, falling below 7,000 banks nationwide for the first time since federal regulators began keeping track in 1934 (Tracy, 2013). The size of these institutions is often what causes financial analysts to pause and question the economic stability that currently exists. Corder (2009) and Chan (2011) have gone so far as to argue that the current financial system has not fixed these issues and that there will be another, more severe, financial crisis. What have these financial institutions done in order to ensure their survival and rebuild shareholder and stakeholder trust and confidence in their firms? Issue management involves the practice of calculated corporate discourse, the use of apologia to avert crises and downplay issues, and the management of the lifecycles of issues (e.g., Gaunt & Ollenburger, 1995; Hearit, 1995a; Heath, 1986; Crable & Vibbert, 1985). As a result, this thesis will examine the issue management techniques employed by three financial institutions in the aftermath of the 2008 financial crisis in order to understand their rhetorical strategies, current status, and current stability.

1.2 Financial Public Relations

As was established earlier, there is not a wealth of literature on financial public relations¹, despite the number of financial public relations practitioners and the strength and size of many U.S. financial institutions. Consequently, there is a need to build up the body of literature in regards to financial public relations practices. This will allow scholars to more appropriately represent the day-to-day practice of public relations in the literature.

Scholars have previously examined the dot-com bubble, financial ethics, organizational transparency, and various financial reporting tools to examine financial institutions and the practice of financial public relations (e.g., Camiciottoli, 2011; Christensen & Langer, 2009). Kiouisis, Popescu, and Mitrook (2007) compared public relations content, news media coverage, public opinion, and corporate financial performance for 28 U.S. companies, and they found that mentions of corporate vision, leadership, and other managerial traits in *The Wall Street Journal* were significantly correlated with financial performance. Kiouisis et al. argued that for public relations practitioners, these findings are important in that they stress the importance of crafting strategic corporate communication messages. Furthermore, these messages impacted the

¹ Excluding book reviews, an examination of the last six years of *Journal of Public Relations Research* and *Public Relations Review* was conducted to determine the exact number of articles published on financial public relations. Including articles on financial news coverage, *Journal of Public Relations Research* had published two articles since 2007 (2007, 2012) and *Public Relations Review* had published five journal articles since 2007 (2011 (two articles), 2012 (two articles), and 2013).

financial performance of corporations, further providing support for the importance of the everyday practice of financial public relations.

SEC filings and voluntary financial disclosure have been studied (e.g., Camiciottoli, 2011), but other day-to-day practices and the impact of financial public relations have not been studied. For example, how communication and, more specifically, rhetoric impacts economic expectations has not been discussed in the literature. This is a worthwhile area to study for three reasons. First, studying how rhetoric impacted economic performance and expectations following the 2008 financial crisis could allow for a better understanding of the financial crisis and how rhetoric can influence economic performance. Second, this area of study has potential implications for organizations in the practice of financial public relations. Understanding how rhetoric can shape the practice of financial public relations can better inform practitioners and scholars. Third, this study does add to the literature on day-to-day public relations activities. Studying the rhetorical themes used in press releases, annual reports, letters to shareholders, and ad buys used by JPMorgan Chase, Bank of America, and Wells Fargo may allow for a better understanding of how strategic communication can correspond with performance gains, performance losses, and re-legitimation.

Rhetorical theory is central to strategic issue management since rhetoric requires people—and organizations—to be good and have a sound character, an assumption stemming from Quintilian (Heath & Palenchar, 2009, p. 41). According to Heath and Palenchar, publics and organizations refine fact, value, and policy, allowing rhetoric to include identification and “co-created narratives.” Consequently, rhetoric matters when discussing economic expectations and financial public relations because of how rhetoric

can create identification and co-created narratives. The Federal Reserve puts out press releases on a regular basis attempting to influence the domestic (or even global) economy. Yet scholars have not examined how these strategic narratives impact the day to day economy despite Heath's (1993) statement that "business discourse invents reality" (p. 142). There is some literature on public policy aspects of issue management, an area closely tied to financial issue management (e.g., Hallahan, 2000; Waymer & Heath, 2007). Waymer and Heath (2007) examined the effects of activist public relations and how this impacts public policy decisions. As a result, it is worthwhile to respond to this disparity between the amount of financial public relations research and the daily practice of public relations in a financial context.

1.3 Issue Management and Legitimation

Issue management involves the practice of calculated corporate discourse, the use of apologia to avert crises and downplay issues, and the management of the lifecycles of issues (e.g., Gaunt & Ollenburger, 1995; Hearit, 1995a; Heath, 1986; Crable & Vibbert, 1985). Issue management allows organizations to garner legitimacy, both actional and institutional. Legitimacy, at root, is whether an organization can continue to exist. Actional legitimacy is when specific organizational actions are identified as legitimate or approved in the public sphere. Institutional legitimacy is when an institution as a whole is considered legitimate by its publics (Dowling & Pfeffer, 1975; Francesconi, 1982; Boyd, 2000). By keeping the legitimacy of an organization or the legitimacy of an organization's actions in mind, issue managers can better keep an organization out of a crisis. The practice of issue management can maintain the legitimacy of an organization,

support for its actions, and garner support from stakeholders and shareholders (Heath, 1986).

The financial crisis of 2008 provides a unique frame to examine legitimacy in that the specific actions of these big Wall Street banks were deemed socially irresponsible, thereby threatening their institutional legitimacy. In response to this legitimation threat, each of these banks took specific, discursive steps in order to preserve and restore their image as socially responsible, strong, and stable banks. Through the use of public relations, these banks were able to disseminate strategic messages designed to bolster stakeholder support and the legitimacy of the bank. I explore both the building of institutional legitimacy and the bolstering of actional legitimacy regarding the specific actions of acceptance of federal funds through the TARP program, banks scapegoating blame through personnel changes, and banks continuing to be involved in mortgage-backed securities. How these banks reacted to this legitimation crisis informed their rhetorical image restoration tactics. In turn, the rhetorical strategies used to restore each bank's image inform how these banks communicate financial and financial risk information today.

The choice to use the theoretical frame of issue management instead of crisis communication is deliberate. Issue management has the overarching goal of enhancing the current and long-term performance of an organization as it manages "organizational and community resources through the public policy process to advance organizational interests and rights by striking a mutual balance with those of stakeholders" (Heath, 2006a, p.79). Heath goes so far as to argue legitimacy is the central tenet of issue management as organizations manage and balance shareholder and organizational

interests. A crisis is an “untimely event that can be anticipated to occur If unattended or poorly managed, the crisis can prevent the organization from making satisfactory progress toward achieving its mission and vision” (Heath, 2009, p. 280). In this thesis, I will focus on *post* crisis issue management when JPMorgan Chase, Bank of America, and Wells Fargo were past the financial crisis, and the day-to-day survival of these banks was not in question. Rather, the government had extended TARP funds, the banks stabilized, and JPMorgan Chase, Bank of America, and Wells Fargo could begin focusing on rebuilding organizational and actional legitimacy—or, in other words, on decreasing the issues facing the banks from crisis to current or imminent (Crabbe & Vibbert, 1985).

The specific themes and strategies each bank used to rebuild stakeholder and shareholder trust can be applied to other financial institutions facing threats to their legitimacy in the aftermath of the poor conveyance of financial (and financial risk) information. Additionally, this study underscores the importance and value of public relations to organizations. The practice of public relations within a financial context can help organizations disclose financial information, navigate economic bubbles, and respond to calls for increased financial transparency (e.g., Camiciottoli, 2011). If financial public relations is mismanaged, consequences can be severe, from criminal convictions for practitioners to corporate dissolution. As a result, the practice of public relations in a financial context is of great importance and value to corporations.

Based on the intersections of the literature on financial public relations, image restoration, and legitimacy, this project will more fully review this literature in order to draw conclusions about the modern practice of financial public relations, strategic issue

management, and corporate discourse. This study offers seven research questions and a set of methods through which to answer the research questions. The thesis will analyze press releases, annual reports, and statements to shareholders. In this analysis, specific themes will be identified for JPMorgan Chase, Bank of America, and Wells Fargo.

These themes will be compared and contrasted. Then, the rhetorical messages will be evaluated through a comparison of market shares, stocks, and net profits for each bank quarter by quarter in 2009. The final chapter will discuss the themes that emerge and provide tentative applications and implications for these findings.

CHAPTER 2. LITERATURE REVIEW

The most basic measure of legitimacy is whether an organization can continue to exist. In cases such as Enron, Arthur Andersen, and TWA, even very large organizations lost legitimacy and were unable to continue. In the case of the banks involved in the financial crisis, however, they were able to restore enough legitimacy that they have continued to operate. Understanding how they constructed messages toward this outcome will be the subject of this thesis and the scholarly literature that will undergird it. To more fully understand the rhetorical strategies these banking institutions used that seemed to correspond with maintaining their legitimacy, I will examine JPMorgan Chase, Bank of America, and Wells Fargo's post-crisis issue management discourse from January 2009 through December 2009. This time frame will allow for an in-depth examination of the post-crisis issue management used by JPMorgan Chase, Bank of America, and Wells Fargo as their issue managers tried to decrease the issues raised by the financial crisis from critical to current or imminent (Cralle & Vibbert, 1985). Additionally, by January 2009, the survival of these banks was no longer in question. Rather, the government and TARP rescued these banks financially, so these banks needed to focus on re-establishing legitimacy and trust with shareholders, stakeholders, employees, and consumers using issue management and financial public relations. Issue management is critical to managerial leadership in the financial industry because

financial institutions must maintain the trust of their stakeholders and shareholders. Without this trust, financial institutions risk going belly-up, and with a marked increase in the size of these financial institutions (Sorkin, 2010), it is detrimental to the economy to let one of these banks fail, as evidenced by the collapse of Lehman Brothers. As financial institutions grow larger and their reach increases, trust or a lack of trust in them affects increasing numbers of people. Contemporary issue management requires financial institutions to maintain their actional and institutional legitimacy. To support this argument, this paper will examine how financial public relations, legitimacy, and image restoration techniques can be used as methods to uphold the legitimacy of organizations.

2.1 Financial Public Relations

In surveying the field of public relations literature, some of the scholarly work that does focus on financial relations considers ethics. Camiciottoli (2011) examined the use of “ethical wording,” or strategic communication that portrayed an organization as ethical. This ethical wording, meant to convey the Aristotelian concept of ethos, was used by CEOs of financial institutions following the global financial crisis in an attempt to persuade stakeholders of the company’s ethical stance in an economically trying time. By using the global financial crisis as a backdrop, she found the language used by executives focused on moving forward and regaining shareholder and stakeholder trust. The surveyed executives focused on wording such as “trustworthiness,” “responsible,” “commitment,” and “moving forward.” The term “continue” was used most frequently and allowed executives to highlight the reliability and trustworthiness of the company in

its efforts to rebound from the global recession. Additionally, the use of these terms reassured audiences of the company's commitment to and confidence in the future which allowed executives to counterbalance the financial weaknesses they reported.

Camiciottoli (2011) proposed further studies on similar topics (e.g., earnings calls of companies all reporting consistently strong performance) to evaluate the discourse used by these organizations.

Instead of further studying the rhetoric used in earnings calls, by reshaping Camiciottoli's study to focus less on ethical language and more on image reparation in this study, her findings are expanded and potentially supported. Camiciottoli argued that although the primary purpose of financial reports is to transmit factual data, research has shown financial reports contain rhetoric portraying the company to its stakeholders as credible and trustworthy (e.g., Bhatia, 2010; Malavasi, 2006; Piotti, 2006; Schlegelmilch & Pollach, 2005). Consequently, by examining the financial reports disseminated by JPMorgan Chase, Bank of America, and Wells Fargo as examples of their financial public relations, I found rhetoric presenting each of these banks as credible and trustworthy in an attempt to rebuild their images.

Goodnight and Green (2010) examined the dot-com bubble (1992-2002) as a rhetorical movement and drew connections to the 2008 financial crisis. The authors found the immense changes in economic practices that accompanied the dot-com bubble now impact other areas, such as health, education, agriculture, housing, and media organizations. All these fields have access to new technologies, which generate "unpredictable, mimetic vectors that destabilize and transform risk cultures" (p. 133). This change in risk culture pushes institutions and organizations into unanticipated

change through rhetorical movement, which is defined as “the migration of an argument or appeal from the controversy that originally contained it to quite different circumstances or events” (p. 134). Since new communication technologies lead to globalization and organizational interconnectivity, Goodnight and Green argued that “interlocking fragility” has occurred with only the appearance of stability. The authors quoted Henry Paulson, the U.S. Secretary of Treasury during the 2008 financial crisis, as having said, “When you look at the complexity of the system and all the interconnectivity and size of these institutions, that is the challenge” (p. 133). This discussion of economic bubbles allows for a better understanding of the interconnectedness of the three banks discussed in this thesis and how the rhetorical actions of one bank can impact any of the other large banks. Therefore, it is important to examine the specific rhetorical actions each bank used in recovering from the 2008 financial crisis.

Studying the financial public relations activity of JPMorgan Chase, Bank of America, and Wells Fargo following the 2008 financial crisis has implications for the fields of organizational communication, public relations, and economics. Specifically, understanding how rhetoric can influence global and domestic economic performance may have long-term implications as financial institutions become increasingly interconnected. Additionally, organizational communication may benefit from understanding how rhetoric potentially influences organizational financial performance and how the practice of financial public relations corresponds with organizational financial performance. Public relations scholars have examined some financial public relations strategies, such as rhetoric and organizational transparency. However, these strategies have not been studied in depth following financial downturns or crises, nor

have they been connected with the image repair of financial institutions (only economic recovery such as in Camiciottoli's 2011 article). Consequently, this project serves to address these gaps in the literature in order to better connect the scholarship in financial public relations and issue management. Studying financial public relations can advance the fields of issue management and crisis communication by better informing scholars and practitioners how to manage finance-related issues and crises for organizations. Moreover, public relations scholarship has struggled with how to articulate its value to chief executives and the upper management of organizations (Grunig, Grunig, & Dozier, 2002). Financial public relations may provide a more tangible value to organizations when financial public relations practitioners can more deftly navigate the difficult terrain of economic bubbles, organizational interconnectivity, and the calls for transparency in an age of increased technology and globalization. The 2008 financial crisis provides a lens through which to study these questions and contribute in a meaningful way to the public relations, organizational communication, and managerial leadership literature.

2.2 Strategic Issue Management

When organizations face a crisis, academics and social critics focus on how organizations utilize their communication techniques to rebuild their reputation, clientele, and shareholders. However, crises often occur when companies fail to practice issue management, or when they are unsuccessful in their efforts to prevent the progression of an issue into a crisis. Crable and Vibbert (1985) discuss the cycles of issues, identifying the steps public relations practitioners must follow to identify potential issues in an effort

to prevent them from becoming critical issues. When an issue reaches this stage, issue management has failed.

An issue is created when one or more human agents attach significance to a situation or perceived problem (Cralle & Vibbert, 1985). These issues can never be resolved as they are situations in which “relief but not total solution is found” since people and groups of people “make” issues out of matters in which they have an interest (p. 5). According to Cralle and Vibbert, issues have five basic levels of status: potential (some person or group demonstrates an interest in an issue), imminent (if the potential issue has been accepted by others), current (issue has become a means of exchange), critical (“crisis” stage where people identify with some side of the issue), and dormant (issue has been dealt with in some way). Issue management, then, involves attention to issues at any level (p. 7) and the desire of issue managers to lower the status of issues. This thesis will consistently deal with the lifecycle of issues as JPMorgan Chase, Bank of America, and Wells Fargo took active steps to lower post 2008 financial crisis issues from critical (or “crisis”) to current or imminent. These banks strove to decrease the status of issues and improve relationships with key publics (e.g., shareholders, employees, and customers/stakeholders) by using post-crisis narratives, rhetorical strategies, and legitimacy bolstering.

Gaunt and Ollenburger (1995) pointed out that issue management is much more proactive than crisis management. Issue management tries to identify issues and influence decisions regarding the issues before the issues have a detrimental effect on the corporation, such a decrease or loss of legitimacy. Heath (1976) also suggested communication campaigns are vital to the total issue management process, as these

campaigns include both preventative and persuasive elements. Through the process of issue management and issue management campaigns, organizations attempt to eliminate any possibility of outrage by identifying and dealing with issues as they emerge *before* they become public knowledge (Gaunt & Ollenburger, 1995). Additionally, some scholars view issue management as the avenue by which public relations practitioners can earn a seat at the table of the dominant coalition and take a more significant role in the decision-making processes of organizational management (Gaunt & Ollenburger, 1995). This is important to the field of public relations, especially in response to calls by Grunig, Grunig, and Dozier (2002) to determine the value of public relations within organizations. For public relations in a financial context, a misstep in public relations could mean a violation of financial law, compromising the organization's finances, or even impacting the national and/or global economy. For financial institutions like JPMorgan Chase, Bank of America, and Wells Fargo, the practice of public relations appears to be of even greater importance in light of the interconnectedness of the banking sector and the impact on the global economy. Consequently, this study will explore potential correlations between the public relations activities used by these banks and their continued actional and institutional legitimacy.

One way organizations throughout the process of issue management attempt to keep issues at a lower level (i.e., potential, imminent, etc.) is through values advocacy. Values advocacy allows organizations to identify positive areas of agreement with key publics (Bostdorff & Vibbert, 1994). Bostdorff and Vibbert (1994) use the example of Phillips Petroleum during the 1970s as an illustration of values advocacy. The company used advertisements that focused on how the Phillips Petroleum's fuel additive allowed

for a helicopter rescue of Becky Sharp from a snowy mountain instead of focusing on the company's product. This proved a successful advertisement campaign for Phillips Petroleum. Organizations routinely engage in values advocacy in order to perform three distinct functions: enhance their images, deflect criticism (both of the company and/or its policies), and to establish value premises that can be used in later persuasive efforts (Bostdorff & Vibbert, 1994). Values advocacy is a rhetorical construct because "its role is to intensify adherence to values, adherence without which discourses that aim at provoking action cannot find the lever to move or inspire their listeners" (p. 143). Values advocacy, while seemingly simple, requires sophisticated persuasion to achieve these three goals (Bostdorff & Vibbert, 1994). Values advocacy can be practiced in a variety of ways, such as through the use of advocacy advertising (Heath, 1986). In order to learn from the 2008 financial crisis, I would like to examine whether values advocacy was used to manage the status of issues for JPMorgan Chase, Bank of America, and Wells Fargo. Additionally, examining whether each company's values were laid as groundwork prior to the financial crisis or if the financial crisis provided an opportunity to begin using values advocacy as a method for controlling these issues can provide insight on how these banks were able to regain their stability and stakeholder trust.

2.3 Legitimacy

Legitimacy is closely related to issue management. Heath (2009) boldly claimed "legitimacy is a (perhaps *the*) central theme in issue management." Fleisher (2001) observed that publics in general and around the world tend to doubt that corporate interests correspond to theirs. Issue management is a clash for legitimacy (and power)"

(Heath, 2009, pp. 9-10). Indeed, failed issue management could lead to a decline or loss of organizational legitimacy and organizational power. Crisis communication scholars (e.g., Sellnow & Seeger, 2013; Coombs, 2007a; Coombs, 2007b) have developed theories in an attempt to describe the process that occurs after a crisis when organizations begin to repair relationships with major shareholders, stakeholders, and other key publics in order to regain organizational legitimacy. Examining how organizations rebuild legitimacy using the 2008 financial crisis allows for a better understanding of how rhetoric can shape economic outcomes and expectations. As financial institutions go through severe economic downturns and struggle with massive monetary loss and malpractice, the rebuilding of organizational legitimacy is key for practitioners and scholars to understand.

Functionally, organizational legitimacy contains two components; an organization or company as a whole may be judged legitimate or not, but its individual acts can also be judged as individually legitimate or not—this second type of legitimacy is called actional legitimacy. Actional legitimacy can be established when corporations attempt to demonstrate the legitimacy of *specific* policies or actions, not of the entire corporation (Boyd, 2000). On the other hand, institutional legitimacy refers to as an institution's need for publics to recognize its authority to operate and exercise authority in a broader social context (Boyd, 2000). It concerns the degree to which corporate activities are congruent with the values of the social system in which they operate (Dowling & Pfeffer, 1975). The actions of an organization are legitimate, for example, to the degree that they can be shown to reflect public values such as telling the truth and not damaging the environment.

Bridges (2004) discussed legitimacy gap theory as occurring when discrepancies in the organization's behavior and society's expectations of that organization threaten the organization's status as a legitimate member of the business community, and thus its survival. Originating with Sethi (1975, 1979), legitimacy gap theory claimed the discrepancy in expectations arises from two situations. First, an organization has changed its way of doing business, or has had an inappropriate behavior discovered. Alternatively, the organization has not changed or hidden its behavior, but society has changed its evaluation of the organization's performance. Studies have found that certain behaviors can lead to an awareness of an organization's stakeholders of a gap in their expectations and the actions of the organization. For example, Heath (1997) posited that stakeholders are generally moved to activism by issues that revolved around security from intolerable risks, fairness, equality, and the environment. Bridges (2004) also found that changing social values can change perceptions of an organization's behavior. Consequently, it falls to issue managers to be alert to changing stakeholder values as legitimacy gap theory serves as a caution for organizations. Heath (1994, 1997) found that different values and ethical standards contributed to differing perceptions of legitimacy, so it behooves issue managers to respond to changing values and ethical standards and avoid responding to only shareholders (Bridges, 2004).

A legitimization crisis, then, occurs when stakeholders perceive an incongruity to exist between a corporation's values, as evidenced in its acts, and those of the larger social system in which it operates. A corporation faces major hurdles to its survival when its actions are perceived to be inconsistent with these values (Francesconi, 1982). In a crisis situation, stakeholders essentially send a message to the organization that its deeds

lack actional legitimacy. Crisis communication broadly aims to reestablish the legitimacy of an industry or of a corporation in a larger social system (Hearit, 1995). Boyd (2000) argued that consistent and effective actional legitimation can prevent a crisis, thus illustrating the importance of this practice to issue management.

The legitimacy of a corporation or its actions depends on the perceptions of key publics (Boyd, 2000). Corporations profit financially from their key publics. Based on this point, Boulding (1978) pointed out that corporations must clearly establish their legitimacy to maintain financial success. Furthermore, Seeger (1986) observed that any institution that depended on its relationships with external publics emphasized legitimation strategies, especially because of a corporation's reliance on government, consumer, and social acceptance. Based on this clear necessity for key publics (e.g., shareholders, stakeholders) to accept the actions of an organization as legitimate, it was only logical that an organization must maintain a coalition of publics that are supportive, allowing for that coalition to have legitimacy-determining power (Pfeffer & Salancik, 1978). Therefore, legitimation is socially constructed and controlled by publics, and interested stakeholders must confer legitimacy for a corporation to survive and exist (Boyd, 2000).

Legitimation is particularly important in the financial industry. As previously stated, the national and global economy can be impacted quickly due to new communication technology and through the use of discourse (Hursti, 2011). Consequently, as financial institutions are so reliant on government, consumer, and social acceptance to maintain stability and survive, it is of the utmost importance for banks to maintain their institutional legitimacy. Without this legitimacy, severe economic

downturns are possible or banks can collapse, as evidenced by the events of the 2008 financial crisis. Financial institutions must pay careful attention via issue management in order to maintain the legitimacy conferred by publics and interested stakeholders.

Without this legitimacy, we will see banks collapse. And when one bank collapses, due to the interconnectivity and globalization of banks, it can cause a severe economic recession, a major fiscal loss for shareholders, and perhaps a wider distrust or lack of legitimacy for financial institutions in general in the aftermath of a crisis of legitimation.

Since legitimacy is of importance for the survival of financial organizations, the way in which these corporations seek to establish their legitimacy is through rhetoric that demonstrates their identification with contemporary social values (Dionisopoulos & Vibbert, 1988). Hearit (1995) argues a social expectation exists that an organization must fulfill both a competence and a community requirement to achieve legitimacy. When companies and their chief executives take risks that lead to negative outcomes (such as the abuses of mortgage-backed securities trading leading to the 2008 financial crisis or the so-called “London Whale” case that created a crisis for JPMorgan Chase CEO Jamie Dimon in 2012), companies find themselves caught in a managerial crisis of legitimation as they have negated this community requirement or de-identified with contemporary social values. When this occurs, the primary response is through the rhetorical strategies of redefinition that function to distance companies from their alleged wrong and reestablish organizational legitimacy (Francesconi, 1982; Hearit, 1995). This study looked for these re-legitimation strategies through the examination of JPMorgan Chase, Bank of America, and Wells Fargo’s rhetoric after the 2008 financial crisis.

Through the examination of relevant literature in the areas of financial public relations, issue management, and legitimacy, there is an intersection exploring how financial institutions employ public relations to manage issues or rebuild an organizational image that has not been widely explored. Heath (1993) proposed that a rhetorical approach to public relations is a form of social influence where persuasion is interactive and viewpoints can be debated in public. Consequently, studying the intersection of financial public relations, issue management, and legitimacy from a rhetorical perspective allows for an exploration of how organizations influence the public discourse. However, it also allows an exploration of how the public discourse influences the organization, the issue management strategies used by an organization, and how legitimacy is given or revoked by stakeholders and shareholders. If an organization's actional or institutional legitimacy is threatened, the rhetorical strategies of restoration and repair may be used and can correspond with performance gains or losses by the organization.

The financial crisis of 2008 provides a unique backdrop to study this intersection because these big Wall Street banks were deemed socially irresponsible, thereby threatening their institutional legitimacy and specific actions were considered reprehensible (e.g., the trading of mortgage-backed securities). In response to this legitimization threat, each of these banks took specific rhetorical steps in order to preserve and restore their image as socially responsible, strong, and stable banks. Through the use of public relations, these banks were able to disseminate strategic messages designed to bolster stakeholder support and the institutional/actional legitimacy of the bank. How these banks reacted to this legitimization crisis informed their discursive image restoration

tactics. In turn, the discursive strategies used to restore each bank's image inform how these banks communicate financial and financial risk information today.

As JPMorgan Chase, Bank of America, and Wells Fargo still exist and are considered successful today, it is worthwhile to study the rhetorical issue management used to restore each bank's organizational and actional legitimacy. I will explore both the building of institutional legitimacy and the bolstering of actional legitimacy regarding acceptance of federal funds through the TARP program, banks scapegoating blame through personnel changes, and banks continuing to be involved in mortgage-backed securities. Based on this review of the literature and the gap of literature at the intersection of issue management and financial public relations, this study aims to address the following related questions:

1a: How do JPMorgan Chase, Bank of America, and Wells Fargo use legitimacy to lower the status of issues facing the banks from critical to current or imminent?

1b: How do JPMorgan Chase, Bank of America, and Wells Fargo use narratives to lower the status of issues facing the banks from critical to current or imminent?

1c: What rhetorical strategies do JPMorgan Chase, Bank of America, and Wells Fargo use to lower the status of issues facing the banks from critical to current or imminent?

2a: Are there themes that emerge in the financial public relations used by JPMorgan Chase, Bank of America, and Wells Fargo?

2b: How do the themes used by JPMorgan Chase compare to its quarterly financial reports (including stock performance, cash on hand, and market share) in 2009?

2c: How do the themes used by Bank of America compare to its quarterly financial reports (including stock performance, cash on hand, and market share) in 2009?

2d: How do the themes used by Wells Fargo compare to its quarterly financial reports (including stock performance, cash on hand, and market share) in 2009?

CHAPTER 3. METHODS

In order to better explore the intersections of financial public relations, image restoration, and legitimacy, a rhetorical analysis will be used. Following Heath's (1993) and Toth's (2009) call for rhetorical approaches to the study of public relations, I will explore how the rhetoric used by JPMorgan Chase, Bank of America, and Wells Fargo corresponded with performance gains or losses and re-legitimation. This chapter will provide an overview of the specific methodology the thesis used and approaches to analysis of the data collected in order to address the research questions this study asks.

3.1 Close Textual Analysis

Previous research on financial public relations and issue management has taken a rhetorical approach to research (e.g., Botan & Taylor, 2004; Blaney, Benoit, & Brazeal, 2002; Brinson & Benoit, 1999). The study of rhetoric focuses on how individuals, groups, and organizations make meaning, and how—using rhetoric—individuals, groups, and organizations can create issues, resolve issues, compete, or build a coalition to solve problems (Toth, 2009). Rhetoricians argue symbolic behavior can create and influence relationships between organizations and publics through “the wrangle in the marketplace” where words, visuals, and actions can communicate information and shape beliefs

(Heath, 2009). Theoreticians appear to agree rhetoric is both a response to situations and something that creates and shapes situations (Ihlen, 2011, p. 460). The rhetor has creativity, allowing rhetorical situations to represent both constraints and opportunities (p. 461). Specifically, Ihlen said, “the discourse tradition within which a rhetor operates produces the conditions for its own continuation, recirculation, and reproduction” (p. 461). Rather than talking about how a problem “can be controlled,” Ihlen argued instead that rhetoric should be active and creative in influencing (or creating) a rhetorical situation. By using a rhetorical approach, the specific discourse used by JPMorgan Chase, Bank of America, and Wells Fargo that was active and creative in influencing the rhetorical situation each bank found itself in can be better identified and used to draw potential implications for the practice of financial public relations. Furthermore, how each financial organization used discourse to resolve the issues arising after the 2008 financial crisis (e.g., perceived trustworthiness and stability) can be studied as well.

Toth (2009), in a synthesis of the rhetorical perspective of public relations, states that the public record is the unit of analysis most often used by rhetorical scholars because public statements and documents are retrievable. These retrievable messages have historically been sent to key publics by way of annual reports, online pressrooms, intranets, Internet social networks, and new employee orientations (Toth, 2009). As rhetoricians work from a humanistic stance (i.e., personal judgments are an important contribution to the analysis of interaction), they are their own measuring instruments, “making judgments based on their self-perceptions of events or texts rather than asking others for their interpretations of what the events or texts mean” (Toth, 2009, p. 52).

In this study, I will use close textual analysis to examine JPMorgan Chase, Bank of America, and Wells Fargo's organizational messages from the public record. Each bank tried to rebuild actional and institutional legitimacy in response to mass outcry from various key publics. These key publics (specifically shareholders, customers, and employees) had different stakes in these banks, but were all at risk if they continued to do business with these banks. Specifically, JPMorgan Chase, Bank of America, and Wells Fargo's publics communicated that these bank's lending practices were not deemed legitimate once information emerged about the risky mortgage-backed securities banks were trading. I read newspaper articles from *The New York Times* and *The Wall Street Journal* to provide a picture from different ideological perspectives regarding the acceptance of federal funds the TARP program, banks scapegoating (or potentially implying) blame through personnel changes, and banks continuing to be involved in mortgage-backed securities in order to examine particular policies requiring actional legitimacy from these bank's publics. Heath (2009) discusses how no issue develops, or is maintained, in a vacuum. Reporters frame news events in various ways, such as in terms of past events that are similar and relevant. As a result, it was worthwhile to pursue an understanding of how the media reported and framed the 2008 financial crisis to understand which policies and actions (e.g., trading mortgage-backed securities, derivatives trading, etc.) resulted in de-legitimation. If these policies are still in place today, I examined the methods each bank used to rebuild the legitimacy of these actions.

The lack of actional legitimacy contributed to a loss of institutional legitimacy, including the conversations about whether any organization should be considered "too big to fail." I followed the same method used for determining actional legitimacy

restoration strategies for the study of JPMorgan Chase, Bank of America, and Wells Fargo's institutional legitimacy restoration. The 2008 financial crisis and the resulting need for banks to rebuild institutional legitimacy provides a frame through which rhetoricians can examine the overall efforts to rebuild institutional legitimacy and determine the way these financial institutions interacted with key stakeholders and shareholders. I then compared the themes that emerge from this discourse to the quarterly financial performance of JPMorgan Chase, Bank of America, and Wells Fargo. This will provide a *potential* understanding of how rhetoric correlated to each bank's survival and re-legitimation and how each bank's financial performance corresponded with (if at all) the rhetoric used by JPMorgan Chase, Bank of America, and Wells Fargo.

3.2 JPMorgan Chase, Bank of America, and Wells Fargo

The decision to use JPMorgan Chase, Bank of America, and Wells Fargo to analyze the image restoration strategies employed after the financial crisis when innumerable financial institutions were found in a legitimation crisis (e.g., other banking organizations, AIG, Fannie Mae, Freddie Mac, etc.) was based on three reasons.

First, JPMorgan Chase has been considered the bank that best navigated the 2008 financial crisis (Craig & Silver-Greenberg, 2013a). JPMorgan Chase's board of directors, risk committee, and audit committee guided the organization through the financial crisis without a single losing quarter, and in an astonishing display of finesse, has reported three years of record performance (Craig & Silver-Greenberg, 2013a). By choosing a bank with a strong record throughout *and* after the financial crisis, I anticipate themes such as "ongoing stability" and "trust" will emerge from their messages to stakeholders

and shareholders as the literature has suggested (e.g., Camiciottoli, 2011). Furthermore, if JPMorgan Chase was on stronger footing than many of the other banks on Wall Street, it may have provided leadership regarding messages to key publics and stakeholders that worked. Consequently, I expect themes that emerge from JPMorgan Chase's post-crisis discourse will overlap with themes found among the other banks. However, I expect to find discourse that did not emerge from other banks as JPMorgan Chase was perhaps better equipped to handle the fallout of the financial crisis. Especially considering the strength and size of JPMorgan Chase, it may provide some of the best practices for financial institutions seeking to repair a tarnished image.

Second, JPMorgan Chase, Bank of America, and Wells Fargo are three of the top five largest banks on Wall Street and all three banks were consistently in the media limelight post-financial crisis. As a result, this provides more texts to analyze in the form of press releases and other online messaging and allows a better opportunity to look for overlapping themes and best practices.

Third, JPMorgan Chase, Bank of America, and Wells Fargo are part of the "too big to fail" banking industry on Wall Street. Since these banks are among the largest, they are also among some of the most interconnected financial institutions (Sorkin, 2010). One bank's actions have the potential to greatly influence another bank's actions. As a result, if one of these banks does fail, it has severe repercussions on the other large banking institutions and the domestic and global economy. Therefore, I expect that several larger meta-themes will emerge from the discourse across these three banks, leading to an exploration of potential correlations between the rhetoric of JPMorgan

Chase, Bank of America, and Wells Fargo, and their continued actional and institutional legitimacy.

3.3 Post-Crisis Recovery Period

Since this paper focuses on issue management and JPMorgan Chase, Bank of America, and Wells Fargo's attempts to restore their actional and institutional legitimacy, I will focus on texts from 2009. The time period was chosen to focus on post-crisis actions and issue management on the part of the banking firms. The texts I have chosen to evaluate are all part of the strategic communication offered by each bank's public relations specialists, financial public relations practitioners, and official spokespersons. By analyzing the rhetoric of these texts individually, it is my intention to identify the discursive techniques and patterns used to rebuild organizational legitimacy in the aftermath of the mortgage crisis. Based on Camiciottoli's (2011) research, I expect to find themes centered around the concepts of institutional trustworthiness, stability, and ethics.

Rowland and Jerome (2004) have argued that image maintenance is an important part of post-crisis recovery. Since the financial crisis occurred in 2008, texts from 2009 will provide a window through which image maintenance and image repair strategies that emerged in conjunction with the post-financial crisis fiscal recovery can be examined. Additionally, the rhetoric used by each bank at differing points of 2009 can perhaps provide further evidence to the stages of image reparation.

3.4 Press Releases and Annual Reports as Tools of Organizational Message

Dissemination

The specific discourse examined in this analysis constitutes representative exemplars that represent the core argument of each bank's legitimation response. The discourse under consideration includes: 1) news releases issued by JPMorgan Chase, Bank of America, and Wells Fargo from January 2009-December 2009 concerning each bank's image, stability, and trustworthiness, 2) the 2009 Annual Report to each bank's shareholders, and 3) the 2009 Annual Letter to each bank's shareholders.

While there are certainly other texts to examine, these three will be used as articulating the core messages of the banks to attempt to rebuild legitimacy and regain the trust of key stakeholders. I will use inductive thematic analysis based on the grounded theory method (Strauss & Corbin, 1994) to code the themes that emerge from these texts so that the rhetoric used by JPMorgan Chase, Bank of America, and Wells Fargo will inform the findings. Using this approach, the themes emerging from each individual bank's texts can then be compared and contrasted with the themes that emerge from the other banks in a more concise and reliable manner. Since scholars have found texts such as annual reports and press releases as important tools in disseminating organizational messages (e.g., Toth, 2009), I will briefly synthesize the literature on press releases and annual reports in order to provide a stronger rationale for the decision to use these texts for analysis.

3.4.1 Press Releases

Traditionally, organizations use press releases to share newsworthy information with media outlets and internal and external publics. These press releases are posted on organizations' websites, disseminated via email and news wire to the press, and are then broadly disseminated through outlets like *PR Newswire* (Broom, 2012). Press releases serve a unique role in that they are used to communicate with both external publics (e.g., consumers, shareholders) and internal publics (e.g., employees). The notion of "auto-communication," where corporate speeches, mission statements, advertising campaigns, marketing strategies, and marketing analyses are considered "*meta*-messages that help organizations *confirm themselves* to internal as well as external audiences" demonstrate this unique role (Cheney & Christensen, 2001, p. 85). Press releases function as auto-communication because organizations can share corporate messages to both internal and external stakeholders via press releases, just like speeches, mission statements, or public relations campaigns can share messages with internal publics.

Within the practice of financial public relations, press releases are a tool used to engage in the disclosure of financial information because there are legal ramifications attached to reporting financial and financial risk information (Broom, 2012; Camiciottoli, 2011). For example, full information must be given by an organization concerning anything that might materially affect the price of a company's stock, like the health of a CEO (Broom, 2012). The Securities and Exchange Commission (SEC) monitors organizational activities and statements, as well as the timely disclosure of information (Broom, 2012). Organizations also must report information concerning dividends, earnings, annual reports, management changes, product developments, disposition of

major assets, purchase of own stock, or the announcement of major contracts or orders as legally required by the SEC. As calls for ethical organizational practices increase, Camiciottoli (2011) reports an increase in press releases that voluntarily disclose organizational finances.

The voluntary disclosure of financial information is on the rise as businesses have begun using voluntary forms of financial reporting (e.g., Beattie, Dhanani, & Jones, 2008; Saatchi, 2007; Tasker, 1998). Businesses are attempting to proactively engage stakeholders in a competitive environment. By voluntarily disclosing financial information, Williams (2008) found companies have more control over the messages they wish to communicate, achieve greater visibility (thereby distinguishing themselves from competitors), and enhance their perceived value (Schlegelmilch & Pollach, 2005).

As a result, by examining the press releases of JPMorgan Chase, Bank of America, and Wells Fargo in the year following the financial crisis, there may be an increase in voluntarily reported financial information as these banks attempt to promote an ethical and values-driven image as they seek to rebuild their institutional legitimacy.

3.4.2 Annual Reports

The literature on annual reports is rich and varied. Researchers have taken a business, economics, and communicative lens to the study of annual reports and provide a strong basis on which to analyze the annual reports of the three large banks in this proposal. In fact, one approach to aligning annual reports with the appropriate audiences is through the recognition of corporate financial reporting as a process of mass communication (e.g., Gerbner, 1969; Parker, 1982). Based on the definition of mass

communication, Parker (1982) argued that financial and accounting reports of public companies must qualify as a form of mass communication. As a result, annual reports need to be both accessible and readable for a wide variety of audiences and are considered a medium through which a corporation can report to shareholders, stakeholders, and other key publics (Parker, 1982).

Ryan, Dunstan, and Brown (2002) found that annual reports are invaluable in establishing and maintaining organizational legitimacy. Organizations respond to the political and social forces of their stakeholders in their adopted annual reporting policies, practices, and routines (p. 17), further supporting a rhetorical approach to understanding how the discourse evolved throughout the financial crisis. A rhetorical approach to studying annual reports allows for an understanding of the changing discourse and how the conversation between stakeholders and shareholders influenced the rhetoric of JPMorgan Chase, Bank of America, and Wells Fargo. Annual reports are a way for organizations to not only maintain their institutional legitimacy, but to also maintain actional legitimacy as annual reports provide an outlet through organizations can highlight specific policies or policy changes in response to stakeholder and shareholder pressure or public discourse. I will specifically examine policies and discourse regarding acceptance of federal funds through the TARP program, banks scapegoating blame through personnel changes, and banks continuing to be involved in mortgage-backed securities. JPMorgan Chase, Bank of America, and Wells Fargo may have used annual reports as a tool to respond to a loss of actional legitimacy regarding their practice of, for example, trading mortgage-backed securities. Examining whether the annual reports

mentioned any specific policy changes, or if they only mentioned overall institutional change, will clarify the kind of legitimacy restoration at work in this instance.

The reporting of risk by organizations, relevant to the study of financial public relations, has increased because of recent economic shifts (Power, 2004). Linsley and Shrives (2006) studied 79 U.K. company annual reports using content analysis and found a positive correlation between the size of an organization and the number of risk disclosures (both financial and non-financial). In researching financial risk specifically, the authors categorized financial risk disclosure as concerning the interest rate, exchange rate, commodity, liquidity, or credit of the institution. Consequently, examining whether JPMorgan Chase, Bank of America, and Wells Fargo disclose financial risk information will provide further evidence of the rhetorical issue management strategies used following the financial crisis.

Close textual analysis will be used to study press releases, annual reports, and annual letters to shareholders in a four-step process. First, I will go through and read each text, coding for general themes that emerge. After coding these themes, I will see if these themes can be lumped into broader, more inclusive themes. Then, I will compare and contrast these themes between each bank and determine if any overarching industry themes emerge. Finally, I will compare these themes with the rhetorical issue management and legitimacy literature.

With regards to legitimacy, as highlighted earlier, I will separate actional and institutional legitimacy by examining the mention of specific policies in organizational messages from each bank. I will identify the particular policies requiring actional legitimation from these banks'

publics by reading newspaper articles from *The New York Times* and *The Wall Street Journal* concerning each bank from January 2009 through December 2009. Specifically, I will explore the bolstering of actional legitimacy regarding acceptance of federal funds through the TARP program, banks scapegoating blame through personnel changes, and banks continuing to be involved in mortgage-backed securities as addressed by JPMorgan Chase, Bank of America, and Wells Fargo. I will look at Forbes and the Reputation Institute's annual corporate reputation survey results from 2009, 2010, and 2012 to determine if the reputation of these banks changed dramatically. By comparing the 2009 and 2010 results, this will provide a way to begin to measure any changes in JPMorgan Chase, Bank of America, and Wells Fargo's institutional legitimacy. A rhetorical approach will provide a better understanding of how the public discourse of JPMorgan Chase, Bank of America, and Wells Fargo responded to the rhetoric of their stakeholders and shareholders and allowed each bank to maintain its legitimacy and survive the 2008 financial crisis.

CHAPTER 4. ANALYSIS

In this chapter, I will first discuss the press coverage in *The New York Times* and *The Wall Street Journal* in 2009 to identify particular policies requiring actional and/or institutional legitimacy by JPMorgan Chase, Bank of America, and Wells Fargo in order to lower the status of issues they faced in the lifecycle of issues (Cralle & Vibbert, 1985). These newspaper articles were collected using LexisNexis to search *The New York Times* and *The Wall Street Journal*'s archives. The terms "financial crisis" and each bank's name were used to narrow down the number of articles returned. Based off the significantly higher number of articles returned from *The New York Times* ($n = 665$) as compared to *The Wall Street Journal* ($n = 104$), I read the same number of articles from each source. This meant I read all *The Wall Street Journal* articles, and 1 in 6 of *The New York Times* articles. This allowed me to reach saturation, the point at which new information does not emerge from the text, and the identified themes were repeated and detailed, as recommended by Corbin and Strauss (2008) and Tracey (2013). I next examined each bank's press releases, annual reports, and the annual letter to shareholders for specific discursive themes originated by the banks rather than by the media. I allowed the texts to guide my analysis to allow the themes discussed in this chapter to be shaped by each bank's individual discourse.

4.1 JPMorgan Chase

4.1.1 Press Coverage

Within the print media's coverage of JPMorgan Chase and the post-financial crisis coverage of the bank, several themes reoccurred throughout 2009 that required actional and institutional legitimacy from JPMorgan Chase. Examining policies highlighted by the news media (both *The New York Times* and *The Wall Street Journal*) allowed for potential identification of particular banking policies for which JPMorgan Chase had to regain actional and institutional legitimacy. From an analysis of the news coverage of JPMorgan Chase in 2009, three policies emerged as needing actional and institutional legitimacy.

First, the act of repaying the TARP money was a key action that JPMorgan Chase used to regain legitimacy and prove its other actions were legitimate; in addition, repaying the TARP money might have contributed to the actional legitimacy of accepting the federal relief. JPMorgan Chase was among the first of the banks to repay its loan money (AP, 2009; "TARP", 2009). By repaying this loan money early, the media widely referred to JPMorgan Chase as the bank that emerged the strongest, and one of the four banks most firmly on the road to recovery (Berenson, 2009). This allowed the bank's actions following the crisis to be considered more legitimate and trustworthy. For example, A.I.G. took a beating in the press (e.g., Story & Dash, 2009) but JPMorgan Chase received more positive news coverage in regard to the bank's stability and Dimon's performance (e.g., Brown, 2009; Calmes & Story, 2009; Eavis, 2009), especially after repaying its TARP loan.

Second, the auctioning of warrants, a financial instrument that allows a holder to buy stock in the future at a fixed price, was considered the final tie of JPMorgan Chase to the bailout of Wall Street. Again, JPMorgan Chase was among the first banks to auction off its warrants (Hernandez, 2009; Leonhardt & Fabrikant, 2009) and this was another policy that allowed the bank to regain institutional legitimacy. By August 21, JPMorgan Chase (along with other financial firms including American Express, Goldman Sachs, and Morgan Stanley) had already bought back warrants from the Treasury Department. This allowed JPMorgan Chase to get out from under the shadow of governmental regulation. Specifically, this was the last step preventing JPMorgan Chase (and other banks) from paying bonuses as usual and avoiding governmental regulation of their banking practices and policies. As passed by Congress with the payout of TARP bailout funds, banks that received TARP funding were prevented from paying their top 25 executives bonuses greater than a third of their salary, although there was not a specific salary cap (Story & Dash, 2009).

The third kind of legitimacy highlighted in media coverage was actional legitimacy for the policy of paying bonuses to executives. As bank bonuses returned to pre-crisis levels in late 2009, the media had a heyday. As JPMorgan Chase began to turn a profit, it was considered a wide success for both the bank and the United States economy, and JPMorgan Chase was called a “winner” of the crisis (Cyran, 2009). However, when less than a full year after the financial crisis JPMorgan Chase began issuing bonuses to Jamie Dimon and other key personnel, the media sounded alarms. JPMorgan Chase, however, took a few specific actions in an attempt to legitimize its executive bonus policy. One legitimating action by JPMorgan Chase reported by the

Times to alleviate some public disgruntlement was to “focus on cost cutting and reducing bureaucracy” (Hurt, 2009). Second, JPMorgan Chase in September named James E. Stanley the new head of investment banking. This was considered an “unexpected appointment” as Stanley was considered not within Dimon’s inner ring but had rather worked his way up by demonstrating strong results within JPMorgan Chase (Dash, 2009b). Again, this shake up in bank leadership may have been in reaction to the media’s harsh critiques of JPMorgan Chase’s bonuses. However, JPMorgan Chase took a third step. In early August, JPMorgan Chase was one of the only banks to put more conditions on pay, so it attached more performance benchmarks and imposed a longer wait before the pay is awarded. Through some of these actions, JPMorgan Chase was seen as courting both public opinion and Washington as it tried to fend off some types of regulation (Story, 2009).

Having identified legitimacy issues raised by mainstream media, I will now turn to JPMorgan Chase’s public discourse during the same period. With all three banks, I will first extract the themes apparent in each type of text, followed by an assessment of how those themes did or did not address the legitimacy issues that publics (represented by the mass media) were concerned about.

4.1.2 Press Releases

Many of the press releases stressed JPMorgan Chase’s community work and high quarterly earnings. For example, press releases that discussed JPMorgan Chase’s enhanced web site to “empower consumers” and net income increases are prevalent. JPMorgan Chase clearly used press releases to stress the company was still successful

and was helping consumers and communities throughout the United States in order to respond to the actional legitimacy needs (TARP and paying bonuses) and institutional legitimacy questions raised by the media.

First, the theme of helping communities and having a responsibility to customers is a clear focus of many of the press releases from 2009. One such example is in a press release from September 22, 2009, which went in depth as to how over the past nine months, JPMorgan Chase had raised \$90 billion for local governments, non-profits, healthcare companies, universities, and state governments by providing loans to improve social services, build bridges and parks, train young individuals for jobs, and expand hospitals and medical research funding (JPMorgan Chase, 2009c). This is not a direct legitimacy appeal by JPMorgan Chase about receiving TARP funding or paying employee bonuses. Rather, this seems to be an attempt to rebuild institutional legitimacy by highlighting how JPMorgan Chase was involved in the community and how it was helping local businesses, hospitals, and non-profits. Todd Maclin, Chase Commercial Bank CEO, was quoted as saying, “From the time our country faced its toughest moments in the financial crisis, we have been dedicated to local governments and the organizations at the heart of our communities that Americans have come to depend on” (JPMorgan Chase, 2009c). Then, a detailed list of JPMorgan Chase’s “safe and sound lending” demonstrated how JPMorgan Chase had been helping others. This list included: \$62 billion for state and local governments, \$11 billion for healthcare organizations, \$15 billion for educational organizations, and \$1.6 billion for other non-profit groups. This theme of helping communities, demonstrating the stability of JPMorgan Chase, the ability of the bank to raise capital, and its concern for others in the aftermath of the

financial crisis, all emerge as key themes from the press releases issued by JPMorgan Chase during 2009. Again, this appears to be a response by JPMorgan Chase to increase its institutional legitimacy and to push some of the issues that emerged from the financial crisis (e.g., trustworthiness, transparency, stability) from critical to current or imminent in the lifecycle of issues. By highlighting how JPMorgan Chase is involved in communities, able to raise capital, and to raise this capital to help others is an institutional legitimacy response as opposed to an actional legitimacy response supporting the policies of repaying TARP and paying executive bonuses.

The second theme in these press releases is success. JPMorgan Chase regularly pointed to its increasing quarterly incomes and highlighted many successes to indicate it was a vibrant, sturdy, dependable bank. For example, on June 17, JPMorgan Chase repaid its Troubled Asset Relief Program (TARP) funds in full, which totaled \$25 billion. JPMorgan Chase wrote in its press release that, “In addition to this principal amount, JPMorgan Chase has paid the U.S. Treasury an aggregate of \$795,138,889 in dividends on the preferred stock” (JPMorgan Chase, 2009b), further sharing with stakeholders this theme of success, and even a hint of responsibility on the part of JPMorgan Chase. By highlighting success and repayment of TARP, JPMorgan Chase responded to the actional legitimacy needs of repaying TARP as identified by *The New York Times* and *The Wall Street Journal*. It also afforded JPMorgan Chase the opportunity to highlight its institutional legitimacy, which was necessary after the 2008 financial crisis.

Stability also emerged as a theme within JPMorgan Chase’s press releases that allowed it to respond to the institutional legitimacy issues it faced. As an exemplar, on March 31, 2009, JPMorgan Chase won 15 industry awards, including “Best Trade

Services Provider,” “Most Innovative Trade Bank,” “Best Structured Trade Finance Bank,” and 7 “Deals of the Year” (JPMorgan Chase, 2009a). Within this press release, Melissa Moore, chief executive officer of JPMorgan Chase’s Treasury Services states, “With so much uncertainty and volatility in the global economy, clients have been seeking the kind of stability and strength that JPMorgan Chase delivers...While the markets are challenging, we remain dedicated to helping and supporting our clients” (JPMorgan Chase, 2009a). While discussing stability did not allow JPMorgan Chase to respond to the concerns raised by the media, it did help it rebuild its institutional legitimacy by emphasizing its stability following the financial crisis.

By providing funds to community members and supporting consumers as they moved forward through the mortgage crisis and slumping economy, JPMorgan Chase tried to legitimize its actions. JPMorgan Chase’s actions were an attempt to reflect the public values of community involvement, success, and stability in the months immediately following the financial crisis. JPMorgan Chase was able to respond to a legitimization crisis by continually demonstrating to shareholders through the discourse of its press releases that JPMorgan Chase’s values were congruent with the values of the American public, of its shareholders, of its stakeholders, and of its key publics. As evidenced by these three themes, JPMorgan Chase’s discourse from its press releases did not directly respond to the concerns raised within the mass media. Rather, JPMorgan Chase tried to rebuild institutional legitimacy by highlighting its community service and ongoing stability throughout the financial crisis. JPMorgan Chase did not often directly respond to the actions requiring legitimization (the repayment of TARP and paying executives year-end bonuses). Rather, by highlighting these themes, JPMorgan Chase

tried to re-legitimize the institution as a whole. This might not have been the best strategy for JPMorgan Chase to use. However, stressing stability and success does have its upside: while other banks (e.g., Bank of America and Wells Fargo) struggled to survive 2009, JPMorgan Chase could discursively emerge as the leader of the financial sector.

4.1.3 2009 Annual Report

Within the 2009 Annual Report, JPMorgan Chase worked to rebuild its institutional legitimacy while ignoring the actional legitimacy questions raised regarding its executive bonus pay and TARP repayment. The 2009 Annual Report was titled, “The Way Forward.” The title alone provides an interesting starting point to the analysis of this document. JPMorgan Chase used a vague slogan, which seems to suggest that it was helping the United States find its way out of the mortgage crisis; in a subtle way, this might have sent a message to its internal publics that JPMorgan was vibrant and leading the way forward within the financial sector (e.g., JPMorgan Chase employees). This report also matched an advertisement series run throughout 2009 by JPMorgan Chase. JPMorgan Chase began the annual report by saying,

At JPMorgan Chase, we’re focused on doing our part to lead the way forward during these difficult times. While we continue to face challenges in the financial systems in the United States and around the world, we maintain a fortress balance sheet and are well-positioned for the future. We are confident that we will continue to reinvest in our businesses for the benefit of our stakeholders, as we do

the right thing for our consumers and for the communities we serve. (The way forward, 2009)

JPMorgan Chase struck a confident tone, stressing their stability with their “fortress balance sheet,” maintaining that it was “well-position[ed] for the future.” It also attempted to bolster its shareholders’ trust in the bank’s future ability to succeed when it stated JPMorgan Chase will “do the right thing for our consumers and for the communities [it] serve[s].” This focused mainly on JPMorgan Chase’s institutional legitimacy as it addressed questions as to the bank’s future success and stability. By pointing to its long-term stability and using wording like “fortress balance sheet,” JPMorgan Chase attempted to lower the status of the issue of stability raised by the financial crisis. This did not respond, however, to the actional legitimacy issues regarding executive bonuses or the repayment of TARP that was in the media throughout 2009.

Further in the annual report, JPMorgan Chase tried to demonstrate transparency as another way to rebuild its institutional legitimacy and lower the status of the issues raised by the 2008 financial crisis. It provided a blow-by-blow account of the mortgage crisis in the United States, and attempted to address the concerns of shareholders saying, “we were the only bank willing to commit to lend \$4 billion to the state of California, \$2 billion to the state of New Jersey and \$1 billion to the state of Illinois” (The way forward, 2009). This claim by JPMorgan Chase not only allowed an accessible way for shareholders to read how JPMorgan Chase supported other states and was compassionate, but it also provided the opportunity for JPMorgan Chase to high its ability to remain stable in an ever-changing, tumultuous environment. JPMorgan Chase tried to emphasize

its uniqueness as a banking institution. The annual report went on, stating, “Additionally—and, frequently, when no one else would—we loaned or raised for our clients \$1.3 trillion, providing more than \$100 billion to local governments, municipalities, schools, hospitals, and not-for-profits over the course of 2009” (The way forward, 2009). By stressing transparency, JPMorgan Chase tried to alleviate shareholder and stakeholder concerns that the financial crisis raised (e.g., the secrecy of sub-prime mortgages, derivatives, and mortgage-backed securities leading to a major economic downturn) and bolster its overall institutional legitimacy. While this could help rebuild institutional legitimacy and shareholder/stakeholder trust in JPMorgan Chase, it still does not address the actional legitimacy issues raised in *The New York Times* and *The Wall Street Journal* about JPMorgan Chase’s executive bonus policies or its acceptance and repayment of TARP loans.

Sprinkled throughout the letter were other mentions of how JPMorgan Chase helped “our people—JPMorgan Chase’s most valuable asset,” how it supported financial reform, how its responsibility would lead to America’s success, and “what we *actually* do as a bank to serve our clients and customers and what we did to respond to the crisis and help the communities in which we operate” (The way forward, 2009). The tone of the annual letter was clear, and an attempt at transparency, along with some phrases that allowed for various groups to derive meaning in different ways (e.g., “The Way Forward”). This allowed JPMorgan Chase to mitigate the concerns and address the issues many of their key publics felt were of utmost importance; namely, trust and stability. These themes are similar to the themes that emerged from JPMorgan Chase’s press releases, and they do not address the actional legitimacy issues identified by the

mass media—executive bonuses and TARP repayment. Rather, by stressing it was an industry leader, a transparent company, and a stable bank, JPMorgan Chase repeatedly attempted to rebuild institutional legitimacy by highlighting these themes.

4.1.4 Annual Letter to Shareholders

The 2009 letter to shareholders was another opportunity for JPMorgan Chase to craft its narrative to rebuild institutional or actional legitimacy regarding TARP and executive bonuses. However, this letter to shareholders, written by JPMorgan Chase CEO Jamie Dimon, was used primarily to rebuild institutional legitimacy and ignored the policies needing actional legitimacy. The letter struck a similar tone to JPMorgan Chase's annual report and similar themes concerning the stability of JPMorgan Chase throughout the mortgage crisis and the trustworthiness of the bank emerged. For example, Dimon wrote, "The past two years have been among the most extraordinary and challenging in recent history for JPMorgan Chase, the financial services industry and the global economy" (Dimon, 2009). This willingness of JPMorgan Chase to address head-on the issues of global consumers indicated a willingness to be transparent. Dimon also struck a tone of "all for one and one for all," when he wrote about the panic "we felt a year ago." He discussed lost jobs, a sustained economic crisis, and how the past two years (2008 and 2009), had been "part of a challenging, yet defining, decade" (Dimon, 2009). This seems to be an attempt by Dimon to rebuild institutional legitimacy. By using its annual letter to discuss in detail the hardships that both JPMorgan Chase and its shareholders experienced, it appears that Dimon was conveying the value of transparency to shareholders and stakeholders. This is a way to rebuild trust in the institution, decrease

the status of the issues raised by the financial crisis, and bolster its overall institutional legitimacy.

The second theme of stability emerged as the letter then shifted to a more aggressive tone when Dimon wrote, “our strategic position is clear, and JPMorgan Chase is a leader in all of its businesses” (Dimon, 2009). Dimon focused on the stability of JPMorgan Chase by touching on how JPMorgan Chase stock went up 70%, when, by comparison, the Standard & Poor’s 500 Index was down 9% over the same period (Dimon, 2009). The emergence of the discursive theme of stability allowed for Dimon to rebuild institutional legitimacy. Stressing the bank’s stability by highlighting JPMorgan Chase’s leadership in the financial sector, JPMorgan Chase is able to begin rebuilding institutional legitimacy. This also allowed JPMorgan Chase the opportunity to explain why the actions it took were wise and effective. By shifting to a more aggressive tone in his letter, Dimon stressed JPMorgan Chase’s success and stability to bolster its institutional legitimacy. However, this theme still falls short in responding to the need for legitimacy regarding the repayment of TARP and how JPMorgan Chase doled out executive bonuses.

Finally, the discursive themes of stability and trust helped rebuild JPMorgan Chase’s institutional legitimacy,. These themes are used throughout Dimon’s letter to shareholders. For example, he touched on how a “sense of responsibility” allowed JPMorgan Chase, despite the difficult economic times all banks and individuals were experiencing, to “move beyond the distractions of the moment and stay focused on what really matters: taking care of our clients, helping the communities in which we operate and protecting our company” (Dimon, 2009). Yet again, Dimon touched on the money

lent to states, to municipalities, schools, and hospitals. He also pointed to JPMorgan Chase's \$70 billion loan in the global interbank market "when it was needed the most" (Dimon, 2009). Dimon promoted this theme of trustworthiness throughout the letter, which allowed the shareholder to feel as if JPMorgan Chase really was looking out for his/her best interests, despite the trying financial times many were experiencing. This helped rebuild JPMorgan Chase's institutional legitimacy while still ignoring the issues of executive bonuses and the repayment of TARP. Dimon concluded the letter by saying,

Your company continues to do everything it can, in every community in which we work, to help the world recover as quickly as possible. In 2009, as they have so many times before, our people rose to the challenge, working amid tremendous uncertainty in a fragile economic and political environment. They have also coped with the anger directed toward the financial services industry. Through it all, they did not lose focus on why we are all here: to serve our clients and, therefore, our communities around the world. (Dimon, 2009)

In managing these issues of long-term trust in JPMorgan Chase and the perceived stability of the bank, JPMorgan Chase discursively positioned itself as one of the foremost leaders in the financial services industry without having to respond to the actions needing legitimacy as highlighted by the media (e.g., the repayment of TARP and paying large bonuses to executives). Dimon especially was praised as one of the top banking CEOs in the world, and was thought to have carefully, wisely, and artfully steered JPMorgan Chase out of the crisis (Craig & Silver-Greenberg, 2013b). JPMorgan Chase was able to use its publications and communication with shareholders,

stakeholders, and key publics to address and mitigate these issues of perceived trustworthiness and stability.

While the statements of JPMorgan Chase did not specifically address the policies raised by the mass media as needing actional legitimacy (repaying TARP, paying executives bonuses), JPMorgan Chase focused instead on addressing the institutional legitimacy issues it faced after the 2008 financial crisis. By focusing on the rhetorical themes of trust, stability, and success, JPMorgan Chase could directly confront the issues raised by the financial crisis, emerging from 2009 in a better position than Bank of America and Wells Fargo. For practitioners, this underscores the need for discourse and campaigns that focus on the issues raised by the public, and not values advocacy campaigns that highlight positive areas of agreement with key publics (e.g., community involvement, charitable giving, or environmental practices).

4.2 Bank of America

4.2.1 Press Coverage

Within the print media's coverage of Bank of America and the post-financial crisis coverage of the bank, several themes reoccurred throughout 2009 that required actional and institutional legitimacy from Bank of America. Examining policies highlighted by the news media (both *The New York Times* and *The Wall Street Journal*) allows for identification of particular banking policies for which Bank of America had to regain actional legitimacy. Bank of America struggled much more for its actual survival than JPMorgan Chase. As a result, it appears that *The New York Times* and *The Wall Street Journal* also focused on Bank of America's need to regain institutional legitimacy.

The news coverage revealed two policies as needing actional legitimacy (the Bank of America/Merrill Lynch merger and the payment of executive bonuses) and one ongoing question as to Bank of America's institutional legitimacy (e.g., the ongoing survival and stability of Bank of America).

First, in early 2009, Bank of America merged with Merrill Lynch, raising actional legitimacy concerns within the media. It came to Congress and the public's attention that large compensation bonuses were doled out days before Merrill Lynch merged with Bank of America. Then taxpayer money (in the form of TARP funds) was pumped directly into Bank of America to help shore up the books after the merger went through. Initially, Ken Lewis was criticized as "overpaying" for Merrill Lynch (Sanger, 2009). However, in late January the Office of the Attorney General announced it was investigating \$4 billion in bonus payments made by Merrill Lynch to its employees before the deal closed. It is also examined "what Bank of America's chief administrative officer, J. Steele Alphin, [and others] knew about the payments" (Sanger, 2009). As a result, this led to more scrutiny of many of Bank of America's key players and raised questions as to the actional legitimacy of the merger. In fact, the merger (and the scrutiny after the merger) led to shareholder lawsuits against Bank of America and fueled a shareholder initiative that meant Ken Lewis lost his seat as chairman of Bank of America (Story & Becker, 2009a). This was a major change that required actional legitimacy for Bank of America. Especially as Ken Lewis lost his seat as chairman of Bank of America (splitting the traditional chairman/CEO roles), it appeared that shareholders were declaring Bank of America's action of acquiring Merrill Lynch and potentially paying out year-end bonuses

to Merrill Lynch executives as unacceptable. It could also indicate a lack of trust or confidence in Ken Lewis's leadership of Bank of America.

The questions over Bank of America's actional legitimacy regarding its acquisition of Merrill Lynch continued to the point where the SEC accused Bank of America of ignoring its duty to shareholders and required actional legitimacy in regards to Bank of America's bonus policy in 2009 (Story & Becker 2009b). The SEC's accusations resulted in Bank of America's payment of \$33 million to settle the SEC's claims without having to admit one way or the other about the accusations. *The New York Times* and *The Wall Street Journal's* coverage of this actional legitimacy crisis makes it clear that this was a major issue within the media throughout 2009 as Bank of America's agreement with the SEC was viewed as "unlikely to put to rest questions swirling around Bank of America and its leadership" (Kouwe, 2009a). A month later, subpoenas were sent to board members as the Attorney General looked into what role the Bank of America board played in deciding how much information to reveal to shareholders prior to the Merrill Lynch/Bank of America merger (Kouwe, 2009b). This was a major issue that kept Bank of America in the news for several months, and called into question its actions during the Merrill Lynch merger. As the payment of executive bonuses was such a major question in regards to the Bank of America/Merrill Lynch merger, the year-end executive bonus payment required actional legitimacy from Bank of America to legitimate its policy of paying executives.

Second, *The New York Times* and *The Wall Street Journal* raised questions over Bank of America's institutional legitimacy as the Bank of America/Merrill Lynch merger seemed to leave Bank of America weak. As early as January 15, *The New York Times*

reported that Bank of America was in negotiations for a second round of federal funds. It was already granted \$25 billion in capital from the initial round of TARP funding, but had to ask for more aid as it acquired Merrill Lynch (Segal & Cowan, 2009). *The New York Times* reported, “It was not that long ago that Bank of America was viewed as a pillar in the banking sector. But in recent months, its stock has plummeted as investors worried it has acquired companies with their own set of financial baggage” (Segal & Cowan, 2009). On January 26, Bank of America was called, alongside Citigroup, one of the nation’s most quickly deteriorating banks (Sanger, 2009). Bank of America’s former chairman and chief executive Hugh McColl, Jr., called the acquisition of Merrill Lynch “disappointing” in *The Wall Street Journal* (Fitzpatrick, 2009b) and Bank of America’s stock plummeted (Browning, 2009). In fact, it was suggested that Bank of America and Citigroup emerged as losers of the financial crisis (Eavis, 2009), and Bank of America CEO Ken Lewis argued in an editorial that Bank of America had become a scapegoat for bailouts and bonuses (Lewis, 2009). From the media and outspoken critics, Bank of America faced institutional legitimacy concerns regarding its stability and survival in 2009. The question of whether Bank of America could recover from its merger required some sort of response by Bank of America in order to regain its institutional legitimacy.

As a result of this media coverage, Bank of America was not just suffering several individual questions of actional legitimation; it was also suffering from a crisis of institutional legitimation. The legitimacy and survival of the entire bank was on the line, and so it was not just the actions of Bank of America that raised concerns (e.g., the payout of bonuses to Merrill Lynch executives days before a merger and Bank of America’s executive bonus policy), but rather the institution’s legitimacy (e.g., could

Bank of America regain its footing on Wall Street). This required Bank of America to not only try to re-legitimize its actions, but also to try to re-legitimize the entire bank.

4.2.2 Press Releases

Bank of America's press releases do not have themes as clearly emphasized as some of JPMorgan Chase's press releases (e.g., “The Way Forward”). However, three themes from Bank of America's public discourse—specifically, the themes of regular charitable contributions throughout 2009, a focus on helping troubled homeowners, and an emphasis on community events—did emerge that focused mainly on rebuilding Bank of America’s institutional legitimacy (e.g., Bank of America’s charitable contributions and its community engagement) and ignored the specific controversies identified by the media as needing actional legitimacy (e.g., year end bonuses and merging with Merrill Lynch at the end of 2008).

First, the theme of focusing on charitable contributions in order to bolster its institutional legitimacy was prevalent throughout Bank of America's 2009 press releases. Several times throughout 2009, Bank of America announced it would donate a sum of money for a neighborhood, relief efforts, or charitable organizations. For example, on July 7, 2009, Bank of America pledged \$5,000 for every recorded hit at an MLB All-Star Game to benefit Feeding America. Additionally, Bank of America pledged to match all fan donations up to \$100,000. On September 3, 2009, Bank of America donated \$50,000 to California fire relief efforts. Then, on September 30, Bank of America contributed \$50,000 to the American Red Cross to aid victims of severe storms and flooding. In the press release, Bank of America used the donation as an opportunity to underscore both

their volunteerism and charitable contributions. This allowed Bank of America to appear engaged in the community, but also to highlight that it was stable enough after the financial crisis to remain involved in the community and continue to pledge money to various causes. As a result, Bank of America was able use this discursive theme to respond to its institutional legitimacy problems it faced in order to begin downgrading the status of the issue of its stability from critical to current or imminent. Bank of America also touched on how it works with communities and neighborhoods, saying,

Building on a long-standing tradition of investing in the communities it serves, Bank of America this year embarked on a new, ten-year goal to donate \$2 billion to nonprofit organizations engaged in improving the health and vitality of their neighborhoods. Funded by Bank of America, the Bank of America Charitable Foundation gave more than \$200 million in 2008, making the bank the most generous financial institution in the world and the second largest donor of all U.S. corporations in cash contributions. Bank of America approaches investing through a national strategy called "neighborhood excellence" under which it works with local leaders to identify and meet the most pressing needs of individual communities. (Bank of America, 2009b)

Within this press release, Bank of America boasted more than 900,000 volunteer hours in 2008 designed to "enhance the quality of life in their communities nationwide" on the part of their bank executives and bank associates (Bank of America, 2009b). Again, this seemed to be a way Bank of America could better present itself in a way that garnered institutional legitimacy. By pointing to volunteerism, past donations, and highlighting a new goal of donating \$2 billion to nonprofits within the next ten years, Bank of America

was able to not only highlight its good deeds, but also focus on how it helps neighbors and homeowners. However, focusing on charitable contributions did not respond to the actional legitimacy questions raised within *The New York Times* and *The Wall Street Journal* about the Bank of America/Merrill Lynch merger, allowing this issue to remain at a critical (or crisis) level and in the news. This clear discrepancy between Bank of America's discourse and its legitimation needs indicates a potential shortcoming in Bank of America's public discourse.

Second, Bank of America's press releases highlighted how it helped troubled homeowners. This was an action that Bank of America used in an attempt to regain actional legitimacy for its mortgage practices, but this was not an action raised by the media as needing legitimation. For example, on March 5, Bank of America's press release highlighted a new alliance for stabilizing communities that was specifically targeted for maintaining home ownership among multicultural households. On April 9, Bank of America announced it began to refinance mortgages under the U.S. Treasury's "making homes affordable" plan, which allowed homeowners with little to no equity to refinance their homes. This is a particularly interesting theme as it seemed to provide Bank of America with a way to partially regain actional legitimacy with regards to its mortgage business, since trading mortgage-backed securities and making faulty loans are part of the reason the Financial Crisis came about in the first place. However, this is not one of the actions raised within the media as needing legitimation. Rather, this seemed to be a policy that initially contributed to the 2008 financial crisis. By highlighting its mortgage business, Bank of America does try to rebuild its actional legitimacy, just not the actional legitimacy concerns raised in the media. This is certainly an unusual

response on Bank of America's part as this response does not seem to address the actional legitimacy issues so that they might be reduced in status from critical to current or imminent. For example, when Bank of America announced it surpassed its goal of helping at least 125,000 financially distressed homeowners, the press release emphasized how Bank of America was among the first lenders to offer refinancing under the Home Affordable Refinance Program, refinancing approximately 95,000 home mortgages (Bank of America, 2009c). This emphasis on restructuring mortgages and helping thousands of homeowners is certainly worth scrutiny as it more directly responds to the questions of actional legitimacy raised by the financial crisis and seems to be an attempt to regain and retain actional legitimacy for an organizational policy that is not in the limelight.

Third, Bank of America emphasized its community engagement as a way to rebuild its institutional legitimacy. The bank promoted several events including marathons, baseball games, and neighborhood excellence initiatives throughout 2009. This was an attempt to regain institutional legitimacy as it focuses on the community and giving back to the community and did not highlight either of the policies (the Merrill Lynch merger or paying executives bonuses) requiring actional legitimacy as identified by the media. However, by portraying Bank of America as a friendlier, more community-minded bank, Bank of America may have tried to regain institutional legitimacy as it struggled with questions as to its stability and survival in 2009. By highlighting its community involvement and engagement, Bank of America can present itself as a vibrant and active bank, not as a bank struggling to repay its TARP loan. For example, on May 27, Bank of America announced a new program to help municipalities purchase bank-

owned properties. This is a way in which the negatives of the Financial Crisis—the bank takeover of mortgages that homeowners and neighborhoods could no longer afford—were repainted as Bank of America helping these communities regain their footing. Again, this highlights the bank’s stability as Bank of America looked to regain institutional legitimacy. There were also mentions of community events, such as the Bank of America Chicago Marathon in June 2009, and promotions for St. Louis Cardinals fans. Perhaps most importantly, on January 13, Bank of America announced the launch of the sixth year of nationally recognized neighborhood excellence initiative, which “addresses a nonprofit leadership deficit through strategic leadership training...which is unprecedented during these economic times” (Bank of America, 2009a). This is yet another way in which Bank of America showed its stability (continuing a program despite the economic hardships of the previous year) while still giving back to the community. It seems that by focusing on neighborhoods and local communities, Bank of America was trying to regain institutional legitimacy even as it ignored the actions of paying executive bonuses and the Merrill Lynch acquisition that needed legitimation.

From the 2009 press releases, Bank of America’s discourse focused on its institutional legitimacy by highlighting its charitable contributions and community engagement. Despite the clear need for the legitimation of its merger with Merrill Lynch and its year end executive bonus policy as presented in the media, Bank of America chose instead to focus on the restructuring of mortgages as its action to highlight. While Bank of America did respond to some of its institutional legitimacy needs by highlighting its continued charitable giving and community engagement despite the economic hardships

of the recession, it did not respond to the actions identified by *The New York Times* and *The Wall Street Journal* as needing actional legitimation. However, Bank of America did highlight its action of revising its mortgage-lending policies and helping refinance home mortgages. This seemed to be more of a direct response to the financial crisis in general rather than its specific media coverage.

4.2.3 2009 Annual Report

Bank of America's annual report did not touch on the Merrill Lynch merger and the payment of year-end bonuses to executives. While these two actions needed actional legitimacy by Bank of America, Bank of America chose instead to highlight the action of repaying TARP. The other policy Bank of America highlighted—its revised mortgage policies—also was used to garner actional legitimacy regarding mortgage lending, but Bank of America failed to address the actions of acquiring Merrill Lynch and paying year-end bonuses to executives when addressing its actional legitimation needs. Rather, Bank of America's annual report highlighted its ongoing stability and community engagement (in response to its institutional legitimation needs) and, unlike its press releases, highlighted its transparency and clarity in its banking practices in order to bolster its overall institutional legitimacy.

First, Bank of America addressed its actional legitimacy concerning mortgage lending practices in the annual report. Again, this was not an action highlighted by the media as needing legitimacy, but rather was an action Bank of America highlighted repeatedly to legitimate. This may have been an attempt to decrease the status of this issue as raised by the financial crisis from critical to current or imminent. This report

started with an interesting question for stakeholders. Written from a shareholder perspective, the annual report asked, “Dear Bank of America, I have a stake in this company too. What are you doing to move the bank and the economy forward” (Bank of America annual report, 2009)? The following page listed 22 questions including, “Times are tough. What is Bank of America doing to help?,” “Can Bank of America do more for me than my hometown community bank?,” and “I’m in over my head with my mortgage. How can you help?” The third page, in bold letters is a response from Bank of America. It answered, “We’re listening. We know your financial needs are changing. That’s why we’re changing, too...” Bank of America’s stakeholders and shareholders were told Bank of America was working for them, and was experiencing the same financial hardships they were. On top of that, Bank of America said it was adapting to the current economic climate, just like its shareholders and stakeholders had to adjust following the financial crisis. Once again, Bank of America highlighted its revised mortgage lending practices and emphasized that it was changing in an attempt to garner actional legitimation for its mortgage lending policies. However, this is an actional legitimation need that was more relevant to the 2008 annual report rather than the 2009 annual report. Mortgage lending practices seemed to no longer be of concern to the media. Year-end bonuses were of much more concern to the news media, as was the action of Bank of America allowing the payment of year-end bonuses to executives at Merrill Lynch mere days before it acquired Merrill Lynch to prevent Merrill Lynch’s bankruptcy. There was a clear disconnect between the actions the news media raised as questions (requiring legitimation from Bank of America) and the actions for which Bank of America seemed to have tried to increase actional legitimacy. Actional re-legitimation was targeted when the annual

report discussed Bank of America helping homeowners with their mortgages and revising its lending practices. This meant Bank of America did not respond to the actions the media raised as needing legitimation.

The second way Bank of America responded to certain actions needing legitimacy was when it discussed the specifics of the repayment of TARP. This is an actional legitimacy response as the news media was concerned with all three banks' repayment of TARP funding. However, TARP was only briefly touched upon early in the annual report and was not discussed further throughout the assessment of Bank of America's health. Moreover, the repayment of TARP only emerged in the news media late in 2009 as *The New York Times* and *The Wall Street Journal* remarked that Bank of America was finally repaying its TARP loan (it was one of the last banks to do so). Rather, there was a focus on Bank of America's institutional legitimacy as highlighted by demonstrating the stability of the bank and its involvement in the community. The Merrill Lynch merger was only discussed briefly and was only painted in a positive light, further creating a chasm between the media's coverage of Bank of America and Bank of America's rhetoric. However, Bank of America did repeatedly highlight its ongoing stability and success, and even made somewhat of an attempt at organizational transparency when discussing its new, "easier" banking that "helps families in tough times" and "help[s] customers save." As Bank of America struggled to survive in 2009 and emerged from the financial crisis as a "loser," its refusal to address issues brought forth by the media could have impeded its performance.

Bank of America also used its annual report to help rebuild its institutional legitimacy. Throughout the course of the annual report, Bank of America listed the ways

it was “making banking better,” including being clear and easy to understand, helping families in tough times, making every good loan possible, providing advice that helps its clients plan for it all, delivering customized solutions wherever its clients needed, and working hard to keep its communities vibrant in response to its institutional legitimation needs. By highlighting its stability, (e.g., it continued to help clients and communities despite the economic downturn), Bank of America tried to garner more institutional legitimacy. Bank of America listed 14 actions it had taken over the previous year to prove it was making banking “better.” These 14 themes again were in response to the institutional legitimation needs of Bank of America. The themes included helping customers save, supporting small businesses, and its philanthropic giving. Some of these actions match up with the themes to come out of its 2009 press releases, like the emphasis on neighborhood and community giving. These are themes that stress Bank of America’s ongoing stability and engagement within the community, yet do not correspond to the basic question raised within the news media as to whether or not Bank of America could recover from the Merrill Lynch/Bank of America merger. By ignoring this need for actional legitimacy regarding the merger, Bank of America was risking its overall institutional legitimacy by letting this issue remain critical instead of trying to decrease its status within the lifecycle of issues.

4.2.4 Annual Letter to Shareholders

In the 2009 letter to shareholders, Bank of America and CEO Brian Moynihan addressed both institutional and actional legitimation needs. Specifically, Moynihan tried to garner institutional legitimation by discussing its ongoing stability despite a hefty

financial loss in 2009; Moynihan also responded to Bank of America's actional legitimization needs regarding its actions during the financial crisis, the payment of year-end bonuses, and modifying home mortgages. I will first highlight the theme Moynihan used to rebuild institutional legitimacy (Bank of America's stability), and then discuss the two discursive themes Moynihan used to address the actional legitimacy concerns raised in the media.

First, this letter to shareholders made an effort to regain its institutional legitimacy in the face of a tough year financially as Bank of America lost the CEO that led it through the financial crisis. Written by the new CEO and president, Brian Moynihan, (on September 30, Ken Lewis, CEO and president throughout the financial crisis, announced his retirement effective Dec. 31, 2009) this letter stressed that it was a tough and difficult year "by almost every measure." Moynihan reported that the net loss applicable to common shareholders was a loss of \$0.29 per diluted share, or \$2.2 billion. However, immediately after announcing this loss, the letter to shareholders went into a discussion concerning the repayment of TARP, perhaps as a way to legitimize the actions of Bank of America (and its financial performance in 2009). The letter also highlighted that the bank "came through the worst year for banks in several generations with net income up more than 50% over 2008." This is another way in which Bank of America, while having to report a loss to shareholders, was able to show its stability in order to regain institutional legitimacy.

However, this letter to shareholders responded differently than Bank of America's press releases and annual report by more directly responding to questions concerning its actional legitimacy, both those actions raised by the media, and those raised by the 2008

financial crisis. In direct response to a loss of actional legitimacy, Moynihan highlighted Bank of America's leadership through the Financial Crisis (although not as explicitly as JPMorgan's "The Way Forward" campaign and themes highlighting its leadership and strength). Rather, Bank of America wrote,

Early in this crisis, it became clear that consumers across all our markets were frustrated with their banking experience. They wanted clarity, consistency, transparency and simplicity in their financial products and services. (Moynihan, 2009)

Bank of America then discussed its actions like a "clarity commitment" in all its documents regarding home loans and credit card businesses that explain "in plain English" the terms of the services rendered. And, perhaps most importantly to regain actional legitimacy, Bank of America wrote, "we're working with policy leaders on reforms for derivatives trading, securitization and other sectors that aim to improve transparency and accountability" (Moynihan, 2009). These actions seem to be a direct response to a loss of actional legitimacy and an attempt to decrease the status of this issue from critical to current or imminent. After the financial crisis, as people felt like Bank of America was misleading or deceptive, the bank took these actions to address it and try to restore legitimacy. This seemed to be the most obvious (of all the banks examined in this thesis) discourse where a bank tried to regain shareholder and stakeholder trust by changing and/or advocating for changes in the banking policies that lead to the financial crisis in the first place. However, it could have also been just a nod to policymakers who were upset with banks proceeding with a business-as-usual mindset. As policymakers in Washington discussed stricter banking regulations, this rhetorical move may have been

strategic in an attempt by Bank of America to avoid stricter regulations while also trying to regain shareholder and stakeholder trust. Or, as this is Moynihan's first letter to shareholders, this could have been a deliberate attempt to gain the trust of Bank of America's shareholders to rebuild the relationship between the shareholders and the CEO. As Lewis left Bank of America, it was clear he had lost shareholder trust and his actions were not deemed legitimate by shareholders when they voted to revoke Lewis's position as chairman of Bank of America, splitting the traditional chairman/CEO positions. Despite this clear response to a lack of actional legitimacy, Bank of America still failed to address the actional legitimization issues raised in the media of acquiring Merrill Lynch and paying year-end bonuses to executives.

However, in a second way to address the actional legitimacy needs of Bank of America, Moynihan finally responded to the policies regarding executive compensation and bonuses, which was an action that both *The Wall Street Journal* and *The New York Times* repeatedly discussed as an issue lacking legitimacy with both the media and the American public. Moynihan wrote, "While we have always had a 'pay for performance' culture, we have made important changes to our compensation practices to more closely align pay with long-term financial performance and enable the company to recover funds when risks go bad" (Moynihan, 2009). This seemed to be the most explicit way in which any of the banks examined in this analysis attempted to address the questions of actional legitimacy put forth by the press and the American public. The letter also discussed the new and improved approaches to risk management employed by Bank of America, stating, "Before and during the crisis, many of our collective business judgments missed the mark. We believe the changes we're making now will put us in a much better position

to see and respond to macroeconomic risks in the future.” This is the first time that Bank of America’s rhetoric seemed to directly address the actional legitimacy concerns of paying year-end bonuses as raised by the media. However, as Moynihan was just starting his tenure at Bank of America and Lewis was just leaving, this may have been Moynihan’s attempt to distinguish himself from Lewis or change Bank of America’s message to shareholders and stakeholders. This is something that is difficult to know for sure, but it does raise interesting questions as to this shift in Bank of America’s rhetoric.

The third action Moynihan discussed in an attempt to regain legitimacy was how Bank of America was engaged with the community by modifying loans for homeowners. The letter concluded with a section discussing how Bank of America must grow “in the right way.” This section highlighted both community engagement and, again, modifying loans for homeowners. Modifying loans and mortgages is a theme that emerged from three separate documents and was a clear attempt to regain actional legitimacy for mortgage lending practices. Moynihan wrote, “There is nothing more important to our more than 280,000 Bank of America teammates and me than our belief that there's a right way to do business—an approach that balances our responsibilities to all our stakeholders.” This was important because it spoke to both internal and external publics, especially by aligning Moynihan's interests with the interests of his employees. The letter also touched on small- and medium-sized businesses, highlighting how Bank of America lent \$16 billion to these businesses, and would increase that lending by another \$5 billion in 2010. And Bank of America highlighted how it had improved the process of loan modifications, modifying nearly 700,000 mortgages since January 2008. This is a way in which Bank of America tried to connect with shareholders and stakeholders in

order to better legitimize its actions leading to the Financial Crisis and its recovery and loss of profits. However, as mentioned previously, this action is not one raised by *The New York Times* and *The Wall Street Journal* as needing actional legitimacy. Since it emerged from three different sets of public documents, it is clear that Bank of America felt it necessary to repeatedly stress its revised mortgage practices. Whether a nod to policymakers or shareholders and stakeholders, this was an action that Bank of America repeatedly tried to garner legitimacy for but was not necessarily high on the media's radar. Throughout the majority of Bank of America's rhetoric in 2009, it stresses actions and examples of institutional legitimacy that did not match up with the actions identified in the media as needing legitimation.

As Bank of America emerged from 2009 weak and struggled to repay its TARP loans by the year's end, the question of whether Bank of America adequately responded to its legitimation crisis is a valid one. I argue that despite financial performance, a more calculated and strategic issues management campaign might have helped Bank of America's performance in the media and might have helped it avoid some of the media scrutiny of its merger with Merrill Lynch. Also, by failing to address the Merrill Lynch merger head-on, this seemed to create an ongoing issue that was not properly downgraded in status by Bank of America. So while Bank of America did finally address some of the actional legitimation concerns raised by *The New York Times* and *The Wall Street Journal* in 2009, there were many shortcomings that may have caused Bank of America to deal with additional struggles as it was unable to reduce the status of the issues raised in the media as needing actional legitimacy, namely the Merrill Lynch/Bank of America merger, from critical to current or imminent. This caused Bank of America to

deal with a cycle of negative news media which, in turn, continued to hurt its institutional legitimacy.

4.3 Wells Fargo

4.3.1 Press Coverage

Wells Fargo's press coverage emerged as different from JPMorgan Chase and Bank of America. Wells Fargo often seemed to be an afterthought in many of the news articles in *The New York Times* and *The Wall Street Journal*. Despite how Wells Fargo was portrayed in these articles, two major issues for Wells Fargo emerged: it was considered the bank that was most involved in racial discrimination in providing subprime mortgages and it was criticized for calling for the deregulation of executive bonuses despite its inability to repay its TARP loans. This generated negative press coverage for Wells Fargo, which was not helpful in light of its purchase of Wachovia for \$12.68 billion (Fitzpatrick, 2009a). This made it difficult for Wells Fargo as it started 2009 at a financial disadvantage, much like Bank of America. Wells Fargo either needed to explain why its racially-linked policies were justifiable, or it needed to change its image related to race by gaining legitimacy for new race-neutral or diversity-focused initiatives.

On June 7, *The New York Times* reported that a lawsuit accused Wells Fargo of steering blacks to subprime mortgages more frequently than, for example, white customers. Two previous Wells Fargo employees provided accounts of their actions, which were damning. Jacobson, one of the loan officers who provided an affidavit, said that as a loan officer, she was directed to deliberately steer borrowers of color into

subprime mortgages (Powell, 2009). The city of Baltimore sued Wells Fargo, saying the toll of these policies was terrible. Baltimore released data that provided evidence that more than half the properties subject to foreclosure on a Wells Fargo loan from 2005 to 2008 stood vacant, and 71% of these were in predominately black neighborhoods (Powell, 2009). The same article argued that in a recent analysis of mortgage lending in New York City, black households making more than \$68,000/year were nearly 5 times as likely to hold high-interest subprime mortgages as whites of similar or even lower incomes. This disparity was greater for Wells Fargo borrowers, as 2% of whites in that income group hold subprime loans and 16.1% of blacks hold subprime loans (Powell, 2009). The director of the Washington office of the Center for Responsible Lending said, “We've known that African-Americans and Latinos are getting subprime loans while whites of the same credit profile are getting the lower-cost loans...The question has been why, and the gory details of this complaint may provide an answer” (Powell, 2009). This painted Wells Fargo in a terrible light, and three months later, Wells Fargo was still in the news in regards to the financial crisis’s racial divide (Russell, 2009).

The second action that required legitimacy was Wells Fargo’s calls for the deregulation of executive pay. It pushed for the deregulation of executive pay despite its inability to pay back its TARP loan and financially perform. As a result, *The New York Times* and *The Wall Street Journal* repeatedly called Wells Fargo’s actional legitimacy regarding executive bonus pay and the repayment of TARP into question.

While allegations of racist lending practices were flying, Wells Fargo also struggled with its institutional legitimacy in the media. Wells Fargo found itself with a downgraded rating from Standard and Poor’s (Labaton, 2009) and Moody’s (Grace,

2009). Then, on August 5, Fuller (2009) reported that Wells Fargo was failing to reach large numbers of eligible borrowers, and had only modified 6% of existing loans based on loan revision policies proposed by the Obama administration and Congress.

Consequently, Wells Fargo was suffering from a crisis of institutional legitimation. Not only did its practice of providing subprime mortgages to African Americans and Latinos cause uproar in *The New York Times* and *The Wall Street Journal*, but it was unable to respond to calls for loan reformation. It was the last among the large banks to repay its TARP bailout funds (Cooper & Dash, 2009), and it failed a stress test as regulators called for Wells Fargo to raise more capital (Gullapalli, 2009; “Maybe it’s not so bad”, 2009). Wells Fargo’s stock struggled despite its best efforts in the media to appear strong. For example, on April 15, Wells Fargo announced that it was in good financial shape and expected a \$3 billion quarterly profit. However, this statement was frustrating for Treasury officials who said it would be more difficult for them to issue negative assessments of Wells Fargo in light of this self-declaration of good health (Sanger & Dash, 2009).

On top of all this, an editorial criticized banks like Wells Fargo that were using taxpayer bailout money to take out full-page advertisements in newspapers despite the perceived extravagance of this act, which could have cost up to \$200,000 (Dowd, 2009). Clearly Wells Fargo’s actional legitimation needs were hurting its reputation (it needed to justify or adjust its racial profiling in mortgage lending and either repay its TARP loans or stop calling for the deregulation of executive pay), and its institutional legitimacy needs called into question its survival (Wells Fargo, for example, needed to raise more capital). Wells Fargo’s actions were perceived as illegitimate. These actions did not

meet or mirror the values and expectations of the American public. Wells Fargo was fighting for not only its actional legitimacy with regards to its lending practices, but also for its institutional survival.

4.3.2 Press Releases

Wells Fargo's press releases revealed two major discursive themes, and several press releases highlighted concerns that the media and American public had, as highlighted within the press coverage of Wells Fargo. I will first discuss how Wells Fargo addressed two actional legitimacy concerns raised in the media, and then discuss the two discursive themes Wells Fargo uses to attempt to rebuild institutional legitimacy throughout 2009.

First, Wells Fargo responded to concerns within the media about its actional legitimacy related to its calls for the deregulation of executive bonuses despite its inability to repay TARP loans. In order to address these concerns, Wells Fargo was careful about releasing statements about the repayment of TARP and different policies Wells Fargo had—specifically about the payout of year-end bonuses. For example, Wells Fargo released the 2009 quarterly earnings reports and announced the repayment of \$312.5 million dividends to U.S. taxpayers in response to the need to legitimate its action of taking the TARP loan from the U.S. government. This was a way for Wells Fargo to respond to the media's actional legitimacy concerns that Wells Fargo had yet to repay all its TARP funding. As a result, Wells Fargo highlighted its payment of, for example, dividends in an attempt to respond to questions of why Wells Fargo had yet to repay TARP.

Second, the announcement of year-end bonuses was handled delicately by Wells Fargo. In an attempt to legitimize the actions of providing bonuses to its chief executives, Wells Fargo said the following:

These retention performance shares, which are not a form of cash compensation or annual incentive bonus, are forfeited if the executive receiving the shares leaves the Company to work for a competitor. In addition, the retention performance shares provide an incentive for these executives to achieve continued extraordinary results for the Company. The shares will vest after three years of service only if the company meets specified performance goals, and are subsequently covered by Wells Fargo's long-standing policy that a portion of all shares earned by executives as compensation must be held for as long as they remain employed by the company. For 2009, these executives will not receive annual cash incentive bonuses.

(Wells Fargo, 2009i)

This seems to be a very careful and detailed explanation by Wells Fargo, and its method of paying bonuses was different than JPMorgan Chase's and Bank of America's methods. Also, by highlighting specific changes to this policy, Wells Fargo could potentially begin to use issue management to lower this issue from a critical issue to a current or imminent issue. Additionally, Wells Fargo announced that it would only give three of its chief executives these "retention performance shares." It seemed to be a response to the outcry within the media about the payout of executive bonuses. Of note, Wells Fargo was the only company to release the transcriptions of its House and Senate hearings throughout 2009. This may also have been in response to its actional legitimation needs for transparency and disclosure after the financial crisis.

Outside the responses within Wells Fargo's press releases to actional legitimacy concerns, two discursive themes emerged that are in response to Wells Fargo's institutional legitimation needs. Specifically, Wells Fargo highlighted its practice of lending money to small businesses and diverse companies and its environmental/"green" efforts.

First, Wells Fargo's lending practices were highlighted throughout 2009. For example, on May 14, Wells Fargo Asian Business Services announced it reached its 10-year goal to lend \$3 billion to Asian business owners nationwide three years ahead of schedule. This was released "in celebration of Asian Pacific American Heritage Month," and Wells Fargo expanded the goal to \$5 billion by the end of 2013 (Wells Fargo, 2009e). A November 5 press release revealed that Wells Fargo was America's #1 small business lender, as a Wells Fargo official stated, "We're helping refuel America's economic engine—one small business loan at a time." Wells Fargo also reported an overall 5% increase in nonprofit giving and released a report on its 2008 community investments on April 8. Wells Fargo reported \$6.4 billion in community development loans and investments for affordable housing, schools, economic development, community revitalization, and job creation, 1.4 million "team member volunteer hours" in the community, \$45.8 million in grants to nonprofit housing organizations and the establishment of a grant to fund energy-efficient, green affordable homes, and \$942 million spent with diverse-owned and women-owned suppliers (Wells Fargo, 2009d). Finally, Wells Fargo boasted of being the number one small-business lender, loaning more than \$38 billion to women, African American, Latino, and Asian business owners since 2005 (Wells Fargo, 2009b). While the media focused on the institutional

legitimacy needs of Wells Fargo's downgraded ratings and need to raise more capital, Wells Fargo instead chose to focus more on its community involvement as a way to highlight its stability. However, this is not just a response to Wells Fargo's questioned strength and stability. Rather, by highlighting its stability and ongoing involvement with ethnically diverse businesses, Wells Fargo indirectly responded to the actional legitimacy concern of why Wells Fargo discriminated based on race in lending subprime mortgages. This is a response that did not directly respond to the media coverage. An indirect, yet strategic campaign to highlight its diverse lending practices did not seem to help Wells Fargo as its subprime mortgage lending and racial discrimination stayed in the news cycle for most of 2009. Consequently, there may be lessons for practitioners to take from Wells Fargo's experiences when dealing with actional legitimacy crises as this case suggests the need to directly address actional legitimacy issues.

Second, Wells Fargo's press releases clearly designated it as a "green" company. This was a way to highlight Wells Fargo's institutional legitimacy. Not only did Wells Fargo repeatedly highlight its actions to reduce environmental and energy waste, but it also invested money in environmentally-focused companies, and tried to help small businesses with green practices. For example, on September 25, *Newsweek* ranked Wells Fargo as "the greenest bank in the U.S." (Wells Fargo, 2009g). On November 17, Wells Fargo announced a donation of \$41.9 million to nonprofits in annual community support and the United Way Campaign. Wells Fargo also boasted it was the company's "most green campaign to date with nearly 100% of all pledges made online and the elimination of nearly all print marketing materials" (Wells Fargo, 2009h). On October 14, Wells Fargo announced it was going to reduce its U.S.-based greenhouse gas emissions by 20%.

And in a bridging of both themes the company highlighted throughout 2009 as it attempted to regain shareholder and stakeholder trust, Wells Fargo announced that it had financed 125 commercial-scale solar photovoltaic projects since the fall of 2007. Wells Fargo stated, “Despite the economic downturn, Wells Fargo continues to help customers secure reliable, cost-effective power and help businesses access cleaner energy sources...We look forward to helping the industry expand even further” (Wells Fargo, 2009c). This is a way that Wells Fargo highlighted its ongoing stability and even success in a year of bad news coverage for Wells Fargo. Throughout 2009, Wells Fargo also announced small policy changes, including a changeover during its United Way campaign to online-only donations within the company, and a policy that negated the need to use envelopes to deposit cash and checks at Wells Fargo ATMs. In fact, Wells Fargo estimated it had already saved over 6,000 trees through the change, winning the #4 Innovative Company by *Information Week 500* (Wells Fargo, 2009f). So while Wells Fargo faced harsh critics in the print media that called into question its survival, downgraded credit ratings, and its need to raise more capital, Wells Fargo repeatedly pointed to the success of its company in a values advocacy-driven strategic campaign that highlighted Wells Fargo’s green practices and concern for the environment. This is not a direct response to the institutional legitimacy concerns raised by *The New York Times* and *The Wall Street Journal*. However, by having successes to point out through the use of its environmental policies, Wells Fargo could argue it was still a strong and vibrant bank. Additionally, as a large percentage of Wells Fargo’s press releases focused on its environmental conservation awards, this may have been a deliberate effort to shift the ongoing narrative in the news cycles. While it may not have been the most effective

strategic communication move, it did allow Wells Fargo the ability to point to its success and innovation in 2009.

4.3.3 2009 Annual Report

In its 2009 Annual Report, Wells Fargo used the theme, “The Vision that Works” as a way to rebuild institutional legitimacy. In the annual report, Wells Fargo wrote, “Our vision is clear and simple. We want to satisfy all our customers’ financial needs and help them succeed financially” (Wells Fargo annual report, 2009). The report then used pictures and stories throughout the beginning to highlight Wells Fargo’s personal touch. The first story was about Hanh Nguyen, a teller in Harrisburg, Pennsylvania. It briefly explained how Nguyen asked her customer about how much she was paying in auto insurance after handing her customer her banking statement. The report states, “Together, they called a Wells Fargo Insurance agent. An hour later, the customer saved \$400 a year in premiums. Then she decided to check our renter’s insurance, too, and on the same call saved even more money” (Wells Fargo annual report, 2009). This mini-narrative highlighted how Wells Fargo made one customer’s life “simpler for her.” The second narrative tells how an Illinois customer was on wells Fargo.com and was able to live chat with a loan specialist, Jamie Berthiaume. Berthiaume writes, “Customers like it. They like that they can get a fast answer and that they’re talking to a real person” (Wells Fargo annual report, 2009). This narrative highlighted how customers can get personalized mortgage and loan services, even online. A total of 12 narratives underscores the company’s personalized, community-based approaches to lending and how it moved

quickly to help its customers. At the end of these narratives, in bright colors and bold letters, Wells Fargo wrote,

We're not just a bank that happens to be in a community. We're a community bank. That means we're "in and of" every community in which we do business. We were local first, then national. We weren't born as a national bank that decided to be local. We were born as a local bank in one community that grew to be national. Here's how a vision *should* work...*for* our communities. (Wells Fargo annual report, 2009)

The report then used four more narratives, including pictures, bolded quotes, and charts, about how Wells Fargo invested in local communities. The report then discussed at length the financial performance of the company, and included financial statements, quarterly financial data, and loan portfolios. Wells Fargo's slogan, "Together we'll go far," was interspersed throughout the report. It appeared the main focus of the annual report was how Wells Fargo repeatedly stressed through its marketing and narratives how it was a community bank and it focused on the customer. This could be a way in which Wells Fargo attempted to rebuild stakeholder and shareholder trust, especially when it says, "We weren't born as a national bank that decided to be local. We were born as a local bank in one community that grew to be national" (Wells Fargo annual report, 2009).

This annual report and its use of narratives was a way for Wells Fargo to regain institutional legitimacy. This occurred in three ways. First, by using the theme "A Vision That Works," Wells Fargo was able to craft a discourse where it is succeeding financially because its vision "works." This underscored its stability and success, even if these two things were called into question by the media. Second, by highlighting a diverse group of

Wells Fargo customers in the narratives, Wells Fargo was able to indirectly respond to the actional legitimacy concern that it racially discriminated. Third, rhetoric like “together, we’ll go far” allowed Wells Fargo to again highlight its hope for the future and its ongoing stability. This allowed Wells Fargo to highlight its strength and stability while responding to institutional legitimation needs and subtly respond to the actional legitimacy concern of why Wells Fargo racially discriminated.

However, Wells Fargo’s annual report did not directly address some of the major actional concerns raised in the media, like how it was unable to repay its TARP loans or how it called for the deregulation of executive pay. Additionally, it did not address the institutional legitimacy concerns raised by its credit downgrade or its need to raise more capital. As a result, while Wells Fargo does craft an annual report that has a clear rhetorical theme, this theme falls short of assuring shareholders and stakeholders that Wells Fargo is addressing these legitimation needs.

4.3.4 Annual Letter to Shareholders

In his letter to shareholders, John Stumpf, Chairman, President, and CEO of Wells Fargo, touched on four different actions and policies that required legitimation. Specifically, Stumpf discussed Wells Fargo’s lending practices, its ability to provide loans to small businesses, the repayment of its TARP loans, and too big to fail. These four actions and policies were in direct response to the legitimation concerns raised by *The New York Times* and *The Wall Street Journal*.

First, Stumpf discussed the first two actions requiring legitimacy—Wells Fargo’s lending practices and its loaning money to small businesses. He touched on how Wells

Fargo was a responsible lender, taking money invested in Wells Fargo to invest in “people, businesses and construction for creating and building things that help America’s economy grow and that strengthen neighborhoods and communities” (Stumpf, 2009). Wells Fargo’s action of providing \$711 billion in loans and lines of credit to customers and providing more loans to small businesses than any other U.S. lender allowed Stumpf to address the actional legitimacy concerns raised by the media in regards to Wells Fargo’s racial discrimination in subprime mortgage lending. While Stumpf did not explicitly address these concerns, by touching on the number of loans provided to customers in 2009 and highlighting how Wells Fargo provided more loans to small businesses than any other U.S. bank, Wells Fargo attempted to address its unsavory mortgage lending. These are the first two ways that Wells Fargo tried to respond to the media’s actional legitimacy concerns regarding its mortgage practices and discrimination. Critics may argue that this low mortgage delinquency rate was a result of Wells Fargo’s racially discriminatory practices as many of its subprime mortgages could have been bought up by the U.S. government at this point in 2009, and left Wells Fargo with less urban and less racially diverse mortgages. So while Wells Fargo used this metric as a sign of its successful revision of mortgage lending practices, it really calls into question if Wells Fargo had actually adjusted its racial discrimination in mortgage lending.

Third, the repayment to the U.S. Treasury by raising over \$33 billion in 14 months (in regards to TARP and the repayment of \$1.4 billion in dividends) were highlighted as evidence of Wells Fargo’s responsible business practices and how it invested in neighborhoods and communities. This was the first time that Wells Fargo addressed the repayment of TARP, which was one of the actions that *The New York Times*

and *The Wall Street Journal* questioned as Wells Fargo called for the deregulation of executive pay. This was of concern since, if Wells Fargo was unable to repay TARP loans by the end of 2009, executive bonuses would come from taxpayer bailout funds. Wells Fargo “maintained a mortgage delinquency rate, including foreclosures, a third of the industry average, with 92 of every 100 of our mortgage customers current on their home payments” (Stumpf, 2009).

Finally, Wells Fargo discussed in more detail than JPMorgan Chase and Wells Fargo the financial crisis. Interestingly, Stumpf discussed “too big to fail” outright. He wrote, “We believe no company should be ‘too big to fail.’ A government ‘resolution authority’ should unwind and liquidate any failed company. It shouldn’t be just bankruptcy or ‘bail out.’ What’s needed is a mechanism to assure the orderly winding down of a failed company...” (Stumpf, 2009). He then stated,

Wells Fargo is large, but we’re also broadly diversified. We have controls and practices that enable us to manage risk. It’s simple to solve the problem of “too big to fail.” Let’s just make it clear: any financial services firm can be allowed to fail. If it fails to manage its risk, it deserves to fail. Period. (Stumpf, 2009)

This is shocking that a bank that accepted TARP funds spoke this explicitly against “too big to fail.” However, it is a way for Wells Fargo to regain actional legitimacy in regards to its lending practices. Within the media, all three banks—JP Morgan Chase, Bank of America, and Wells Fargo—took heat for the financial risks, subprime mortgage lending, and economic downturn within the U.S. By publicly declaring that banks should not be “too big to fail,” and by repeatedly highlighting its community engagement, service, and focus on local and small businesses, Wells Fargo could regain shareholder and

stakeholder legitimacy. Additionally, as Wells Fargo called for the deregulation of executive pay, this may have been a calculated, strategic move to appease policymakers in Washington, D.C. who were fed up with Wall Street. Jamie Dimon was considered Obama's "favorite banker," so the fact that both Bank of America and Wells Fargo made some type of mention concerning policy to appease lawmakers may be an attempt by other large banks on Wall Street to gain the favor of the president or Congress.

Regardless of the reasons why this was included, it still falls short of the mark: not once did Wells Fargo explicitly address the major actional legitimacy question it faced as to why it racially discriminated in regards to subprime mortgage lending. Wells Fargo was unable to justify why it adhered to these policies and did not explicitly change its mortgage lending standards and policies. As a result, while Wells Fargo did use the annual letter to shareholders as an opportunity to regain actional legitimacy regarding its credit practices, loans to small businesses, the repayment of TARP, and too big to fail, it did not adequately address one of the largest actional legitimacy crises of all three of these banks (JPMorgan Chase, Bank of America, and Wells Fargo).

4.4 Analysis of Research Questions

After analyzing in depth the rhetoric JPMorgan Chase, Bank of America, and Wells Fargo used throughout 2009 in their press releases, annual reports, and annual letters to shareholders and comparing this rhetoric with the actional and institutional legitimacy concerns raised by *The New York Times* and *The Wall Street Journal*, it is worthwhile to more explicitly answer the research questions posed by this thesis.

1a: How do JPMorgan Chase, Bank of America, and Wells Fargo use legitimacy to lower the status of issues facing the banks from critical to current or imminent?

As evidenced throughout much of the analysis, JPMorgan Chase, Bank of America, and Wells Fargo all used legitimacy in an attempt to lower the status of issues facing them from critical to current or imminent. However, some of these banks more effectively used legitimacy than others. For example, Wells Fargo did not directly confront the legitimacy concerns raised in the media. Whether Wells Fargo's performance suffered because of this or not is difficult to say. However, by not directly confronting questions of its actional legitimacy regarding, for example, its racial discrimination in subprime mortgage lending, Wells Fargo was unable to lower the status of this issue from critical to current (or imminent) very quickly. Rather, Wells Fargo was forced to deal with this issue remaining in the news cycle for much of 2009.

Conversely, Bank of America more explicitly took on the issue of year-end bonuses raised by the media in 2009. Within the media, Bank of America was criticized for acquiring Merrill Lynch and potentially paying out year-end bonuses to Merrill Lynch executives mere days before publicly announcing the merger. Having been accused of "ignoring its duty to shareholders," Bank of America explicitly addressed the actional legitimacy concern of year-end bonuses in its letter to shareholders. This was a more direct way to deal with this actional legitimacy concern. However, it was too little too late as the Merrill Lynch merger had been in the news cycle for much of 2009 and the letter to shareholders came out in late 2009.

In summary, while legitimacy was used to help lower the status of issues from critical to current or imminent, JPMorgan Chase, Bank of America, and Wells Fargo all

needed to consider more explicitly addressing the legitimacy issues raised by the media to more quickly reduce the lifecycle of some of these issues.

1b: How do JPMorgan Chase, Bank of America, and Wells Fargo use narratives to lower the status of issues facing the banks from critical to current or imminent?

JPMorgan Chase and Bank of America did not use narratives to lower the status of issues facing them from critical to current or imminent. However, Wells Fargo's annual report extensively used narratives to lower the status of issues from critical to current or imminent. For example, Wells Fargo was critiqued for ignoring its duty to shareholders. By using narratives of its shareholders to illustrate how Wells Fargo was better serving its customers, it was able to begin building institutional legitimacy. These narratives allowed Wells Fargo to develop more of a persona and allowed it to highlight its stability and success. Moreover, by using narratives, Wells Fargo is able to address the actional legitimation of mortgage lending practices, even though this was not an action raised by the media as needing legitimation. Rather, these narratives helped Wells Fargo better respond to some of the issues that emerged because of the financial crisis (e.g., trust and transparency) and humanize itself after aiding in a massive economic downturn. However, by failing to use these narratives to address the major actional legitimation concern of racially discriminating in its subprime mortgage lending, Wells Fargo did not most effectively make use of the narrative within its rhetoric.

1c: What rhetorical strategies do JPMorgan Chase, Bank of America, and Wells Fargo use to lower the status of issues facing the banks from critical to current or imminent?

JPMorgan Chase, Bank of America, and Wells Fargo each use specific rhetorical strategies to lower the status of issues facing the banks from critical to current or imminent. Each bank used strategies that included values advocacy, strategic ambiguity, legitimacy-bolstering rhetoric, and redefinition. These strategies functioned to distance JPMorgan Chase, Bank of America, and Wells Fargo from some of the gaps in legitimacy they experienced in 2009. However, some of these banks better addressed the concerns raised by the media than others. For example, JPMorgan Chase was perhaps most direct about the repayment of TARP and did not have as negative media coverage concerns policies needing actional legitimation (e.g., paying bonuses) as banks like Wells Fargo (that tried to push for deregulation of executive bonuses). As a result, JPMorgan Chase was the most strategic in its rhetoric, which allowed it to not only continue its positive media coverage, but to also emerge rhetorically as the bank that could lead “The Way Forward.” JPMorgan Chase’s rhetoric between its press releases, annual report, and annual letter to shareholders seemed the most coordinated which, again, allowed it to emerge from 2009 appearing to be stable and well position for the future. This is a strategy that both Bank of America and Wells Fargo may have benefited from using.

While Bank of America used similar rhetorical strategies as JPMorgan Chase, it focused on actional legitimacy concerns not raised by the media in 2009 such as its mortgage-lending policies, which was effective when looking at the financial crisis as a whole, but did not aid in helping Bank of America reduced the level of issues like the paying of year-end bonuses or acquiring Merrill Lynch from critical to current or

imminent. Rather, Bank of America's lack of a rhetorical strategy seemed to keep issues like the Bank of America/Merrill Lynch merger at the critical (or "crisis") level.

Finally, Wells Fargo, who emerged the weakest from the financial crisis, used rhetorical strategies similar to JPMorgan Chase and Bank of America, but seemed to ignore the biggest actional legitimacy issue facing it: racial discrimination in subprime mortgage lending. Much like Bank of America, by failing to directly address this issue, Wells Fargo allowed questions and allegations concerning its actions to fly throughout much of 2009. Instead of actively using rhetoric to reduce the status of this issue from critical to current or imminent, Wells Fargo allowed its actional legitimacy regarding mortgage lending to go questioned in the media for much of 2009, which ultimately could have led to its mediocre financial performance.

2a: Are there themes that emerge in the financial public relations used by JPMorgan Chase, Bank of America, and Wells Fargo?

There are very specific themes that seem to emerge from the discourse used across all three banks. For example, the themes of stability, success, and community involvement/giving are all themes that each bank used. A table is included to highlight the themes each bank used.

Table 4.1 Thematic Summary

JPMorgan Chase	Bank of America	Wells Fargo
<ul style="list-style-type: none"> • Success • Stability • Helping communities • “The Way Forward” • Transparency • Trust 	<ul style="list-style-type: none"> • Success • Stability • Charitable giving • “Clarity Commitment” • Transparency 	<ul style="list-style-type: none"> • Success • Stability • Green efforts • “The Vision that Works” • Diversity

2b: How do the themes used by JPMorgan Chase compare to its quarterly financial reports (including stock performance, cash on hand, and market share) in 2009?

The themes used by JPMorgan Chase compare to its quarterly financial reports, including stock performance, cash on hand, and market share in 2009 in an interesting way, but it is difficult to draw conclusions or causations based on this data. Refer to Appendix A for a quarter-by-quarter financial performance for JPMorgan Chase, and also for the specific themes that emerge from the press releases announcing each quarter’s financial performance. There do not seem to be any clear themes based on the quarter and the financial performance of JPMorgan Chase. Additionally, Appendix A compares JPMorgan Chase’s reputation (from the annual Forbes/The Reputation Institute survey) at the end of 2009 to 2010 and 2012. There do not seem to be any clear trends that emerge from this data, either.

There are a few reasons why it is difficult to know for sure if there are any potential relationships between the rhetoric JPMorgan Chase used in 2009 and its financial performance. Essentially, there is too much noise that prevents researchers and outside observers from knowing for sure if the rhetoric JPMorgan Chase used in one

specific quarter had any impact. Some of this noise includes (but is not limited to): economic cycles, media reports, global or domestic economic downturns, the Federal Reserve's daily forecasts, and political climate. All these factors contribute to the inability to know for sure if there are relationships between what JPMorgan Chase said and if that positively or negatively impacted its financial performance for the quarter and for the year. However, it is still interesting to review the quarterly discourse and the quarterly financial performance and it provides some potential areas for future research to better determine what, if any, relationship exists between economic performance and the rhetoric of financial institutions.

2c: How do the themes used by Bank of America compare to its quarterly financial reports (including stock performance, cash on hand, and market share) in 2009?

Please refer to the response to RQ 2b. Appendix B compares Bank of America's quarterly performance and reputation.

2d: How do the themes used by Wells Fargo compare to its quarterly financial reports (including stock performance, cash on hand, and market share) in 2009?

Please refer to the response to RQ 2b. Appendix C compares Wells Fargo's quarterly performance and reputation.

CHAPTER 5. CONCLUSION

This project studied the intersections of financial public relations, image restoration, and legitimacy. Specifically, this study explored how the rhetorical strategies used to communicate organizational legitimacy, trust, and stability following the 2008 financial crisis compared to questions of legitimacy as raised by the news media. The rhetoric disseminated to key stakeholders, shareholders, and interested publics via press releases, annual reports, and letters to stakeholders was explored in an attempt to recreate the image restoration process each bank underwent. From this study, three key findings emerged that contribute to the literature and two lessons for practitioners are identified. Finally, this chapter will discuss future directions in regards to the study of financial public relations and image restoration.

5.1 Theoretical and Practical Implications

First, the cases of Bank of America, and Wells Fargo seem to indicate that actional legitimacy may lead to better press coverage. For example, Bank of America's merger with Merrill Lynch led to an outcry in the media about the payout of bonuses to Merrill Lynch executives days before its merger with Bank of America. This merger prevented Merrill Lynch from failing, which raised the question as to why Merrill Lynch executives received year-end bonuses, and whether Bank of America executives also

knew this action happened. By refusing to use its press releases, annual reports, and letters to shareholders to either explain the rationale for this action or adjust its year-end bonus policy, Bank of America was unable to decrease the status of this issue from critical to current or imminent. As a result, the Merrill Lynch merger remained in the media for the majority of 2009. A similar situation happened with Wells Fargo when it did not provide a rationale or publicly adjust its policies regarding racial discrimination with subprime mortgage lending. Wells Fargo remained under fire by the media for this action. Both these banks remained in a cycle of negative press coverage because these issues were still crises and still received extensive media coverage. Thus, it may be that actional legitimacy helps prevent a crisis and can lead to more positive press coverage overall.

Second, the literature acknowledges that actional legitimacy helps prevent an issue from becoming critical (a crisis). However, it seems that engaging in actional legitimation also helps push an issue through the lifecycle faster. For example, Wells Fargo did not respond or justify why it used discriminatory practices in its subprime mortgage lending. By not justifying or publicly adjusting its action, this issue remained critical and in the news media for much of 2009. In contrast, Bank of America used its letter to shareholders to publicly adjust its policy of year-end bonus payouts. This helped Bank of America downgrade this policy that needed legitimation from a critical issue to an imminent issue by changing the rhetoric surrounding the policy: no longer did Bank of America issue sweeping executive bonuses. Rather, it shifted to a policy that allowed it to recuperate these bonuses when executives took risks that went bad. Consequently, this helped downgrade this issue's status. Perhaps an argument can be made that by directly

addressing actions and policies that need legitimation, organizations can push an issue through the lifecycle more quickly.

Third, the cases of JPMorgan Chase, Bank of America, and Wells Fargo underscore the need for public relations campaigns that are not values advocacy driven (e.g., highlight the charitable contributions organizations make or shifts to eco-friendly policies) but rather campaigns that confront issues head on. JPMorgan Chase repeatedly addressed issues concerning its institutional legitimacy (e.g., stability, trustworthiness, success) within its press releases, annual report, and letter to shareholders. JPMorgan Chase emerged from 2009 as one of the strongest banks on Wall Street. Wells Fargo, on the other hand, spent much of its press releases, annual report, and letter to shareholders highlighting its small business lending and its “green” efforts. Wells Fargo emerged from 2009 as one of the weakest banks on Wall Street. Failing to address its institutional legitimacy needs (e.g., its downgraded ratings from S&P and Moody’s and its inability to repay TARP) and its actional legitimacy needs, (e.g., racial discrimination in subprime mortgage lending), Wells Fargo emerged from 2009 with a weak image despite highlighting values it held in common with the public (e.g., “green” policies).

This study addresses how financial public relations, image restoration, and legitimacy intersect. Exploring how the communication of financial information can impact an organization’s legitimacy and image helped contribute to the literature of financial public relations, an area that is understudied yet important as conveying financial information can have major economic implications and the mismanagement of financial information can put financial public relations specialists and other executives in jail. The financial crisis of 2008 provides a unique backdrop in that the specific actions

of these big Wall Street banks were deemed socially irresponsible, thereby threatening their institutional legitimacy. Some of these banks also took specific steps to respond to the actions identified by the media as illegitimate in order to regain both actional and institutional legitimacy. As a result, this study contributes to the literature in these fields and also provides two practical implications for practitioners.

First, the case of Bank of America and its merger with Merrill Lynch underscores the importance for practitioners to confront issues head-on. By failing to directly respond to the media and public's legitimation concerns, an issue turned into a full, year-long crisis for Bank of America. This was an issue that could have easily been downgraded in the lifecycle of issues. However, being ignored by Bank of America enabled it to become critical. Despite its financial performance and struggles, a more calculated and strategic issues management campaign might have helped Bank of America's performance in the media and might have helped it avoid some of the media scrutiny of its merger with Merrill Lynch. This seems to underscore how values advocacy campaigns fall short in restoring legitimacy and helping downgrade issues in the lifecycle of issues. Rather, values advocacy may be more important in garnering support from key publics, shareholders, and stakeholders *before* an issue arises. For instance, if an organization has used values advocacy to establish value premises before a crisis (Bostdorff & Vibbert, 1994), then during a crisis, key publics may be more likely to support that company. For instance, Johnson & Johnson uses values advocacy campaigns to demonstrate its commitment to families. Its tagline, "Johnson & Johnson, a family company" and the family themes of its commercials repeatedly showcase how it values families. If Johnson & Johnson ran into another crisis like its Tylenol tampering case,

this commitment to valuing families could allow Johnson & Johnson to avoid losing a key public while dealing with a crisis. This phenomenon can also be observed with sports stars like Lance Armstrong. As Lance Armstrong stood as the face of LiveStrong and represented the battle with cancer, he faced allegations of doping in the Tour de France. Until Armstrong released a public statement saying he would no longer fight these allegations, his supporters and key publics continued to support him and his brand. Once he released that public statement, a mass exodus of donors, sponsors, and key publics left LiveStrong and Lance Armstrong. This could be another area in which this argument may hold true.

Second, JPMorgan Chase, Bank of America, and Wells Fargo's individual cases all highlight the need for public relations practitioners to hold a seat at the management table. Studies underscore the importance of the public relations function to management (e.g., Gaunt & Ollenburger, 1995; Grunig, Grunig, and Dozier, 2002). However, when dealing with financial institutions or the conveyance of financial information, issues can become critical much more quickly as financial performance, stock performance, and the status of the overall economy can all be at stake. As a result, it is important that public relations practitioners and financial public relations practitioners have a seat at the table to help chief executives and managers make decisions not only before a financial issue arises, but in the aftermath of a major crisis like the 2008 financial crisis. By confronting major issues directly and helping craft the organization's discourse, corporate communication professionals with decision-making power may be able to help their organizations emerge from a crisis in better shape.

5.2 Future Directions

This project raises several questions important to the future study of this topic. Financial public relations remains important in the field of communication as the conveyance of financial information can impact organizational performance, the overall economy, or even the overall global economy. Also, understanding how financial organizations regain legitimacy following an economic downturn or crisis is important as the possibility for another financial crisis exists and a lack of confidence in financial institutions can have serious global repercussions. Consequently, four areas for future research have promise.

First, the use of orientational metaphors in financial public relations is an area for future research. For example, JPMorgan Chase repeatedly used “the way *forward*” throughout its discourse. The way forward is part of the orientational metaphor “JPMorgan Chase is forward.” In this metaphor family, up (forward) refers to having control and down (backward) refers to being subject to control. It may be worthwhile to examine how the orientational metaphor was used in regards to bailout funds and governmental regulation. As banks push for deregulation, this orientational metaphor may emerge. Examining the use of the orientational metaphor among various financial institutions may provide some insight as to how these institutions can regain and lose legitimacy. Second, the role of the CEO is worth exploring further. For example, Bank of America’s CEO Ken Lewis left Bank of America after shareholders voted to split his role as CEO and chairman. Jamie Dimon, on the other hand, was celebrated as a strong CEO who was able to successfully steer JPMorgan Chase through the financial crisis. Understanding the role of the CEO and how a CEO can act as a scapegoat for an

organization's legitimacy may prove a rich area for future research. Third, how organizations frame financial information may prove interesting. Furthermore, the impact of framing financial information may, again, contribute to a better understanding of how organizations can regain legitimacy. Finally, while this study was unable to do so, understanding how rhetoric can impact financial performance could prove important to understanding why some organizations like Bear Stearns fell during the financial crisis and how other organizations emerged from the crisis safely within a "too big to fail" rhetorical bubble.

In conclusion, this project studied the intersections of financial public relations, image restoration, and legitimacy. Specifically, this study examined the rhetorical strategies used by JPMorgan Chase, Bank of America, and Wells Fargo as these organizations worked to repair organizational legitimacy, trust, and stability following the 2008 financial crisis. The rhetoric disseminated to key stakeholders, shareholders, and interested publics via press releases, annual reports, and letters to stakeholders was explored in an attempt to recreate the image restoration process each bank underwent. Finally, this project contributed to the financial public relations and legitimacy literature and identified potential implications for practitioners as JPMorgan Chase, Bank of America, and Wells Fargo employed various strategies designed to rebuild stakeholder and shareholder trust. These strategies can be applied to other financial institutions facing threats to their legitimacy in the aftermath of the poor conveyance of financial and financial risk information.

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APPENDICES

Appendix A JPMorgan Chase

Table A.1: JPMorgan Chase Quarterly Net Income

Q1 2009	Q2 2009	Q3 2009	Q4 2009
\$2.1 Billion	\$2.7 Billion	\$3.6 Billion	\$3.3 Billion
\$0.40 per share	\$0.28 per share	\$0.82 per share	\$0.74 per share
<p>*Continued lending despite the credit crisis and foreclosure reduction efforts</p> <p>*“We are helping the economy recover.”</p>	<p>*JPMorgan Chase as remaining committed to “doing our part to help bring stability to the communities in which we operate and to the financial system overall.”</p> <p>*TARP is paid off.</p>	<p>*Helping consumers and communities throughout the challenges of the economy</p> <p>*Modifying policies (e.g., overdraft policies).</p> <p>*Helping prevent home foreclosures since 2007.</p>	<p>*Throughout difficult times, JPMorgan Chase has helped homeowners, delivered services to our community, and JPMorgan Chase continued to serve their customers.</p> <p>*Helped communities while keeping the company healthy and vibrant.</p>

Source: (JPMorgan Chase Quarterly Reports, 2009)

Table A.2: JPMorgan Chase Financials and Reputation

Ranking	Increase in Deposits	Net operating cash flow
2009: 120	2009: -\$107.7B	2009: 121.9B
2010: 127	2012: \$67.25B	2012: 34.38B
2012: 134		

Source: (Forbes, 2009; Market Watch/Wall Street Journal, 2014)

Appendix B Bank of America

Table B.1: Bank of America Quarterly Net Income

Q1 2009	Q2 2009	Q3 2009	Q4 2009
\$4.2 Billion	\$3.2 Billion	-\$1 Billion	-\$194 Million
\$0.20 per share	\$0.33 per share	-\$0.26 per share	-\$0.60 per share
<p>*\$402 million paid to the U.S. government</p> <p>*Focus on helping more than 382,000 people refinance their existing mortgage or fund a new mortgage.</p> <p>*119,000 modified home loans to help homeowners avoid foreclosure.</p>	<p>*Bank of America funded \$110.6 billion in first mortgages, helping nearly 500,000 purchase a home or refinance existing mortgages.</p> <p>*Small Business Banking had more than \$580 million in new credit for small businesses, helping more than 35,000 customers.</p>	<p>*Continued focus on the number of mortgages and re-financed mortgages.</p> <p>*Rate relief or modifications to home mortgages in accordance with the government's Making Home Affordable program are already in effect; approximately 98,000 customers are already in a trial period.</p>	<p>*Continued focus on \$86.6 billion in mortgages made to low- and moderate-income borrowers.</p> <p>*Expanded the home retention staff to more than 15,000 to help those experiencing difficulty with their home loans.</p> <p>*Focus on clarity, lending to small businesses.</p>

Source: (Bank of America Quarterly Reports, 2009)

Table B.2: Bank of America Financials and Reputation

Ranking	Increase in Deposits	Net operating cash flow
2009: 125	2009: 10.51B	2009: \$129.73B
2010: 141	2012: 72.22B	2012: -\$13.86B
2012: 146		

Source: (Forbes, 2009; Market Watch/Wall Street Journal, 2014)

Appendix C Wells Fargo

Table C.1: Wells Fargo Quarterly Net Income

Q1 2009	Q2 2009	Q3 2009	Q4 2009
\$3.05 Billion	\$3.17 Billion	\$3.24 Billion	\$2.8 Billion
\$0.56 per share	\$0.57 per share	\$0.56 per share	\$0.08 per share
<p>*Quarterly earnings were a record high.</p> <p>*President and CEO John Stumpf: “Our talented team has built solid momentum for 2009. We are open for business and we’re gaining wallet share and market share, as we’ve always done in economically challenging times because we make fewer mistakes than our competitors in the so-called ‘good times’</p>	<p>*Focused on customers as a method of gaining market share by “satisfying all our customers’ financial needs and helping them succeed financially.”</p>	<p>*President and CEO John Stumpf: “Doing what’s right for our customers again proved to be right for our stockholders as our talented team members earned even more of our customers’ business, enabling us to achieve our third consecutive quarter of record earnings.”</p> <p>*Home mortgage relief to 1.3 million customers so far in</p>	<p>*Record earnings for Wells Fargo are attributed to the value Wells Fargo created in 2009 for the customers and communities it serves.</p> <p>*President and CEO John Stumpf: “...we believe our franchise has never been better positioned to meet the challenges and opportunities ahead of it.”</p> <p>*Boasts Wells Fargo’s model has been built</p>

Table C.1 Continued

and have fewer problems to fix.”		2009.	to outperform competitors, and it would do so again in 2010.
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Source: (Wells Fargo Quarterly Reports, 2009)

Table C.2: Wells Fargo Financials and Reputation

Ranking	Increase in Deposits	Net operating cash flow
2009: 98	2009: 42.47B	2009: 28.61B
2010: 137	2012: 82.76B	2012: 58.54B
2012: 139		

Source: (Forbes, 2009; Market Watch/Wall Street Journal, 2014)