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Marius Born

Building Trust in Startup Communication

Exploring the Interplay of Arguments
and Stories in the Case of the Nikola
Corporation

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Marius Born
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About the Book

Startups play a crucial role in driving economic progress, but investing in them is fraught with significant risks due to their short history and lack of reliable data. To mitigate this risk, it is essential to develop analytical methods and tools that can detect early signs of misrepresentation or even fraud in startup communications. This book offers a language-oriented perspective on this problem by examining the interplay of arguments and stories in startups' strategic communication to attract long-term funding.

The case study focuses on the Nikola Corporation, an Arizona-based zero-emission transportation startup that went public before generating significant revenue and faced a fundamental trust crisis triggered by a short seller attack in the year it went public. The crisis caused a significant decline in Nikola's stock price, erasing billions of dollars in market value. The case study therefore highlights the challenges of communicating effectively and trustworthily as a startup, particularly one that relies heavily on novel technology and promises.

As the study reconstructs, Nikola's founder combined rational arguments and emotional stories to create a narrative that resonated with investors but also left his startup vulnerable to accusations of fraud and deception. Entrepreneurs and communications professionals can use the insights from this study to critically scrutinize their communications, making them both more effective and crisis resistant. By doing so, startups could contribute to economic progress more reliably.

The research introduces an analytical framework for examining the interplay of arguments and stories that can potentially be applied to a wide range of contexts in which building trust is crucial. Overall, this book offers a new perspective on strategic persuasion and provides implications relevant for both the theory and practice of startups.

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About the Author

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Part I
Research Framework

Chapter 1

Introduction



1.1 Overall Research Objective

“Trust is the glue of life,” wrote the American author Stephen R. Covey about what he considered to be the most essential ingredient in effective communication. “It’s the foundational principle that holds all relationships—marriages, families, and organizations of every kind—together” (Covey et al., 1994, p. 203). This insight captures the essence of what this book is all about—an exploration into the critical role of trust. In our daily lives, trust is not only necessary when someone opens the door early in the morning and leaves the house to start the day; it forms the basis of our most routine actions and interactions. Without this fundamental trust, even the simplest tasks become daunting, underscoring the pervasive influence of trust in shaping our experiences (trust definition, see Sect. 2.1.2). Trust dependence becomes even more pronounced in situations where individuals commit long-term resources, manifesting in forms such as marriage, pursuing higher education, purchasing a home, starting a business, or investing in one. Probably the most difficult investment decisions are those where past results cannot be used to make future predictions, either because circumstances have changed or because there are no available results upon which to project the future. The latter is especially true for *startups*; these companies lack reliable facts and figures as they are, by definition, still young. With the advent of artificial intelligence (AI) and increasingly perfect *deepfakes*, contributions to a better understanding of the mechanism of trust formation are poised to grow in importance. This book provides a language-related contribution to these efforts in a context where factual evidence on which to base trust is scarce.

Startups are promises to the future and require resources to deliver on these promises. Therefore, a core task of any startup entrepreneur, be they an individual or a team, is to convince investors of the company’s promising future. Entrepreneurs must bridge a trust gap resulting from the combination of their startup’s short history, operating losses, high likelihood of failure, and pronounced vulnerability to crisis (Damodaran, 2009, p. 67). In the scholarly literature, there have been various

approaches examining crisis communication. While management approaches to crisis communication have focused on the contextual appropriateness of crisis responses (see Coombs, 1998, 2007), rhetorical approaches have been more concerned with the form and delivery of a crisis response message (cf. Frandsen & Johansen, 2017; Palmieri & Musi, 2020, pp. 273–274).

In contrast to these established approaches, this study examines the role of storytelling and argumentation in the processes of building and restoring trust in the startup context and asks whether and how these language practices are intertwined. This will include procedures and criteria for justifying knowledge claims beyond formal logic, factors important to story acceptability, and the role that facts and fact-checking play in this. Storytelling and argumentation have mostly been studied separately in research, owing to the apparent difference between genres (cf. Schwarze, 2019, p. 54). “Perelman sees people as arguers; I see them as storytellers,” wrote Walter F. Fisher (1987, p. 97) in his pioneering work *Human Communication as Narration*. However, narrative theory and argumentation theory have not only long existed side by side as independent sub-disciplines; they have also been regarded as partly opposing and incompatible. Narrative transportation theories, for example, present narrative persuasion as the counterpart to analytic persuasion, which is based on the rational evaluation of arguments and is therefore inherently cognitive by nature (Escalas, 2006, pp. 421–422; Green & Brock, 2000, p. 702, 2002, p. 320; Slater & Rouner, 2002; van Laer et al., 2014, p. 800; Visconti, 2020, pp. 237–238). Unlike this stream of research, this book is concerned with the question of whether there are indeed connections between argumentation and storytelling in a business context where strategic persuasion plays an important role, what the characteristics of these connections are, and how they fit into an analytical framework to be developed (Chap. 3). To do this, the book describes the main characteristics of argumentation and storytelling and identifies both differences and overlaps. Among the few scholars who have researched this topic extensively are Paula Olmos (2013, 2015, 2017), Floris Bex (2010, 2017, 2019, 2012), and Walter F. Fisher (1985, 1987), the latter of whom regarded narrative as a communication paradigm that can greatly benefit argumentation as far back as the 1980s. The first part of this book is concerned with clarifying the essential terms and concepts, describing the analytical tools, and presenting the analytical framework. The second part examines the extent to which these findings can be applied to a case from entrepreneurial practice in which aspects of trust building and repair play an important role. This book hence examines corporate communication and crisis management strategies from a rather unusual, under-researched perspective (for one of the few studies on trust-oriented argumentation in rhetorical arenas during a crisis situation cf. Palmieri & Musi, 2020).

Thus, the *overall research objective* of this book is to help fill the existing research gap by offering a better understanding of the interplay between argumentation and storytelling in a startup context where strategic persuasion plays an important role. This will provide a novel perspective on how trust is built in the startup world, with both theoretical and practical implications. By analyzing Nikola Corporation’s strategic communications in the early stages of development, this research will reconstruct how arguments and stories worked together to create a

narrative that resonated with investors and attracted long-term funding. However, Nikola Corporation's communication efforts were not without problems, leaving the startup vulnerable to allegations of fraud and deception (Chap. 6). The role of the founder in this context needs to be clarified (Sects. 5.1, 6.1.6, 6.3, 7.1, and 8.3). Based on the case study, the book will discuss practical suggestions for more effective crisis prevention and response mechanisms that accord language awareness a key role (Sect. 8.4). The findings of this research can guide other startups in their communication strategies and provide startup investors with additional analytical tools. A better understanding of the interplay of argumentation and narration in strategic persuasion would enable startup entrepreneurs and communication professionals to critically examine their communication efforts and make them more effective and resilient to crises. In this way, startups could contribute to economic progress more reliably. The findings could also be relevant to practitioners in the field of entrepreneurship education, to business and financial journalists, to financial analysts, and especially to investors, to prevent them from making misguided decisions and raise their awareness of the need to pay more attention to critical plausibility issues in startup communications (Sect. 8.5). Identifying serious signs of overpromising or even fraud at an early stage could help mitigate the risks of misallocation for investors. Beyond these practical aspects, one main objective of this book remains methodological: to develop an analytical framework that can be potentially applied to a wide range of startup and crisis communication problems in which trust building is of critical importance (Chap. 3).

The foundations are developed in the first part. The case-related *research questions* are included in Sect. 4.5 in the second part of this book. They are derived from the literature review, the theoretical framework, and the introductory presentation of the case study. The following section provides an overview of the research architecture and the methodological framework.

1.2 Methodological Framework and Book Outline

Applying the matrix of Robert T. Craig's theoretical traditions, this project is primarily situated in the rhetorical tradition that understands communication as a "practical art of discourse, concerned with mastering techniques of communication, developing a critical awareness of techniques, and making wise choices about what and how to communicate in practical situations" (Craig, 2016, p. 4). This broad conceptualization recognizes "that the scope of rhetoric was broadened from its roots in public speaking and written composition so that any communication could now be thought of as a form of rhetoric" (Craig, 2016, p. 4). As prominent language practices, both argumentation and storytelling can be seen as part of this expanded conception of the rhetorical tradition, although the term rhetoric is used in the context of this book when the communicative goal is to persuade someone in the most effective way possible. Following Craig (2016, p. 3), communication is viewed as a "social process that produces shared meaning." This implies an understanding of reality as socially constructed through human interactions and presupposes that

different perceptions of reality can exist simultaneously. In line with Raymond Williams (1974, pp. 19–20) communication studies is understood as a cultural science concerned with practice and with the relations between practices.

This study takes a case-based, explorative, and mainly qualitative approach to researching *strategic persuasion* in a startup context (with a focus on communicating with investors to attract long-term funding). Exploratory research aims to develop ideas and working hypotheses about a specific topic and then to test these in relation to the characteristics of the selected data set or case, which seems appropriate given the insufficiently researched focus this book puts on strategic persuasion. The case studied is the Nikola Corporation, a US startup company based in Phoenix, Arizona, in its early years of existence. Soon after its listing on the NASDAQ stock exchange, the company became the target of a short seller attack, in the wake of which Nikola founder Trevor Milton resigned. VanWynsberghe and Khan (2007, p. 80) described case study research as *transparadigmatic*, that is, it is an approach that allows for different research paradigms. While case study research is variously defined as a broad methodological approach, a research design, or a research strategy, there is one point of agreement in case studies, namely that the researcher's interest lies in an in-depth study of the particular rather than the general, meaning the unique in its natural context (Casanave, 2015, p. 119; Daymon & Holloway, 2010, p. 114; Piekari et al., 2009, p. 570; VanWynsberghe & Khan, 2007, p. 80). Case study research can capture the “chunk of reality” in which the case is embedded (Daymon & Holloway, 2010, p. 115). In communication sciences, case studies aim to increase knowledge about language use and communication processes in their natural setting. The intention is to contribute to a better understanding of how and why things happen in a given situation and what the consequences are. This is done through a detailed analysis of a carefully delineated phenomenon (small number of cases or single case). Researchers who conduct case studies “can generate working hypotheses and learn new lessons based on what is uncovered or constructed during data collection” (VanWynsberghe & Khan, 2007, p. 84). Following Piekari et al. (2009, pp. 569–570), the purpose of case studies is to confront theory with the empirical world and thereby explore, destabilize, and reconstruct the relationship between the two (cf. also Dubois & Gadde, 2002). In conjunction with a grounded theory approach, according to Daymon and Holloway (2010, p. 126), “new theoretical concepts and categories are likely to be found.” A single case study, such as the one conducted in this book, can by no means do this, but it may provide impetus and recommendations for further research. A single-case study involves an in-depth examination of a particular case within a given time period in light of specific questions, taking into account the many different influences that occur within the case and the relationships among these factors. In the context of this study, other cases are included only when this arises organically from the single case analysis—for example, when such companies are specifically mentioned in one of the sources analyzed in connection with the Nikola Corporation case study. The methodology used here is a mixed-methods approach with an emphasis on document analysis using argumentative reconstruction (Sect. 2.3.3), counterargument analysis (and its application in Chap. 6), cross-comparison of arguments and narrative fragments in different sources (Figs. 5.3 and 5.15),

narrative reconstruction (Sects. 2.2.4 and 5.1.2), and corpus linguistics for media resonance analysis (Sect. 7.2).

This study pursues a transdisciplinary understanding of research in the sense that it “aims to transcend the concept of discipline *within* academia as the sole principle for organizing and controlling academic knowledge” (Perrin & Kramsch, 2018, p. 2, emphasis in original). In fact, this book combines and bridges various theoretical approaches from different disciplines such as linguistics, sociology, psychology, economics, and business administration to help solve real-world problems based on the aforementioned practical case. This does not mean that the study neglects disciplinary boundaries but that it transgresses them for the sake of the problems to be solved. A second, broader understanding of transdisciplinarity would mean involving practitioners as a legitimate source of knowledge at all stages of the research project and allowing for deep collaboration between academia and professional fields (Perrin, 2018; Perrin & Kramsch, 2018). Such an approach, however desirable, was not feasible in this particular case due to the secrecy obligations of the ongoing legal proceedings and the corresponding refusals of key stakeholders to participate in such a research project. The source material nevertheless allowed me to gain deep insights into the practical case at hand. The dataset—that is, the multiple data sources and the corpus, including the criteria for collection—are presented in Sects. 4.1 and 7.2.

The book is divided into three parts. In the first part, building on the overall research objective and methodological framework, the book delineates the research space, starting with an exploration of the literature on the topic. Section 2.1 lays the conceptual groundwork. It defines startup companies and discusses reputation, credibility, and trustworthiness as related phenomena. Based on this, it explains the choice of share price performance as an indicator of investor confidence. Section 2.2 collects and systematizes narrative theories before applying them to two practical examples. Derived from this, it then discusses the distinguishing features that characterize stories. The chapter also addresses the question of how coherence is established when the context changes dynamically and when much about the story remains implicit and is thus in need of interpretation. In addition, the chapter presents a five-level approach for analyzing visual stories. Section 2.3 describes concepts of argumentation theory mainly from the perspective of the pragma-dialectical approach, shows the steps essential for argumentative reconstruction, introduces a notation system, and lists the points of attack relevant to counter argumentation. This forms the basis for the analytical framework proposed to relate the different concepts. The framework is used to describe, systematize, and discuss the interplay of argumentation and storytelling observed in the case study for the purposes of strategic persuasion. Chapter 3 thus provides the research rationale that guides this book. The second part of the book consists of the case study, in which the presented theoretical concepts and tools are applied, and insights are gained in the process. Chapter 4 lists the sources used, introduces the case study, and presents the research questions. The case is presented chronologically, with the main events in the time frame being described. An overview of the central elements and the structure of the case study is given in the Fig. 1.1.

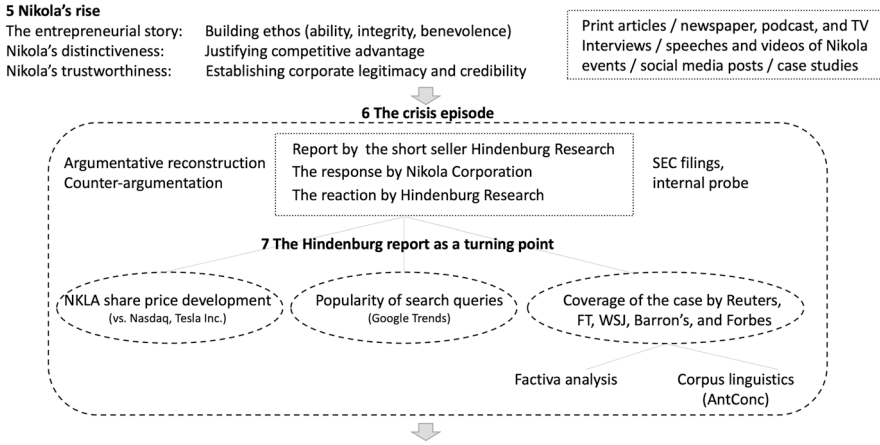


Fig. 1.1 Case study structure

The figure is structured to reflect the main chapters of the case study. The central arguments of Nikola's investor communication (Chap. 5) are modeled as input factors for the subsequent crisis episode. Section 5.1 examines the entrepreneurial story, while Sects. 5.2 and 5.3 address the establishment of legitimate distinctiveness at the corporate level. Chapter 6 provides the reconstruction of the short seller attack (Sect. 6.1), the reaction of the startup (Sect. 6.2), and the interim results of an internal investigation commissioned by the startup (Sect. 6.3). Concluding the application-oriented, second part, Chap. 7 analyzes the impact of the short seller attack on the public's perception of the Nikola Corporation. To this end, the study uses quantitative analyses, including an examination of search queries with Google Trends and keyword analyses of a target corpus with a reference corpus using the open-source software AntConc (Sects. 7.1 and 7.2). The third part summarizes the results, highlights the main contributions of this study, and discusses what they mean in light of the proposed theoretical framework (Chap. 8). Two areas of application are considered separately: the implications for practitioners in crisis prevention and response on the one hand (Sect. 8.4) and the lessons for investors in growing young companies on the other (Sect. 8.5). Chapter 9 concludes with an overview of the limitations of this book, from which starting points for future research can be derived.

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Chapter 2

Literature Review



2.1 Basic Concepts and Definitions

This section aims to provide a clear definition of the term *startup* (Sect. 2.1.1) and to precisely outline the research space. To achieve this goal, Sect. 2.1.2 addresses the concept of trust, both in a general context and in the corporate sphere, explaining related terms such as confidence, credibility, image, and reputation. Section 2.1.3 discusses whether share price performance can serve as a reliable indicator for assessing the trajectory of trust in a listed company and examines the conditions under which it proves to be meaningful. This investigation is crucial for assessing the success or failure of the strategic persuasion analyzed in the case study in the specific startup context.

2.1.1 Characteristics of Startup Companies

Entrepreneurship is a driving force in vibrant economies. While entrepreneurship seems intuitively understandable, the term startup requires a definition. Finance professor Aswath Damodaran (2009) approaches the phenomenon from the valuation side, citing several factors that are characteristic of startups:

There can be no denying the fact that young companies pose the most difficult estimation challenges in valuation. A combination of factors—short and not very informative histories, operating losses and the possibility that high probability of failure—all feed into valuation practices that try to avoid dealing with the uncertainty by using a combination of forward multiples and arbitrarily high discount rates. (2009, p. 67)

Thus, the first key characteristic of startups concerns the demanding evaluation problem, which is mainly due to three factors:

1. *A very limited history*, because the company is still young.
2. *Operating losses*, because the company has not yet generated any revenues or has generated very low sales numbers in the startup phase, which is a period associated with high costs.
3. *A high probability of failure*, pronounced fragility, and uncertainty, resulting in a significant valuation discount.

Quite aside from the evaluation problem, startups have been attributed other characteristics. One of these pertains to their capacity for *disruptive innovation*. Coined in the 1990s by Harvard professor Clayton M. Christensen, this term describes a process in which a smaller company with fewer resources is able to successfully challenge incumbents by making products and services more accessible and affordable (Christensen et al., 2015). According to this understanding, disruption is more likely to come from startups and less from well-established companies as the latter have too much to lose. What disruptors have in common is that they are frequently overlooked by established competitors and develop radically new business models. Although by no means all startups are disruptors, it seems appropriate to consider the *dynamic nature of the markets* in which startups typically operate as a further characteristic of startup companies, which contributes to their *vulnerability to crises*. Startups not only operate in dynamic markets; indeed, they are essential to market dynamics. Joseph A. Schumpeter, in his influential work on the theory of economic development, described the entrepreneur as an innovator who brings about change in markets through a process of creative destruction by “carrying out of new combinations” (Schumpeter, 1983, p. 74). This is associated with innovative problem solving and inherent growth opportunities. In Schumpeter’s theory, entrepreneurs are the very linchpin of economic development.

The concept of *effectuation*, introduced by Saras D. Sarasvathy, states that entrepreneurial action is guided by means rather than goals (Sarasvathy, 2008, 2022; Sarasvathy & Botha, 2022). Sarasvathy argues that the entrepreneurial situation is inherently characterized by *risk and uncertainty*, from which we can derive several teachable principles that successful entrepreneurs use to guide their actions. From an effectuation perspective, the pilot-in-the-plane principle is fundamental; this assumes a yet-to-be-made future that can be substantially shaped by human action. Instead of working toward a predetermined and fixed goal, entrepreneurial action is therefore much more about identifying the optimal next steps *with the resources available in the here and now* and flexibly adjusting the goals and subgoals (Sarasvathy & Botha, 2022, p. 20). In simplified form, one could thus say that entrepreneurs need a distinctive combination of perseverance and flexibility to be successful. This book is not concerned with the general principles for successful entrepreneurship or essential characteristics of startup entrepreneurs (for a digression on character traits of the Nikola founder, see Sect. 5.1.1, p. 108). But the importance that the concept of effectuation attaches to the *limited resources* of startup companies is relevant for this study, as the creation of trust in investor relations is an important object of investigation (cf. Damodaran, 2009, p. 5; Sutton, 2000, p. 34). Startups desperately need resources to realize their growth aspirations, and this

quest for the resources needed to do so must be viewed comprehensively and includes, among other things, the search for talent. However, financial resources are particularly important in the startup phase, because without sufficient funds, neither a successful market launch nor subsequent scaling is possible. Major sources of funding for startups typically include founders' own funds, venture capital in various forms, and, at a later stage, possibly IPOs or other methods of stock exchange listing. The high dependence on financial resources explains why investor relations represent a very important area of a startup's strategic communication. Beyond the mere provision of funds, activist shareholders—be they venture capitalists, business angels, banks, or others—typically exert influence on the strategic direction of the startup and its corporate governance.

When seeking to conceptually differentiate startups from other types of companies, it is helpful to look at them from the perspective of the company life cycle. In this regard, there are various available perspectives, focusing on leadership issues, innovation, or market optics (see Fig. 4.2). An interesting contribution from an earnings perspective was presented by Mark Crowne (2002), an expert on product development for software companies. He identified four phases, namely:

- Startup
- Stabilization
- Growth
- Maturity

From this, he developed a catalog of sensitive, phase-typical product development topics, with startups delineated as follows: “The startup phase is defined here as the period between product conception and first sale” (Crowne, 2002, p. 338). From a product perspective, the subsequent stabilization phase is primarily about ensuring the reliability of the product before the growth and maturity phase can follow.

Based on these distinct but complementary approaches, this book uses *five features* to characterize startups, which entail specific consequences for startup communication that will be explored in later chapters. These features are:

1. Limited historical track record
2. High dependence on financial resources
3. Operating in dynamic markets
4. Pronounced vulnerability to crises
5. High risk of failure

2.1.2 Corporate Reputation, Credibility, and Trustworthiness

The exact difference between image, reputation, credibility, and trust is rarely addressed (Palmieri & Musi, 2020, p. 274). Despite conceptual differences, these constructs can hardly be regarded as unrelated phenomena. There are two

perspectives on the relationship between image and reputation. In one of these perspectives, the terms are used synonymously; in the other, they are differentiated from each other (Niederhäuser & Rosenberger, 2017, pp. 114–115). In this book, the term *reputation* is used to describe the overarching construct that is derived from various images. For example, a company may have an image as an attractive employer, an environmentally sustainable producer, a technology leader, or a high-dividend stock. The overall reputation of the company results from the combined effect of such images across different stakeholder groups.

Reputation can be a fragile commodity. The Global RepTrak 100, an annual study conducted by RepTrak (formerly known as the Reputation Institute), a Boston-based reputation measurement firm, surveys how stakeholders perceive companies and how those perceptions affect purchasing behavior. In the RepTrak 100 survey, which has more than 100,000 participants, a company's affective perception is broken down into the emotions "esteem," "admiration," "trust," and "feeling" (Niederhäuser & Rosenberger, 2017, p. 117). Emotional perception is influenced by seven reputational dimensions: products and services (1), innovation (2), workplace (3), governance (4), citizenship (5), leadership (6), and performance (7) (Dowling & Gardberg, 2012, p. 47). Of the 10 most reputable companies in the world in 2011, only four made it into the top 10 in 2021. Of the top 20 in 2011, just 7 companies appeared in the top 20 in 2021. In 2011, Google (Alphabet Inc.) was the world's most reputable company. Ten years later, the technology giant had dropped to 15th place. In the same period (2011–2021), Apple dropped from second to 46th place. Volkswagen, ranked 10th in 2011, no longer appeared in the ranking of the 100 most reputable companies ten years later. The top spot was taken by Lego, which had risen from 5th place in 2011. Only three brands, Lego, Walt Disney, and Canon, have consistently ranked in the top ten between 2011 and 2021 (RepTrak, 2021).

As mentioned, there are connections between reputation, credibility, and trustworthiness, but there are also terminological and conceptual differences that need to be addressed in more detail. As a sign of trustworthiness, reputation is a mental construct built on external perceptions (Niederhäuser & Rosenberger, 2017, p. 109). These perceptions are projections triggered by communicated corporate behavior. A positive reputation is built by meeting the expectations of key stakeholders. Value-based leadership, behavioral guidelines, communication concepts, incentive systems, or symbols are aspects of reputation management in day-to-day leadership. Trustworthiness and credibility are factors influencing perceived reputation, with trust being essential for the functioning not only of an organization or an economic system but for society as a whole.

As distinct from reputation, *trust* is a mechanism that reduces social complexity (Luhmann, 2014, p. 6, 2017, pp. 27–35). Without trust, everything would be paralyzed. At the outset of his book *Trust and Power*, the sociologist Niklas Luhmann introduces a powerful thought experiment: Any person who does not trust at all, Luhmann argues, would not even get up in the morning. "He would be prey to a vague sense of dread, to paralyzing fears. He would not even be capable of formulating definitive distrust," Luhmann concludes, "since this would presuppose that he trusts in other ways" (Luhmann, 2017, p. 5). In essence: Such a situation of fundamental uncertainty would be beyond human endurance; a society without trust

would not be a society at all. This explains the elementary importance of trust at the interpersonal, organizational, and societal levels. According to Luhmann, all forms of organized social action are only possible on the basis of trust (Luhmann, 1995, p. 128). Trust provides individuals with orientation and reduces the energy they need to invest; it forms the basis for future action and enables the establishment of long-term relationships. As a result, it dramatically reduces transaction costs,¹ which is why efficient economic activity is impossible without trust. If trust is abused, the party that has mistakenly given their trust—the trust-giver—is damaged. However, trust building works counterintuitively and requires the individual to have a certain willingness to make themselves vulnerable and relinquish control—as an advance performance, as it were. This is reflected in the definition by Mayer et al. (1995), which assumes “the willingness of a party to be vulnerable to the actions of another party” (1995, p. 712). Similarly, Carnevale’s (1995) definition builds on the belief and confidence that a person will be “nonthreatening” (1995, p. xi). In line with Mayer et al. and Carnevale, the present study proposes the following definition of trust:

Trust is the willingness of the trust-giver to be exposed to the actions of another party based on the belief and judgment that the other party is able and will live up to those ethical principles it is believed to possess.

This definition assumes that trust is not simply present or absent—instead, it is given to or withdrawn from another party and must be constantly negotiated and renegotiated through social communicative interaction (cf. Fuoli & Paradis, 2014; Ingenhoff & Sommer, 2010). According to this understanding, trust requires plausible evidence that the other party is capable of doing what is hoped for and adheres to certain basic ethical principles such as integrity and benevolence, meaning that talent does not turn into deception. Both trust and confidence are required for an investment decision in a startup. The two concepts differ in the following respect (cf. Beckert, 2016, p. 299): Trust is the advance that the investor gives with his investment under the assumption that the entrepreneur and the company will behave in the investor’s interest. When he makes an investment, the investor makes himself vulnerable, because he could lose all or part of the invested money (cf. Sect. 5.1.3, p. 123, Sect. 8.3, p. 216). *Confidence* is necessary when someone takes on a risk that exists because of an open future. Confidence thus requires trust but is broader than trust—it is a general belief that things will turn out well. The entrepreneur who deliberately misrepresents the capabilities of his startup commits a breach of trust; the expectation that the startup and the market as a whole will perform well is an expression of confidence. Without trust in the abilities and rectitude of the entrepreneur or the founding team, it is difficult to imagine a confident assessment of the future potential of a startup in the long run.

Credibility and trust are related concepts, with credibility being narrower and covering a shorter time span. Trust can be fostered over time through credible action

¹ Oliver E. Williamson (1979) defined transaction costs as the costs of running an economic system of companies, which is why they are central to the study of economics (1979, p. 234). They differ from production costs and include the cost of planning, deciding, resolving disputes, and after-sales.

and thus takes time to build. According to Damodaran (2017, p. 250), successful leaders across the life cycle of a company are not only capable of controlling a story; they stay consistent, act in accordance with the story, and deliver results that back up the story. Conversely, credibility is lost when discrepancies are perceived due to contradictory behavior (see Sect. 5.3.2, which also discusses the concept of *legitimacy*). This contradictory behavior can occur at different levels (Niederhäuser & Rosenberger, 2017, pp. 41–42):

Discrepancies between facts and communication: Disinformation and misinformation destroy a company’s credibility, especially if a pattern of such behavior can be demonstrated (see Sects. 3.3, 5.3.3, 6.1.4, 6.1.5). Prominent examples of this include the misleading accounting practices of the Houston-based energy company Enron or of the German payment service provider Wirecard. Enron and Wirecard have become synonymous with institutionalized, systematic, and willful corporate fraud.

Discrepancies between communication and actual behavior: Companies that use sustainability as a marketing tool under false pretenses lose credibility when they are exposed as engaging in greenwashing. Perhaps the most famous example of greenwashing is the Volkswagen “clean diesel” scandal. In this case, the German automotive giant installed software in its diesel vehicles that was designed to cheat official emissions standards tests and make its cars look more environmentally friendly than they were. This led to several lawsuits being filed against VW, and a global recall of over 11 million vehicles (Gates et al., 2015). A year after the scandal broke, the company’s stock was valued at 30% below its previous level (Chu, 2016). This explains the previously discussed loss of reputation of the VW brand in the RepTrak survey.

Discrepancies between different actions: Inconsistent actions damage credibility. This became particularly evident when companies benefitted from government support during the COVID-19 pandemic while paying high dividends to shareholders, resulting in a need for explanation both externally and internally.

Discrepancies between norms and behavior: Credibility is undermined when a company’s actions or statements violate accepted norms. The use of the Zoom video conferencing platform skyrocketed as millions worked from home during the COVID-19 pandemic. Hence, when Zoom Video Communications was sued for improperly sharing personal data of its users with Facebook and other third-party apps, the loss of credibility was considerable.

Trust must grow, and this takes time. If trust were solely the result of credibility over time, the trust equation² would look like this:

$$t = c \times r.$$

² David Maister et al. (2002) developed a trust equation to determine the extent to which a salesperson should be trusted. They state that trust equals credibility plus reliability plus intimacy (a salesperson’s ability to connect with a client), all divided by self-orientation (the higher the perceived self-orientation of the salesperson, the less the client will trust the salesperson). See also Dugdale and Lambert (2011, pp. 50–54).

whereby:

t = trustworthiness (the extent to which an organization or individual is trusted)

c = credibility

r = reliability

In the case of startups, there is an important additional component concerning the founder or entrepreneurial team, who are of paramount importance. The case study aims to analyze communicative trust building, both on the side of the company and the entrepreneur, with these two objects of study being interdependent and interrelated. In the process, the *ethos* factor comes into the equation:

$$t = c \times r \times e.$$

As will be elaborated later, three factors seem to play a decisive role in this context: the ability attributed to the entrepreneur to achieve the goals set, the value congruence with the target group, and the extent to which an entrepreneur appears to be genuinely interested in the target group and its success; simply put, this relates to whether he or she means well. The specifics are discussed in detail in Sect. 5.1.3 of the case study (cf. also Sect. 8.3, p. 215).

2.1.3 *The Share Price as a Confidence Indicator*

Investment decisions are sensitive to the certainty and uncertainty of decision horizons. This concerns both the microeconomic and the macroeconomic levels. Decisions about the future—including investment decisions—depend on expectations of the future course of events. People who use their resources in a certain way are only capable of making decisions if they have confidence in their expectations about the future. These relationships are not new; they were described in detail by John Maynard Keynes in Chap. 12 of his *General Theory* (Keynes, 2018, pp. 129–143). The issue of confidence is intimately related to the notion of crisis, and in this regard, the economic historian Hansjörg Siegenthaler has done important work, redefining the concept of crisis by relating economic crisis to institutional change and social learning (Siegenthaler, 1993). In line with Siegenthaler, *crises* are periods of structural instability characterized by a fundamental loss of trust in the existing order. Feelings of uncertainty affect all areas of life. In this view, a loss of confidence is not a consequence of an economic crisis but its cause, and the perceived uncertainty leads to decisions being postponed, including investment decisions (Siegenthaler, 1983, p. 423).

The openness of the future is inextricably linked to the concept of risk, which is relevant to the startup context because the entrepreneurial situation is inherently characterized by uncertainty. Investment calculations, ratios, and valuation methods are there to quantify this risk and to provide financial mathematical models that render the open future more governable. Luhmann (1976) explains that in the temporal order of modernity, utopias of progress have become mixed with forecasts and

calculations, and the future has become “a storehouse of possibilities” (1976, p. 131). Among those who help themselves to the contents of this storehouse are entrepreneurs. Convincing investors of their vision is one of their most urgent tasks. But they usually do not have the reliable figures needed for this purpose in sufficient quantities, and meaningful forecasts cannot always be derived from past figures (Sect. 4.4). Nevertheless, decisions must be made, so in such cases, other methods are needed to deal with the inherent openness of the situation. This is where the present book comes in. If entrepreneurs succeed in implementing their visions thanks to the resources of those they have managed to convince of their plan, the openness of the future may prove to be an engine of economic progress. However, when confidence in a shapable, prosperous future fades, openness can have a paralyzing effect. Confidence can fade and the outlook may become bleak. In times of fundamental uncertainty, actors shy away from committing resources for the long term, and time horizons narrow. Drawing on Luhmann (1976, p. 151), it can be said that capitalism would not survive “a considerable shrinkage of time horizons” in the long run. Closely related to this, sociologist Jens Beckert (2016) has presented an understanding of *economic crises* “as the collapse of hitherto assumed futures” (Beckert, 2016, p. 34). This concept of crisis seems applicable to the micro level of companies and startups, although this collapse of expectations would have to manifest itself in recognizable changes in the public perception of the company and in investment decisions (cf. Chap. 7). This book understands *corporate crises* as rare events that are difficult to predict and have serious consequences. They affect the reputation of the company and generate a high pressure to act in order to counteract the impending loss of trust—however, the event triggering the crisis often leads to a chain of individual events that has an escalating effect (cf. Sect. 4.3, p. 97, Sect. 6.3, p. 185). During a crisis, investors typically postpone investment decisions, yet when crisis communications and management fail, investment decisions are reversed.

As an indicator of confidence within the investment community, this study relies primarily on share price performance relative to overall market performance, supplemented by some quantitative analysis of general perceptions of the target company (Chap. 7). Because confidence, if it is to last long, always presupposes a basic trust in the company, this book considers long-term stock market performance as the most suitable and easily accessible indicator of the trust placed in a company, subject to certain limitations. A growing strand of literature illustrates how social trust impacts economic outcomes at the firm level, how it affects share prices, and how it influences stock market participation (Engelhardt et al., 2021; Guiso et al., 2008; Hagmann, 2015; Qiu et al., 2020). Of course, there are many exogenous factors that can influence a company’s share price, including overall market developments and external shocks that affect them (e.g., pandemics, wars, and natural disasters), which is why the individual share price development must be considered in relation to the overall market. Keynes focused attention on actors’ expectations of other actors’ expectations, which can lead to valuations being strongly decoupled from fundamentals. However, the issue here is that investors are not willing to invest their funds without a minimum level of confidence. Such investment decisions are

not made based on numbers alone. One must trust that the available data is reliable, that the promises made can be kept, and that the stories told correspond to reality. The younger the company, the more important this aspect is.

2.2 The Characteristics and Typologies of Storytelling

Sections 2.2 and 2.3 present definitions of the terms *narration* and *storytelling*, on the one hand, and *argumentation*, on the other, because it is from the perspective of these two language practices that the case study is mainly examined (definitions, see Sect. 2.2.1). I have chosen to approach storytelling from a broad and rich historical perspective, beginning with a taxonomy of narrative genres (Sect. 2.2.2), because the sources analyzed in the case study span various genres and are disseminated through different media channels such as podcast interviews, print interviews, social media posts, or videos of public speeches. Sections 2.2.3 and 2.2.4 describe well-known narrative structures, some with origins dating back centuries, which are later applied in the case analysis (Sect. 5.1.2).

To illustrate central statements, two successful automotive industry commercials from different eras are examined. These examples serve a dual purpose: firstly, to highlight enduring characteristics in storytelling, and secondly, to showcase the evolution and changes in storytelling techniques over time. Woven into these analyses are considerations of aspects critical for the case study, namely implicitness, coherence, context, and meaning-making.

The selection of these two examples is based on their ability to provide insights beyond mere theoretical illustration. Buying a car commits resources over an extended period, demanding effective persuasion from both the salesperson and the manufacturer. The analysis of these commercials thus offers initial insights relevant to the book's object of investigation—the interplay of argumentation and storytelling in the realm of strategic persuasion in a corporate context. As these are video commercials, their examination also allows for a thematic exploration of visual storytelling, addressing the dynamic evolution of interpretations as the plot unfolds.

2.2.1 The Definition of Storytelling and Narration

There are good stories, well-told stories, and good storytellers. Sometimes all these factors come together—a special aura seems to emanate from such memorable, well-told stories and captivating storytellers. So, it is not surprising that the business world harnesses the power of storytelling to address and retain customers, employees, investors, and other stakeholders. Stories can be used constructively or for manipulative purposes and probably have been for a very long time. In fact, storytelling may have its origins in early human history (Früh, 2014, p. 65). It is plausible to assume that stories have been told since humans have existed. Much of this,

however, cannot be proven scientifically. The oldest evidence of human storytelling dates back about 40,000 years (Callaway, 2019). They are cave paintings that generally tell of hunting scenes. Hunting is a purposeful action, and when hunting in groups, it is important to coordinate the action. Language undoubtedly plays an important role in this, with storytelling being a particular form of language use. The popularity of stories, both telling and listening, may suggest that good storytelling provides an advantage in the biological selection process by helping to solve a survival or reproductive problem and by conferring a special attractiveness on the successful storyteller, for example, when it comes to establishing, maintaining, and controlling social bonds (Buss, 2016; Dunbar, 1996; Früh, 2014). What is certain is that stories have accompanied people on their life's journey since childhood and play an important role in structuring memories (Sect. 2.2.3, p. 27, Sect. 5.1.2).

As far as the scholarship is concerned, Werner Früh has distinguished conceptually between narration and storytelling, characterizing narration as a functional and storytelling as a dysfunctional device. Accordingly, storytelling is a measure for optimizing comprehensibility and attractiveness, whereby the underlying facts become the malleable material of the narrative (Früh, 2014, p. 112). Consequently, according to Früh (2014, pp. 89–90), reality is reproduced in a distorted way, which is why storytelling makes it difficult for the recipient to adequately reconstruct the underlying events. Others (cf. van Laer et al., 2014, p. 798) use the term storytelling to refer to the production side (the storyteller's side) and juxtapose it with narrative, which refers to the consumption of stories (the story receiver's side). This book uses the terms storytelling and narration (or stories and narratives) interchangeably. In conceptualizing these, I draw on the characteristics of this linguistic practice, which is why I begin by discussing significant contributions to the literature.

2.2.2 *The Emergence of Narrative Theories*

The term *narratology* as a theory of narrative structure was coined in 1969 by the Bulgarian-French literary critic, sociologist, and essayist Tzvetan Todorov (Meister, 2014; Todorov, 1969). However, the roots of the analytical approach to narrative principles and practices go back much further, to ancient Greece. With the pair of opposites *diegesis* (the telling of a story) and *mimesis* (imitative representation), Plato (428/427–348/347 BC) divided human activity into creative and imitative acts, tending to assign less value to the latter (cf. Auerbach, 2013). Aristotle (384–322 BC) rehabilitated *mimesis* in his *Poetics* by demanding that performances should stir the emotions of the audience in such a way that the spectators emerge purified from the experience of tragedy (*catharsis*). From this perspective, imitation is not only fundamental to human learning but also desirable and aspirational in the artistic realm. The audience knows that the scenes displayed on stage will not happen to them, but at the same time it is important that the audience members identify with the characters.

The literature on narrative theories, genres, and features is vast and difficult to navigate. What often unites the various narrative theories is the distinction between the story itself and the discourse, understood as the act of narrating a story and the way a story is represented (Genette, 2007; Meister, 2014). In his famous article “Introduction à l’analyse structurale des récits” (An Introduction to the Structural Analysis of Narrative), first published in 1966, which is the starting point for what has come to be known as *structuralist narratology*, Roland Barthes (1966) pointed out the ubiquitous feature of narrative. Barthes writes by way of introduction:

There are countless forms of narrative in the world [...] Moreover, in this indefinite variety of forms, it is present at all times, in all places, in all societies; indeed narrative starts with the very history of mankind [...] Like life itself, it is there, international, transhistorical, transcultural. (Barthes, 1975, p. 237)

While there is no evidence to support Roland Barthes’ claim that storytelling is as old as humanity itself, it nevertheless seems plausible that the human need to tell and listen to stories has remained unchanged across time, generations, social classes, and cultures. Barthes paved the way for a new, expanded view of narrative that is not merely expressed in verbal form, but is a mode of expression open to any form of media representation. Moreover, he has contributed along with others to developing a systematic and internally coherent narratology, which has been one of the main concerns of the structuralist tradition (cf. Barthes, 1966; Genette, 2007; Todorov, 1969). The so-called *poststructuralist narratology* of the 1980s was built on Barthes. This form of narratology broadened the scope of inquiry, which had previously focused on narrative as an exclusively verbally narrated text. In this vein, Seymour B. Chatman (1980) demonstrated the applicability of narratology to visually told stories.

Following the traces of Chatman (1990, p. 115), Fludernik (1996, pp. 42–44), and Jahn (2021, p. 21), I attempt to classify narrative forms of expression into main genres, distinguishing between oral text, written text, visual forms of representation, and mixed forms (cf. also Sect. 4.1, Figs. 5.3 and 5.15). The classification does not claim to be comprehensive, and there are numerous overlaps. In fact, many media representations of stories are more or less mixed. In the digital space, this is particularly pronounced (convergence of media). Theatrical performances, for example, are also a mixed form. They are usually based on a written script, but when the story is enacted on stage, great importance is attached to visual sensory impressions alongside the spoken word and other auditory elements. Comic books are also a hybrid form with distinct visual representations, as are newer journalistic narrative forms, such as data visualizations (cf. Born, 2018, pp. 48–49; Engebretsen et al., 2018; Weber et al., 2018). Representation forms that emphasize visual storytelling, such as feature films or documentaries, can reasonably be regarded as part of the visual genre (Fig. 2.1).

It is important to note that the same story can be told in very different ways and that different dramaturgical forms have evolved for different genres. Such forms typically emerge following technological innovations after a certain time lag. A story can take the form of a podcast, a novel, an interactive intimate Instagram

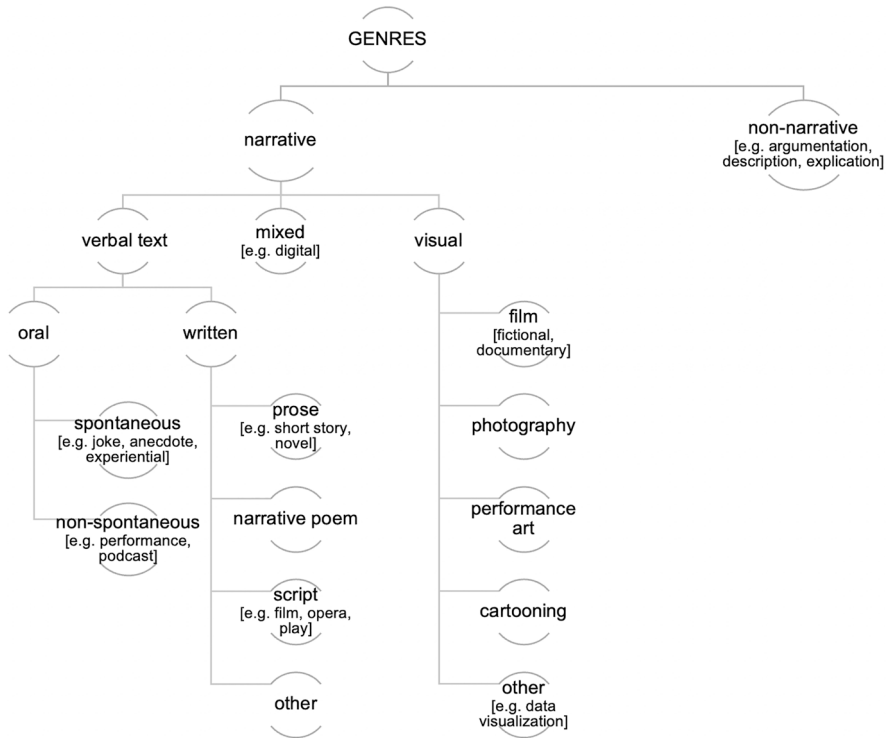


Fig. 2.1 A taxonomy of narrative genres (Adapted from Chatman, 1990, p. 115; Fludernik, 1996, pp. 42–44; Jahn, 2021, p. 21)

project, an opera, a re-enacted documentary, a computer-generated virtual reality format, or a data visualization in the form of a quiz, to name but a few.

The following section elaborates on characteristics and features of stories that apply regardless of the diversity of genres, the range of technological developments, the changes in the devices and platforms on which stories are consumed, and the concomitant shortening of attention spans. To develop a sense of how visual storytelling has evolved and how certain narrative structures have nevertheless endured, the chapter will analyze two television commercials that appeared some 30 years apart from each other. Since the case study examined in this book is from the automotive industry, I selected two commercials from car manufacturers (Figs. 2.2 and 2.4). The analysis is from the storyteller’s perspective—it focuses on the composition, elements, levels, and structural organization of stories. I shall keep my comments on the effects and impacts of stories brief, as a separate, later chapter is devoted to the perspective of story receivers (see Sect. 3.1). This focus on the story receivers is crucial because, from the 1990s onward, a change of perspective in the direction of story perception gained in importance when cognitive narratology focused on the emotional and intellectual processing of narratives and incorporated insights from various disciplines such as psychology, marketing, advertising,





<p>Sequence 1</p> 	<p>00:00 – 00:14</p> <p>A well-lit Mercedes against a dark background. The camera starts from a still position at the rear left end of the vehicle and moves steadily close to the vehicle. Slow movement to the front part of the vehicle.</p>	<p>Fade-in of a threatening sound that underpins the spoken text.</p>
<p>“This Mercedes Benz was traveling on a highway outside Melbourne, at nine o’clock on a Tuesday evening. Inside were the Neis family, husband, wife, and two teenagers on the way to their farm.”</p>		
<p>Sequence 2</p> 	<p>00:15 – 0:22</p> <p>Continuation of the traveling along the left side of the vehicle (from the driver’s point of view).</p>	<p>Continuation of the undercut sound.</p>
<p>“As they crested the hill, another car, on the wrong side of the road, and traveling at high speed in a one-hundred-kilometer zone speared into the Mercedes.”</p>		
<p>Sequence 3</p> 	<p>00:23 – 0:32</p> <p>Continuation of the traveling along the vehicle, the damage in the front area becomes visible.</p>	<p>Continuation of the undercut sound.</p>
<p>“In all, one hundred and twenty safety features are built into every Mercedes Benz, and in that split second of the accident many of them saved the family’s lives.”</p>		
<p>Sequence 4</p> 	<p>00:33 – 00.46</p> <p>The camera moves from the frontal view to the right side of the damaged vehicle (from the driver’s point of view).</p>	<p>Continuation of the undercut sound.</p>
<p>“The driver’s pedals fell to the floor, away from his feet. The electronic belt tensioning device pressed the occupants deep into their seats. And despite the horrifying impact, the Mercedes safety passenger cell did not collapse.”</p>		

Fig. 2.2 Storyboard, Mercedes Australia commercial (Used with permission)



<p>Sequence 5</p> 	<p>00:47 – 00:50</p> <p>Continuation of the traveling. The camera provides a view into the largely undamaged passenger cell.</p>	<p>The sound changes from threat to higher timbres.</p>
<p>“Survival space remained intact.”</p>		
<p>Sequence 6</p> 	<p>00:51 – 01:00</p> <p>Dissolve. Cut to the family of four standing in front of the same dark background next to the damaged vehicle. Direct eye contact with the camera. Zoom out. Dissolve. Brand logo/claim “Engineered like no other car” (white text insert on a black background).</p>	<p>Crescendo and subsequent fading out of the sound.</p>
<p>“This is the Neis family. To them, a Mercedes Benz is not a luxury.”</p>		

Fig. 2.2 (continued)

sociology, and medicine (Fludernik, 1996; Graesser et al., 2002; Herman, 2000; Schank & Berman, 2002). From the 2000s onward, theories of narrative transportation provided valuable insights into what goes on in the story receiver’s mind and what factors influence these processes (Sect. 3.2.1). Those are issues that will be discussed in detail when I present the analytical framework (Bilandzic & Busselle, 2008; Escalas, 2006; Green & Brock, 2000, 2002).

2.2.3 The Three-Act Plot Structure and Accessibility of Stories

“Every now and then a television commercial cuts through and becomes embedded in our minds,” wrote Australian automotive platform *Behind the Wheel* about a Mercedes Benz S-Class TV commercial that reportedly was aired in Australia in the late 1980s (Lai, 2020). The S stands for the German term *Sonderklasse* and represents the upper class of this manufacturer’s luxury sedans and coupes. The commercial lasts one minute and covers the safety features of this type of vehicle based on a real case (the advertisement spot can be viewed at this link: <https://www.youtube.com/watch?v=VojePSOrnYw>).

The preceding storyboard reflects the content of the commercial, which consists of various semiotic resources (moving images, sound, spoken narration, verbal written language, company logo). It is divided into several sequences, with a sequence being the smallest cinematic narrative unit. Put simply, a sequence in visual language corresponds to an independent clause in spoken language (cf. Kaus & Weibel,

2021, pp. 28–31; Kerstan, 2000, p. 100). The most important cinematic sequence is the narrative sequence, which consists of a linear sequence of events in which the action is in the foreground. It contrasts with an associative sequence, where the emphasis is on atmosphere and continuity of mood (Kauz & Weibel, 2021). Both sequences are essential to the film experience. In the following storyboard example, the first column contains video stills for each image sequence. The second column contains the image descriptions, the third column the audio descriptions, and the line below the text spoken by a sonorous male voice.

It is a rather unconventional, risky, and therefore interesting type of car advertising from an attention economic perspective—it centers on an accident, which is typically associated with negative emotions (cf. Fig. 2.12). The story features an everyday family. They become the embodiment of the message “to them, a Mercedes Benz is not a luxury.” The audience knows nothing about the person who caused the accident other than that he or she was driving on the wrong side of the road at high speed in a 100-kilometer zone. The viewer’s compassion is directed toward the innocent victims of the accident, who, according to the narration, survived thanks to the safety features typical of Mercedes Benz. The family becomes the carrier of the message, and if it were aired today, it would likely be accompanied by channel-appropriate add-on stories featuring individual family members on social media. Upon closer examination, the flow of this 60-s short story follows common narrative structures that have existed for over 2000 years and have been refined over time. Some of the familiar concepts are presented below.

Classical drama theory is based on Aristotle’s work *Poetics* and is divided into three acts: an exposition, a conflict, and a resolution of that conflict in the third act (applied to the founder’s story in the case study, see Fig. 5.1). The subsequent action follows from previous ones according to a principle of causality in a passage of time. These are therefore closed plots with a story arc that extends from the beginning to the end. More recent narrative forms not infrequently consist of multiple story arcs that are not necessarily resolved at the end and are more difficult to trace back to familiar narrative structures. US writer and script consultant Sydney (Syd) Alvin Field adopted Aristotle’s three-act structure and popularized the approach in his writings on screenplay development (cf. Field, 1994, 2006).

In Field’s narrative structure, the set-up is the introduction (often referred to as the exposition) of a story that explains the setting, establishes the important characters, and sets the action in motion. In our example, that would be a highway outside Melbourne at 9 o’clock on a Tuesday evening, the Neis family, consisting of husband, wife, and two teenagers in a Mercedes Benz, and the goal of their action, which is to get home to their farm. The sequence of images is rather unspectacular, does not attract too much attention, and therefore allows the viewer to follow the content-rich and very detailed textual description. The precision of the account increases the perceived plausibility that it is a real case, a point that I will return to later in connection with the presentation of the theoretical framework (cf. Sect. 3.3, p. 72). At this point, it is worth mentioning that by giving a precise account, the narrators expose themselves in the sense that they provide numerous clues that could be subjected to closer scrutiny.

According to Field (1994, pp. 114–131), a first plot point precedes the transition to the second act, the confrontation stage, in which the protagonist is faced with one or more problems (obstacles) that complicate the realization of the goal. A plot point is an incident in the chronological progression of a story that turns the action in a different direction. In the commercial under investigation, it is the sentence fragment “speared into the Mercedes.” Suspense is created by the eerie tone that precedes the spoken narration and evokes a gloomy expectation that becomes a sad certainty with the first plot point. As would be typical for a documentary film, in the advertisement, the camera follows the perceived action with a slight time delay (there is an observing but not omniscient camera). Thus, the image provides evidence of the accident—in the form of the severely damaged front end of the Mercedes—only moments after it is described. The midpoint is where important decisions for the later outcome of the story are made, it is the moment of truth, and, in our example, it is when the audience sees the frontal view of the damaged vehicle. This is the point at which, if it were not an advertisement, it would not be clear whether the story would end in tragedy or with a happy ending.

This middle section of the story mentions the number of safety features that the narrator says are built into every Mercedes Benz; this is followed by an enumeration of individual such devices. Unconnected enumerations are, in a sense, the opposite of stories. They are difficult to memorize because they overwhelm the audience’s capacity to receive. Stories connect the individual points of an enumeration and embed them in a story arc. In this commercial, the individual safety features are important to the evidence, although the audience would be hard pressed to recite them in detail. This is in stark contrast to the moral of the story, which is announced at the end of the middle act by the second plot point. “Despite the horrifying impact, the Mercedes safety passenger cell did not collapse,” says the narrator’s voice, the sound changes to a brighter timbre announcing the happy ending, and again the camera offers only a slightly delayed view of the largely intact interior. The first cut occurs in the concluding third act (resolution) and allows the transition to the final camera shot, which shows the survivors, who stand as if resurrected next to the destroyed vehicle. They are the living proof and embodiment of the claim “To them, a Mercedes Benz is not a luxury.” This is the last spoken sentence—and the very moral of the story—before the screen transitions to display the company logo. Approaches to narrative patterns such as Field’s are ideal-typical, but the example of this Australian Mercedes commercial from the late 1980s shows that there are indeed stories that follow the postulated structures quite precisely. Another well-known narrative structure comes from Gustav Freytag, a nineteenth-century German playwright. His *Freytag pyramid* for storytelling is an extension of the classical three-act structure but can ultimately be traced back to it (Freytag, 1965). With Freytag, the middle section of the story consists of three steps: rising action, climax, and falling action. Like Field’s three-act scheme, Freytag’s pyramid structure has two plot points that frame the middle section of the story—the inciting incident and the twist that leads to the resolution in Freytag’s terminology (Fig. 2.3).

In summary, the Mercedes commercial illustrates characteristic peculiarities of stories regarding their construction logic:

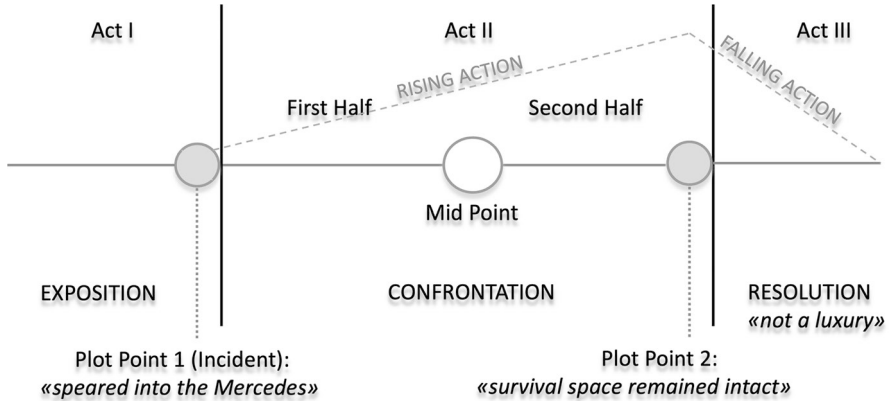


Fig. 2.3 Upgraded three-act structure (Based on: Field, 1994; Freytag, 1965)

- Stories are typically personified (individual case-related).
- They order the events and place them in a temporal context (intentionality).
- They seem conclusive (happy ending or tragedy).
- They give the impression that the stories are coherent (unity of meaning; cf. Sect. 2.2.4, p. 29).

Explanations of the rhetorical power of narratives can be derived from this. The much-cited staying power of stories is related to our cognitive makeup, because our memory structures are strongly experience-, case-, and thus essentially story-based (Damodaran, 2017, p. 13; Graesser et al., 2002, p. 234; Schank & Berman, 2002, p. 301). Narratives are powerful tools for structuring experience (Sect. 5.1.2). Not only are stories predestined to be remembered, but they are also highly accessible. The pronounced accessibility of stories is closely related to their inherent emotionality, which explains the high value of visual storytelling ads (cf. Coker et al., 2021). *Being hooked* as a way to increase consumer engagement is defined “as a viewer’s being drawn into, or pulled into, an ad” (Escalas et al., 2004, p. 105). The potentially high accessibility of stories has become a critical advantage in connecting with audiences in an era when the battle for attention is increasingly relentless (Sects. 3.2.1 and 3.4.3, p. 81). The second commercial analyzed in Sect. 2.2.4 points to this change in starting point.

2.2.4 Contextual Changes, Establishing Coherence, and the Hero’s Journey

“Super Bowl fans across the world are congratulating Audi for releasing the ‘best commercial’ this year,” *The Independent* wrote of the spot, titled “Audi Presents: Cashew,” which, according to the newspaper, received praise on Twitter (O’Malley, 2019). Like its Australian counterpart, the Audi commercial lasted exactly one

minute. It was produced by San Francisco-based advertising agency Venables Bell & Partners. The spot, which aired during the second quarter of the Super Bowl final in February 2019, introduced viewers to the Audi e-tron GT electric sedan and announced that one-third of Audi models would be electrified by 2025. It can be viewed at this [link](https://www.youtube.com/watch?v=7x58qVzUz0U) (<https://www.youtube.com/watch?v=7x58qVzUz0U>).

The story unfolds with the heartwarming reunion of a grandfather and his grandson amidst a serene countryside, surrounded by a wheat field. The grandson's inquiry, "Grandpa?" elicits a warm response, "Welcome home." The plot takes an intriguing turn as the duo explores an unconventional barn, generating anticipation. Grandpa, exuding enthusiasm, prompts his grandson to unveil a concealed surprise beneath a tarp, the Audi e-tron GT electric sedan. Upon the grandson's initial hesitation, the activation of the vehicle's lights and heightened musical intensity usher in a transformative moment. Grandpa's encouragement propels the grandson to take control behind the wheel, symbolizing a thematic transition toward a future filled with promise.

Unexpectedly, a sudden shift in mood occurs as scenes of discomfort inside the vehicle are juxtaposed with an office environment, creating palpable tension. The abrupt cessation of the music heightens the suspense. The tension resolves with the grandson spitting out a Cashew nut, and he appears worn out, confused, and disappointed. Colleagues and the boss react with a mix of surprise, amusement, and applause. Despite the initial setback, the commercial concludes on an optimistic note. Textual statements on a black screen emphasize a promising future, accompanied by visuals of the Audi e-tron and the brand logo. The uplifting musical accompaniment, "Spirit in the Sky" by Norman Greenbaum, enhances the positive outlook. The Audi spot is more visual, and thus less explicit than the Mercedes one, which is some thirty years older. The off-camera narrator is gone, there is little spoken text, the editing sequences are much faster, and the narration accommodates the shortened attention span. There are no hidden cues or explicit hints in the spot's exposition that indicate its commercial nature. The promotional intention is only revealed by the overall context in which the commercial appeared (cf. Sect. 3.1). The introduction can most aptly be described as cinematic.

Background knowledge and context play an important role in making sense of video footage, with the context constantly changing and re-contextualizing what has just been seen as it is viewed. In an analysis of advertising spots, Janina Wildfeuer and Chiara Pollaroli (2018) have elaborated on and illuminated this process of continuous evaluation by the viewer, based on visual cues.

Since most of the content is realized and represented audio-visually, it is in many cases not as explicit as verbal content often is and has to be inferred by the recipient on the basis of his/her knowledge about the world, the specific context and other information sources. (2018, p. 185)

In the present example, the allusions (or cinematic references) to icons of recent film history are noteworthy; while they are not essential to understanding the advertising message, they do add an additional dimension that would be evident to film aficionados. Ridley Scott's historical drama *Gladiator* (2000) by DreamWorks Pictures opens with a close-up of a man's hand tenderly touching the tassels of

wheat ripe for harvest (<https://www.youtube.com/watch?v=7YzRNeaDfLA>, 01:45). It is the hand of the film hero Maximus (Russell Crowe). The motif of wheat, a symbol of fertility and resurrection, is taken up several times in the movie, including in the final scene, at the moment of the hero's liberation and death. Maximus sees himself walking through the same wheat field toward his wife and son. And while in Clint Eastwood's drama film *Gran Torino* (2008) by Warner Bros. Pictures a high-horsepower 1972 Ford Torino is the hero's pride and joy, in the Audi commercial, the e-tron GT, a concept car with electric drive, is the ultimate star (<https://www.youtube.com/watch?v=EM-ZhxM9I-s>, 0:30).

The following excursus addresses the process of meaning-making during the unfolding of the plot. Viewers perform "a dynamic construction of hypotheses about the meaning and interpretation of the information provided as the narrative or story evolves" (Wildfeuer & Pollaroli, 2018, p. 180). This means that they constantly recontextualize the newly added information and compare it with what they have already seen. They thereby take an active role in recovering the meaning of the transmitted content. As mentioned in the introduction to this chapter, visual communication is in large measure implicit, rendering it necessary to make inferences about communication intentions. But implicit aspects are also common in verbal communication because if everything that is to be communicated had to be spelled out in minute detail, communication would become a very time-consuming and inefficient affair (for implicitness in argumentation and in the case study, cf. Sects. 2.3.3 and 5.1.3, p. 122).³ Daniel Perrin (2021, 1:47) compares communication to building bridges, with writing and speaking metaphorically representing the pillars of the bridge in a communicative landscape. These are the parts that the communicator assumes the recipients of the communication cannot come up with on their own; they are the parts of the communication that are made explicit. Perrin says that the completion of bridge arcs across pillars establishes *coherence*, i.e., the recipient actively connects explicit communication with concepts in his or her mind so that the various building blocks make sense overall. In the process, the communicator can influence the way the blanks are filled through *framing*⁴ (cf. Sect. 3.4.3, p. 82, Sect. 5.2.1, p. 126).

When searching for the greatest possible relevance, the viewer may prefer one interpretation over another. But, by constantly reevaluating and enriching the information conveyed in a changing context, he or she might realize that the original choice was wrong from the start. Dan Sperber and Deirdre Wilson (1995, pp. 260–272) have defined an input (e.g., an utterance) as optimally relevant if it enables maximum positive cognitive effects with minimum cognitive effort

³What *entailment*, *presupposition*, and *implicature* have in common is that they deal with situations in which more is communicated than is explicitly stated. While *entailment* and *presupposition* originate in semantics and are based on the logic and truth conventions of sentences, *implicature* in the Gricean sense originates in the area of pragmatics and has to do with the conventions of how language is used to communicate (cf. Williams, 1994, pp. 25–26).

⁴A *frame* in Goffmann's (1986) sense, according to Rocci, is "a schema used as a sort of model to make sense of a piece of experienced reality" (Rocci, 2009, p. 261).

(*cognitive principle of relevance*). The *communicative principle of relevance* that follows from this states that “the success of communication depends on the audience taking the utterance to be relevant enough to be worthy of attention” (Sperber & Wilson, 2012, p. 6). According to Sperber & Wilson’s *relevance theory* (Sperber & Wilson, 1995), readers, listeners, and viewers thus try to fill in the blanks so that the best possible ratio between effort and effect is achieved (cf. Sect. 3.3, p. 68, Sect. 8.3, p. 215). In this understanding, relevance is not an absolute notion but is tied to a specific context that changes dynamically. Applying the relevance-theoretic distinction between the explicit and implicit aspects of communication, Tseronis (2018) proposed a two-step process for meaning-making that distinguishes between assumptions drawn from what is actually depicted (the semantics⁵) and assumptions derived solely on the basis of inference using background knowledge and any contextual clues (the broader interpretation). Paul Grice (1989) paved the way for such an inferential approach to communication, according to which “utterances are not signals but pieces of evidence about the speaker’s meaning, and comprehension is achieved by inferring this meaning from evidence provided not only by the utterance but also by the context” (Sperber & Wilson, 2012, p. 2). Based on the assumption that conversation is a rational, cooperative activity, Grice proposed certain standards that can be expected of the other party (Grice, 1989, pp. 26–27). This involves keeping a contribution as informative, truthful, relevant, and clear as required (see also Sperber & Wilson, 2012, p. 3).

Eddo Rigotti and Andrea Rocci (2006) have incorporated the notion of context change into their general theory of communication context, emphasizing that “the context gives the contextualized its *meaning*, in the sense that it allows us to assign the contextualized the actual function it has in relation to the immediately relevant surrounding in totality” (Rigotti & Rocci, 2006, p. 162, emphasis in original). For the purposes of the present book, it is particularly important to include dynamic aspects as part of the constitutive dimension of context; this dimension “emerges both in terms of *context dependence* of the speech-act from the context and in terms of its *context change potential*” (Rigotti & Rocci, 2006, p. 166, emphasis in original). When applying these considerations to the audio-visual case study of the Audi commercial, I found it useful to divide the flow of events into units of meaning, so-called eventualities, denoted here as $\epsilon\pi_1$, $\epsilon\pi_2$, $\epsilon\pi_3$, ... (cf. Wildfeuer, 2014; Wildfeuer & Pollaroli, 2017, 2018). The viewer follows the events in a chronological sequence and tries to establish coherent logical connections between the newly added information and the information provided so far (for the notion of context in pragma-dialectics, cf. Sect. 2.3.3, p. 44). In the present example, the first unit of meaning, $\epsilon\pi_1$, can be summarized as a *perfect world scenario*. A man walks across a wide wheat field toward a small country house. Sitting on the porch is his grandfather, who greets his grandson warmly before showing him what awaits him in Grandpa’s very special barn full of vehicles. Grandfather pulls away a tarp to reveal

⁵This step corresponds most closely to the ideational metafunction in Michael Halliday’s (2004) systemic functional linguistics.

the Audi e-tron GT and invites his perplexed grandson, still somewhat hesitant, to get behind the wheel. The latter gratefully accepts the hint of fate, and the hangar door slides open as the grandson, beaming with joy, prepares to begin his journey into the blindingly bright light on the other side.

The second unit of meaning, $\epsilon\pi 2$, begins when the grandson’s body suddenly starts to convulse. Abruptly, the grandson finds himself in an office cubicle, where he makes the same convulsive movements. He spits something out of his mouth, a cashew nut, which is left in front of a can of cashews. Apparently, he choked on a cashew but was saved by the intervention of a colleague. Now it becomes clear not only that the office environment, and not the previously shown agricultural dreamscape, is the real world, but that the cashew nut probably caused the transition to the other world. Together with the preceding choking sounds, the viewer can reasonably assume that what was seen could have been a near-death experience, which causes great hilarity in the office. This unit of meaning can be described as *back to normal*.

The concluding unit of meaning, $\epsilon\pi 3$, shows the grandson in a close-up, as he remains exhausted and devastated. The slogan “A thrilling future awaits” appears; from this, the viewer can conclude that the vehicle shown was a concept car. And with a slight time delay the addition “On Earth” follows. This hint, together with the lyrics of the song “Spirit in the sky,” confirms that the assumption of a near-death experience might have been correct. Those familiar with the plot of the feature film *Gladiator* receive a third, additional confirmation in the sense of visual framing, in that the expectations triggered in the exposition by the walk across the wheat field are confirmed. The upbeat music and uplifting slogan are in sharp contrast to what the viewer just witnessed. This third unit of meaning can be summed up as *hope dies last* (cf. Sect. 2.3.3, p. 44). Figure 2.4 shows the key units of meaning, the interpretations ($i\pi n$) essential to meaning-making and the logical connections.

The construction of meaning relies on background knowledge that has been learned and acquired through experience, among other things, or that is inherent in

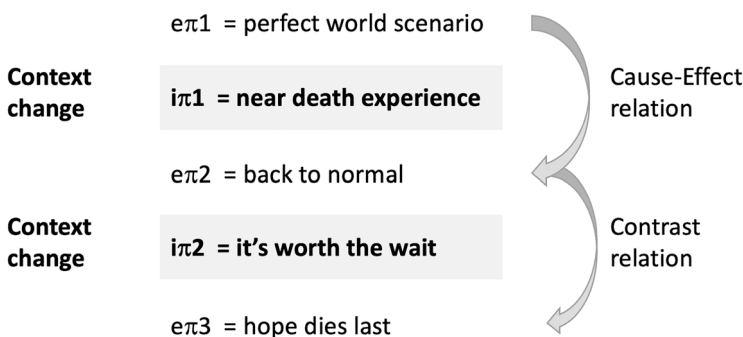


Fig. 2.4 Context change and construction of meaning using the example of the commercial “Audi Presents: Cashew”

us as archetypal primordial experiences⁶ or is passed down from generation to generation as *mythologems* of human history (Sect. 2.3.3, p. 51, Sect. 5.1.2, p. 113 and p. 118). Together we are strong, honesty lasts longest, pride goes before a fall, he who laughs last laughs best, David vs. Goliath, the American dream: All these stories have existed for a very long time and have been told and retold in endless variations, and yet they lose none of their appeals. They can vary regionally, take different forms depending on the context, and yet follow similar structures across cultures and generations. This leads to the narrative structure that has probably had the greatest influence on screenwriters worldwide in recent times, dating back to Joseph Campbell's 1949 book *The Hero with a Thousand Faces*. Campbell, who was influenced by the analytical psychology of Carl Gustav Jung and the psychoanalysis of Sigmund Freud, looked to myths and religious writings for fundamental unifying patterns that transcended cultures and generations. He found them in what Campbell, following James Joyce (1944), called the *monomyth* and what was later popularized as the *hero's journey*, a narrative structure that can be used in a wide variety of storytelling contexts. Christopher Vogler (1998), a Hollywood script doctor and screenwriter who was instrumental in popularizing the hero's journey approach with his book *The Writer's Journey*, referred to *The Hero with a Thousand Faces* as "one of the most influential books of the 20th century" (Vogler, 1998, p. 9): "Campbell had broken the secret code of story," wrote Vogler (1998, p. 2). At its core, Campbell's narrative structure divides the world into two parts: the known, ordinary world (day) and the unknown, special world (night); in the latter, adventures, tests, and repressed aspects of one's personality, as well as archetypes, the collective unconscious, and primal experiences of humanity are located. Commenting on Jung (cf. 1989, 1998), Vogler (1998) wrote:

He noticed a strong correspondence between his patients' dream figures and the common archetypes of mythology. He suggested that both were coming from a deeper source, in the *collective unconscious* of the human race. (1998, p. 10, emphasis in original)

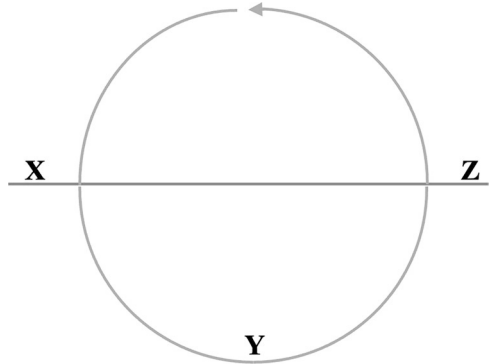
The magic of every story, in Campbell's sense, is the transformation of the hero, and every hero's journey consists of separation, initiation, and return, the detachment from the familiar world, the immersion in the unknown, and the changed re-entry into the old world. "The agony of breaking through personal limitations is the agony of spiritual growth" (Campbell, 2008, p. 163). Character flaws not only facilitate the audience's identification with the hero, making him or her more multifaceted, but they are above all a source of untapped potential for inner growth and development (Fig. 2.5).

Campbell (2008) summarizes the narrative pattern of the monomyth as follows:

A hero ventures from the world of common day into a region of supernatural wonder (x): fabulous forces are there encountered and a decisive victory is won (y): the hero comes back from his mysterious adventure with the power to bestow boons on his fellow man (z). (2008, p. 23)

⁶*Archetype* in the sense of ancient personality patterns that are the common heritage of humanity (cf. Vogler, 1998, p. 29). See also Chap. 3.

Fig. 2.5 The basic structure of the monomyth (Campbell, 2008, p. 23) (Copyright © Joseph Campbell Foundation (jcf.org). Used with permission)



The hero in the Campbellian sense is transformed, reborn—and the more fiercely the hero initially resists the call of adventure, the more enthusiastically the audience will follow his development (cf. Campbell, 2008, pp. 49–56; Vogler, 1998, pp. 107–115). From this immersion in the world of adventure—in the unfamiliar, in unused potential, in confrontation—the hero returns transformed and passes on the lesson of renewed life as a healing elixir to others. This vision of the hero—and indeed Campbell’s comparative mythology as a whole—has not gone unchallenged, as it has been charged with being too reductionist, too generic, too general, too universal, too formulaic, too American-centric, and ultimately losing local flavor (cf. Dundes, 2005, pp. 393–396; Ellwood, 1999; Toelken, 1996, p. 413). However, the practical importance of his storytelling approach as a form, not a formula, is largely undisputed. Campbell described 17 stages of monomyth, although not all monomyths necessarily have to contain all stages explicitly and the order may vary. Vogler reduced the scheme to 12 steps, largely retaining the basic grid outlined by Campbell. Like Campbell, Vogler pointed out that the steps may not necessarily arise in the order given and that all steps may not apply to all stories. Although this is sometimes misinterpreted, the narrative structure is not a rigid formula but something much more flexible. After all, the secret of a well-constructed story is that it does not seem constructed. Vogler (1998) wrote:

The Hero’s Journey is a skeletal framework that should be fleshed out with the details and surprises of the individual story. The structure should not call attention to itself, nor should it be followed too precisely. The order of the stages given here is only one of many possible variations. The stages can be deleted, added to, and drastically shuffled without losing any of their power. (1998, p. 26)

As illustrated, Campbell’s monomyth and the hero’s journey can again be traced back to the classical three-act structure in the Aristotelian sense. Here, the three acts consist of detachment from the ordinary world (Act I), descent and initiation into the world of adventure (Act II), and return with the elixir (Act III). As the central construction pattern of this narrative framework, one ingredient always remains: “At heart, despite its infinite variety, the hero’s story is always a journey” (Vogler, 1998, p. 13). However, the areas of application for this journey should not be too narrow. The tight sphere—the special world, the world of wonders—is not limited

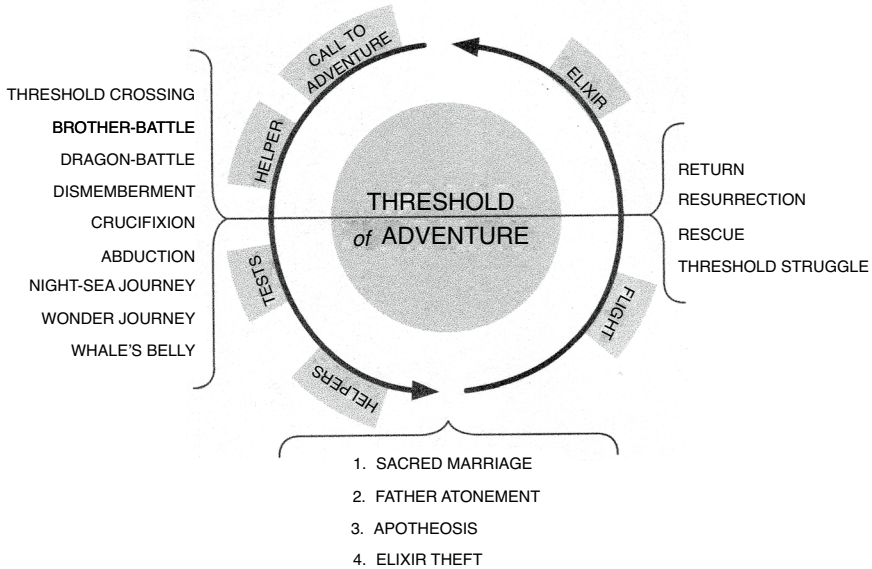


Fig. 2.6 The hero's journey as a narrative structure (J. Campbell, 2008, p. 210) (Copyright © Joseph Campbell Foundation (jcf.org). Used with permission)

to the realm of fairy tales, myths, and fables; the adventures are not confined to fights against dragons and supernatural beings. The challenges could just as well concern the business or financial world and be about the battles that are fought there. Every time someone leaves their comfort zone and takes on hardships in an act of self-sacrifice, a new hero's journey begins (for case study application, cf. Fig. 5.2). Besides love, transience is probably the most important theme. "At the heart of every story is a confrontation with death," Vogler writes, and the "heroes show us how to deal with death" (Vogler, 1998, p. 38) (Fig. 2.6).

Thus, despite coming from different eras, the two car commercials analyzed as examples here are about confronting a deadly danger in different ways. In both cases, the protagonists survive and, through the confrontation with near death and symbolic resurrection, see things from a different perspective and embody the messages conveyed. While the Mercedes example follows the classical three-act structure, the Audi advertisement begins directly with what turns out to be a world of supernatural wonders. As shown in Fig. 2.7, the ordinary world can easily be supplemented mentally without explicitly showing it in an introductory way: It is the boring daily routine in an impersonal cubicle of an open-plan office, surrounded by half-cooperative, half-hostile colleagues, and a boss who, in association with others, is deliciously amused by the near-death experience and rescue of his subordinate.

An alternative interpretation would entail redefining the ordinary world as a near-perfect world, while the special world would remain the world of challenges (day vs. night, comfort zone vs. confrontation sphere). The resulting sequence of events would follow the ideal-typical scheme even more closely. Act I would then

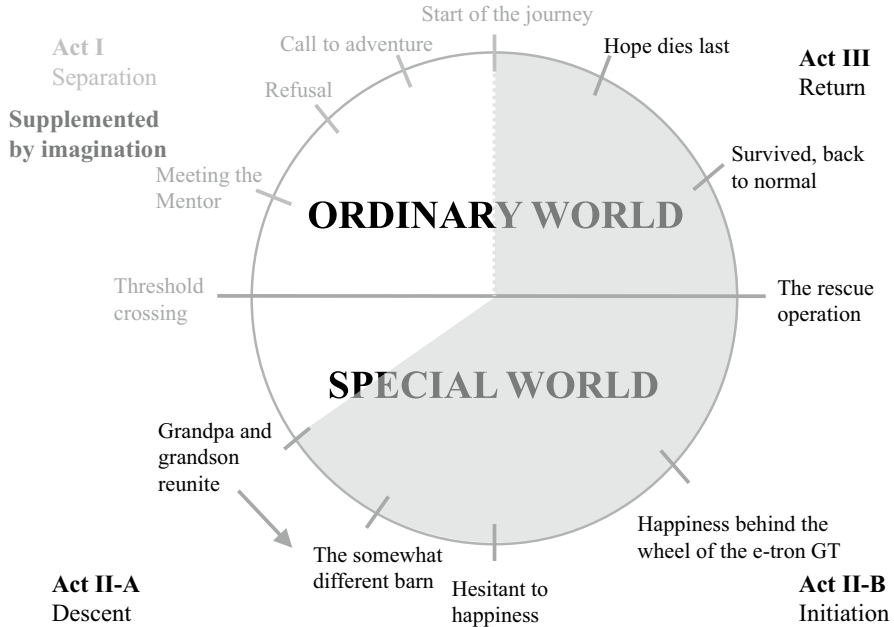


Fig. 2.7 Hero’s journey in the “Audi presents: Cashew” commercial (Adapted from Campbell, 2008, p. 227; Vogler, 1998, p. 194)

correspond to the near-death experience, Act II-A to the conscious struggle for survival until the spitting out of the cashew nut, and Act II-B to the amusement in the office until the last close-up of the disappointed protagonist. Act III would be the final fade-in with the elixir that there is still hope (“A thrilling future awaits. On Earth”). On the way to creating a story that works, writers or writing teams make a multitude of decisions; they discard possibilities and replace good ideas with better ones. Indeed, as Vogler puts it, “the Hero’s Journey and the Writer’s Journey are one and the same” (Vogler, 1998, p. 298). In visual storytelling workshops at the Zurich University of Applied Sciences and the University of St. Gallen, I used a criteria grid that I tested in my many years of practice as head of documentaries at SRF Schweizer Radio und Fernsehen. The grid centers on the five levels of a story.⁷ These are first the *writers’ story*, second the *second story*, third the *inner story*, fourth the *plot*, and fifth the *mood* (cf. Metelmann & Born, 2017). Using the two application examples from the world of advertising, I will briefly explain the issues involved.

The *writer’s story* asks about the narrative perspective, the narrative attitude, and the resulting “sound” of the story. In the case of the Mercedes commercial, this

⁷The original inspiration for this grid came from a storytelling workshop with German media coach Uwe Walter.

sound is significantly influenced by a neutral, quasi-objective narrative voice. In the Audi commercial, there is no narrator to guide the viewer through the story; instead, it is experienced from the hero's subjective point of view. At the level of the *second story*, the relevance of the film to the audience must be clarified. It means defining who the target audience is and what needs might be relevant to that audience. And it is about matching the overarching message of the story to the needs of the target audience. This means addressing the question of why the core message (the elixir) should be relevant to the intended audience. These questions will be addressed in more detail in the following argumentative section. At this point, it should only be noted that the two car manufacturers certainly assumed that the slogans "no luxury" and "a thrilling future awaits" were not only consistently anchored in the stories but also relevant to their respective target audiences. The second story is by no means limited to the story elixir, however; the connection with the audience must be established from the very beginning. This has to do with the goals that trigger a storyline, whether it's returning to a farm or breaking out of a monotonous office routine. One of the most important points, however, is the choice of protagonists, first and foremost the hero, which must be clarified at the next level. The *inner story* is about the central characters of a story (hero, antagonist, mentor, etc.) and the identification structures to be developed. For Campbell and Vogel, the inner story is the story of separation, initiation, and return, and deals with the associated mental challenges, confrontations, and struggles that give the story its basic structure and depth. The fourth level, the *plot*, is the external equivalent, taking the form of visual action, shot by shot, sequence by sequence, and the suspense it creates. An incident (call) triggers the hero's journey, much like an arrow shot with a bow. And as if defying gravity, each time the arrow begins to arc downward, a new action must be triggered to bring the arrow back up. This continues until the story moves toward its resolution or the Campbellian hero returns to the ordinary world from which he started. The final fifth level deals with the *mood* conveyed by the film and the feelings evoked by the narrative. This has a lot to do with the way the settings are introduced (storyworld) and made to be experienced sensually, be it a car ride on a highway outside Melbourne or a rural dreamscape. Mood is also built up acoustically, for example, through the threatening undertone as soon as the Mercedes commercial starts, or through birdsong and gentle noises in the first few seconds of the Audi commercial. These considerations and the narrative structures presented in this chapter will be applied later to the analysis of the startup case (cf. Fig. 5.1).

2.3 The Argumentative Perspective

In the preceding section of this literature review, I systematically compiled major contributions to narrative theories in order to establish a set of characteristics of storytelling that are useful for case analysis. Having explored narrative theory in Sect. 2.2, I now turn to the concept of argumentation in the corporate context in Sect. 2.3. Argumentation, alongside storytelling, forms the second crucial

perspective for analyzing the case of the Nikola Corporation, aiming to enhance comprehension of the importance and interplay of these language practices in strategic persuasion. In this section, I will conceptualize argumentation primarily with reference to the pragma-dialectical approach. A code of conduct for solution-oriented argumentative discourse, termed *the ten commandments of pragma-dialectics*, is presented. While these rules set an ideal standard, they provide a benchmark against which the argumentation practice in the Nikola case study can be measured (Sect. 2.3.1).

The subsequent exploration addresses inferential configurations of argumentation, logical principles of support, and presents a taxonomy in this regard (Sect. 2.3.2). Providing a notation system, it outlines the steps and tools of argumentative reconstruction crucial for case analysis in Part II (Sect. 2.3.3). Furthermore, it discusses the points of attack relevant to counter argumentation. This becomes particularly significant in the context of the case study when examining the crisis episode. The insights gained in this chapter are further illustrated using the examples of the two car commercials introduced earlier.

2.3.1 *Definition of Argumentation and Rules for Critical Discussion*

To establish the foundations of argumentative reconstruction and evaluation, this book draws on the perspective of pragma-dialectical argumentation theory, developed by Frans H. van Eemeren and Rob Grootendorst at the University of Amsterdam between the 1970s and the late 1990s, and extended by van Eemeren and Peter Houtlosser in the late twentieth and early twenty-first centuries. As the name implies, this approach understands argumentation as having a pragmatic (descriptive) and a dialectical (normative) dimension. According to pragma-dialectics, the term argumentation refers both to the activity of putting forward reasons and to the resulting product, the soundness of an argument (van Eemeren & Grootendorst, 2004, p. 1). The pragmatic dimension is inspired by descriptive insights from speech act theory, Grice's philosophy of language, and discourse analysis, while the dialectical dimension uses normative insights from critical rationalism and formal dialectics (van Eemeren et al., 2014c, p. 518). Thus, pragma-dialectics is a theory of argumentation that analyzes argumentative practice in terms of the verbal, contextual, situational, and pragmatic factors that contribute to the outcome of the communicative process and are part of the reality in which argumentation takes place (descriptive dimension). Likewise, pragma-dialectics aims to evaluate reasoning by providing a framework for distinguishing between sound and fallacious argumentative moves (normative dimension). Van Eemeren and Grootendorst (2004) defined the term as follows (cf. also Sect. 2.3.3, p. 45):

Argumentation is a verbal, social, and rational activity aimed at convincing a reasonable critic of the acceptability of a standpoint by putting forward a constellation of propositions justifying or refuting the proposition expressed in the standpoint. (2004, p. 1, emphasis in original)

The terms premise, proposition, and argument are used interchangeably in this book to mean a statement that provides evidence or plausible reasons to form a conclusion—i.e., to support a standpoint (or claim). The above definition implies the assumption that anyone who engages in argumentation is implicitly appealing to reason by doing so: He or she tacitly assumes that the other party will act as a reasonable critic in evaluating the argument. “Otherwise, there would be no point in advancing argumentation” (van Eemeren & Grootendorst, 2004, p. 2). The ideal-typical model of pragma-dialectics⁸ thus treats argumentative discourse as a social activity in which argumentation is a tool for reasonably resolving a disagreement, although the difference of opinion may not necessarily be made explicit. An assumed or anticipated doubt is sufficient as a basis for entering into an argumentative discussion (van Eemeren & Snoeck Henkemans, 2017, pp. 2–3). It should be noted that the audience that the arguer ultimately wants to reach is not necessarily the audience addressed and immediately present. This is a phenomenon that is not infrequently observed in political debates, where political opponents are unlikely to really assume that the other side can be convinced by arguments. Rather, the argumentative attempts at persuasion are then directed at the audience in the hall or at the receiving devices on radio, television, or the internet (cf. Sect. 3.4.1). This is what the distinction between the primary and secondary audience refers to, although the assignment of the terms is not always clear. Van Eemeren (2010) refers to the primary audience as the one the arguer ultimately wants to influence and the secondary audience as “the person or persons instrumental in reaching them” (2010, p. 109).

Van Eemeren and Grootendorst (1988, 2004) introduced ten rules (commandments) for critical discussion and defined *fallacies* as violations of this code of conduct for reasonable, resolution-oriented argumentative discourse; they are, one might say, uncooperative moves. These rule violations are associated with four dialectical stages of argumentative discourse (confrontation, opening, argumentation, and concluding stages), although several stages may be affected simultaneously (van Eemeren et al., 2014c, pp. 544–552). The code of conduct serves as a metric, against which the practice of argumentation is measured. The most important of the ten basic rules of the code of conduct for later case analysis are summarized below (van Eemeren et al., 2002, pp. 182–183; van Eemeren et al., 2014c, pp. 550–551; van Eemeren & Grootendorst, 2004, pp. 190–196): (Table 2.1).

In communicative practice, argumentation rarely conforms to this ideal model, although the reasons for this may vary. For instance, the nature of the disagreement may not have been clearly identified in the opening stage, parts of the argument may be implicit, or the structure of the argumentation chain may be unclear (cf. van Eemeren et al., 2014c, p. 534). There are numerous other reasons why argumentative reconstruction is necessary, which will be discussed in the following chapters. Nevertheless, the model provides a tool to analyze the extent to which argumentative practice deviates from the ideal state. These deviations regularly emerge due to

⁸The master plan of van Eemeren and Grootendorst “involved progressing step by step from an abstract ideal model of argumentation to a concrete reality of the various kinds of argumentative practices” (van Eemeren et al., 2014c, p. 518).

Table 2.1 Excerpt from the code of conduct of pragma-dialectics

Rule 1: Freedom Rule (Sect. 3.2.2, Sect. 5.2.1, p. 130, Sect. 6.1.5, p. 173, Sect. 6.1.6, p. 179, Sect. 6.2, p. 182) Parties must not prevent each other from advancing standpoints or from casting doubt on standpoints.
Rule 2: Obligation to Defend Rule (Sect. 3.2.2, Sect. 6.2, p. 181, Sect. 8.4, p. 222) A party that advances a standpoint may not refuse to defend it if asked to do so.
Rule 7: Validity Rule (Sect. 2.3.3, p. 48, Sect. 3.2.2, Sect. 8.3, p. 218) A party may only use arguments in its argumentation that are logically valid or capable of being made logically valid by making explicit one or more unexpressed premises.
Rule 8: Argument Scheme Rule (Sect. 2.3.2, Sect. 5.1.3, p. 123, Sect. 5.3.3) A party may not regard a standpoint as conclusively defended if the defense does not take place by means of an appropriate argumentation scheme that is correctly applied.
Rule 10: Language Use Rule (Sect. 5.2.1, p. 128, Sect. 8.5, p. 227) Parties must not use any formulations that are insufficiently clear or confusingly ambiguous, and they must interpret the formulations of the other party as carefully and accurately as possible.

conflicting goals; after all, the arguer wishes to convince the other party of her own position (rhetorical aim), but at the same time, she wishes to maintain the impression that this has been done on the basis of reasonable, resolution-oriented argumentation (dialectical aim). Hence, a fallacy arises because the conflicting goal has been eliminated in favor of the rhetorical aim (van Eemeren, 2010, pp. 42–45). In pragma-dialectics, a fallacy is not primarily understood as a problem of formal logic, but rather as a linguistic-pragmatic problem. Of the 10 rules of the code of conduct, only one rule—Rule 7, the Validity Rule—concerns formal logic in the strict sense.⁹ All other rules refer to problems arising from speech acts or procedures that complicate or impede the resolution of a disagreement between disputing parties.

To justify knowledge argumentatively, one can proceed from a variety of starting points. In argumentative inference, one moves from something already known or accepted to something unknown or contested that must be proven or made plausible. According to Aristotle, demonstrative and dialectical reasoning can be distinguished depending on the nature of the premises, with the inferences in demonstrative reasoning being based on primary evidence and interferences in dialectical reasoning being based on generally accepted premises (Rigotti & Greco, 2019, p. 9; cf. Rocci, 2017, p. 23). While deductive validity is considered a necessity for sound reasoning in both cases, they have different starting points. The so-called material (or substantive) starting point in dialectical reasoning corresponds to the Aristotelian notion of *endoxon*, i.e., an opinion that is generally accepted by the relevant public or opinion leaders of the relevant public, which may be based on culturally shared values and beliefs of a target group (Rigotti & Rocci, 2005, pp. 130–131; van Eemeren et al., 2014b, p. 507).

⁹In a somewhat broader sense, Rule 8, Argument Scheme Rule, could also be included, which refers to the inferential configuration, cf. Sect. 2.3.2, there specifically intrinsic loci (logical considerations remain a necessary component of normative pragmatics).

By considering reasoning outside of formal logic and pure mathematics, argumentation theory cannot limit itself to the necessity and definiteness of demonstration and must expand the ways in which knowledge claims can be justified (cf. Rocci, 2017, p. 24). This was the starting point for the informal logic and associated standards, criteria, and procedures:

We want to emphasize that informal logic is in no way incompatible with procedures, the application of criteria, or rigour. It is a question of *which* criteria, and here informal logic is informal because it rejects the logicist view that logical form (à la Russell) holds the key to understanding the structure of all arguments; and also the view that validity is an appropriate standard to demand of all arguments. (Blair & Johnson, 2000, p. 102, emphasis in original)

The conceptions of argumentation theory that diverge from those found in logic textbooks—i.e., those of the pragma-dialectical tradition—are central to this basic understanding. Andrea Rocci (2017, p. 2, emphasis in original) defined argumentative discourse as “an attempt to effect *reasonable acceptance* of a *standpoint* by a *critic*,” thus combining normative pragmatics with the rhetorical and dialectical traditions of antiquity:

The reasonable acceptance is secured by making the standpoint *follow inferentially* from arguments that are either already accepted by the critic (i.e. are part of the *common ground* of the arguer and of the critic) or themselves supported as (sub-)standpoints by arguments ultimately grounded in the common ground of the participants. (2017, p. 2, emphasis in original)

In addition to the aforementioned material starting point, a resolution-oriented critical discussion requires, as a second element, a procedural engagement (procedural starting point) by the parties involved in the argumentative discourse (cf. Rigotti & Greco, 2019, p. 91; van Eemeren et al., 2014b, p. 506; van Eemeren & Grootendorst, 2004, p. 60). The prototypical argumentative patterns that can be applied in this process are presented in the next chapters, together with the steps and tools for argumentative reconstruction, predominately at the macro level. The *Argumentum Model of Topics* (AMT), developed by Eddo Rigotti and Sara Greco (cf. 2019) at the Università della Svizzera italiana in Lugano, goes beyond this and explores inferential configurations at the micro level that leads to a complete reconstruction of argument schemes, with topics (the core meaning of the Greek word *topos* is “place”) being a key element of the model: “Topics is the component of argumentation theory by which all (theoretically possible) relevant arguments in favour and against any standpoint are generated by specifying their inferential structure through a system of loci” (Rigotti & Greco, 2019, as cited in van Eemeren et al., 2014b, p. 505). AMT builds on the distinction between material components (the implicit *endoxon* and the often explicit *datum* as premises of a factual nature) and procedural (inferential) components of argumentation, the former being context-dependent and the latter context-independent¹⁰ (Rigotti & Greco, 2019, pp. 91, 207–245). This is based on the understanding that the *locus* (the prototypical inference principle that

¹⁰The typical AMT Y structure graphically represents the intersection of the two syllogistic structures (cf. Rigotti & Greco, 2019, p. 216).

connects the premise to the standpoint—that is, the logical place from which to argue—does not change but the application in a particular context does.

2.3.2 *Argument Schemes and a Taxonomy of Loci*

To analyze the defense mechanisms used in reasoning, argumentation theorists refer to justificatory principles, which are subsumed under the concept of *argument schemes*. These describe the basic inference principles that support a transfer of acceptance from one or more premises to a standpoint—that is, the general patterns of reasoning that underlie an argument. Pragma-dialectics distinguishes between three main categories of argument schemes (van Eemeren et al., 2014c, pp. 547–548; van Eemeren & Grootendorst, 2004, p. 4):

1. Symptomatic argumentation, where there is a relation of co-occurrence of linguistic elements of different classes, e.g., a relationship of whole and parts or plausible associations.
2. Argumentation is based on comparison, where the relation is one of resemblance (similarity).
3. Causal argumentation, where the relation is one of instrumentality (consequence type).

The AMT approach builds on a more comprehensive taxonomy of loci and adopts a classification principle proposed by Cicero and further systematized by Boethius. Loci are distinguished as *intrinsic*, *extrinsic*, and *complex* (Rigotti & Greco, 2019, p. 250). *Intrinsic loci* (cf. Sect. 5.1.3, p. 123) are closely related to the subject being discussed (such as definitional loci or loci from concomitances), while *extrinsic loci* have a different and separate relationship to it. The locus from analogy connects different but comparable worlds, whereas the locus from opposites connects separate, contrasting worlds. Existing between intrinsic and extrinsic loci categories (but still belonging to the intrinsic group), there is the self-contained group of causal loci that focus on the world of human actions:

Relations between cause and effect (*Efficient Cause*), between material and artifact (*Material Cause*), between instrument and action (Instrumental Cause), between action and goal (*Final Cause*), between design and realization (*Formal Cause*) invoke the ontology of events and thus changes to the world, rather than the mere extension of a situation or scene or its location in space and time. (Rocci, 2017, p. 54, emphasis in original)

Finally, complex loci are those loci where aspects of intrinsic and extrinsic loci overlap, with the locus from authority being a typical example where the evaluation of truth value in reasoning from authority depends on the nature of the issue that the arguers are considering (Rigotti & Greco, 2019, pp. 251, 264). In the following figure, Rocci (2017, p. 55) presents a revised AMT taxonomy of loci, building on Rigotti (2007, 2009) and Palmieri (2014), with major adaptations (cf. also Sect. 5.3.3). For a detailed description that proceeds locus by locus, reference is made to Rigotti and Greco (2019, pp. 252–266) and Rocci (2017, pp. 51–59) (Fig. 2.8).

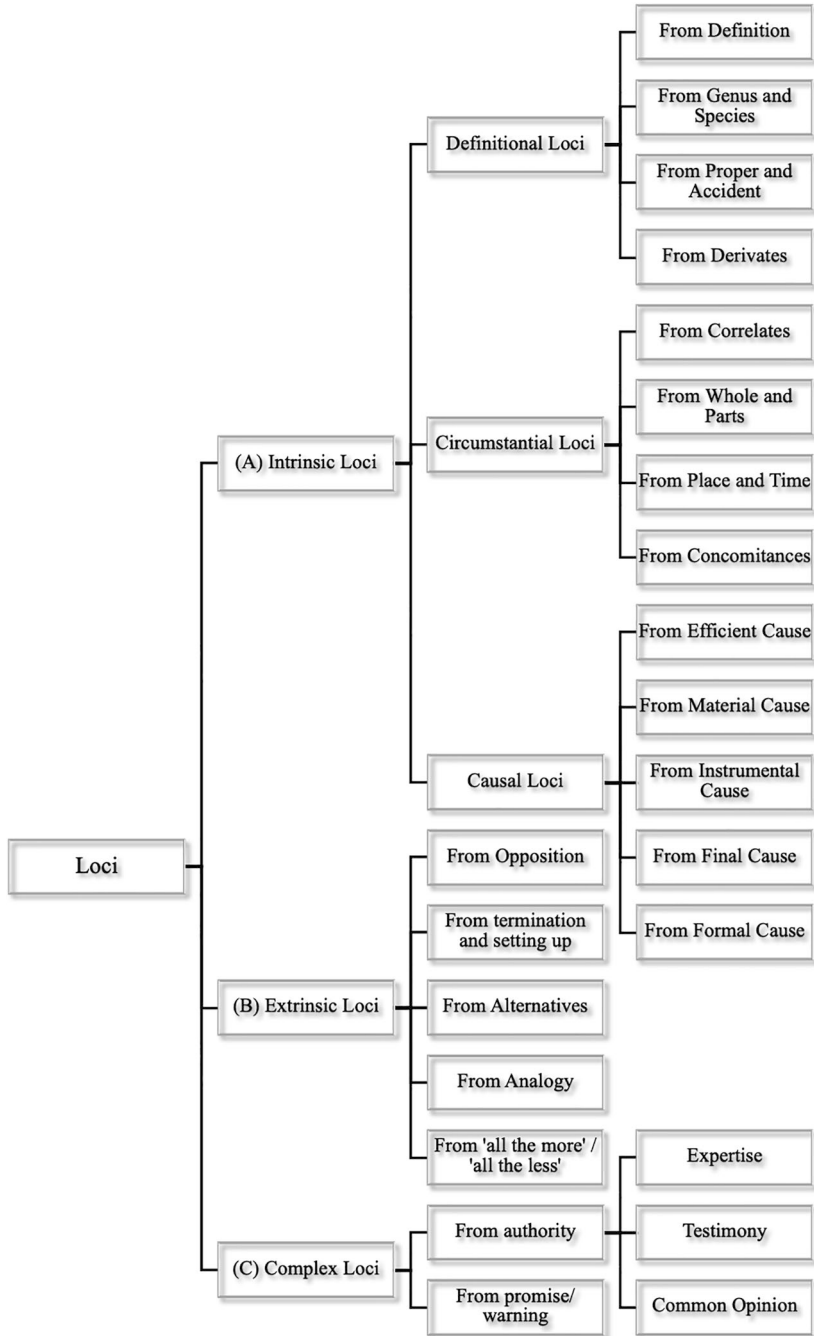


Fig. 2.8 A revised AMT taxonomy of loci (Rocci, 2017, p. 55) (Used with permission)

2.3.3 *Argumentative Reconstruction and Counter Argumentation*

To assess the problem-solving quality of an argument, logical considerations remain a necessary component of a normative pragmatics, but several steps must first be taken before the nature and the validity of the inference contained in an argument can be evaluated. In fact, the reconstruction of the full inferential configuration is the final step of argumentative reconstruction before the concluding assessment of the strength of an argument as a whole (Rocci, 2017, p. 48). Argumentative reconstruction begins with identifying a *standpoint* and determining its propositional content, i.e., the specific point of view of an arguer with respect to a particular, disputed, or doubted issue. It is the prerequisite for a content to be reconstructed as argumentative at all. Pragma-dialectics distinguishes three different types of standpoints, each of which is supported by different patterns of justification, where argumentation is not used exclusively to establish truth:

The types of standpoints supported by argumentation vary from *descriptive* standpoints (“The King of the Netherlands is inaugurated in Amsterdam”) to *evaluative* standpoints (“The Mahler concert in the Concertgebouw was excellent”) and *prescriptive* standpoints (“You should come with me to church this Sunday”). (van Eemeren et al., 2014a, p. 7, emphasis in original)

Standpoints are by no means always explicit in the same way that premises may be implicit, which means that the meaning and the missing elements have to be reconstructed. Looking at the two car commercials (Figs. 2.2 and 2.4) through the argumentative lens, we see that, in both cases, the essential standpoint that is ultimately at stake in product advertising is missing (cf. Kjeldsen, 2012, p. 243): This product (here: the car) is worth buying (or even more prescriptively: buy this product). The commercial intent is evident from the accessible context that it is advertising; moreover, the sales objective of the two ads can be inferred from the concluding statements: “To them, a Mercedes Benz is not a luxury” and “A thrilling future awaits” make it clear that the viewer should buy these products now or in the near future. As discussed in Sect. 2.2.3, p. 29, communication tends to leave out everything that the communicator assumes that the recipient will be able to figure out on his or her own. Moreover, it would be rhetorically inelegant to explicitly mention this self-evident aspect of any product advertisement in such a somewhat clumsy form; the closing statements are essentially the rhetorically more skillful and specific equivalents of the same basic claim (*enthymematic arguments*, cf. Sect. 5.1.3, p. 122). Thus, argumentative reconstruction is, to a certain extent, about creating a filter in which, at the end, the properly arranged and comprehensible condensate of what is relevant for the resolution of a disagreement or doubt remains and everything that is unimportant is eliminated. In the process, relevant aspects that emerge implicitly from what is said, what is written, what is visible, the situation, the circumstances, or the bigger context can be added, a fact that distinguishes this procedure from mere filtering:

Ideally, the result of the analysis should represent *explicitly* all those aspects of a discourse that are relevant for its evaluation as an attempt at effecting the reasonable acceptance of a standpoint, *filtering out* irrelevant features and *integrating* relevant information implicit in the discourse. (Rocci, 2017, p. 44, emphasis in original)

Context plays a crucial role in this reconstructive analysis, even if the text is always the primary source (cf. also Sect. 3.4.1). Pragma-dialectics focuses on written or spoken text and distinguishes four types of contexts (van Eemeren, 2011, pp. 144–145):

1. The micro-context (or linguistic context), which consists of the text that immediately precedes or follows the excerpt in question.
2. The meso-context (or situational context), e.g., the speech event in which the discourse takes place.
3. The macro-context (institutional context) with conventional constraints and rules imposed on participants in an argumentative discourse.
4. The intertextual context, which takes into account other texts dealing with the same topic.

In reconstructive analysis, pragma-dialectics distinguishes between the *logical minimum* and the *pragmatic optimum*, where the reconstruction is never conclusive but must be revised when good, newly added reasons support it. The logical minimum attempts to make the argument logically valid; by contrast, the pragmatic optimum is concerned with finding out whether and how the “if-then” statement can be made more informative and appropriate to the case at hand, given the context, available background information, and common sense—to the extent that relevant pragmatic considerations allow (van Eemeren et al., 2014c, p. 537; van Eemeren & Grootendorst, 2004, pp. 117–118).

The reasons why it is worth buying the particular products in our two car commercials are embedded in the respective stories, which is why the two commercials contain the typical propositions that are “shared by all commercial advertising” and that make it reasonable to “consider it an argument” (Kjeldsen, 2012, p. 242). In this context, it is important to note that the two concluding, explicit claims only work in conjunction with the respective supporting stories. Figure 2.4 illustrates context change and meaning formation using the example of the Audi commercial “Audi Presents: Cashew.” Only those who have seen the hero’s near-death experience can comprehend why, as the claim promises, “A thrilling future awaits. On Earth.” The close-up in film is a shot that closely frames a character’s face and conveys emotion through facial expressions more than any other shot. It should be used infrequently and selectively. In this Audi commercial, the close-up is used during the welcoming embrace to make the emotional connection between grandfather and grandson palpable. After that, it is only used selectively to convey the grandson’s connection to the third protagonist of the film, the car, or more precisely the e-tron GT electric sedan, a concept car. The close-ups in the Audi commercial support the implicit standpoint that this product is worth buying. The shots show the emotions of driving such a vehicle and the disappointment of being denied the dream (oppositional locus: perfect world vs. boring office environment). Simply put, driving this car makes the driver happy. What this shows us is that not only words but also images

or, more generally, symbols can have argumentative power. Hence, this book regards *argumentation* as not only based on written or oral texts but more broadly *as a multimodal, social, and rational activity* aimed at achieving acceptance of a standpoint by a critic. As already mentioned, audio-visual content is highly susceptible to interpretation due to its high share of implicit components. In the Audi commercial case, however, there are clues that at least hint at what might have triggered the grandson’s imagined feelings of happiness behind the steering wheel. For example, the futuristic design of the car, which is impressively staged in several long shots from different angles, could be cited as an explanation for the happiness experienced. Another possible explanation is the technologically advanced drive system. Finally, the fact that grandpa chose exactly this one model for his grandson could also be cited.

The next step of argumentative reconstruction entails giving these different argumentative components a meaningful structure, which also involves committing to a notation system. The first task here is to find out how the different premises fit together in supporting the standpoint, which can be referred to as the argumentative macrostructure. A distinction can be made between *multiple argumentation structures* (the premises advanced in defense of the same standpoint are independent), *compound argumentation structures*¹¹ (the premises are intended to be relevant only if taken jointly), and *subordinative argumentation structures*, where a premise represents an intermediate standpoint whose acceptability depends, in turn, on other premises supporting it (Rocci, 2017, p. 45; Snoeck Henkemans, 1997; van Eemeren et al., 2014c, pp. 537–538) (Fig. 2.9).

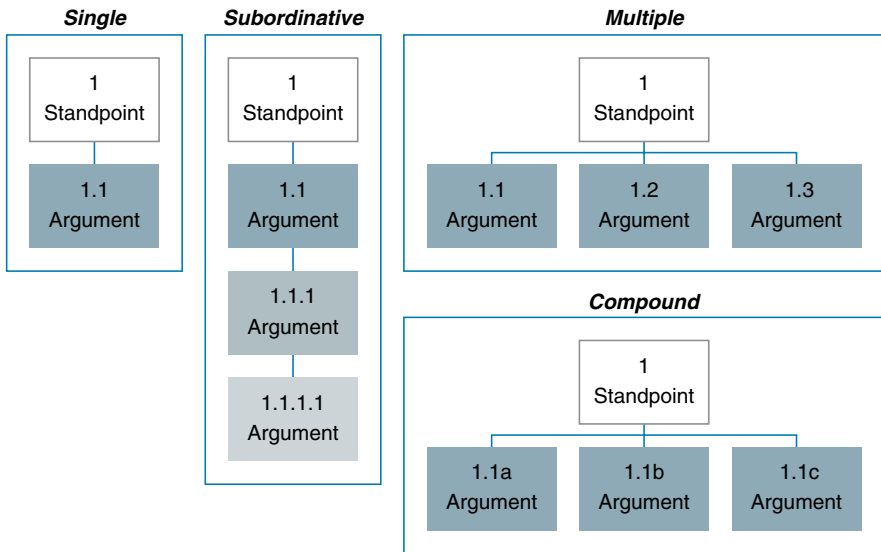


Fig. 2.9 Argumentation structures and notation

¹¹The so-called *coordinative arguments* in pragma-dialectics are seen as pooled together for reasons of sufficiency (Rocci, 2017, p. 47; Snoeck Henkemans, 1997; van Eemeren et al., 2014c, p. 569).

How do the various argumentative components fit together in the case of the Audi commercial? The standpoint to be justified can be paraphrased as “The e-tron GT is worth the wait.” This includes the claim inherent in any product advertisement that the product will be worth buying but above all picks up on the concluding slogan “A thrilling future awaits” and considers the fact that the e-tron GT is a concept car, which can be drawn from a small-print reference in the commercial and the concluding slogan. The close-ups of the grandson are interpreted to mean that driving this vehicle makes him happy (while depriving him of the dream causes disappointment). In general terms, the supporting premise could be said to be “the e-tron GT makes you happy.” Other supporting premises are required for this argument to be accepted, which is why it represents an intermediate standpoint in a subordinative argument. Another intermediate standpoint, one level below, could be the humorous rationale embedded in the story that the e-tron GT is what one hopes to dream of in a near-death experience. This argument, which gets to the heart of the dramatization typical in advertisements, also needs further support to gain some basic plausibility. The three aforementioned supporting key premises—grandpa’s choice, design, and drive technology—can be interpreted as components of a multiple argumentation structure that expands the potentially addressable target audience (making the argument dialectically and rhetorically stronger but not necessarily logically more valid). For example, someone might find the design appealing, while, for someone else, the drive technology could be the decisive factor for future purchases. For the latter target group, other sub-premises, such as the energy efficiency and environmental friendliness of the vehicle compared to vehicles with internal combustion engines are conceivable. A summary of these interpretations can be found in Fig. 2.10. The notation used in this book is based on the system proposed by the pragma-dialectical approach (van Eemeren et al., 2002, pp. 69–72), with minor adaptations (see also Palmieri, 2014, pp. 38–40; Rocci, 2017, pp. 46–47). The standpoints are located at the top of the diagram and are numbered starting with 1. Multiple arguments supporting standpoint 1 are numbered sequentially, starting with 1.1, 1.2, 1.3, and so on. For a compound argumentation, the notation is 1.1a, 1.1b, 1.1c, etc. The subordinative argumentation follows the gradation 1.1, 1.1.1, 1.1.1, etc. Implicit components appear in parentheses.

After recognizing the standpoint and its propositional content, identifying the components that function as premises, and subsequently determining the (macro-) structure of the argumentation, we can proceed to the reconstruction of the entire inferential configuration (microstructure) (cf. Rocci, 2017, p. 48). Only then can we assess the overall argumentative strength (cf. Sect. 3.2.2). Grandpa’s choice works best as a *locus from authority* (complex locus) from the grandson’s point of view (person of respect, car lover with a penchant for the avant-garde). The logical principle of support from a procedural point of view (the so-called *maxim*) would follow the scheme “If grandpa says the e-tron is a desirable car, it is probably true (because grandpa knows what he is talking about).” The inference pattern in the case of the appeal of futuristic design follows the *locus from formal cause* (“if the design of a product is good, the product will be good”). The reasoning pattern associated with

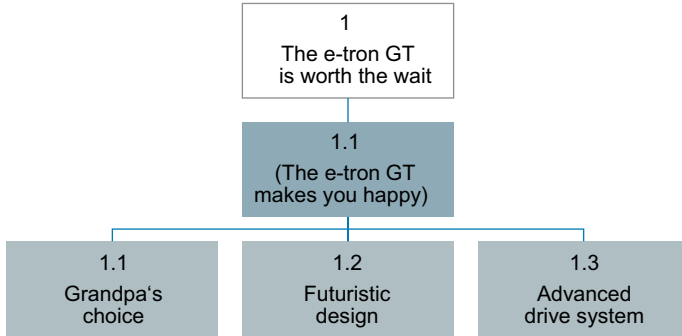


Fig. 2.10 Simplified argumentation structure of the Super Bowl commercial “Audi Presents: Cashew”

the advanced, environmentally friendly drive system follows the *locus from material cause* (“if the material cause has a certain quality, the product will have that quality, too”). Lastly, the happiness argument follows the pattern of the *locus from final cause* (“If an action is a means to achieve a desirable end, it is reasonable to do it”). From a material-contextual point of view, the implicit *endoxon* in this case is that happiness is a desirable goal.¹² For a detailed presentation of the inferential configuration of arguments in the AMT, see Rigotti and Greco (2019, pp. 207–218, 247–279).

If a story is to be generalizable from the individual case shown to a very large number of applications, it needs core arguments that are basically plausible despite the usual dramatization in advertising. The addition of “One third of all new Audi models will be electrified by 2025” makes it clear that Audi intended the e-tron GT to have a positive effect on the brand as a whole (*locus from whole and parts*, “if all parts share a property, the whole will inherit this property,” inductively tied to the individual case). The relationship is reciprocal: The Audi brand should benefit from the positive reception of this Super Bowl commercial, and an already existing positive brand image should strengthen the argumentative basis of the commercial. Provided that the target group already has brand trust, this aspect could be included as an additional premise in the argumentation structure (*locus from efficient cause*: “if the producer is good, the product will be good”).

An argumentative configuration can be evaluated from two angles (Blair & Johnson, 2000, pp. 97–98; Freeman, 2011, p. 2; Palmieri & Musi, 2020, pp. 277–278; Rocci, 2017, p. 39):

¹²Even with a more sophisticated breakdown of the argumentative core, we still at least partly lose various *non-core elements*, such as the humorous climax that contributes to the charm and wit of the story (or associative sequences creating moods). In this context, Tindale (2017) advocates rethinking the conventional approach to the question of narrative argument so that narratives do not have to meet standards that they have difficulty meeting (cf. Sect. 8.1, p. 208).

1. The material angle, which is concerned with the *acceptability* of a premise or (intermediate) standpoint.
2. The procedural angle, which involves assessing the *relevance and sufficiency* of an inferential relation.¹³

In evaluating both angles, epistemological and dialectical considerations are necessary (Freeman, 2005; Rocci, 2017, p. 39). In pragma-dialectics, this idea is reflected in the terms “problem-solving validity” and “conventional validity” (van Eemeren et al., 2014c, p. 527). According to Rocci “conventional validity is a necessary condition of the reasonableness of arguments, even if it is not a sufficient one” (2017, p. 40). This means that the premises and the applied argument schemes must be intersubjectively acceptable to the discussants; yet, this is not sufficient for the appeal to reasonableness to be successful (cf. Sect. 2.3.1, p. 39). From an epistemological perspective, the appeal to reasonableness includes the need for a commitment to appropriate “belief generation mechanisms”¹⁴ and the application of argumentation schemes that enable people to reliably draw the correct conclusions from the correct premises (cf. Rocci, 2017, p. 39).

Argumentative discussions do not just involve supporting arguments but also entail steps to refute them. Moreover, strong argumentation tends to take into account the anticipated critical reactions. Counterarguments are therefore at the heart of any dialectical approach to argumentation. This is especially the case with short seller attacks, which aim to bring down a previously erected argumentative edifice by attacking its supporting pillars (cf. Sects. 6.1.2 and 8.3). In this context, there are two types of distinct argumentative structures for counterarguments (cf. Palmieri & Musi, 2020, pp. 277–278):

1. *Rebutters*, graphically marked by an oval arrow, which deny the acceptability of an (intermediate) standpoint or of a premise that supports the claim (attacking the propositional content in the argumentation).
2. *Undercutters*, graphically marked by a diamond arrow, which question the relevance or sufficiency of an inferential link between a premise and a standpoint.

In principle, any evaluation of argumentative validity implies explicit or implicit testing of the argument’s robustness to conceivable counterarguments, which may refer to the material angle (rebutters) or the procedural angle (undercutters). The fact that argumentation in practice often responds to anticipated critical objections is exemplified by the Australian Mercedes advertisement from the late 1980s, which can be characterized as a counterargument. The following argumentation structure—a very simple subordinative one—could conceivably be directed against luxury cars in general, of which Mercedes is one (Fig. 2.11, left part).

This argument could be rooted in a basic social attitude that rejects luxury in principle and instead propagates renunciation as a state to strive for (assumed

¹³“Connection adequacy” in the terminology of James B. Freeman (2011, p. 2).

¹⁴Conceptualization of Freeman (2005).

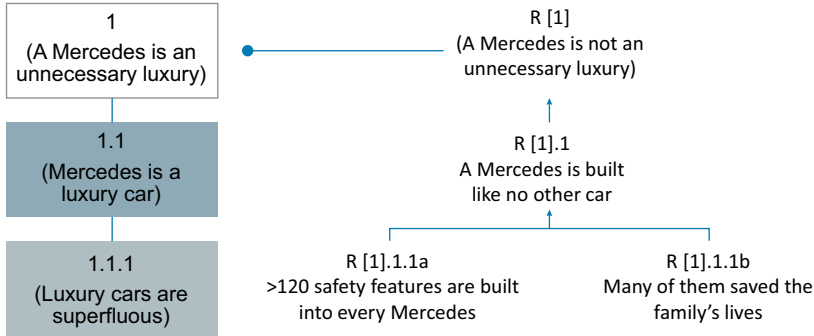


Fig. 2.11 The Mercedes commercial as a rebuttal

endoxon). In choosing to attack this argument, Mercedes would probably not attack the premise that it produces luxury vehicles (*intrinsic locus*). Rather, it would preemptively attack the standpoint and, following up on the closing slogan “Engineered like no other car,” argue that a Mercedes is a very special kind of luxury car that can and does save lives, as the story shows (the vehicle is equipped with safety features that work when it matters). The last sentence of the narrative—“To them a Mercedes is no luxury”—sums up the life-saving feature of the family’s purchase decision. The fact that a life-saving car is a good car can be considered generally accepted (*endoxon*). The attack is best structured as a rebutter, as the following figure suggests (Fig. 2.11).

With this advertisement, Mercedes has taken a path that seems as interesting as it is risky in terms of attention economics. Staging a car commercial about an accident is unusual, because as a rule, positive emotions are supposed to be aroused before a purchase decision is made. It is this deviation from normality that distinguishes this Mercedes commercial and makes it intriguing. Therefore, it was crucial for the success of this commercial that the case as a whole, and especially the twist toward a happy ending, was perceived as believable. However, success depends on another factor, namely the shared values and beliefs of the target group. All that is known about the social background of the family is that it is a farming family. This fact and the final sentence “To them a Mercedes is not a luxury” make it clear that this Australian commercial is not aimed at a target group for whom exclusivity is the decisive purchasing argument.

As mentioned above, a counterargument can either attack the acceptability of a premise or standpoint (rebutter, see Mercedes example), or cast doubt on the inference from a premise to a standpoint (undercutter). Conspiracy theories gain a certain basic plausibility when they are built on a premise (or a number of premises) that is (are) either generally accepted or demonstrably true. As an example of argumentation that can be attacked by an undercutter, consider a case related to the SARS-CoV-2 pandemic. It is an excerpt from an interview of almost half an hour in

duration with a critic of the COVID-19 containment measures, entrepreneur, and billionaire's wife with the Zurich financial portal *Inside Paradeplatz*. In it, the critic says:

I started to notice pretty quickly that there was some inconsistency in the story. If you just look at last year in February or January [2020], when all the pictures came in from Italy, these halls full of coffins that really terrified people, and just two months later it was circulating everywhere that the photo was from a 2013 boat accident. (Hässig, 2021, TC 10:11-10:37, translation from Swiss German)

Following this, the critic summarized “I am simply not blind. I know that there is a lot of manipulation in the media” (Hässig, 2021, TC 12:22, translation from Swiss German). The critic refers to the images from the first months of the pandemic in Europe, taken from the northern Italian city of Bergamo. In truth, one prominent image was misattributed in a trailer for a documentary about the pandemic (Dejaifve, 2022; Metzdorf, 2021). The photo shows several rows of coffins topped with a red rose depicting the coffins of drowned boat refugees on Lampedusa lined up in an airport hangar. It is important to point out such errors; however, there were numerous other images of coffins lined up and photos of truck transports of corpses at night that were in fact taken during the pandemic in Bergamo. Adding to the complexity of the circumstances, the authorities in Bergamo at the time decided to immediately cremate those who died of COVID, whereas normally only about half of all deceased individuals in Italy are cremated (Metzdorf, 2021; Scherrer, 2020). The haunting images of the nightly transports of corpses therefore also arose because the capacity of the crematorium in Bergamo proved insufficient, and corpses had to be transported to surrounding towns; it was not solely because of the excess mortality in the early phase of the pandemic. Nevertheless, the argument by the COVID-measure critic has its weaknesses, which is rooted in the conclusion from the premise to the standpoint. This is shown in the following figure. The starting point is the interpretation of the statement “coronavirus is exaggerated,” which is the central claim to be justified in this case. This would have to be inferred in detail from the context (interview in advance of a referendum related to COVID-19 legislation, with the interviewee opposing the legislation) and other statements made in the interview situation. Nevertheless, it remains an interpretation, since this is not explicitly stated, but only hinted at, among other things in the statement that she—the critic—noticed pretty quickly that there were some inconsistencies in the story about the coronavirus. As always with *insinuations*, an escape route remains open because she did not specifically assert the statement “coronavirus is exaggerated” and can therefore dispute it. The decisive point of attack of the counter argumentation is the objection that a single genuine case of misattribution of a photo is not sufficient to make a generalized accusation of media manipulation (undercutter attacks the hasty generalization) (Fig. 2.12).

In summary, drawing on the pragmatic-dialectical approach, Sect. 2.3 introduced important concepts of argumentation theory, described a taxonomy of loci based on

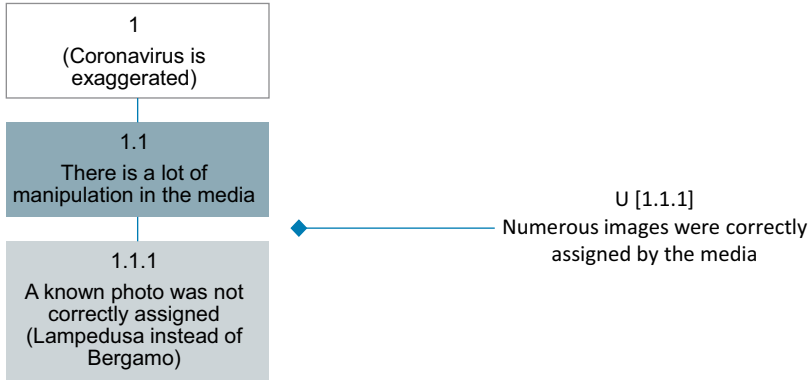


Fig. 2.12 Undercutter questioning the sufficiency of an inferential link

the Argumentum Model of Topics, and explained the different steps of argumentative reconstruction proposed by argumentation theory. In addition to providing insights into important concepts and methods, this chapter introduced a notation system to be applied in the context of case analysis. The foundations of counter argumentation presented in the previous section extend this notation system and will prove particularly useful in the exploration of crisis discourse (Chap. 6, see also Sect. 7.2, p. 201).

Based on what previous sections have discussed so far, the first fundamental observation is that both argumentation and narration are based on specific, recurring basic patterns, even if they are rarely compared this way. In the case of argumentation, these are called *argumentation schemes* and serve as logical principles of support that enable a transfer of acceptance from a premise to a standpoint. These schemes must not only appear intersubjectively acceptable but also possess problem-solving capacity (see Sects. 2.3.2 and 2.3.3). Narration, on the other hand, draws on *mythologems*, which are understood as recurring underlying themes that are culturally shared across generations (cf. Sect. 2.2.4, p. 32). Mythologems are the narrative expression of the *archetypes* described by Jung (1989, 1998) as patterns of psychic energy that originate in the collective unconscious and find their primary expression in dreams. Building trust requires common points of reference in the sense of shared or comprehensible and thus accessible components of experience. Public awareness is not simply there; it is actively created in order to achieve certain effects. In the process, the reliance on shared experiences facilitates understanding across system boundaries; where such experiences are lacking, they are constructed (Perrin & Wyss, 2016; Rhodes & Brown, 2005). A reliance on basic cross-generational thematic patterns with intrinsic value systems can be useful in this process. The second essential observation concerns the persuasive potential that is inherent in both communicative

practices but which, although combinable, unfolds in very different ways. This will be discussed in more detail in the following chapter.

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Chapter 3

Analytical Framework



The literature review clarified concepts crucial for understanding strategic persuasion and discussed selected approaches to narrative and argumentation theories. To illustrate these concepts and to derive exploratory insights about argumentation and narration in the context of this research, two advertisements from the automotive industry were analyzed. The interplay between argumentation and narration observed in these commercials forms the foundation for an analytical framework presented at the end of the chapter, proposing an investigation into the interplay between the studied language practices at contextual, macro, and micro levels. A distinction is made between different units of analysis and phenomena within these levels (Sect. 3.4). While this analytical framework is potentially applicable in various contexts where strategic persuasion is practiced, in this book it is applied specifically to the startup environment.

The presentation of the theoretical framework follows introductory considerations (Sects. 3.1, 3.2, and 3.3) that aim to enhance the understanding of why argumentation and storytelling are pivotal in the context of strategic persuasion. The proposal leads to a conceptual sequence that outlines upstream and downstream assessments of story acceptance (Fig. 3.5), representing a significant intermediate outcome on the way to developing the analytical framework.

3.1 The Transparency of the Persuasive Intention

In order to develop a theoretical framework that systematizes the how—i.e., that defines different levels to analyze how exactly argumentation and storytelling intertwine—it is first necessary to explore the why and clarify the conditions under which a combination of the two language practices can succeed for the purposes of strategic persuasion. This begins with the initial situation, namely the transparency of the persuasive intention, although narration is now no longer primarily examined

from a construction logic but from the recipient's point of view. In doing so, the book refers to findings of narrative transportation research.

In the case of argumentation, the attempt to persuade is, by definition, rational, reason-based, and resolution-oriented. Moreover, the goal of convincing a critic of a standpoint is, by definition, clear from the outset, as identifying an explicit, presumed, or anticipated disagreement (or multiple disagreements), assigning roles, determining relevant common ground, and agreeing on rules for resolving the disagreement(s) are fundamental components of the confrontation and opening stages, even if much of it may happen tacitly (van Eemeren et al., 2014; van Eemeren & Grootendorst, 2004, pp. 529–533).

As for narrative, readers, listeners, and viewers tend to be drawn into a story for enjoyment purposes, but stories are more than sheer entertainment. Any story that goes beyond a mere chronological stringing together of individual events, any story that conveys an overarching message as the moral of the story (elixir) exerts a persuasive power. This persuasive attempt, however, is rarely foregrounded as such (cf. Sect. 2.3.3, p. 43). For example, the exposition of the commercial “Audi presents: Cashew” is perfectly cinematic and the concrete sales intention is not apparent until the very end, and even if one counter that it is clear from the context that it is advertising, it is also noticeable in the Mercedes example, which is more than 30 years older, that large parts of the commercial aim to build a tension that relegates the immediate commercial intent to the background (Figs. 2.2 and 2.4). This usual practice is consistent with the findings of academic research. Narrative transportation studies conclude that, in a good brand story, commercial intent should not be overtly expressed to be persuasive (Visconti, 2020, pp. 237–238). Instead, the entertainment value and affective appeal of the story should be immediately palpable. Storytelling can be seen as the emotional counterpart to argumentation, with the former having a much less transparent persuasive intent (cf. Sect. 3.3).

It is to the credit of narrative transportation studies that they have brought the psychological and cognitive processes occurring in story recipients' minds into the center of scientific interest. Research in the field of narrative transportation has shown that story receivers actively process stories (Escalas, 2006; Green & Brock, 2000, 2002; Slater & Rouner, 2002; van Laer et al., 2014; Visconti, 2020). The role of the recipient is more like that of an active translator than of a mere reader, listener, or viewer. Prior knowledge is important in this process: Story receivers fill in gaps, they recontextualize a plot through comparisons with their personal experiences, and they indulge in their own imagination (van Laer et al., 2014, p. 799). Getting a message across is not about storytelling alone but also about tapping into people's persistent socio-culturally reinforced narrative frames (Perrin & Zampa, 2018, p. 133).

The starting point for work that conceptualizes the term narrative transportation in the psychological literature was Richard J. Gerrig's description of the literal travel experience (1993, pp. 10–11):

Someone (“the traveler”) is transported, by some means of transportation, as a result of performing certain actions. The traveler goes some distance from his or her world of origin, which makes some aspects of the world of origin inaccessible. The traveler returns to the world of origin, somewhat changed by the journey.

This ties in with Campbell's (2008) description of the hero's journey, though the reference point is different (cf. Sect. 2.2.4, p. 33). In this case, it is not just the hero who undergoes a mental journey but also the reader. It could be added, with reference to Vogler (1998), that the author too undergoes a journey in developing a story. Stories thus trigger, so to speak, a threefold journey. Narrative transportation focuses primarily on the cognitive processes on the part of the story recipient, initially starting from written texts. Although comparative studies on the impact of different genres, media, and channels, especially short formats, on transportability are overdue,¹ this line of research has nevertheless contributed much to a deeper understanding of narrative persuasion. *Being transported* is defined as "a convergent process, where all mental systems and capacities become focused on events occurring in the narrative" (Green & Brock, 2000, p. 701). This is therefore best described as a state of detachment from the world of origin and absorption into a story, leading to a certain loss of reality. The person experiencing the process is put into a different state, comparable to a meditative or trance-like state, for a limited time, during which he or she gains some psychological distance from reality, and while parts of the world of origin become less accessible, he or she is still receptive to stimuli from the outside world, but to a reduced degree. Green and Brock, who characterized the term narrative transportation as a convergent process, have described a key consequence of being transported as follows: "While the person is immersed in the story, he or she may be less aware of real-world facts that contradict assertions made in the narrative" (Green & Brock, 2000, p. 702). In doing so, the authors (Green & Brock, 2000, 2002) point to a fundamental distinction between narrative and analytic persuasion that has been crucial to subsequent decades of research on narrative transportation (cf. Sect. 1.1). "That is, narrative transportation is a mental state that produces enduring persuasive effects without careful evaluation of arguments" (van Laer et al., 2014, p. 800). According to van Laer et al., prior to 2000, "dual-process models of persuasion, especially the elaboration likelihood model and heuristic-systematic model, dominated persuasion research" (van Laer et al., 2014, p. 800). According to these models (cf. Chaiken, 1987; Petty & Cacioppo, 1986), the decision to consider a standpoint acceptable can be made either by carefully evaluating the arguments presented or by relying on superficial cues, but in either case it implies more or less critical thought processing of an argument. This is in line with the two types of thinking described by the psychologist and 2002 Nobel Laureate in Economics Daniel Kahneman, with System 1 being based on intuition and heuristics that run automatically without much effort or control and System 2 being based on effortful conscious reasoning and critical deliberation (Kahneman, 2011, pp. 19–105). According to van Laer et al., in analytical persuasion, involvement depends on the extent to which a message has personally relevant consequences. "If

¹In this context, however, the studies by Lim & Childs and by Coker et al. are interesting. Lim and Childs (2020) state that visual storytelling posts on Instagram with various narrative elements engage viewers more than posts without such elements. A study by Coker et al. (2021) with 377 undergraduate college students suggests that digital video storytelling ads engage viewers more effectively than argumentative ads.

these consequences are sufficiently severe, receivers evaluate the arguments carefully and generate thoughts related to arguments” (van Laer et al., 2014, p. 800). In contrast, expected personal consequences rarely play an important role in narrative persuasion (Slater & Rouner, 2002).

In their meta-analysis, which provides an overview of two decades of research on narrative transportation, Van Laer et al. (2014) have summarized the critical factors that influence how stories are received. *Familiarity* (prior knowledge about the topic of the narrative) facilitates narrative transportation (Bilandzic & Busselle, 2008). Situational factors, such as the *attention* paid to a story, also have an influence. In general, *transportability* seems to be related to empathy ability (cf. Slater & Rouner, 2002) and mental imagery capacity (cf. Green & Brock, 2002). According to van Laer et al. (2014, p. 803), *education* has a positive effect on transportability. *Demographic factors* have an influence as well: On average, women can immerse themselves in stories better than men, which is partly explained by the fact that women read more, although other factors, such as empathic ability, may also play a role (Green & Brock, 2000; van Laer et al., 2014). The extended transportation-imagery model (ETIM) by Van Laer et al. (2014) summarizes the above relationships and captures the consequences of narrative transportation (see Fig. 3.1). Being transported generates story-consistent beliefs and evaluations of story characters while reducing critical thinking (Green & Brock, 2000; Slater & Rouner, 2002). In the marketing literature, ETIM defines narrative persuasion “as the effect of narrative transportation, which manifests itself in story receiver’s affective and cognitive responses, beliefs, attitudes, and intentions from being swept away by a story and transported into a narrative world that modifies their perception of their world of origin” (van Laer et al., 2014, p. 801). Following van Laer et al., narrative persuasion in this conceptualization “refers to attitudes and intentions developed from processing narrative messages that are not overtly persuasive, such as novels,

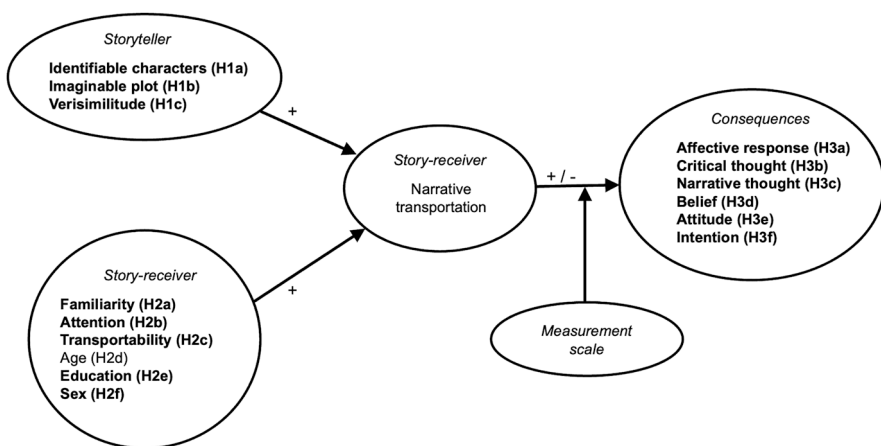


Fig. 3.1 Extended transportation-imagery model (van Laer et al., 2014, p. 801) [variables that tested significantly in the meta-analysis appear in bold] (by permission of Oxford University Press)

movies, or video games” (van Laer et al., 2014, p. 800). In other words, this form of persuasion is particularly powerful when the persuasive goal is not obvious and immediately transparent (cf. Sect. 2.3.3, p. 43). This explains the potentially high effectiveness of storytelling ads for marketing purposes, because “storytelling ads trigger the holistic processing of information and generate fewer counterarguments” (Coker et al., 2021, p. 609). Two experiments by Jennifer E. Escalas (2006) in the context of mental stimulation suggest that narrative self-reference is able to transport consumers and distract them from weak arguments that would impede persuasion if processed analytically. Narrative transportation thus tends to suspend rational scrutiny. In two experiments, Rebecca J. Krause and Derek D. Rucker (2020) demonstrated that stories could reduce counterarguments, both by diminishing overall message processing and also by biasing processing. Their results suggest that, when the available facts are weak, embedding facts in a story increases persuasiveness compared to presenting facts alone; this is not the case for strong facts. This result is potentially significant for strategic persuasion in a startup context, where the evidence base is rather thin for the reasons outlined in Sect. 2.1 (cf. also Sect. 4.4). “After all, academic research suggests that stories can bypass our natural resistance mechanisms; stories can lead people to give the speaker the benefit of the doubt” (Krause & Rucker, 2020, p. 216).

3.2 Narrative Versus Argumentative Strength

Research in narrative transportation has demonstrated the potentially manipulative power of storytelling while providing explanations of what makes for strong stories. When storytelling and argumentation are combined for the purposes of strategic persuasion, it is likely because, when used properly, they can compensate for the limitations of each other’s linguistic practices, or because combining the strengths of the two provides advantages. But what exactly do strong storytelling and sound argumentation entail? This is the question Sect. 3.2 explores.

3.2.1 *The Strength of a Story*

The quality of the story—that is the skill of the author and storyteller—has a strong effect on narrative transportation; the stronger the story and the better the narrator, the easier it is for the recipient to be carried away by the story (Green & Brock, 2000, p. 708). Consistent with the comments made in the storytelling section about the distinct accessibility of stories, companies are using video storytelling advertisements as an alternative to other ad formats to increase engagement and respond to the shortened attention spans of the digital age (Coker et al., 2021). Captivating stories have a few factors in common, with the story and narrator being closely linked. For empathy to develop, *identifiable characters* are needed (Slater & Rouner,

2002). They give the audience a window into the story (Vogler, 1998, p. 36). Realistic character sketches are essential to any story, with flaws humanizing a character: “A real character, like a real person, is not just a single trait but a combination of many qualities and drives, some of them conflicting. And the more conflicting, the better” (Vogler, 1998, p. 37). For a story to be effective, it must appeal to the target audience’s feelings, values, and beliefs, and it is important that the hero has goals with which the target audience can connect (cf. Sect. 5.1.2, p. 118). Creating suspense not only requires the identification of goals and obstacles on the way to goal attainment but there must also be an *imaginable plot*, a sequence of events in a temporal order that evokes mental images through which stories resemble real experiences to some degree (cf. Escalas, 2004; Green & Brock, 2002, p. 321). The overall plausibility of the plot, the way the story is told, and even the details that create the atmospheric density, sound, and mood are critical to whether a story is perceived as believable, with *verisimilitude* being the generic term. It would be natural to equate the realism of stories with the veracity of stories, which would make the distinction between fictional and nonfictional stories² the most important determinant for verisimilitude. Interestingly, however, Green and Donahue (2011) have shown that non-fiction versus fiction manipulations have no effect on narrative transportation (cf. also Green & Brock, 2002, p. 329). Story realism, therefore, is not about facts; “verisimilitude is about everything that *may* happen” (van Laer et al., 2014, p. 803, emphasis in original). Understood in this way, verisimilitude can apply to science fiction novels just as much as to an Audi commercial in its highly dramatized form, as long as the story has a certain basic believability at its core—for example, because the product is portrayed realistically, or the hero’s situation seems comprehensible (for example, when he is shown as being bored with his daily work routine in an open-plan office and dreams of a different life).

Overall, in the context of ETIM (van Laer et al., 2014, pp. 802–803), three factors determine the strength of the story on the side of the storyteller, i.e., from the perspective of production logic:

- (i) *Identifiable characters*
- (ii) *Imaginable plot*
- (iii) *Verisimilitude*

3.2.2 *The Strength of an Argument*

Consistent with prior discussions of argumentation theory in this book, Rocci (2017) proposes four dimensions of evaluation “which are particularly revealing of the normative pragmatic stance in general” (2017, p. 38). These are:

²Although the influence of the storyteller is important in any story, according to van Laer et al. (2014) nonfictional (documentary) stories can be characterized as “stories grounded in real characters and events that actually happened” (2014, p. 802).

- (i) *Freedom*
- (ii) *Responsibility*
- (iii) *Acceptability*
- (iv) *Relevance*

Dimensions I and II refer to dialogue and can be grouped under the term *dialectical virtues*, while dimensions III and IV refer to reasoning and pertain to the (problem-solving and conventional) *validity virtues* of an argument (cf. Sect. 2.3.3, p. 48). Freedom and responsibility concern the normative stance of the participants in the discussion, their commitment to veracity, and the obligations that go along with it. The freedom rule corresponds to the first of the ten rules of the pragma-dialectical code of conduct for critical discussions presented in Sect. 2.3.1, p. 39, quite in line with Jürgen Habermas's (2004) ideal of a discourse free of domination (*herrschaftsfreier Diskurs*) guided by the unconstrained compulsion of the better argument (*zwangloser Zwang des besseren Arguments*). *Argumentum ad baculum* (appeal to fear or force) and *argumentum ad hominem*³ (discrediting a critic's beliefs, motives, or character) are examples of possible uncooperative moves that impede a resolution-oriented discussion by preventing parties from advancing standpoints or casting doubt on them (for more on the *appropriateness of ad hominem attacks*, see Sect. 6.1.6, p. 179 and Sect. 6.2, p. 182). The freedom to put forward standpoints and to express doubts includes the assumption of various dialectical responsibilities, fundamental to which is the obligation to defend oneself and to bear the burden of proof. Ultimately, dialectical virtues are a crucial point for avoiding confirmation bias because there is always a danger that argumentation will become a post-hoc rationalization of preconceived opinions. "Thanks to reasoning,⁴ human communication is made more reliable and more potent," Hugo Mercier and Dan Sperber (2011b) note; however, argumentation "can lead to poor outcomes not because humans are bad at it but because they systematically look for arguments to justify their beliefs or actions" (2011b, p. 72). Fostering the ability to anticipate critical objections is a valuable skill, they point out because it makes it possible "to recognize flaws in one's own hypotheses and go on to revise them" (2011b, p. 73). This requires individuals to exert control over a natural disposition that spontaneously aims in a different direction (Sect. 8.4, p. 223). "Even among scientists, this ability may be uncommon, but those who have it may have a great influence on the development of scientific ideas," they wrote (Mercier & Sperber, 2011b, p. 73).

³Three types of *argumentum ad hominem* are often distinguished with further subcategories (Walton, 1998, 2008, pp. 170–194): While the *abusive ad hominem* is a direct attack, the *circumstantial ad hominem* attacks based on a practical inconsistency between the argument and the personal circumstances of the arguer. Related to the second type is the *bias ad hominem*, sometimes referred to as *poisoning the well*, in which a hidden agenda or overt self-interest undermines credibility. Frequently, the *ad hominem* argument is also associated with the *tu quoque* or "you too!" argument, which targets inconsistency in behavior.

⁴Mercier and Sperber (2011a) define reasoning "as the mental act of constructing or evaluating an argument that is at least partly explicit," as opposed to ordinary intuitive inference (Mercier & Sperber, 2011a, pp. 94–95).

As discussed in Sect. 2.3.3, p. 48, the validity of an argument can be assessed from a material and procedural angle. *Acceptability* refers to the material aspect of the argument, *relevance* to the procedural (inferential) aspect, and the criterion of *sufficiency* is added to evaluate the inferential virtue of an argumentation. Fact-checking plays a role in assessing the overall validity of an argumentation, both materially and procedurally. While facts are obviously important in the context of argumentation, clarifying the role of facts in the context of storytelling as they relate to strategic persuasion requires a somewhat broader derivation as well as a specification of narrative genre. The next chapter, Sect. 3.3, is devoted to this topic and examines fact-checking in nonfictional narratives.

3.3 Fact-Checking, AI, and Criteria for Story Acceptability

This chapter explores the question of what criteria stories must fulfill in order for their use to make sense in terms of strategic persuasion in a corporate context—that is, in order for them not only to entertain the audience but also to have an argumentative effect. This section begins with introductory considerations about facts per se and a clarification of the various terms used in the area of false and misleading information. The book explains why the concept of fact-checking is too narrow to be able to assess the correctness of the conveyed content, it addresses the aspect of accessibility of information as a further aspect to be included in the considerations, and it discusses critical thinking as a key competence in the search for veracity. In the process, it identifies different approaches to the concept of truth. These considerations are particularly relevant in situations where hard facts are lacking but decisions still need to be made that tie up resources in the longer term. This applies in particular to investment decisions in the startup context, where valuation is challenging due to the prevailing lack of reliable financial data (Sect. 4.4). Certain stories seem to play a role in bridging this trust gap, which leads to the central question of what aspects are important for these stories to be acceptable for the purposes of strategic persuasion. The book proposes a concept of upstream and downstream checks (Fig. 3.5), which is used to evaluate the recurring stories and story fragments identified in the case study in the second part of the book and the overall case narrative (Figs. 5.3 and 8.3).

Fake news, disinformation, and conspiracy theories are by no means new societal phenomena but have become a growing international concern in the wake of the pandemic, the Russian invasion of Ukraine, and the war between Israel and Hamas. In connection with the increasing importance of various artificial intelligence (AI) subfields, methods, and applications, they have also gained increasing attention in academia at the interdisciplinary level (cf. Oswald et al., 2022). Since the terms are widely used but not always used consistently and unambiguously, an introductory conceptual clarification is called for. A *fact*, as per Merriam-Webster (2022), is defined as “a piece of information presented as having objective reality” (actual existence or actual occurrence). According to *relevance theory*, the informational value of a piece of content depends on the accessibility of facts, or as Sperber and

Wilson (1995) phrase it “a fact is manifest to an individual at a given time if and only if he is capable of representing it mentally and accepting its representation as true or probably true” (1995, p. 39). In other words, facts do not speak for themselves. “The facts have no voice,” as Christopher W. Tindale (2013, p. 3) put it. They are selected, arranged, and presented in a particular narrative or argumentative way, and this requires rhetorical choices by narrators or arguers. They are the ones who give voice to the facts and thus take a stand on the facts. Giving voice to the facts, then, is “an act of interpretation” (Tindale, 2013, p. 3). And this act is prone to error.

In connection with false or misleading information, two main concepts⁵ can be distinguished depending on intentionality at the level of content creation, dissemination, and sharing (cf. Antiochou & Psillos, 2022, p. 66): *Misinformation* is information that is false or misleading, but where the purveyor of the misinformation has no intent to deceive. *Disinformation* is information that is false or misleading and where, in contrast, there is an intent to deceive, i.e., it has been deliberately created and/or shared to cause harm. *Fake news* is usually, but not always, assigned to the second category. For example, Internet users could conceivably become inadvertent spreaders of fake news by sharing outdated content on social media (Musi & Rocci, 2022, p. 313). What seems to be central here is that fake news looks and feels like real news but contains fabricated, false, or misleading information. Fake news is aimed at the public, using traditional or social media for dissemination (Piffner et al., 2022, p. 46). It is not uncommon for fake news to have a competitive advantage over other news because it makes surprising new references that attract attention and make the news appear to many to be shareworthy content. Musi and Rocci (2022, p. 312) have pointed out that fakery is a continuum rather than a distinct concept in the context of news production and emphasize that news has changed significantly with the advent of digital media (the gatekeeping process has been blurred with the rise of citizen journalism and content shareability has become a key requirement on the part of creators). With the ever-expanding capabilities of artificial intelligence, a new category of fake news has emerged called *deepfakes*. This is synthetic media—i.e., media (images, audio, and video) that is either manipulated or fully generated by AI—that is used maliciously (Schick, 2020, pp. 8–9). As Nina Schick (2020) points out, deepfakes could be used to undermine the reputation of individual investors or extract sensitive data. In 2019, Maisy Kinsley, a self-described Bloomberg senior journalist, sent a message to several prominent Tesla short sellers on LinkedIn asking for personal and financial information. One of the short sellers became suspicious because Maisy had no public writing history. As it turned out, Maisy was not a Bloomberg journalist, according to Schick (2020, p. 152), “but someone posing behind a fake persona with a GAN-generated deepfake image”—with GAN standing for generative adversarial network, a class of machine learning frameworks. Like fake news in general, deepfakes make all social spheres potentially vulnerable, especially politics. A massive spread of fake news on very specific complexes of topics is usually accompanied by a highly polarized discussion environment and a climate of skepticism and distrust toward so-called

⁵Sometimes the concept is extended to *malinformation* when the information is based on reality but is deliberately used to harm a person or institution.

mainstream media and expert opinions, which are perceived as institutional voices. Fake news can be used in a politically motivated way to further inflame an already tense atmosphere, with a correspondingly destabilizing effect. One example of this is the so-called Lisa case in Germany, triggered by the refugee debate in the aftermath of the Syrian civil war. The 13-year-old Russian-German girl apparently told her parents that she had been attacked by men of Middle Eastern or North African appearance. Russian state television reported extensively on the case, with family members of the girl accusing German police of failing to investigate the case. The case made waves on social media and led to demonstrations in Germany, with the government being accused of covering up the case for political correctness. Ultimately, it turned out that the case and the cover-up accusations were fabricated (Knight, 2016; Schick, 2020, pp. 18–19).

Conspiracy theories are not disinformation, at least not from the point of view of the disseminator, because conspiracy theorists usually indeed believe that their accounts and news are true (Pffifner et al., 2022, p. 49). Conspiracy theories, moreover, exhibit certain patterns whereby conspiracy theorists paradoxically claim to be engaging in critical thinking (Sect. 2.3.3, p. 49). Events, in the view of conspiracy theorists, are hardly ever the result of coincidence; one only has to be critical, look closely, and connect the dots to realize that a group of people has conspired with each other to secretly advance their interests (cf. Pfister, 2020, p. 77). There are various journalistic methods to debunk false or misleading content, from source checking to metadata verification and from reverse image search to sophisticated methods for decoding deepfakes, though these lie outside the scope of this book. While fact-checking initiatives are important, they are not sufficient to combat the ecosystem of misinformation and disinformation. This is due in part to increasingly sophisticated falsification techniques and the speed at which fake news spreads. An equally important observation is that fact-checking is not about facts alone, because as has been shown, an argument may be built on factually correct premises (from a material perspective), but the conclusions may still be false or misleading (Fig. 2.13). Although the truthfulness of the information that forms the basis of a news article is, for example, of crucial importance, it is not sufficient to judge the correctness of the content conveyed. According to Visser et al. (2020), “efforts to combat the effects of fake news focus too often exclusively on the factual correctness of the information provided” (2020, p. 38). This supports the notion that narrowly defined fact-checking should be supplemented by a more comprehensive reason-checking using a set of digital tools (Musi & Rocci, 2022, p. 314; Visser et al., 2020). Steve Oswald and Thierry Herman’s (2019, p. 47) definition of *rhetorical effectiveness* as a function of (i) the epistemic strength of the argumentation and (ii) the accessibility/availability of critical information brings another important dimension to light. Referring to *relevance theory* (Sect. 2.2.4, p. 29), they predict that poor or no access to critical information should increase the persuasiveness of the intended conclusion, which is associated with *weakening strategies*.⁶ In contrast, *strengthening*

⁶In this framework, ad hominem fallacies and *red herrings* are two examples of weakening strategies, with the former being aimed at discrediting the epistemological value of the source, while the latter lowers the accessibility of critical information by diverting attention from the real issue (Oswald & Herman, 2019, p. 49).

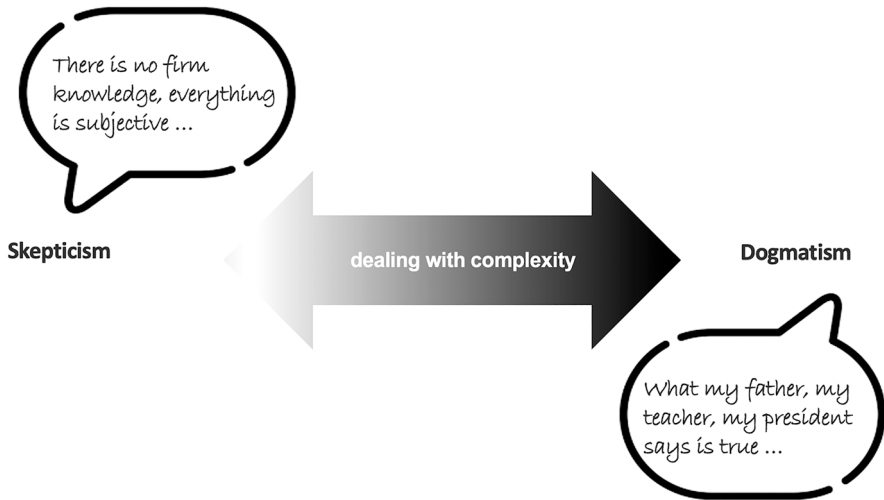


Fig. 3.2 Critical thinking as self-directed thinking between two extremes, from Wiederkehr et al. (2022a) with adaptations (Used with permission)

strategies foreground information “that is compatible with the content of the claim/argument complex” (Oswald & Herman, 2019, p. 47). This can be done consciously or unconsciously (cf. Sect. 6.1.5, p. 173 & p. 175, Sect. 8.3, p. 215).

Both fact- and reason-checking require critical thinking as a foundation, which includes an awareness of one’s own possible perceptual biases. Critical thinking goes beyond the capacity for analysis and methodological knowledge but also includes certain dispositions that tie in with the dialectical virtues discussed (Sect. 3.2.2). They do presuppose tolerance, self-confidence, curiosity, and the search for veracity (cf. Cohen, 2015, pp. 12–20; Pfister, 2020, pp. 14–17). In accordance with the principle of cooperation formulated by Paul Grice (1989) as a description of the normal behavior of communication participants, the speaker makes his or her statements in such a way that the recipient understands what the speaker means in the given context; the recipient, for his part, assumes that the speaker has said something meaningful (see Sect. 2.2.4). Furthermore, in the spirit of a cooperative attitude, it is generally reasonable to believe what someone says as long as there are not any valid reasons to doubt the content of the statement or any good reasons to doubt the trustworthiness of the communicator or source (Pfister, 2020, p. 48). Understood in this way, critical thinking builds on a basic constructive-critical attitude, is self-directed, and presupposes the willingness to deal with the complexity of reality and to constantly re-evaluate it. Thus, critical thinking unfolds between the two poles of extreme skepticism and extreme dogmatism (cf. also Kruse, 2017, pp. 47–52) (Fig. 3.2).

The following excursus deals with the question of how veracity can be substantiated. From the author’s point of view, this question appears relevant with regard to the role that facts play in the context of strategic persuasion because it shows that different approaches to the concept of truth are possible and can coexist. This is followed by a reflection on different qualities of knowledge, which are explained in more detail below.

There are various theories for proving, establishing, or indicating truth, and all these different approaches have their merits (Kruse, 2017, pp. 165–176; Wiederkehr et al., 2022b). The *correspondence theory of truth* defines truth as that which corresponds to observable reality—for example, when researchers experimentally test whether hypotheses can be empirically confirmed. This should be distinguished from the *coherence theory* with its logical inference procedures (for more on the concept of coherence, see Sect. 2.2.4). From the perspective of the *consensus theory of truth*, it is not just empirical and logical statements that can be true, but all kinds of assertions with which a claim to validity is made and which are socially accepted or acceptable as common ground (cf. Habermas, 2004). In addition, there is the *pragmatic theory of truth*, which evaluates ideas according to ends rather than means and links a truth claim with utility and beneficence. Simply put, religiosity is generally acceptable from this perspective if, for example, it helps people cope better with life (Chin, 2020). This enumeration is by no means exhaustive, but it does give an indication that there are different paths to truth, that beyond the two poles of absolute unknowledge and established knowledge, there is a realm of disputed knowledge in which large parts of life take place (*narrative truth*, see Sect. 8.4, p. 225). In this realm, this book argues, reasoning procedures are necessary to lend some basic credibility to an assertion. In other words: In many everyday situations, factual evidence is lacking. In all these cases, plausibility judgments are supposed to provide a reasonable orientation to support an assessment, substantiate a decision, or justify an action, but these judgments may in fact turn out to be wrong and require revision (cf. Sect. 4.4). They are only valid as long as there are no good reasons to revise them. This requires constant deliberation and independent critical thinking, which can be exhausting but is important far beyond investment decisions because shortcuts increase the risk of bad decision-making.

“You need to bring both stories and numbers into play in investing and business, and valuation is the bridge between the two,” writes Damodaran (2017, p. 5). As will be discussed in the case study, valuation techniques are sometimes not sufficient to build this bridge. Other methods are then needed to build investor trust, with Damodaran (2017, pp. 92–109) bringing into play the so-called *three Ps*, a gradation of story credibility from possible to plausible to probable. This also marks out the field in which argumentation often serves to establish procedures and criteria for substantiating knowledge claims beyond formal logic. Figure 3.3 summarizes these considerations and links them with the conceptual argumentation-theoretical remarks made in Sect. 2.3.1. In it, different gradations of divergent knowledge qualities are identified, and two types of established knowledge are juxtaposed:

- (i) Established knowledge as empirically tested or proven knowledge: The realm of demonstrative reasoning based on primary evidence (formal logic).
- (ii) Established knowledge in the sense of discursive or generally accepted premises: The domain of dialectical reasoning based on *endoxon/endoxa* (see Sect. 2.3.1).

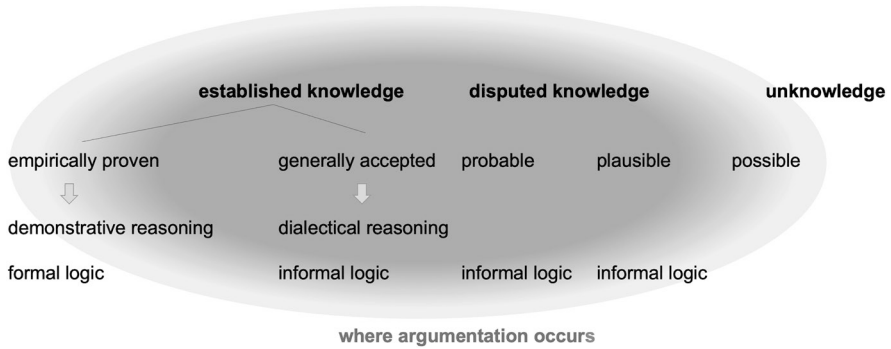


Fig. 3.3 Argumentation and divergent qualities of knowledge

The question remains of which factors are relevant for the plausibility test of stories and ultimately what criteria “a story told in an argumentative discourse should fulfil in order to be credible and accepted as evidence of some sort” (Olmos, 2015, p. 162).⁷ These criteria are more comprehensive than those listed in connection with the verisimilitude of stories, which are essential for narrative transportation (Sect. 3.2.1). However, they build on them to some extent. As Paula Olmos (2015, p. 158) notes, there is a long tradition of categorizing the criteria for a story’s acceptability into two distinct realms; one *intra-diegetic* (within the story itself) and the other *extra-diegetic*. In Gilbert Plumer’s (2015) work, this dyadic representation is referred to as internal coherence (the extent to which events in the narrative are fully connected) and as external coherence with “widely shared basic intuitions about how human psychology and society not only actually, but necessarily work” (2015, p. 499). Plumer’s story requirements are largely consistent with the points made about verisimilitude as the basic believability of a story (cf. Sect. 3.2.1). In Walter R. Fisher’s (1987) concept, the crucial dividing line lies between the two principles of *coherence* and *fidelity*. Coherence (structural, material, characterological) is evident in a story that “hangs together” and that is free of contradictions (Fisher, 1987, pp. 47, 88). Narrative fidelity refers to the “truth qualities” of a story—that is, whether the individual components of a story represent accurate assertions about social reality (Fisher, 1987, pp. 88, 105). According to Fisher, two questions arise regarding narrative fidelity: “(a) Does the message accurately portray the world we live in? and (b) Does it provide a reliable guide to our beliefs, attitudes, values, actions?” (1987, p. 175).

One instructive work for those interested in establishing a set of criteria for story credibility is the research by Nancy Pennington and Reid Hastie (1986, 1988, 1992) on the role of stories in jury decision-making in legal trials. According to this work, several factors influence the acceptability of a story (Pennington & Hastie, 1992, pp. 190–191):

⁷For a detailed list of 10 criteria, see Paula Olmos (2015, p. 163). They have been recompiled and grouped for this book.

- (a) Consistency (freedom from internal contradictions) and plausibility (conformity with external world knowledge).
- (b) Completeness and coverage: the extent to which a story contains all its parts and the degree of detail relative to the data presented as evidence in the trial.
- (c) Uniqueness of the story.

At this point, it seems important to *distinguish between fictional and nonfictional (documentary) stories*, with the latter claiming to be grounded in real situations and giving an accurate account of real people. As explained earlier, this distinction is not crucial for the verisimilitude of a story in the context of narrative transportation, but it is essential for assessing story acceptability. In their argumentative analysis of outdated news statements, Musi and Rocci (2022) introduced a conceptual framework that distinguishes between upstream and downstream argumentative configurations. This analysis will seek to apply this basic idea to story acceptability checking. In the case of *upstream acceptability*, it is the story itself that is at issue (is the story as a whole and in its parts true?), while *downstream acceptability* concerns the acceptability of the message (*elixir* or moral) conveyed by the story. For upstream argumentativity, Musi and Rocci (2022, pp. 317–318) refer to the *stases* of classical rhetorical theory:

- (i) *Conjectural stasis*: “Did it really happen?” (Verification of the factuality of the events).
- (ii) *Definitional stasis*: “What did really happen?” (Checking the definition, nature, or framing of what happened).
- (iii) *Quality stasis*: “What was it really like?” (Assessment of non-essential details, elaborations or features of the reported events).

As mentioned at the beginning, facts do not have a voice; they are given a voice, and this implies choices and interpretations. We may thus ask: What facts are brought to the fore, what ones are pushed into the background, omitted, suppressed, or concealed, and for what reasons? Each one of these choices affects the way a story is perceived. If we apply this to the acceptability checking of nonfictional stories and incorporate Pennington and Hastie’s (1986, 1988, 1992) research findings, this means: The abundance, depth, and accessibility of verifiable, relevant details are essential to the upstream acceptability of nonfictional stories (cf. Sect. 5.1.2, p. 110). The more precisely a documentary story is described in detail, the more specific a narration, the more vulnerable the narrator becomes, because he or she thereby offers numerous clues that enable a verification of factual accuracy. If a description remains vague, an escape route is always left open. “This Mercedes Benz was traveling on a highway outside Melbourne, at nine o’clock on a Tuesday evening,” the Mercedes commercial discussed in Sect. 2.2.3 begins. “Inside were the Neis family, husband, wife, and two teenagers on the way to their farm,” the narrator continues. A commercial that begins with such a precise description of a case can only report a true event, especially if the next sentence says: “As they crested the hill, another car, on the wrong side of the road, and traveling at high speed in a one-hundred-kilometer zone speared into the Mercedes.” The last image shows the family next to the severely damaged vehicle as living proof and



Fig. 3.4 “This is the Neis family. To them, a Mercedes Benz is not a luxury” (Video still used with permission)

embodiment of the message, resulting from a causal and inherently consistent chain of chronological events.⁸ They are the surviving witnesses of the accident, whose mere presence as visual testimony confirms the authenticity of the case. After all, the perspective of experience is also a source of credibility (cf. the argument from position to know, in: Walton, 1996, pp. 61–63) (Fig. 3.4).

This Mercedes advertisement includes a variety of verifiable details that are relevant to the message “to them, a Mercedes is not a luxury.” With some research, an interested individual could locate and interview the family and even view the accident report, inspect the vehicle, or consult the mechanic who repaired the car. It may even be possible to trace and question the person responsible for the accident. In short, there would be a multitude of clues for an investigative journalist to examine the described case for its truthfulness and to assess the appropriateness of the selection of facts presented. Mercedes thus exposed itself greatly—the damage to its reputation would be considerable if the reports did not correspond to reality, if significant aspects had been concealed, or if the case had been fabricated. This verification of the factuality of events and details, which is important for the credibility of nonfictional stories, represents the first stage of the upstream acceptance assessment, referred to as *fact-checking*. The second stage of upstream acceptability concerns the *internal consistency* of the story in the sense of its internal freedom from

⁸According to van den Hoven (2017), the justificatory power of narratives lies primarily in the causality of action that is directed, motivated, and embodied. As van den Hoven (2017, p. 119) points out, “the narrative scheme plays a part in construing the rhetorical force of pragmatic arguments,” where actions are evaluated in terms of their observed or predicted consequences (cf. also Zampa, 2019).

contradiction, which applies equally to fictional and nonfictional stories.⁹ Only if the consistency criterion is met is the message logically anchored in the story. Completeness, in the sense of the richness and depth of relevant details, contributes strongly to the third aspect of the upstream acceptability assessment, the plausibility of a story, provided that these details are internally consistent. In the case of documentary stories, those relevant details provide numerous starting points for verification. Upstream acceptability includes the acceptability of the way the account is given (*definitional* and *quality statis*). It also encompasses the specific *mood* conveyed by the narrative (vividness and sound of a narrative). This book subsumes all these aspects under the umbrella term *plausibility check*, which involves an acceptance assessment of those aspects of a representation that have not been verified in detail or that cannot be verified. For a story to appear plausible, consistency is a necessary but not sufficient condition. To claim plausibility, some kind of evidence is needed, although the nature of that evidence may be softer than, for example, robust cash flow projections in a business valuation (cf. Damodaran, 2017, p. 93). Possible indications are compliance with regulatory requirements, the presentation of a prototype, incoming orders, the existence of reputable investors or partner companies, recommendations by financial analysts, comparisons with similar cases, etc., although background knowledge and life experience also enter into the plausibility assessment (cf. Sect. 8.3, p. 214). For fictional stories, this aspect of upstream acceptability refers to the general believability of a story in the sense that an invented plot *may* happen and neither the characters nor the storyline may seem too far-fetched or out of touch with reality (cf. notes on verisimilitude in Sect. 3.2.1).

The three proposed components of an upstream credibility assessment of nonfictional stories are interconnected but separable. Undoubtedly, fact, consistency, and plausibility checks are of great importance for the basic acceptability of a nonfictional story, but this is not enough to make a story useful in the context of strategic persuasion. Downstream acceptability concerns the message conveyed as an important additional dimension in the overall acceptability of a story, which essentially involves two aspects (cf. Sect. 5.1.3, p. 124 and Sect. 8.3, p. 216):

- (i) Ethotic assessment (evaluating the trustworthiness of the source, e.g., in an appeal to expert opinion or the overall trustworthiness of the storyteller or creator)
- (ii) Connectivity with shared values and beliefs (value fit)

For a message to appear acceptable, both source trustworthiness and a basic value fit are required, and this book assumes no fundamental difference in the downstream acceptability assessments of fictional and nonfictional stories (although source trustworthiness can usually be more comprehensively evaluated in nonfictional stories). “A compelling argument does not necessarily have to be true, especially when it appeals to values,” wrote Floris Bex and Trevor Bench-Capon

⁹Research on writing, e.g., progression analysis, shows that such internal inconsistencies (contradictions, gaps, unsatisfactory transitions, etc.) are common in written texts when the writing process is highly fragmented (Perrin, 1999, 2003).

(Bex & Bench-Capon, 2017, pp. 43–44).¹⁰ The same applies to stories because fictional stories develop persuasive power when they convey a strong message in a memorable way, which typically involves making an appeal to values. However, the truth content is an essential element determining the persuasiveness of documentary stories. “Believability with respect to fictional stories is quite a different thing than it is with respect to nonfictional stories,” Plumer (2017, p. 77) notes; it might be added that this difference manifests itself primarily in upstream assessment. As for downstream evaluation, a separate section is dedicated in the second part of the book to the (i) aspect of ethos formation through storytelling (cf. Sect. 5.1.3). At this point, it should be mentioned that the trustworthiness of the source is of course important for the acceptability of the message. If, for example, the central claim in a journalistic article is supported by expert opinions, the trustworthiness of these experts in general and specifically in relation to the subject area in question is key to the overall acceptability of the message. In the present example, the acceptability of the message is increased if the Mercedes brand is perceived as a trustworthy source (the same applies to the fictional Audi spot). For the message to resonate with the target audience, it must also be possible to (ii) presuppose general acceptance that a lifesaving car is a good car. Moreover, it was shown in Sect. 2.3.3, p. 49, that this type of advertising appears to be particularly promising when exclusivity is not the central purchasing argument (value fit). Figure 3.5 summarizes the considerations

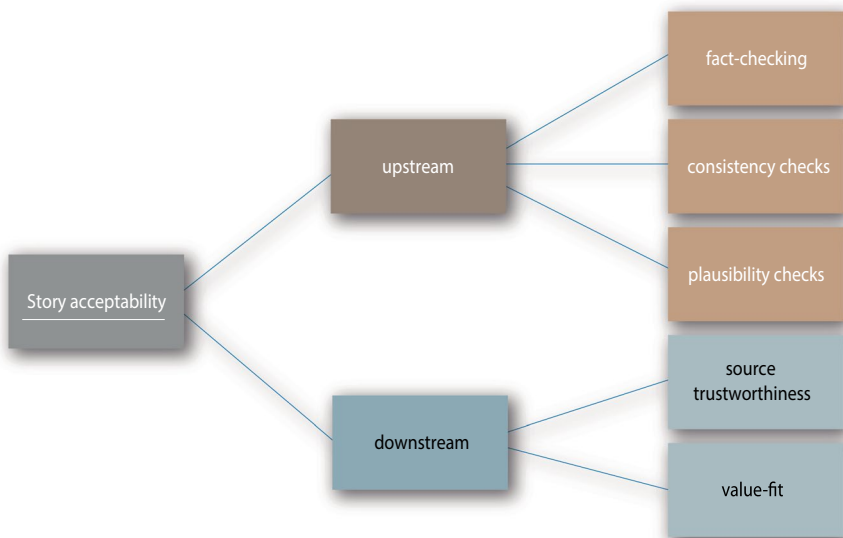


Fig. 3.5 Upstream and downstream assessments of nonfictional stories

¹⁰A prescriptive standpoint (“you should do x”) might be difficult to evaluate in terms of its truth value.

for assessing the acceptability of nonfictional stories. The proposed scheme can be understood as a more detailed version of Aswath Damodaran's *three Ps*—a gradation of story credibility from possible to plausible to probable—in that, it contributes to understanding how we end up with one of the three Ps.

“The power of an argument based on a story comes from the aptness and plausibility of the story,” summarize Bex and Bench-Capon in their contribution *Arguing with Stories* (2017, p. 43). In the concept proposed, plausibility is associated with upstream acceptability testing and aptness with downstream acceptability testing. In the context of upstream testing, the individual elements of a nonfictional story may acquire argumentative probative value, provided they are verified or plausible and internally consistent. “However, it is also possible to use a story as an argument, that is, propose the story itself as a reason for some conclusion” (Bex & Bench-Capon, 2017, p. 32). Thus, if a storyteller's main intention in telling a story is strategic persuasion—e.g., to convince others of a certain course of action in the longer term, then the story itself, and more precisely the moral (message, elixir) of a story conveyed by the narration, becomes an argument whose acceptance is tested downstream. As Bex and Bench-Capon (2017) point out, stories can be powerful argumentative vehicles, and they are often used in *analogical reasoning* (comparing a target case with a source case that appears to be similar in some relevant ways).¹¹ Stories can give analogies more substance and thus more persuasive power, albeit at the risk of drawing inadmissible generalizations from limited experience (Bex & Bench-Capon, 2017, p. 43). This danger is inherent in stories in general. Kvernbekk (2003) and Govier and Ayers (2012), for example, have expressed skepticism about the epistemological validity of narratives as arguments. According to Tone Kvernbekk (2003, p. 8), both narratives and arguments can contain conclusions, but whereas an arguer uses premises to lead a critic to a conclusion that the critic does not yet buy into, in the case of narrative, plot development takes place in hindsight (the narrator already knows the message of the plot). Drawing on Tindale (2017, p. 13), one could object that while the narrator knows the outcome, this is not necessarily true for the audience, and it could be added that the real problem with the subsequent construction of the plot line in service of a moral of the story lies more in the realm of inappropriate and distorting simplification. Even more fundamental, however, is the caveat that stories are partly but not solely rhetorical devices. When they fulfill certain criteria explored in this chapter, stories can also play a role in rational decision-making. In other words: Scholars have attempted to show ways in which narratives can actually develop argumentative force under certain conditions. Trudy Govier and Lowell Ayers (2012) have critically examined the relationship between argument and narrative using parables. They have found that the arguments drawn from the parables involve analogies whose validity is problematic because “the things compared are likely to differ in respects highly relevant to the conclusion,” and the individual case depicted is often “not representative of the broader class” (Govier &

¹¹ By contrast, a *metaphor*, considered to be more of a rhetorical figure, connects a concrete source domain to an abstract target domain and implies a transfer of meaning. For more on the argumentative nature of parables as a form of extended metaphors cf. de Bustos (2017). For more on metaphors as a powerful resource for framing, see Rocci (2009, p. 263).

Ayers, 2012, p. 186). Stories do indeed illustrate individual cases, and when conclusions generalize from a given example, there is always the possibility of a hasty conclusion fallacy. However, this does not detract from the value of the individual case; it does not reduce the merit of making the effort to personalize abstract contexts, to concatenate them, to give them immediacy, to embed them in real or realistic situations, and thereby make them accessible, comprehensible, vivid, and connectable. It merely underscores the danger that generalizations typically entail. Not without reason, the Mercedes commercial ends with the statement: “This is the Neis family. To them, a Mercedes Benz is not a luxury.” Needless to say, a Mercedes (in general) is a wise investment—because it is potentially lifesaving. The generalization happens implicitly in the mind of the viewer, who can imagine becoming an innocent victim of an accident himself or herself and then being grateful for the 120 safety features that are apparently built into every Mercedes (see Fig. 2.12). The audience alone decides whether the case is representative, whether it resonates with their own lives, and whether the generalization to their own experiences seems appropriate and acceptable. Stories function inductively and draw their persuasive power from the engaging and understandable description of the specific individual case, with all the limitations and dangers this implies. “Narration is, after all, a way of personalizing argumentation,” Tindale (2013, p. 3) notes.

3.4 Levels and Units of Analysis

The previous chapter explored why a combination of arguments and stories can offer benefits for the purposes of strategic persuasion in situations where hard evidence is scarce. In particular, it used a proposal for upstream and downstream checks to concretize the conditions under which the use of nonfictional stories can help bridge a trust gap. Overall, then, the previous chapter clarified the conditions under which narratives are likely to be resistant to crisis. Section 3.4 is now devoted to the context, dynamics, and concrete forms of the interplay between arguments and stories.

These considerations lead to the proposal of a theoretical framework that, while potentially applicable to a wide range of cases in different contexts where strategic persuasion plays a role, is used in the present book to explore, systematize, and discuss the interplay of argumentation and storytelling observed in the case study.

3.4.1 *Rhetorical Situation*

Narrative transportation theory fundamentally distinguishes between two roles, the role of the teller on the one hand and the role of the receiver of the story on the other, although different, partly overlapping target groups are conceivable. In the context of corporate communications, for example, scholars could develop a cartography of different parties that have a stake (stakeholders) in a topic. These target groups

could be prioritized and addressed differently, not only in terms of content, but also in terms of modes, media, and channels. Even strategies that try to turn content consumers themselves into producers of new content as part of follow-up communication are conceivable. Despite all these possibilities and differentiations, there are basically two roles that are relevant in storytelling: that of the sender and that of the receiver.

Argumentation deviates from this in one important respect. As illustrated by the discussion of primary and secondary audiences in Sect. 2.3.1, the antagonist that is addressed by argument does not always correspond to the (primary) audience that the arguer ultimately wants to convince. “In contrast with modern pragma-dialectics,” Rocci (2009, p. 273) notes, “ancient rhetoric typically presupposed a context of communication where a third participant was envisaged beyond the protagonist and the antagonist,” referred to in Aristotelian *Rhetoric* as *krités* (judge or decider). Institutional corporate communication typically deals with a large number of partly overlapping stakeholders, and it is often challenging to balance their differing expectations and interests, particularly in an increasingly digitized environment. An important theoretical contribution in this regard is Finn Frandsen and Winni Johansen’s (2017) concept of the *rhetorical arena*, which refers to “the social space that opens when a crisis breaks out” (2017, p. 143). This multi-vocal approach to crisis communication assumes that a crisis is characterized by a dispute over how to interpret and manage a crisis, with a complex and dynamic interaction between many actors, such as consumers and citizens, the news media, trade associations, managers, and employees. Multi-vocal crisis communication studies have focused their analysis on the themes and tonality that characterize stakeholder responses, but they do not specifically examine the arguments made to support claims about a crisis event (Palmieri & Musi, 2020, pp. 273–274). It would now be possible to adopt such a theoretical focus. In such an interaction field,¹² argumentation would not just be a simple discussion between a protagonist and an antagonist (for an argumentative perspective on rhetorical arenas see Palmieri & Musi, 2020). *Polyphony*, according to Rocci (2009, pp. 260, 267), refers to the staging of multiple voices in the discourse that are not subordinated from one to the other. For example, the argumentative defense of a company that has been attacked by a short seller is one such situation that requires *polyphonic balancing*. Even if the counterargumentation refers directly only to the short seller, it is obvious that the argumentation is directed at a multitude of parties whose interests are at stake. The notion that a short seller could be convinced is utterly implausible; he has already adopted his position (for the definition of *short selling* see Sect. 4.3). The company’s argumentative defense is certainly addressed to the investment community—in the case of startups, venture capitalists, business angels, banks, crowd funders, among others—but also to the

¹²An interaction field, according to Palmieri and Mazzali-Lurati (2021, p. 163), is “defined by shared goals and mutual commitments shared amongst different groups of stakeholders” participating in the field, as their specific interests are related to the achievement of the common goals. For the roles stakeholders can take within a communicative event, see Palmieri and Mazzali-Lurati (2021, pp. 163–164).

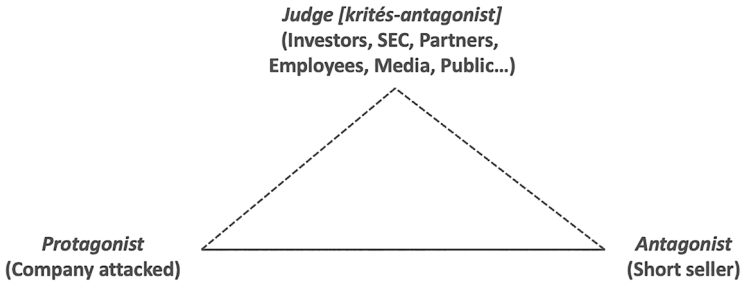


Fig. 3.6 Complex rhetorical situation on the example of a short seller attack

regulatory authority (in the United States, this is the Securities and Exchange Commission SEC), employees, business partners, customers, the financial and mass media, and the general public. They are the primary audience and, in a sense, act as judges between the company and the short seller, assessing the acceptability of the arguments and inferences presented (Fig. 3.6).

In summary, the context level describes the rhetorical situation in which the discourse takes place while also capturing changes in that situation as time progresses (types of contexts in pragma-dialectics, cf. Sect. 2.3.3, p. 44).

3.4.2 *Intertextual Chains and Networks*

At this macro level, we investigate whether and how the interplay between argumentation and narration for the purposes of strategic persuasion changes over time, e.g., because a company's situation shifts significantly due to stakeholder intervention. In this context, Chaps. 6 and 7 of the book will examine the question of whether the startup's strategic communication changes substantially as a result of a short seller attack, in particular, what can be observed on the basis of the case with regard to the interplay of argumentation and narration (on context change, cf. Sect. 2.2.4, pp. 29–31).

Within a given language practice, the argumentation schemes (or loci) and mythologems that individuals or organizations use to justify conclusions or ground stories may change over time. The same applies to intertextual chains and networks at the macro level, which points to potential changes in interplay. With respect to the object of investigation of this book, two types of such changes can be juxtaposed:

- (i) Transition Type 1: A discourse becomes more argumentative (argumentative turn).
- (ii) Transition Type 2: A discourse becomes more narrative (narrative turn).

The term “text,” as used here, goes beyond written texts, and can combine different modes of communication such as written and spoken language and visual (still and moving images) elements, illustrating the possibility for communicators to draw on very different resources of meaning-making.

3.4.3 Discourse Structure

Narration and argumentation are both linguistic practices relevant to strategic persuasion, but their internal structures differ. Argumentation is organized as a *series of reasoning steps*; it implies the obligation to provide reasons to justify the standpoint in question. Moreover, argumentation is normative; there are rules for evaluating the validity of an argument; certain steps must be followed in argumentative reconstruction, and this implies analytical processing and critical scrutiny. In assessing the validity of an argumentative configuration, we can distinguish between a material angle (acceptability of a premise or standpoint) and a procedural angle (relevance and sufficiency of an inferential relation), with dialectical virtues (freedom and responsibility) being a prerequisite for resolution-oriented argumentative discourse.

In contrast, stories follow a plot structure that is tied to the concrete individual case (hero), and they take the form of a *sequence of events in a temporal order*, typically with causal connections: goal, incident, and consequences. Underlying this may be a larger motif that emerges as the moral of the story (elixir, overarching message), which often finds embodiment through the hero's transformation in the course of events. Stories are a way of organizing a complex mass of events, and they are tools for structuring experiences. Yet, stories that go beyond a mere chronological stringing together of individual events also have a sense-making power as units of meaning with an appeal to values and emotions. And despite the distinct mental state that—according to narrative transportation theory, readers, listeners, or viewers are immersed in—stories must meet certain criteria to induce the state in question and, in a more far-reaching demand, to appear acceptable as evidence of some sort. Internal consistency here is a necessary but not sufficient criterion. In this context, the analysis proposed a conceptual framework for upstream and downstream assessments that distinguishes between fictional and nonfictional stories. And while both narration and pragmatic argumentation evaluate actions in terms of expected or observed consequences, their justifying force differs. Van den Hoven (2017) suggests that “the justifying force of the narrative is explanatory; its causality is direct, motivated, and embodied” (2017, pp. 103–104). In contrast, according to van den Hoven, the justifying force of the pragmatic argument is “grounded on abstract, generalized regularities” (2017, p. 104).

The discussions so far and the illustration of the theoretical references using two commercials from different eras suggest that numerous mixed forms that lie between the two pure discourse formats¹³ of narration and argumentation are conceivable. Four main forms are identified for reasons of simplicity here; when talking about the pure forms, reference is made to the corresponding explanations in the literature review.

¹³According to Bakhtin (1981, 1986), all types of *discourse*, whether monologic or dialogic, are directed toward an addressee, the distinctive feature of *rhetorical discourse* being that it aims to elicit the addressee's consent and is constructed in such a way as to anticipate the addressee's reactions and objections (cf. Rocci, 2009, p. 266).

- (i) Purely argumentative.
- (ii) Embeddings Type 1: Primarily argumentative with embedded stories or story fragments (narrative arguments).
- (iii) Embeddings Type 2: Primarily narrative with embedded arguments (argumentative narratives).
- (iv) Purely narrative.

As James Phelan (2017) has noted, “a skillful author can, depending on his or her overall purposes, use narrative either as a mode of argument in itself or as means of supporting arguments made through non-narrative means—and can even use both approaches within a single piece” (2017, p. 192). Accordingly, there are arguments that narrate (narratives that *are* arguments: the story *is* the argument with the intent to be mainly persuasive) and narrative arguments (narratives *within* arguments), but also argumentative narratives or narratives that argue are possible mixed forms (arguments *within* narratives). The following sections take a closer look at the two main hybrid forms:

i. Primarily argumentative with embedded stories or story fragments (Type 1)

As suggested earlier, there are certain criteria that a story told in an argumentative discourse must meet to be accepted as evidence of some sort. Figure 3.5 thus concretizes the assessments that are necessary to examine whether a nonfictional story is at all suitable for embedding in an argumentative discourse. As described in the book *Narration as Argument*, a collection of essays edited by Paula Olmos (2017a), the use of stories in an argumentative discourse is a lived practice with a variety of possible applications ranging from legal argumentation to medicine and from scientific theorizing to war policing, though the world of economics, business, and finance could certainly be added here (Bex & Bench-Capon, 2017; Phelan, 2017; Olmos, 2017b; Kvernbekk & Bøe-Hansen, 2017; Whitehouse, 2022). The role of stories in the process of presenting evidence is probably best examined in the realm of judicial disputes, such as criminal cases, where arguing with evidence and facts plays a crucial role (cf. Bex et al., 2019; Bex & Verheij, 2012; Pennington & Hastie, 1986, 1988, 1992). Stories are needed to organize a complex mass of facts and events, and the way in which this is done determines whether or not these stories appear acceptable as a form of evidence. In this context, Bex et al. (2010) have proposed a *hybrid argumentative-narrative approach* to reasoning, which assumes that both arguments and stories play a role in dialectical and critical decision-making about facts.

In her study on the interplay of argumentation and narration in conflict talks, Cordula Schwarze (2019) has demonstrated that “in order to act persuasively, interlocutors use narration to prepare the ground for argumentation” (2019, p. 51). Family conflict conversations are less about telling stories completely and exhaustively; instead, participants operate with fragments or small stories, always preparing, as Schwarze (2019, p. 67) shows, just as much narratively as is necessary for argumentative processing. This result is interesting because it draws attention to yet another reason why stories might play a role in argumentative discourse, where the

probative value of stories is not the sole or ostensible reason for their use. Rhetoric gives effectiveness an edge over accuracy, completeness, and veracity. In this sense, the accessibility of stories can be the decisive reason for their use to rhetorically prepare argumentative discourse. Preparing the ground, then, might mean grabbing the audience's attention, connecting with the audience, and/or framing the argument rhetorically. A similar idea is captured in the extension of the pragma-dialectic framework through the notion of *strategic maneuvering*, which is about finding the right balance between dialectical commitments to reasonableness on the one hand and effectiveness on the other. The introduction of rhetoric into pragma-dialectics allows scholars to deal with moves and modes that deviate from prototypical argumentative discourse formats. Van Eemeren and Houtlosser (2006) distinguish between three aspects of strategic maneuvering, all three of which are associated with specific types of decisions made in maneuvering (cf. van Eemeren, 2010, pp. 93–127): choices made from the *topical potential*, adaptation to the *audience demand* (which requires a quality of empathy), and *presentational choices* to enhance the effectiveness of an argument that opens the spectrum toward multimodality (cf. Kjeldsen, 2012; Rocci & Pollaroli, 2018; Tseronis, 2018; Wildfeuer, 2014). As Rocci (2009, p. 258) points out, the notion of presentational devices is very broad and coincides with the realm of style or wording that the classical rhetorical tradition called *lexis* or *elocutio*. The range of presentational devices has been expanded by Rocci (2009) to include what he calls *polyphonic framing*, “which is not in itself included in the traditional repertoire of figures of speech” (2009, p. 259). Storytelling can play a role in public discourse in balancing multiple voices by facilitating understanding across system boundaries (cf. Perrin & Wyss, 2016; Rhodes & Brown, 2005). The essential point here is that it seems appropriate to conceive of narration and argumentation not as opposing but as complementary modes of persuasion. Different reasons may be decisive for combining them.

ii. Primarily narrative with embedded arguments (Type 2)

The analysis of the two car commercials gave concrete form to the theoretical references and underscored the practical importance that arguments have in the context of narrative persuasion in general. This book specifically focuses on the question of the interplay and mutual influence of argumentation and storytelling in the field of trust building. There seem to be at least two different angles on this (cf. Palmieri & Musi, 2020). Existing trust can be the starting point to support a claim argumentatively—for example, by enabling a transfer of acceptance through the trustworthiness of the source. Embedded in this fundamentally argumentative discourse could be a small story developed around an authority figure, whose message supports the standpoint (the message's acceptance then becomes subject to downstream evaluation). Trust from this perspective enables the transfer of acceptance from a premise to a standpoint. In the context of the pandemic, for example, the statement “Thou shalt wear an FFP2 mask” could be justified by Anthony Fauci's testimony that FFP2 masks are effective in protecting against infection and in containing coronavirus transmission (or more effective than other masks). Insofar as Fauci is considered an unquestioned authority as an immunologist and then director

of the U.S. National Institute of Allergy and Infectious Diseases, the trustworthiness of the source is used to justify the claim, and a small story can help make the argumentative discourse more accessible, e.g., that Fauci was supposedly captain of his high school’s basketball team even though he was only 5’7” (1.70 m) tall (Roberts, 2020).

Yet, how does the interplay of narration and argumentation work when trust cannot be presupposed but must first be built? How, for example, is trust established in a startup entrepreneur when the numbers needed to factually underpin trust (sales figures, revenue growth, market share, free cash flow, profitability, etc.) are lacking? The assumption to be explored in the case study is that *argumentative storytelling* plays a crucial role in this process. Arguments are embedded in these stories, i.e., these stories have, to some extent, an argumentative core that supports the building of trust. From this point of view, trust would not be the starting point, but the conclusion of an argumentative process mediated by stories (cf. Sect. 5.1.3).

Figure 3.7 illustrates the analytical framework and provides an overview of the considerations made in this chapter.

The following application-oriented part of this book presents and explores the practical case in chronological order. In doing so, Fig. 3.7 proves useful, as it structures the case analysis and sharpens the theoretical focus. The starting point for the following investigation is the micro level.

The first stage of the case analysis is to identify recurring narrative and argumentation components and to reconstruct the case both argumentatively and narratively, starting with the narrative reconstruction. This involves relating the narrative fragments to one another, deriving the larger, overarching story, and identifying the underlying mythologems in which the story is rooted (Sects. 5.1.1 and 5.1.2).

FOCUS	UNIT OF ANALYSIS	ANALYZED PHENOMENA
Context level	Rhetorical situation	Complex: polyphonic balancing
		Simple: triangular or transmitter-receiver
Macro level	Intertextual chains and networks	Argumentative discourse stays argumentative Transitions Type 1: discourse becomes more argumentative Transitions Type 2: discourse becomes more narrative Narrative discourse stays narrative
Micro level	Discourse structure	Purely argumentative: series of reasoning steps Embeddings Type 1: narrative arguments Embeddings Type 2: argumentative narratives Purely narrative: temporal sequence of events

Fig. 3.7 The analytical framework for examining the interplay between argumentation and storytelling

Argumentative reconstruction begins by identifying the standpoint(s) and other argumentatively relevant components of Nikola's strategic investor communication, integrating relevant implicit information derived from what is said, written, or visible and from the situation, the circumstances, or the larger context, while filtering out argumentatively irrelevant features (Sect. 5.1.3). The next step is to meaningfully structure these various argumentative components, leading to a reconstruction of the overarching argumentative framework of Nikola's strategic investor communication and an exploration of inferential configurations (Fig. 5.10).

The second stage of the case analysis examines the interplay of argumentation and storytelling in the discourse structure (embeddings, see Fig. 3.7). This is done exploratively and is summarized in the interim results in Sect. 5.4 and in the concluding presentation and discussion of the results (Chap. 8).

The third stage of the case analysis investigates whether and how Nikola's strategic communication changed during the crisis episode (Fig. 8.1). The reconstruction of counterarguments will prove important in this context (see Chap. 6, but also Sect. 7.2, p. 201). In the case of the Nikola Corporation, the context changed profoundly due to the intervention of a stakeholder, a short seller to be precise. Taking this into account, the third stage analyzes possible transitions at the macro level.

The fourth stage assesses the overall argumentative and narrative strength of Nikola's strategic investor communication during the period under study (Sect. 8.3). Argumentative strength examines compliance with the dialectical virtues (freedom, responsibility) as well as the (conventional and problem-solving) validity of the argumentation under study. The former identifies uncooperative moves and possible fallacies that are grounded more in the basic dialectical attitude of the arguer than in the validity of the argumentation in the narrower sense; the latter involves an assessment of the acceptability of the premises on the one hand and the relevance and sufficiency of the inferential configurations on the other (cf. Sect. 2.3.3, p. 48). In contrast, narrative strength typically assesses the way stories are crafted and told (cf. Sect. 3.2.1). However, in this book, stories are also evaluated in relation to their argumentative readiness, that is, their ability to withstand counterarguments and develop argumentative strength in themselves (Sect. 3.3). To this end, this book has developed a conceptual framework for the upstream and downstream assessment of nonfictional stories, presented in Fig. 3.5. Finally, the fourth stage also includes an evaluation of the interplay between argumentation and storytelling for the purposes of strategic persuasion in a startup context, which goes beyond mere description and aims to contribute to a better understanding of the reasons for this interplay in a business context and possibly beyond (Figs. 5.14 and 8.1).

The proposed sequence is not strictly followed in every instance, since the acquisition of knowledge is exploratory, as previously described (Sect. 1.2). Accordingly, the purpose of the case study is to bring theory into conversation with what is uncovered in the case and to generate new insights while the research is taking place. Nevertheless, this four-stage methodological approach, together with the concepts and analytical tools discussed, forms the basis for the case analysis that now follows.

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- Wiederkehr, R., Montanari, M., & Möckli, T. (2022b). *Kritisches Denken. Wahrheit und Glaube. Introduction to the module critical thinking*. ZHAW Zurich University of Applied Sciences. Institute of Applied Media Studies [Powerpoint slides] [PowerPoint slides].
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Part II
Case Study: The Rise and Fall of the
Nikola Corporation

Chapter 4

Case Introduction



The Nikola Corporation is an Arizona-based startup that aims to revolutionize the transportation industry by developing hydrogen-electric and battery-electric trucks. The company was founded in 2014 by Trevor Milton, who sought to create a cleaner and more sustainable alternative to diesel trucks. In the early stages of development, Trevor Milton served as the public face of the startup and, as the case study will demonstrate, played a crucial role in attracting investors and promoting the company's vision. The startup gained widespread attention in 2016 when it announced the development of the Nikola One, a hydrogen-electric truck that promised to be more efficient and environmentally friendly than traditional diesel trucks.

The Nikola Corporation went public in June 2020 through a merger with a special purpose acquisition company (SPAC), VectoIQ, bypassing the traditional initial public offering (IPO) process and going public faster. The company's stock soared after the merger, surpassing the valuation of Ford Motor Company. However, shortly after going public, the Nikola Corporation faced a fundamental trust crisis triggered by an attack from a short seller, Hindenburg Research. Hindenburg Research accused the startup of misleading investors by overstating its technology and capabilities, including using non-functional Nikola One prototypes to promote its hydrogen fuel cell technology. Initially, the company denied the allegations but later admitted that some of the claims made by Hindenburg were accurate. The short seller also accused Trevor Milton of a pattern of deception.

The allegations by Hindenburg Research triggered investigations by the Securities and Exchange Commission (SEC) and U.S. federal prosecutors and led to Trevor Milton's resignation as Nikola's executive chairman. The crisis also caused a significant decline in Nikola's stock price, erasing billions of dollars in market value and highlighting the challenges of communicating effectively and trustworthily as a startup, particularly one that relies heavily on novel technology and promises. The case study of the Nikola Corporation therefore provides a valuable opportunity to study the interplay of argumentation and storytelling in startup communications and its impact on long-term investor trust.

4.1 Overview of the Sources Used

For the reconstruction and analysis of the case, I consulted a wide range of publicly available and potentially relevant sources from the period under study. These sources can be assigned to various categories, including:

- Media releases from Nikola and other involved organizations
- Articles in the mass media (mainly the financial and business press)
- Interviews in the print media, television networks, podcasts
- Filmed appearances by Nikola founder Trevor Milton at workshops, product unveilings, and similar corporate events
- Publications in social media (primarily Facebook and Twitter)
- Regulatory filings (so-called 10-K and 10-Q forms)
- A supply chain case study of the Nikola Corporation, short seller Hindenburg Research's report published on September 10, 2020, Nikola's defense, and Hindenburg's response, as well as publications by law enforcement agencies

Requests for interviews were submitted to Nikola founder Trevor Milton, to Nikola executives (current CEO Stephen (Steve) Girsky, then CEO Mark Russell, and Nicole D. Rose, former director PR & CC) via the Nikola Corporation and the company VectoIQ, to Hindenburg Research (founder Nathan Anderson), and to Jeffrey (Jeff) Ubben, co-founder of ValueAct Capital; however, these were not successful. The various pending legal proceedings may explain the reluctance of these individuals to be interviewed.

Nikola's first media release was published on May 9, 2016. By the end of 2021, Nikola had published a total of 112 media releases, three dozen of which were particularly useful for this book's case reconstruction. In addition, the analysis included various media releases from other companies involved, mainly from partner companies of Nikola. To analyze the case based on media articles, I mainly used the Nexis Uni, ABI/INFORM, and Factiva databases. The sources included the major business and financial news publications, as well as specialized media outlets from Nikola's field of activity, such as *Commercial Carrier*, *Commercial Motor*, *FleetOwner*, *LeftLaneNews*, *Roadshow*, *Trucks.com*, or *TTnews.com*. To complement the articles used for case reconstruction, I selected a total of 279 articles for corpus analysis using corpus linguistics methods. The criteria for the selection of sources and the methods applied are discussed in Sect. 7.2.

In addition to Trevor Milton's appearances on television stations and at various events, I considered four entrepreneurship-focused podcast interviews with a total duration of 4 h, 26 min, and 40 s, as these offered valuable insights into the founder's mindset and revealed recurring patterns in the use of arguments and narrative fragments. They are the *Chartcast* (2020), the *Founder Hour* (2020), *This Week in Startups* (2020), and *TTNewsmakers* (2020), with the latter two also being available as videos. Nikola's account on Facebook and Twitter (X Corp.) and the company's own YouTube channel were also included in the analysis. Trevor Milton has apparently deleted his original Twitter account (Ludlow, 2020). He now appears to be

operating a new Twitter (X) account under a different name (NikolaTrevor7). However, it was possible to reconstruct some entries on the original account via secondary sources. Regulatory filings were important for the argumentative part—especially for the counter argumentation—with the so-called Hindenburg report titled *Nikola: How to Parlay An Ocean of Lies Into a Partnership With the Largest Auto OEM in America* being the most important primary source (Hindenburg Research, 2020).

The diverse sources allowed me to explore Nikola founder Trevor Milton's statements from different angles and to discuss whether communicative patterns can be identified in different rhetorical situations regarding Nikola's strategic persuasion efforts. First, however, the case will be reconstructed in light of the various sources presented. This chapter briefly introduces the startup, presents in condensed form the key events of the fiscal year 2020, sharpens the focus of the study, and groups the key research questions.

4.2 The Company at Stake: The Nikola Corporation

The Nikola Corporation (formerly Nikola Motor Company) was “quietly” formed “years ago” to “transform [the] U.S. transportation industry,” according to Nikola's first press release on May 9, 2016 (Nikola Corporation, 2016). The company's most notable products are zero-emission electric and hydrogen heavy-duty trucks. Nikola (2022) attributes the startup's disruptive nature, which the company still claims today, to the fact that most heavy trucks nowadays run on diesel fuel. The company's name is a tribute to the electrical engineer Nikola Tesla, the somewhat tragic inventor of the alternating current (AC) induction motor, which enabled the transmission of high voltage over long distances. Tesla died impoverished and full of contempt for his former employer and rival Thomas Alva Edison, whom he felt had deprived him of the fruits of his life's work (Harf, 2009).

Eleven years before the Nikola Corporation was founded, the name of the legendary inventor inspired the co-founders of Palo Alto based Tesla, Inc., the famous electric vehicle and clean energy company led by Elon Musk. Asked whether he would have named his company Tesla if the name had not already been taken by the pioneer from Palo Alto, Trevor Milton said: “We would have still named it Nikola. Like many people, Nikola Tesla was my hero when it came to electrification. I hope both Tesla and Nikola are successful—what a wonderful outcome for Nikola Tesla!” (Sissi Cao, 2019). Later, Trevor Milton denied any intention to have made an associative connection with Tesla, Inc. by choosing the name when asked about it: “It would be a prick move if it was. It had nothing to do with that” (This Week in Startups, 2020, 39:40). Most likely, however, Tesla's relentless rise to become the world's most valuable automotive company was an underlying narrative that contributed to Nikola's branding, at least in Nikola's early startup phase. The more successful Nikola became, the more uncomfortable Trevor Milton seemed to

become with its association with Tesla, Inc., and the more clearly he distanced himself from Tesla and Elon Musk in his communications (CNN, 2020; The Founder Hour, 2020, 46:15; This Week in Startups, 2020, 40:40). When Trevor Milton was asked about Tesla, Inc., and Elon Musk in an interview, he said:

When Elon's there, he is the only person in the room, and no one will ever get a word. It's his way or the highway. I manage my company and my life completely different. That I believe that I'm not the most important person in a room or in a company. I believe my company is more important than myself and my cause is greater than myself. (The Founder Hour, 2020, 47:38)

Unlike Tesla cars, which run on lithium-ion batteries, Nikola aims to offer both hydrogen-electric and battery-electric propulsion technologies. For long-haul trucking, however, Nikola's most notable products are designed to be powered by hydrogen fuel cells, a clean energy solution that's proven difficult for automotive manufacturers to commercialize. Hydrogen is the most abundant element in the universe, but on Earth it rarely exists in its pure form. To make it usable as a fuel, carmakers need to obtain hydrogen—for instance, by electrolyzing water, which consumes energy and is expensive. Furthermore, the low density of hydrogen presents a challenge for storage (Salahuddin et al., 2018, p. 2024). Hydrogen's advantage is that it stores energy, for months if necessary. As hydrogen cars densely pack their energy storage and as fuel cell power systems are much lighter than batteries, those vehicles are usually able to achieve longer distances while offering the advantage of being quickly refueled (Gonçalvez, 2019). Above all, the weight-saving characteristic is a decisive advantage for transport over long distances. However, the energy efficiency of hydrogen-powered vehicles is a point of criticism. In battery-powered electric vehicles, the energy comes directly from the battery. By contrast, in hydrogen-powered vehicles, the energy is generated by a fuel cell in the vehicle, resulting in lower efficiency overall (Salahuddin et al., 2018). This is why hydrogen fuel cells have drawn derision from critics, including Elon Musk himself, who has called them “fool cells” (Sissi Cao, 2019).

4.3 Nikola's Year 2020 at a Glance

This book concentrates on the 6 years in Nikola's short corporate history between the beginning of 2016 and the end of 2021, with a special focus on 2020, which, in retrospect, may prove to be a pivotal year for the company's viability and further development. The fiscal year 2020 was characterized by various significant events, which divide it into different phases:

- (i) beginning of April to end of May: preparation for stock exchange listing,
- (ii) June 4 to September 9: listing and high hopes,
- (iii) September 10 to end of year: crisis mode.

Figure 4.1 shows the performance of the Nikola share on the US technology exchange Nasdaq and a selection of key events over time. It should be noted that the

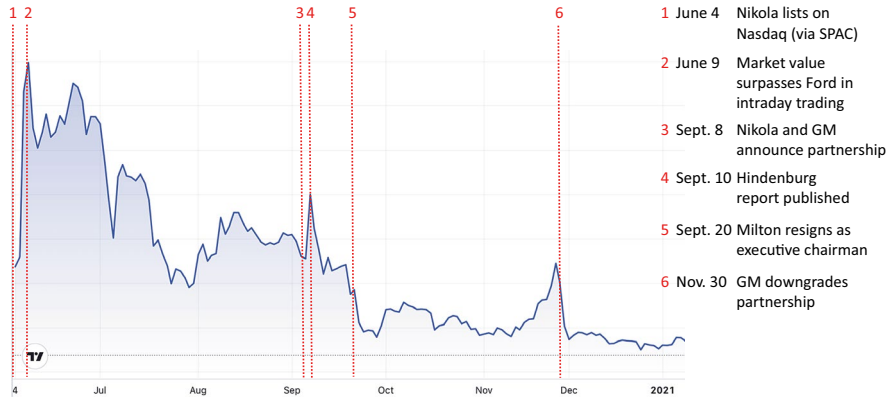


Fig. 4.1 Development of Nikola’s share price, June to December 2020, key events added (Share price chart used with permission from Swissquote, www.swissquote.com)

Nasdaq Composite Index rose 72.8% in the 9 months between April 1, 2020 and December 31, 2020 (Nasdaq Composite opening price on April 1, 2020: 7459.5 vs. Nasdaq Composite closing price on December 31, 2020: 12888). This period marks a phase of strong market recovery after the pandemic-related stock market melt-down in March 2020. Growth stocks made a major contribution to the very positive stock market environment, with Tesla standing out in particular. In the nine-month recovery phase following the COVID-related share price decline, the price of Tesla shares increased sevenfold, from the opening price of \$100.8 USD on April 1 to the closing price of \$705.67 on December 31, 2020 (Nasdaq, Inc., 2021). In stark contrast, Nikola shares lost more than 80% of their value from their peak on June 9, 2020, to the end of the year in a strongly growing overall market.

4.3.1 June 4, 2020

On June 4, without any sales from marketable products, shares began trading under the name Nikola (NKLA), after the company had completed a reverse merger with VectoIQ Corp., a special purpose acquisition company (SPAC) run by former vice chairman of General Motors, Steve Girsky. A SPAC is a shell company with no commercial operations and a way for a company to go public without all the lengthy paperwork of a traditional initial public offering (Domonoske, 2020). As a SPAC is a publicly traded company, shares were listed before June 4 under the name VectoIQ Corp. (pre-merger trading). Going public, along with warrants, brought Nikola about \$1 billion in cash reserves, which is a significant amount for a company with approximately 400 employees (This Week in Startups, 2020, 1:00:40).

On the night of Sunday, June 7, Trevor Milton tweeted that Nikola would soon start taking reservations for a new electric pickup truck named Badger, Nikola’s first commercially available vehicle to take on the best-selling pickup in the United

States, the Ford F-150 (Foldy et al., 2020). When asked by a [talk show host](#) why he wanted to venture into the consumer market in addition to his already very ambitious plans, Milton replied: “The reason why people love Apple? Everyone touches their product.” Following on from this, he explained that the calculation behind the Badger launch was to attract additional retail investors to Nikola. “Once we started coming out, we had all this gravy train¹ coming in from the semi-truck program,” said Milton, “but I will never touch the average consumer, therefore 90% of the investors will probably never invest in me. So, I needed to touch the consumer” (This Week in Startups, 2020, 45:46–47:15).

The Badger tweet did not miss its target. Nikola’s share price more than doubled the next day. In intraday trading on June 9, Nikola, which had not sold any vehicles until then, surpassed Ford in terms of market capitalization (Foldy, 2020). The stunning Nasdaq debut brought Nikola’s market cap to close to \$30 billion USD and turned founder Trevor Milton into a multibillionaire (Ohnsman, 2020). From the founder’s perspective, this was only the beginning. With everything coming out over the next 4 months it could be one of the “five or ten greatest growth stories in American history,” said Trevor Milton in July 2020 (The Chartcast, 2020, 1:35:00). Yet, when the company went public, Nikola allowed Milton to cash out \$70 million USD in stock (Parloff, 2020).

4.3.2 September 8, 2020

Nikola’s shares surged 41% on news of a far-ranging manufacturing and technological tie-up with General Motors (GM). The Detroit giant announced it would provide electric batteries and fuel cells for Nikola’s trucks in exchange for an 11% stake in the startup. Announcing the “strategic partnership” with Nikola, General Motors Chairman and CEO Mary Barra labeled Nikola “an industry leading disrupter” (General Motors, 2020a). *The Wall Street Journal* wrote that the partnership with Nikola “will lead to the first broad commercial use of GM’s hydrogen fuel-cell technology, which has been in the works for a few decades” (Colias, 2020).

4.3.3 September 10, 2020

Two days after the news of a strategic tie-up with GM, a New York-based financial research firm that disclosed having taken a short position² in the shares of Nikola, released a lengthy, hard-hitting report accusing founder Trevor Milton of

¹The term “gravy train” means easy profit, which, combined with the use of the past tense, is an odd phrase for a company that went public before generating any revenue.

²Being short in a share means investing in such a way that the investor will take profit when share prices fall. What is known as physical short selling involves borrowing assets, usually from a bro-

misrepresenting Nikola's technology and capabilities for years. The report, titled *How to Parlay An Ocean of Lies Into a Partnership With the Largest Auto OEM in America*, was, as will be shown, the trigger for the most serious crisis in Nikola's still-young history (Chaps. 6 and 7). The short seller, Hindenburg Research, bears the name that to this day is synonymous with the greatest hydrogen-related tragedy—the Hindenburg disaster, an airship accident that occurred on May 6, 1937, and shattered public confidence in giant, passenger-carrying zeppelins, thus marking the abrupt end of the airship era.

4.3.4 September 20, 2020

In the wake of allegations, Trevor Milton, Nikola's founder and largest shareholder, resigned as executive chairman. The news came after the Department of Justice (DOJ) and the Securities and Exchange Commission (SEC) launched investigations into whether Nikola had misled investors (Zuckerman, 2020). The news led Nikola shares to plunge nearly 30% at the start of Nasdaq trading after already heavy losses in the previous trading days. Former GM vice chairman Steve Girsky, who led the SPAC that took Nikola public, replaced Trevor Milton as Nikola's executive chairman.

Following the release of the short seller report, shareholder lawsuits and personal attacks on social media started to pour in (characteristics of corporate crises, cf. Sect. 2.1.2, p. 18). Shortly after his resignation, Trevor Milton was accused on Facebook and Twitter by a cousin of inappropriately touching her at their grandfather's funeral in 1999, when she was 15 and he was 18 (Kopecki & Wayland, 2020). The woman said she had reported her allegations to the police in Utah (Foldy et al., 2020). *The Wall Street Journal* confirmed several details of the accusation, including that the woman was, indeed, Milton's cousin and that she had told family members about the incident months after it had occurred (Foldy & Boston, 2020). CNBC later reported that in 2017, when the #MeToo movement was taking place, Milton's cousin had published an account of the assault on Facebook without identifying Milton by name (Kopecki & Wayland, 2020). On September 28, 2020, CNBC reported that a second woman, who had worked for Milton as an office assistant for a security company he had run, had come forward with a claim that she had been assaulted by Milton (Kopecki & Wayland, 2020). The alleged incident was said to have occurred in 2004, when the alleged victim was 15 and Milton was 22. Through a spokesman, Trevor Milton "strongly denied" what he said were false allegations and declined to address the specific details of the women's complaints (Kopecki & Wayland, 2020).

ker for a fee, and selling them. The short seller will later purchase the same number of assets in order to return them to the broker for the new, lower market value (FOREX.COM, 2021).

Also in the second half of September, a businessman from Utah posted screenshots on Twitter allegedly showing Trevor Milton pressuring women to sleep with other men in exchange for money; the story was ultimately reported by the *Financial Times* (Campbell et al., 2020). Later, it became known that in April of the same year Trevor Milton had been blackmailed by a former friend who had threatened to publish the same screenshots on Instagram. The man was arrested and convicted of extortion, and he committed suicide shortly after his release (Campbell et al., 2020).

4.3.5 November 30, 2020

General Motors announced that the originally planned strategic partnership would be downgraded to a “non-binding memorandum of understanding with Nikola Corporation for a global supply agreement” (General Motors, 2020b).

4.4 Focus of this Investigation: The Underpinnings of an Imagined Future

Different development phases in a company bring with them different challenges and therefore typically require different leadership personalities with different skills. By 2020, Nikola had taken its first steps from having a business idea toward being a viable business; it was somewhere between the startup and young growth stages (cf. Sect. 2.1.1). But the company had not yet reached the ability to scale up making profit from growth. In fact, as mentioned above, Nikola had gone public even before it had generated any revenues from marketable products.

In his book *Narratives and Numbers: The Value of Stories in Business* finance professor Aswath Damodaran argues that only a combination of the power of stories with numbers can deliver and sustain value over the life cycle of a company (Damodaran, 2017). “Early in life cycle, when the company has posted few historical numbers and its business model is still flux, it is almost entirely narrative that drives value” (Damodaran, 2017, p. 231). When a business is young, there is a lot of hope but few results to back up the promises. Founders are on the cusp between what has happened and what has yet to happen and therefore typically lack a solid track record or hard evidence of the viability of their ventures (Clarke, 2011; Damodaran, 2017; van Werven et al., 2019). Numbers play a bigger role in driving value the more a company matures. These are the type of data that investors generally look for to assess investment opportunities. Figure 4.2 illustrates how, according to Damodaran, the components of corporate narratives and the leadership skills required change as a company ages.

The duration and the shape of the cycle can vary across firms depending on the barriers to entry a market, the ease with which a company can scale up, and

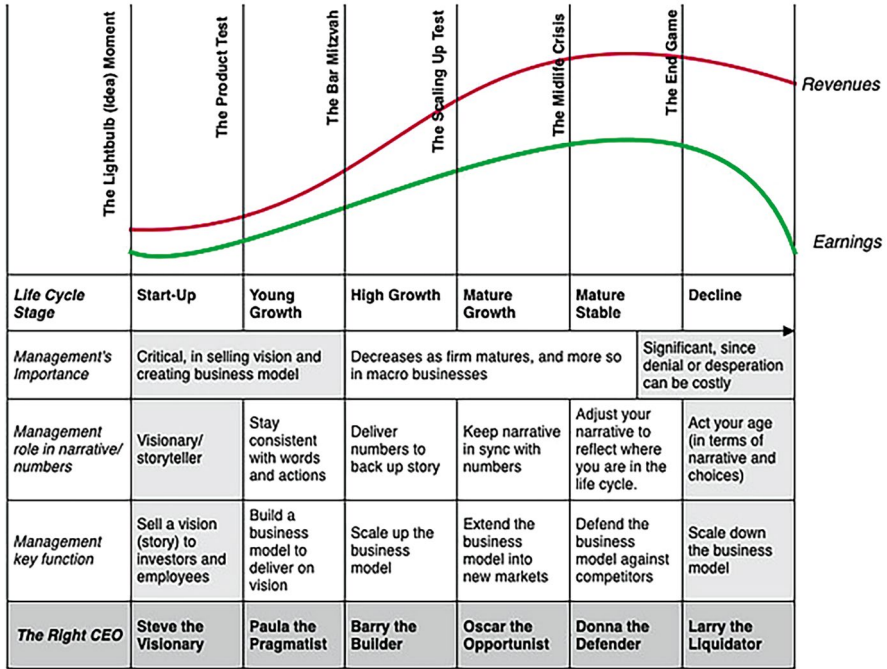


Fig. 4.2 The corporate life cycle and managerial challenges (Damodaran, 2017, p. 249) (Updated version made available by the author, Aswath Damodaran)

consumer inertia. Tech companies tend to grow faster because their growth requires less resources and their products are more likely to be accepted quickly by consumers (Damodaran, 2017, pp. 228–231). When a company leaves the startup stage, according to Damodaran, narratives seem to become narrower and numbers start to play a bigger role, as the figure shows. In addition, different companies attract different types of investors depending on where in the life cycle a company is. As a value investor, Warren Buffett tries to buy stocks in businesses that are so good that “your idiot nephew” could run them (Holodny, 2017). Such companies are clearly in more mature stages of the life cycle and have proven that they can deliver on promises. Many of these companies offer their shareholders consistently high dividends and are therefore particularly attractive to very long-term investors. To identify promising target investments, value investors traditionally use standard valuation techniques based on future revenue projections, cost and investment estimates, discounted cash flow calculations, and the like.

From an investor’s perspective, the downside of investing in mature companies is that the market prices of these stocks will reflect the stability in business and story line, whereas younger and more unstable companies are typically exposed to narrative breaks and changes. This makes it riskier for investors but offers far more upsides, even with a middle-term focus (Damodaran, 2017, p. 180). Venture

capitalist and growth investors, who focus on companies early in the life cycle, according to Damodaran, succeed or fail based more on their skills in assessing stories than on their number crunching. “In the start-up phase, investors are attracted to expansive narratives that can lead to big markets and are often willing to reward companies with high value for big stories” (Damodaran, 2017, p. 232). So, if these statements are true, founders do not just need a strong business instinct but also the ability to harness the power of storytelling to convince investors, partners, employees, customers, and other stakeholders of the potential and viability of a business. In this context, the trustworthiness of the founder has a major influence on whether a startup story is attributed narrative plausibility by investors. “For entrepreneurial narratives to be effective, they need to be judged as plausible and have to resonate with an audience” (van Werven et al., 2019, p. 193). Using the Nikola Corporation as an example, this research seeks to contribute to the understanding of the techniques entrepreneurs use to promote plausibility, particularly with regard to the interplay of argumentation and narration (cf. Sect. 1.1, p. 3, Sect. 3.3, p. 66). Despite the limited historical track record, startup entrepreneurs must somehow manage to shape an open future to their advantage (Sect. 2.1.2). Following Schumpeter (1983), entrepreneurs develop projections of future worlds, and in the context of this case study, the question of interest is how exactly an individual founder proceeded to convince investors and other stakeholders of himself and his entrepreneurial vision.

“I’m not a paper-work guy, I’m a vision guy,” is how the Nikola founder summed up his role (The Chartcast, 2020, 1:23:50). To say that numbers are completely irrelevant in the startup phase would be an oversimplification (cf. *rule of 40*, Sect. 5.2.3, p. 136). Trevor Milton understood that vision alone would not be enough to convince institutional investors of his ideas. “They love entrepreneurs, but they don’t care about your vision, they want to see numbers,” Trevor Milton shared in a podcast interview about his experience with large institutional investors, adding that he “couldn’t communicate with them, because they are not visionaries, they are number guys” (The Founder Hour, 2020, 43:54). Damodaran has described a division of humankind into “quants” and “storytellers,” which, according to the finance professor, is noticeable from a young age (Damodaran, 2017, p. 4). Unable to take care of the numbers himself, Trevor Milton hired a financial expert, Tony Epperson, who knew how to translate Trevor Milton’s vision into complicated spreadsheets, as the Nikola founder himself described:

So, with Tony it was really nice to have someone there who was a brilliant mind and who was able to put it all together and explain it to these high-profile investors. And luckily, we were able to do that through the spreadsheets, through the numbers. You can’t just have a vision, you got to be able to back it up. (The Founder Hour, 2020, 44:02)

But in essence, these spreadsheets remained a projection of the founder’s vision, a promise to prove. Unless a company has a product on the market that customers buy and recommend, sales figures are quantified hope.

4.5 Research Questions

This book aims to help fill the existing research gap by offering a better understanding of the interplay between argumentation and storytelling in a startup context where strategic persuasion plays an important role (Sect. 1.1, p. 4). Following the introductory remarks, and closely related to the overall research objective, several areas of investigation emerge that can be grouped into six research questions:

RQ1	What recurring narratives can be identified and how do they relate to each other? Do the individual narratives fit together into a larger, overarching story, and can certain underlying mythologems in which the story is rooted be reconstructed? What functions do these narratives serve in the context of the startup's strategic persuasion?
RQ2	Which recurring arguments can be identified and reconstructed? What relevant implicit information should be integrated from what is said, written, or visible and from the situation, the circumstances, or the larger context? How can these various argumentative components be meaningfully structured into an overarching argumentative framework of Nikola's strategic investor communication that can potentially be applied to a wide range of startups dealing with novel technologies?
RQ3	What discourse structures in terms of an interplay of arguments and narratives can be identified? How can the embeddings best be described, in what form do they occur, and what use could such embeddings have regarding strategic persuasion?
RQ4	Did the interplay between argumentation and narration for the purposes of strategic persuasion change over time in the case of the Nikola Corporation, for example, because the startup's situation shifted significantly due to stakeholder intervention? Can any change in public perception be detected in the period after the short seller attack compared to the period before? What exactly happened in the crisis episode? What are the key points of attack and how did the startup respond? Specifically, how did this affect the interplay between argumentation and storytelling?
RQ5	What is the overall assessment of Nikola's strategic communication during the period under study? What can practitioners learn from the case study about what can be done to prevent crises and what recommendations can be derived from the case to manage them successfully when a crisis does occur? Are there useful analytical tools that can help entrepreneurs, policymakers, and communications professionals to contextually identify appropriate crisis response strategies?
RQ6	How can startup investors detect early signs of severe overpromise or even fraud in a startup's strategic persuasion efforts? Are there indicators that can be identified in the case during the period under study, so-called red flags, which should have made investors wary? How exactly did these signs manifest themselves, and what role did the founder figure play in this?

The following case-based analyses follow these research questions largely chronologically. RQ5 and RQ6 are answered in part three in a discussion of the results derived from the case study (Sects. 8.4 and 8.5).

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Chapter 5

Nikola's Rise



This chapter traces Nikola's rise to become a \$30 billion company employing a dual narrative and argumentative reconstruction approach, as previously detailed in Sects. 2.2.4 and 2.3.3. In a first step, the chapter examines the question of how the building of trust in the founder's personality is framed narratively and supported argumentatively by the founder himself (Sect. 5.1). In a second step, the chapter embarks on an argumentative reconstruction of the business case. This process leads to the identification of essential standpoints and other argumentative components that are decisive for the defense of Nikola's unique selling proposition. Leveraging a well-established Harvard Business School concept on the elemental building blocks of competitive advantage guides this exploration (Sect. 5.2). The next step examines how corporate legitimacy and credibility are underpinned by communication. To this end, the relevant narrative and argumentative components in this context are analyzed and the interplay between argumentation and narration is unraveled. In a final step, the overarching argumentative framework of Nikola's strategic investor communication is presented (Sect. 5.3). Section 5.4 summarizes the interim results in light of the analytical framework.

5.1 The Entrepreneurial Story

5.1.1 Trevor Milton's Story

"Inspiration is probably the greatest key to becoming successful inside of your industry," said Trevor Milton on a [podcast](#) for young entrepreneurs about his life lessons (The Founder Hour, 2020, 23:29). And when asked by a journalist from *Commercial Motor* magazine how Nikola planned to defend its supposed market leadership against the competition, the Nikola founder replied:

They'll never be Trevor. They'll never be me. That's the difference! What you need to realize is, my entire life I have been able to see things five to seven years ahead of anyone I have ever met. (Shiers, 2019, p. 20)

This openly displayed self-confidence served, according to the founder himself, a clear calculation: "People follow those that have a true conviction of what they are building. You have to have a level of confidence about you that gives comfort to those investing," Trevor Milton said to the *New York Observer* about the fundraising process (Sissi Cao, 2019). The Nikola founder thus seemingly attached great importance to the aspect of building trust that pertains to self-presentation to the public. What recurring aspects, if any, did Milton mention in his public appearances, how did he connect these dots, did he adapt his narratives to the situation and the target audience, and if so, what intentions, whether explicitly mentioned or to be assumed, did he pursue in doing so? To answer these questions, it is necessary to take a closer look at the biography of the entrepreneurial personality Trevor Milton as portrayed by himself.

Trevor Milton was born on April 6, 1982, in Utah to Bill Milton, a Union Pacific Railroad manager, and Sally Milton, a realtor. He has a brother and three sisters. Milton spent most of his childhood in Nevada and Utah. When he was a child, somewhere between 6 and 8 years old, his mother was diagnosed with cancer, and at the mother's request, the family moved from Las Vegas to a farming village in Utah (The Founder Hour, 2020, 2:02–3:30). Trevor Milton was apparently forced to take responsibility early in life, because his father, by his own account Milton's greatest source of inspiration in life, was often away (Hitch, 2020). "He was working hours away from home, so he would leave for four or five days and I'd stay home with my mum, taking care of her" (Shiers, 2019, p. 23). "I had to learn survival," Milton said (The Founder Hour, 2020, 4:05). Trevor Milton's mother passed away when he was 14. The Nikola founder has described his early years as sometimes tough, marked by financial hardship created by the mother's long years of illness and treatment cost. The hurdles of those early years formed him and laid the foundation for his later successes, Milton told the trucking and automotive news site *trucks.com* (O'Dell, 2019a). He reportedly borrowed \$20 from his father and bought candy to resell to children at school. "I made a killing, to the point that the principal wanted to kick me out of elementary school. That was where it all began" (O'Dell, 2019a).

After high school, Milton, a Mormon, embarked on an 18-month church mission to Brazil. Here he learnt to speak Portuguese fluently (Shiers, 2019). He went door to door to show the people the right way to salvation. He has argued that, looking back, this period was one of his most formative experiences: "It taught me to not be selfish. It taught me to care about others and taught me to build people up, not tear them down" (Waters, 2020). Back in Utah, Trevor Milton did not last long at college. Having dropped out after one semester, Trevor Milton started his first company in 2004, an alarm video-surveillance business (Foldy et al., 2020). He said he did not learn well through studying books: "I gained all my knowledge in the real world," Milton said, referring to his early entrepreneurial experiences working for a variety of companies, "and it's just how I learned. Everyone learns differently and

my talents for learning are in-hand. I like to learn by touching things” (Commercial Carrier Journal, 2016). “One of my passions in life is to somehow help the education system to improve for kids,” Trevor Milton summarized, calling from a move away from what he described as the one-size-fits all model of education: “I didn’t learn like the other kids learned, people would kind of make fun of you for learning differently, so I instantly knew I was different” (The Founder Hour, 2020, 8:45).

Milton went the path of so many entrepreneurs before him, founding four companies before landing on Nikola, for which, he said, he had spent 30 years preparing. “My dad inspired me with trains,” Milton said during an hour-long speech at Nikola’s most important corporate event at the time, Nikola World 2019 (Nikola Motor Company, 2019, 1:04:54). His father apparently sent the six-year-old boy to see a train engineer, and that train engineer told Milton that, someday, he would build a locomotive semi-truck. “It was a seed,” Milton recalled, “that cultivated over my life. A seed of desire to build something. A desire to create something,” adding in a visibly emotional tone: “Anything is possible when you’re a kid. And I was lucky enough I had parents that didn’t tell me it was impossible. I wanted to build that locomotive semi-truck” (Nikola Motor Company, 2019, 1:05:33-1:05:41 & 1:06:34-1:06:44). Then, over an image of the early founding era, projected on the giant screen, Milton continued:

All my experiences have prepared me for tonight. All my experiences have prepared me to build the thing I knew that I needed to build. Like some of the best inventions in the world, by coincidence or by having chance, they started in the basement. [...] I have dedicated my entire life to this. (Nikola Motor Company, 2019, 1:05:34–1:07:56)

Trevor Milton’s entrepreneurial career began with an alarm sales company (St. George Security and Alarm), then he founded an online classified ads website that sold used cars (uPillar.com), a company that converted diesel truck engines to run on compressed natural gas (dHybrid), and a startup that built hydrogen and natural gas storage (dHybrid Systems). Trevor Milton described two of his early ventures as failures (The Founder Hour, 2020, 13:48). On one occasion, in Milton’s own estimation, he launched the right product (uPillar, “we could have been what Amazon is today”) in the wrong location (Utah); on the second occasion (dHybrid), he selected, on his own admission, the wrong investor (The Founder Hour, 2020, 17:16–20:20). “I’ve already been to war many times in my life, as this is my fifth company. I got wounds all over my body” (Hitch, 2020). While the stages of Trevor Milton’s entrepreneurial journey may appear rather disparate when viewed from the outside, in Trevor Milton’s narrative framing, these different stages were not merely painful; they were all part of a coherent path to disrupt the global transportation industry: “I came from the heavy duty industry already, understanding heavy duty trucks, [...] how to store energy” and the dots all connected (This Week in Startups, 2020, 55:30). “My dream was always to build something with motors,” said the Nikola founder, summarizing the common thread of his entrepreneurial aspirations (The Founder Hour, 2020, 7:25-7:31). Everything Trevor Milton undertook in his entrepreneurial career seemed, in the founder’s account, to be a logical consequence

of that childhood dream that the railroad engineer had planted like a seed in six-year-old Trevor.

When Trevor Milton started Nikola in his basement and time came to build a team, he had one rule: "When we first started this company, one of the requirements I had was that none of my engineers could have worked for an existing trucking manufacturer before," Milton said (Nikola Motor Company, 2019, 15:00). Realizing that Nikola could not do everything on its own, the founder later sought to partner with established automotive groups. He recounts how he sat down with the old guard of the trucking industry, who, according to Milton, did everything they could to destroy him. "They think that you're just a fly that is buzzing around their head, and you're annoying, and your worthless. And some of them we've passed in valuation. It's funny" (The Chartcast, 2020, 01:04:25). The headwind fueled Trevor Milton's ambition even more. He did not want to build a truck like others had before; he wanted to disrupt the industry: "We wanted to go and build a company that's going to be worth 500 billion, a trillion dollars over say 10 or 15 years" (This Week in Startups, 2020, 46:40). The road to becoming a billionaire was paved with obstacles, Milton recalled. "We were two different times days away from going bankrupt. We went to hard money lenders" (The Founder Hour, 2020, 41:37). When he was no longer able to raise money and had used it all up, he and his father took out loans for their homes that had to be repaid within 6 months, according to the founder (The Founder Hour, 2020, 41:48-42:27). "The greatest people in the world have to fail", said Milton, "you will never become the best at anything you do, unless you failed miserably in life" (The Founder Hour, 2020, 25:07).

Amid these failures, Milton developed an evident talent for sales. Indeed, as Ingrid De Ryck, vice president of procurement and sustainability at the brewing giant Anheuser-Bush remarked: "If you need a salesperson to pitch a new technology to a company, you'd rather have someone like him than someone who shows up and delivers the same messages time and time again" (O'Dell, 2019a). People who worked for Milton at earlier businesses described him as a leader who knows how to inspire employees and attract investors and customers. "He's a very talented salesman and good at finding exactly what people were about," Casey Niederhauser said, a designer until 2011 at one of Milton's startups, [uPillar.com](#) (Foldy et al., 2020). "An unshakeable self-belief in the face of hardship may well be Mr Milton's most telling quality," summarizes [FT.com](#) (Waters, 2020). Even in difficult moments, Trevor Milton exuded confidence, said Tyler Satterfield, an early employee of another of Milton's startups, [dHybrid](#). "There were multiple times we faced nearly impossible circumstances, and he had a vision and a drive that was infectious," Satterfield told *The Wall Street Journal*, adding that "you wanted to be around the guy" (Foldy et al., 2020). Once, in July 2012, [dHybrid](#) was sued by two parties within a week. The first suit was filed by a potential buyer of the company, [sPower](#), which accused Trevor Milton's company of having fabricated test results (Parloff, 2020). The second charge came from the startup's most important customer, [Swift Transportation](#), which sued [dHybrid](#) for breach of contract and loan default (Hindenburg Research, 2020). In both cases, Trevor Milton's attorneys aggressively counterpunched, accusing the other side of having misused confidential information

or misappropriating trade secrets (Parloff, 2020). Both cases ended inconclusively, with the litigation either being withdrawn or dismissed.

These cases illustrate Trevor Milton's ability to handle pressure and headwinds. At the end of an [hour-long interview](#), Trevor Milton addressed future entrepreneurs, saying:

One last thing I'm going to tell your audiences. Look, you're going to fail a lot in life, don't ever be hard on yourself. This life is hard enough, man, you gonna learn to love yourself. [...] Be a good person, treat everyone with respect, and you love them like your own family, and you will see people follow you [...]. That's the best advice I can ever give someone coming out of this interview.

In hindsight, Trevor Milton's lofty goals and his pronounced and openly displayed self-confidence could easily be construed to his disadvantage—indeed, these personality traits and their manifestations will be the subject of critical consideration later in this book. However, it should be noted that entrepreneurship requires courageous founding personalities to make things that many consider utterly unrealistic happen, for this is, in a sense, the very nature of entrepreneurship. The Nikola founder's mindset seems, in many ways, to be consistent with the unconventional advice John Eliot derived from his research on the neuropsychology of successful athletes (Eliot, 2004, p. 124):

In my own research and consulting, all big careers tap into the same mindset: Deion-like¹ confidence, all-your-egg-in-one-basket commitment, “unrealistic” dreams to go with your own Yogiesque² view of reality, and the more pressure the better for putting your skills and talent on display. And when the going gets toughest, the best performers work less; their minds are full of “nothing”, totally trusting. That's my model for joining the ranks of all of those overachievers you admire or envy.

5.1.2 *An Analytical Approach to the Trevor Milton Story*

As Damodaran (2017) showed, we are naturally drawn to good stories, and this has not gone unnoticed in the business world. Corporate storytelling should, however, be characterized by realism rather than creativity, and the question of whether corporate stories meaningfully condense complexity or cross the threshold into fantasy land depends substantially on the storyteller. It would be difficult to reconstruct in detail which aspects of Milton's childhood and youth memories are based on fact or whether parts of them were embellished or even invented. This means that the investigation of the truthfulness of the biographical accounts and thus elements of upstream fact-checking described in Sect. 3.3 remain incomplete and can only be examined for internal consistency, for consistency in cross-comparison with

¹Deion Sanders is one of the few athletes who played simultaneously in both the National Football League (NFL) and in the Major League Baseball (MLB).

²Lawrence Peter Berra, known as Yogi Berra, was a legendary baseball player for the New York Yankees.

different sources, and for plausibility (Fig. 3.5). What is interesting in this context is not only what Milton tells but also what he omits. It is noticeable that, as will be demonstrated, Trevor Milton repeatedly mentions certain aspects of his biography—his difficult childhood, his struggle against numerous adversities, his calling—while shielding from public view other aspects of his private life, especially his marriage and family life.

Trevor Milton's storytelling is often pictorial and enriched by details. Describing his first business as a kid, he did not just say "I resold candies," but "I was buying Almond Joy and KitKat candy bars 20 for \$1 at AMPM [convenience store], using \$20 I got from my dad" (Hitch, 2020). Detail enrichment is important in storytelling, because it is what gives descriptions accuracy, precision, and thus plausibility (cf. Sect. 3.3, p. 72). However, richness of detail also makes the narrator vulnerable, while an account's vagueness reduces its plausibility, precisely because the narrator thus evades the verifiability of the stories. Just checking whether the candy bars mentioned actually cost \$1 at the time would be such a verifiable detail, and, if it were not true, it would call into question the veracity of the story. What is illustrated here based on a rather trivial side issue can in principle be applied to important aspects, e.g., to product maturity in areas of allegedly proprietary technologies.

When asked why he was going public in the middle of the pandemic, of all times, Milton responded with an image from aviation (The Founder Hour, 2020, 53:40): Visionaries see the solution even if they are surrounded by fog. He, Trevor, a pilot himself, had simply switched to instrument flight, meaning that he switched to manually piloting the plane by instruments only. And through the fog, he could sense that the decision to go public was the right one at that exact moment. "The world wants a cleaner air, they want a cleaner technology, they want something to talk about. We are going to be the only thing they will talk about" (The Founder Hour, 2020, 54:12). Such figurative embellishments and metaphors contribute a lot to the vividness of Trevor Milton's storytelling. They lend sound and mood to a narrative and make the plot imaginable for the recipient (cf. Sect. 3.2.1). This observation is important, because the creation and evocation of mental images is vital to narrative persuasion (Green & Brock, 2002). The plot triggers vivid images in the story receiver's mind, so that the listener has the feeling of experiencing the events himself or herself. In mediated speeches or interviews, another element is added. Impact is created through an interplay of content and performance (cf. Sect. 3.4.3, p. 82, Sect. 5.2.1). It's not just about the what but also the how. "As a form of communication, a speech is first and foremost and embodied oral and physical performance" (Kjeldsen et al., 2019, p. 12). The present analysis, however, focuses primarily on aspects of content, with an emphasis on argumentation and narration and on the interplay between the two practices in a startup context where strategic persuasion plays an important role.

As I wrote in the introduction to narrative structures, the secret of a well-constructed story is that it does not seem constructed (Sect. 2.2.4, p. 33). The narrative framework underlying them should not attract attention in itself. Possibly, the structure even emerges unconsciously; after all, entrepreneurs are not screenwriters. They rarely tell self-contained, coherent stories but rather stitch together fragments

that come together to form stories. This chapter is about the biographical story fragments—small stories, so to speak—that Trevor Milton regularly uses in numerous interviews, speeches, and social media posts in a kind of *conversational storytelling*. It will use an analysis of multiple sources to show how the Nikola founder has drawn on recurring narrative elements in various rhetorical situations. With reference to narrative transportation research presented in Sect. 3.1, this section suggests that these individual parts can trigger broader stories in the recipient that pre-exist in collective memory (cf. Sect. 2.2.4, p. 32, Sect. 2.3.3, p. 51). The chapter will likewise show how these fragments come together to form a story that follows the common narrative structures discussed in Sects. 2.2.3 and 2.2.4. The recurring elements of Trevor Milton’s biographical narratives are:

1. The visionary who can see things years ahead of anyone: “What you need to realize is, my entire life I have been able to see things five to seven years ahead of anyone I have ever met” (Shiers, 2019, p. 20).
2. A rough childhood helped shape Trevor Milton’s survival skills: “I had to learn survival” (The Founder Hour, 2020, 4:05).
3. Parents and religion taught him the right values for life: “My family always raised me that, you’ve got to find people that are good at what you’re not good at and bring them into your life and, and then be honest and work hard” (The Chartcast, 2020, 1:32:30).
4. The Brazil church mission as a formative experience: “It taught me to not be selfish. It taught me to care about others and taught me to build people up, not tear them down” (Waters, 2020).
5. The school failure and college dropout who makes it to the top: “You are going to see us become, I think, the most valuable brand of any trucking company in the world” (TTNewsmakers, 2020, 27:30).
6. The wink of fate—the train engineer; the seed to build something; the mission to transform the industry and save the world: “It was a seed, a seed that cultivated over my life” (Nikola Motor Company, 2019, 1:04:54).
7. The long, arduous road to success—the poverty, the entrepreneurial failures, the battle against the giants, the near bankruptcies: “I got wounds all over my body” (Hitch, 2020).
8. The unshakable faith in his own abilities: “They’ll never be Trevor. They’ll never be me” (Shiers, 2019, p. 20).

Stories are used to make sense of the world, and because of how our cognitive system works, we can process concrete examples much better than abstract information (see Sect. 2.2.3, p. 27). “Our memory structures are experience-based, or ‘case-based’ which means, in essence, that they are story-based” (Schank & Berman, 2002, p. 301). Effective storytellers therefore use such story fragments that can be connected to structures that are assumed to be already stored in the minds of the target audience. This inventory of world knowledge may be culturally inherited or acquired through an individual’s own and secondhand experiences. Fictional or nonfictional stories shared in a social milieu are also part of it. When story fragments are combined with such structures, they are both easily accessible and

connectable. As seems to be generally accepted in the discourse psychology community, “meaning representation taps background world knowledge and includes information that goes beyond the explicit information” (Graesser et al., 2002, p. 230).

Research in the field of narrative transportation, as outlined in the theoretical framework section (Sect. 3.1), has shown that recipients of stories actively process them and take on the role of translator rather than mere reader, listener, or viewer (Escalas, 2006; Green & Brock, 2000, 2002; Slater & Rouner, 2002; van Laer et al., 2014; Visconti, 2020). They fill in gaps, recontextualize an action by comparing it to personal experiences, and complete it based on culturally acquired or transmitted schemas (van Laer et al., 2014, p. 799). Engaging stories have a few factors in common, most notably *identifiable characters*, an *imaginable plot*, and *verisimilitude* in the sense of a story's overall believability (see Sect. 3.2.1). Under no circumstances should entrepreneurial stories seem far-fetched or out of touch with reality. For a story to spark impact, it must connect with the shared feelings, values, and beliefs of the target audience. Therefore, it is important that the hero has goals the target audience can relate to. Minor character flaws contribute to identification as long as the hero's efforts and aspirations are portrayed believably. After all, imperfection offers potential for growth and development (Sect. 2.2.4).

As will be demonstrated on the example of Nikola, the personal entrepreneurial story and the corporate story are intertwined. How exactly they are interconnected will be the subject of the following analysis. Based on the theoretical framework, there are a number of possibly overlapping reasons why storytelling techniques are used in the context of strategic startup communication in the first place:

1. Well-told stories are entertaining and therefore accessible to the recipient without much cognitive effort (attracting attention, connecting with a target audience, being hooked). They can be used as a form of rhetorical preparation for an argumentative discourse (Sect. 3.4, p. 81).
2. Narratives can serve as evidence of some sort under certain conditions outlined in Sect. 3.3. They can therefore develop their own argumentative force and be seen as a way of personalizing argumentation (Fig. 3.5).
3. According to narrative transportation theories, the burden of proof is less obviously on the side of the narrator and the content is less likely to be critically scrutinized (storytelling reduces message processing and creates empathy with a hero, cf. Sect. 3.1).
4. Stories are a way of organizing a complex mass of events and they are tools for structuring experiences (staying power of stories, cf. Sect. 2.2.3, p. 27, Sect. 3.4.3, p. 80).
5. Storytelling can play a role in public discourse in balancing multiple voices by facilitating understanding across system boundaries (appeal to values, emotions, and shared experiences, cf. Sect. 2.3.3, p. 51, Sect. 3.4.1, p. 78).

Since it is difficult to find hard evidence on a company in the startup phase, these are potentially essential factors in the trust building process. Stories can be as varied and creative as they are repetitive and uniform. But as manifold as the stories are in

their concrete manifestations, they make use of a few archetypal recurring human themes, the so-called *mythologems* (cf. Sect. 2.2.4, p. 32). In the case of Trevor Milton, these are as follows: Trevor Milton learned to love his neighbor as himself on his church mission in Brazil, since childhood he has known that honesty is the best policy, he is the college dropout who is living the American Dream, he has fought like David against Goliath against the old guard of the polluting trucking industry for a cause greater than himself, and for a short moment it looks like he who laughs last, laughs best. And, of course, there are elements in Trevor Milton's entrepreneurial story-repertoire that sound familiar. Steve Jobs, Bill Gates, Paul Allen, Michael Dell, Mark Zuckerberg, Jack Dorsey, Daniel Ek, or Richard Branson are just some of the most prominent school or university dropouts who became iconic entrepreneurs. While Trevor Milton went to Brazil on a church mission and launched Nikola in his basement, Steve Jobs started Apple from the Jobs family garage after returning from India, where he sought spiritual enlightenment. As Trevor Milton told investors on the day of Nikola's Nasdaq launch: "We started in our basement for almost a year. It's a true story like Google or Apple. So many of them. The best companies in the world started in their basement. Even Amazon." (Nasdaq, Inc., 2020, 8:35). Milton's futile attempts to convert the long-established automotive groups also consciously or unconsciously conformed to familiar patterns. Trevor Milton could be named James Dyson, for example, and the Peterbilts in Nikola's world would be the Hoovers at Dyson. This is in no way to disparage these biographical accounts. It is simply a matter of noting that these story fragments are likely to resonate with target audiences because they encounter structures that already exist and have positive connotations in a startup context.

Trevor Milton has woven these individual pieces situationally into his speeches and interviews. Taken together and organized as a sequence of events unfolding over time, they create a story that follows common narrative structures. Brought into the structures presented in Sects. 2.2.3 and 2.2.4, the following main components can be identified (Figs. 5.1 and 5.2).

1. **Writer's story (the narrator's perspective)**

- Trevor Milton as narrator with his values and morals

2. **Second story (perspective of the target audiences)**

- Elixir: The American dream lives on. The heroic nature of the founder's mission lies in his dedication to a cause greater than himself (identification opportunities for a broad public and various stakeholder groups).
- Nikola has a bright future ahead of it: it is worth investing in, partnering with, reporting on, ordering from, and it is an inspiring place to work.

3. **Inner story**

- Trevor Milton, the story's hero, embarks on a journey from which he returns changed. He successfully completes the quest, and the experiences he goes through make him a better person. He returns home renewed ("you will never become the best at anything you do unless you failed miserably in life").

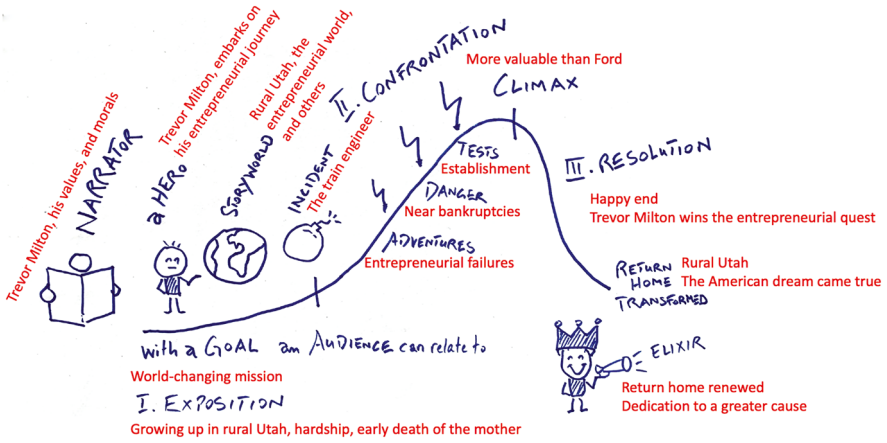


Fig. 5.1 The three acts, individual components and five levels of the founder's story

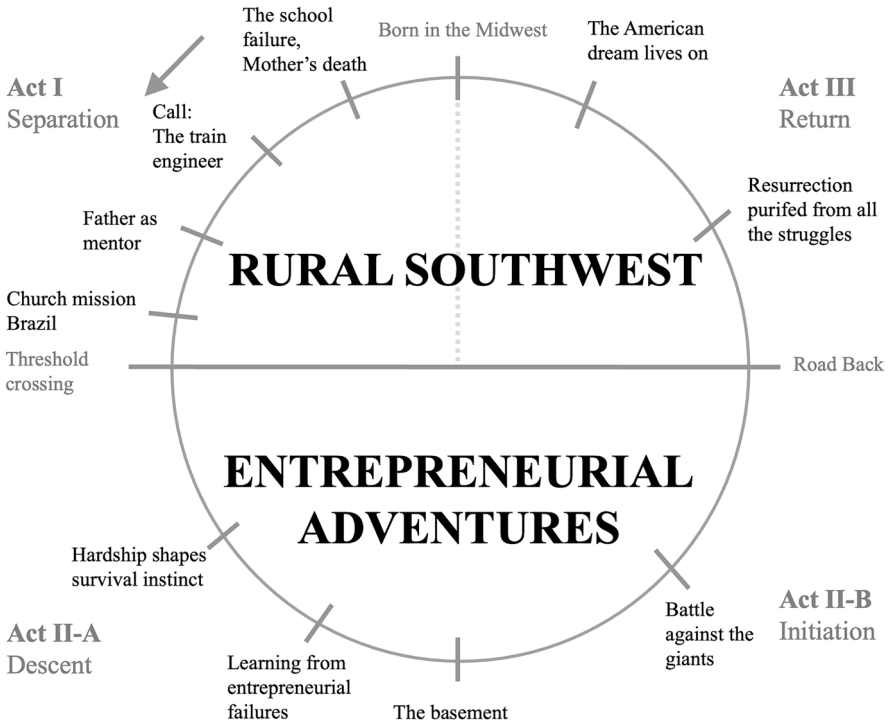


Fig. 5.2 Trevor Milton's entrepreneurial journey (Adapted from Campbell, 2008, p. 227; Vogler, 1998, p. 194)

- Trevor Milton’s father is his most important mentor
- Trevor Milton’s adversaries: The school principal, the naysayers, the old guard, the short sellers

4. Plot

- Exposition: Growing up in a remote region, the cancer and early death of his mother, the need to take responsibility at an early age
- Call for adventure: The meeting with the train engineer releases the forces that prompt him to cross the threshold into the world of entrepreneurial adventures
- Goal an audience can relate to: To build what he knew he had to build, and to change the global transportation industry—Trevor Milton’s world-changing mission
- Confrontation: The entrepreneurial failures, the near bankruptcies, the threat of establishment
- Climax: Going public and achieving a valuation higher than Ford

5. Mood and Storyworld

Vivid, pictorial, and personal accounts evoke mental images in the recipients’ minds. Main settings:

- Rural Utah and Nevada (Las Vegas), from where he sets off
- Brazil (church mission), return to Utah
- The basement where it all began
- The entrepreneurial world (Fig. 5.2)

The following analysis will examine Trevor Milton’s use of selected story fragments across different rhetorical situations. The details of the sources under study, the precise time codes, and page references can be found in Fig. 5.3. Sources 1 to 4 are longer podcast interviews with a focus on entrepreneurship and investing. Of these, sources 1 and 2 are rather critically conducted interviews. Source 4 is clearly the shortest interview, with a total duration of just over half an hour. All the others are over an hour long. Source 5 is an approximately ten-minute video interview as part of Nasdaq’s “Behind the Bell with...” series. In it, the companies listed on Nasdaq are showcased. Sources 6 and 7 are print interviews in trade journals for the trucking industry. Source 8 is a filmed appearance by Trevor Milton at the groundbreaking ceremony for a new factory (video running time: 39 min, 24 s). Source 9 is a video of the so-called Nikola World Event from 2019 with Trevor Milton as host on stage (running time: 1:23:38). Source 10 is Nikola’s Facebook posts from 2020. For audiovisual sources 1 through 4, as well as 5, 8, and 9, no subsequent editing was done that would have altered the original flow of the interviews or speeches. Sources 6 and 9 are from 2019, and all others are from 2020. Sources 1 through 4 and 8 are all from the same month, July 2020.

It is not just the narrative fragments that Trevor Milton himself uses that are of particular interest here, but also the fragments that are taken up by people in his immediate environment. For example, in his brief introduction at the groundbreaking ceremony for the Nikola factory in Coolidge, Arizona, Nikola’s then CEO Mark Russell picked up on several story fragments that Trevor Milton has repeatedly

Publications	1 = The Chartcast. (2020, July 17). Trevor Milton—The Chartcast with TC & George (No. 35) [Podcast].	2 = This Week in Startups. (2020, July 31). Nikola Founder Trevor Milton on competing with Tesla, going public pre-revenue & more (No. 1099).	3 = The Founder Hour. (2020, July 6). Trevor Milton: Nikola Corporation (No. 151) [Podcast].	4 = TNewsMakers. (2020, July 28). The Evolution of Electric Truck with Trevor Milton, Founder and Executive Chairman, Nikola Corp.	5 = Nissling, Inc. (2020, June 4). Behind the Ball with Nikola's Founder and Executive Chairman, Trevor Milton.	6 = Shiers, W. (2019). Sparking Interest. "Commercial Motor" 223(573), 18–23.	7 = Hitch, J. (2020, June 2). With Nikola now public, it's time to know CEO Trevor Milton: FleetOwner.	8 = Nikola Motor Company. (2020b, July 23). Groundbreaking in College Arizona.	9 = Nikola Motor Company. (2019, April 18). Nikola April 2019—Official Product Portfolio Unveiling Video.	10 = Nikola's Facebook Account
The visionary leader	11:30, 01:23:50	9:50, 39:50, 58:50	6:15, 14:50, 31:30, 38:40, 44:00, 53:05	8:20, 23:30	2:45	p. 20	p. 6	8:10, 8:55	15:50, 1:07:10	Feb 12, April 6, June 3, July 6
Ability to listen, to learn from failures	4:10, 1:32:05	6:55, 8:10, 9:38, 56:20, 1:04:10	14:00, 18:50	21:10, 30:15			pp. 6, 8	8:45	53:10, 1:06:50	May 18
Survival instinct, perseverance, faith	6:25, 1:07:00	39:55	4:10, 25:00, 41:45, 1:07:50	14:05	8:10	p. 19, 20	p. 6	11:45	1:06:35, 1:07:50	May 18
The seed: Train engineer. Inspiration to build locomotive semi-truck	3:30		2:25						1:05:20	
School failure & college dropout, practical talents	3:40, 5:05		7:35, 8:35			p. 23	p. 3	6:48		
The basement where it all began	59:50				8:30			7:30, 8:40	3:20, 16:20, 1:07:20	July 28
Values inherited and father as role model	2:50, 6:05, 7:58, 9:50, 27:15, 1:09:15, 1:32:30			9:00		p. 23	p. 9		36:10, 1:04:50, 1:05:50	
Rough childhood	2:15		3:00, 4:45			p. 23	p. 9		1:06:05	
Living in Brazil, church mission	2:30					p. 23				
Battle against the giants	1:04:00, 1:07:25		35:40		5:50	p. 18			34:20	
Greater cause and inner calling	8:45	1:01:25, 1:11:55	28:55	12:45	0:55, 3:40	p. 21		3:36, 14:15, 32:50, 32:40, 33:30	34:40	Jan 15, April 2, April 6, April 22, May 18, June 4, June 5, June 24, Oct. 8, Nov 13
Bright future	1:17:54, 1:35:10	9:50, 46:45	38:45, 1:00:30, 1:04:20	22:50, 23:40, 27:44	3:10, 4:40, 5:20, 6:00, 7:10	p. 21	p. 4	11:15	55:50	Jan 31, March 5, May 1, June 9

Fig. 5.3 Use of story fragments in different rhetorical situations

referred to. In his roughly six-minute welcome address, Russell mentioned, among other things, the story of college dropout, the startup's start in the basement, and the infectious visionary power of Nikola's founder and his larger mission, which made all the difference. The greenfield facility that they would be constructing differed, he said, in one respect from the other similar projects he had been involved with. "Those were not about saving the planet. What we do here today, if we are successful together, will be in the history books, some day" (Nikola Motor Company, 2020d, 3:50).

Trevor Milton, as will be shown, understood how to deliver communicative content in a way that was appropriate for the target audience (cf. concept of strategic maneuvering, Sect. 3.4.3, p. 82). In a relatively short interview for *FleetOwner* magazine (source 7 in Fig. 5.3), the Nikola founder focused on outlining the benefits of the integrated value chain from the customer's perspective (cf. Sect. 5.2.2). In terms of communication, this made perfect sense, since *FleetOwner*, by its own account, serves "executives and maintenance management of commercial truck fleets that operate five or more vehicles" (FleetOwner, 2010). Trevor Milton's remarks in this interview were primarily argumentative and explanatory in nature, but he did not refrain from adding narrative and biographical elements to his remarks (embeddings Type 1, cf. Fig. 3.7). Among other things, he mentioned his elementary school candy business, he talked about the early death of his mother, and he mentioned how he had learned that his father was his "best friend" (Hitch, 2020). Similarly, in a nearly ten-minute interview with Nasdaq on the day of the stock market debut, Trevor Milton repeatedly addressed three aspects, all of which were of major importance to Nasdaq's target audience (Nasdaq, Inc., 2020):

- Nikola's vertically integrated value chain, which Milton discussed in no less than four passages (cf. later, Sect. 5.2.2);
- Trevor Milton's argument that the Nasdaq listing strengthened Nikola's legitimacy (cf. later, Sect. 5.3.3, p. 146 and Sect. 6.1.5, pp. 172–173);
- And Nikola's supposedly fantastic prospects, which he addressed in no less than five passages.

In this case, too, Trevor Milton understood how to follow his own communicative playbook. In the Nasdaq example, he added to his primarily argumentative remarks by introducing narrative fragments, such as the basement where it all began, his fight against the automotive giants, or his inner calling to commit himself to a greater cause.

Elsewhere, in appearances at corporate events or in longer interviews, Trevor Milton worked with narrative elements in a much more pronounced way. The Nikola founder's utterances in such rhetorical situations primarily follow a narrative scheme, and argumentative elements were embedded in larger meta-stories (embeddings Type 2, cf. Fig. 3.7). In such moments, the narrative elements used were not merely interspersed in a fragmentary manner but were parts of a larger, more coherent plot line. For example, in a one-hour podcast interview aimed at young entrepreneurs, Trevor Milton only got around to addressing arguments about Nikola's business model after half an hour. The introductory half hour was devoted to stories about his entrepreneurial journey: By way of introduction, Trevor Milton mentioned the story of the train engineer who planted the entrepreneurial seed in him, after which he went on to discuss his inner calling and entrepreneurial vision, his deprived childhood, his problems at school, his setbacks, and the lessons they taught him for life (The Founder Hour, 2020). Figure 5.3 provides insights into how prominently Trevor Milton has used recurring narrative fragments in diverse rhetorical situations.

Small stories draw on pre-existing background knowledge to form more coherent narratives and seem to have the potential to serve an important function in public discourse. Public awareness is not simply there, public awareness is produced to achieve certain effects (Perrin & Wyss, 2016, p. 243). In Nikola's case, it emerges from the interplay between Trevor Milton as an individual and entrepreneur, on the one hand, and extended corporate communications on the other. These communications are made through press, TV, podcasts, social media, and other channels and seek to strike a delicate balance between different audiences, including employees, institutional investors, retail investors, partner companies, competitors, potential customers, the world of science, associations, lobby groups, regulators and other authorities, politicians, and more (polyphonic balancing, cf. Fig. 3.6). When communicating to such diverse audiences, even the supposedly simple can get complicated. Institutional investors operate in different worlds than retail investors, trade media outlets expect a different level of detail than news outlets, natural scientists have a different background than truck drivers, and partner companies and competitors may view the same message from different angles. The more the different sub-publics separate themselves from each other—and this is important for their survival in terms of systems theory—the more difficult it becomes to facilitate

understanding across system boundaries. However, discourse in public sphere has precisely the function of facilitating understanding across boundaries (Kohring, 2006; Perrin & Wyss, 2016; Rhodes & Brown, 2005). This is most easily accomplished by referencing shared experiences, and where such experiences are lacking, they are constructed. Narrative *frames*, recurring human themes, and *mythologems* play an important role in cross-system understanding. The key here is that storytelling is essential to public discourse.

It is easier to reflect on the effects of such communicative actions than to measure them precisely. Sampling methods—which could be used to detect prototypical patterns, or identify extremely deviant cases by examining blog posts or other forms of follow-up communication—could provide clues (Perrin & Wyss, 2016, p. 252). “With partnerships like Iveco in Europe, they have a good opportunity to change the dynamics of the transportation industry at a global scale,” Facebook user Pablo Casco commented on a Nikola Facebook post of March 4, 2020 (Nikola Motor Company, 2020a). “A revolution is born,” user Jeffrey Scott Miller commented on a Nikola post of April 6, 2020 in honor of the founder’s birthday (Nikola Motor Company, 2020b). “Taking a moment to wish our visionary Founder and CEO, Trevor Milton a very happy birthday,” Nikola’s communications department wrote on Facebook. “An exemplary leader whose mission is changing the world for the better” (Nikola Motor Company, 2020b). User Charlotte Nymoem-Kumbera got the message and commented on Nikola’s Nasdaq debut, saying “One step in the right direction—to change the world for the better” (Nikola Motor Company, 2020c). These are only glimpses of the numerous comments on Nikola’s Facebook page, the majority of which were positive prior to September 10, the date of the publication of the Hindenburg report (although it can be assumed that only a selection of the user comments is retrievable).

Trevor Milton’s biographical stories had become part of Nikola’s corporate communications and likely served an important function within the company as well (cf. Sect. 5.2.1, p. 130). Internally, stories are significant for creating, maintaining, and further developing an organizational culture, because stories reflect the values and morals of the person telling them (Rhodes & Brown, 2005, pp. 172–174). In this way, they provide orientation, convey meaning, and enable a stronger identification with the organization concerned. This chapter has shown that Trevor Milton has repeatedly used certain biographical narratives communicatively that he could assume would resonate with different audiences. This is an important prerequisite for the aspect that will be discussed in the following chapter. It has also shown that these individual parts, although rarely presented coherently as such, came together to form a larger story that followed common storytelling structures. Strong stories are easily accessible, they grab attention, they are entertaining, they trigger emotions, and they are a means to connect with an audience, to name just a few aspects (Sect. 2.2.3, p. 27). But for them to build trust, something beyond that is needed. This requires separate consideration.

5.1.3 *Ethos Creation by Narration*

According to Godulla and Men (2022, pp. 128, 132), startups “remain an under-researched study context” from a strategic communications perspective, particularly

with regard to specific topic areas such as ethics and the role of entrepreneurial leadership communication. This case study suggests that the trustworthiness of the entrepreneur (or founding team) plays a key role in crafting a compelling startup narrative and is thus an important component of strategic startup communication (cf. Sect. 5.2.1, p. 130). Trustworthiness is ascribed or withdrawn, keeping in mind that entrepreneurs are in no way balanced sources of information. On the contrary, they are highly biased by nature, as they are judged not least by their ability to convince different resource providers of the attractiveness of their entrepreneurial plan in the long-term. Above all, startup entrepreneurs have a compelling interest in strategically persuading investors, because without sufficient financial resources, any startup is doomed to fail from the outset (Sect. 2.1.1). Furthermore, investment decisions are future-oriented and therefore always subject to uncertainty. Investment decisions are justified based on information that is often incomplete, only partially accessible, and complex (Palmieri, 2017, p. 49). However, this uncertainty is even more pronounced when investing in startups. “Assessing a new venture’s potential for success is difficult due to the limited availability of information on these firms” (van Werven et al., 2015, p. 616).

Under normal circumstances, “past performance is taken as an indicator that the company is well managed and will deliver also in the future” (Rocci & Luciani, 2016, p. 95). Financially relevant information is used as premises, based on which investment decisions are rationally justified. Good past results combined with an optimistic earnings guidance indicate that the company will continue to be able to generate shareholder value in the future (the premises are intended to be relevant only if taken jointly cf. compound argumentation, Sect. 2.3.3). As Palmieri (2017, p. 49) has pointed out, this knowledge (*epistemic issue*³) together with the implicit goal of having a good return on investment leads to the practical conclusion: You should invest in the company (*decision-oriented issue, locus from final cause*). Figure 5.4 summarizes the argumentation structure.

1. You should invest in our company
 - (1.1.a Your goal, as a shareholder, is to have a (good) return on your investment)
 - (1.1.b Investing in our company is likely to enable you to attain a (good) return on your investment)
 - 1.1.b.1.a We have created value for our shareholders in the past fiscal year
 - 1.1.b.1.b The outlook for the next fiscal year is positive

Fig. 5.4 General argumentative pattern of investment decisions (Rocci & Luciani, 2016, p. 94), adapted from Filimon (2011, p. 464)

³The distinction of two main classes of issues and related standpoints goes back to Aristotle’s *Topica* (Aristotle, 1963): Decision-oriented standpoints refer to the desirability of an action, and epistemic issues are oriented toward knowledge creation.

Startups do not yet have meaningful financial results on which to base an investment decision, and critical scrutiny of the business model is challenging. In other words, for new ventures, information opaqueness is inevitable. Additionally, there is an extremely asymmetric distribution of information. A startup entrepreneur knows better than anyone else what the company's chances of success are (*argument from position to know*). He or she knows what proprietary technologies the startup really owns, and secrecy requirements make it impossible to share the details of these claimed competitive advantages with the outside world. Nikola went public pre-revenue,⁴ and as will be discussed in the business model analysis, Trevor Milton claimed to have breakthrough proprietary technologies and a significant cost advantage, the existence of which no outsider could conclusively assess because no products were yet available on the market. Due to the radically novel business concept that Nikola claimed to have, investors lacked comparisons, which further contributed to the uncertainty of the situation.

This combination of vested interest and inherent uncertainty could tempt startup entrepreneurs to overpromise to gain a resource advantage. If the entrepreneur appears trustworthy from the point of view of the trust-giver—e.g., the investor—this provides the investor some protection against being exploited. For the entrepreneur who is aware of this situation, it is therefore worthwhile to place great emphasis on building trust in order to influence the impressions and beliefs of important stakeholders (Sect. 2.1.2, p. 15). Who else should investors trust but Trevor Milton, “the source of many, if not most, of the ideas and execution driving Nikola,” according to the startup's investor prospectus filed with the SEC (Nikola Corporation, 2020a, p. 17)? In this context of entrepreneurial trust building, storytelling appears to be strategically well suited as a language practice, not only to provide access to a broad public, to personalize abstract content, and to order individual events, but also to build a connection on the value level so that boundaries between different stakeholder groups can be bridged (Sect. 3.4.1, p. 78).

The difference between interpersonal trust and trust in an organization/founder is that the relationship between the trust-giver and the organization/founder is usually not mutual, as it would be between two people who know each other personally. Customers come into contact with a company primarily through its products or services; in rare cases, there may also be an exchange with a company founder on social media. However, since individuals rarely have direct, personal interactions with a company or founder, media information is a fundamental source for building trust (Ingenhoff & Sommer, 2010, pp. 340–342). Diana Ingenhoff and Katharina Sommer (2010) have used a standardized survey in Switzerland to show that traditional media users rate companies and their CEOs significantly more critically in terms of overall trustworthiness than nonusers (2010, p. 351). Therefore, the authors conclude, it is particularly important for companies and CEOs to ensure positive coverage in the general media on the dimensions that are important for building trust. With the media always on the lookout for engaging stories, founders who

⁴Nikola's revenue in the first half of 2020 was approximately \$80,000 USD, of which \$36,000 USD, according to an SEC filing, was from installing solar panels for the founder (Stevens, 2020).

know how to tell them will have a comparative advantage in getting their messages across. Communication, however, remains a delicate matter.

Because every form of communication reveals a lot about the person who is communicating, “communication—even merely being seen by others—is a risky undertaking which requires some kind of safeguard” (Luhmann, 2017, p. 44). Language impacts the world, and communication is a form of action (Fairclough, 2010). If words are not followed by deeds, this is not without consequences for the trustworthiness attributed to a person or organization. One can only infer personality from what is made socially perceptible (visible, audible, readable)—consciously or unconsciously, explicitly or implicitly—and hope that future actions will be consistent with this constructed personality. Trustworthiness, it is hypothesized, is built over time on this correspondence between perceptible actions and perceived personality. The person perceived as in harmony with himself appears predictable. For personal trust to develop, it is important that individual actions are perceived as free choices, or as Luhmann puts it: “Trust is founded on the motivation attributed to behaviours” (Luhmann, 2017, p. 45). That is precisely what Trevor Milton seemed to have internalized. In his own narratives, the steps he has taken not only appeared to be self-chosen, but they also formed a coherent whole, with the individual narrative fragments appearing remarkably consistent within themselves and when cross-referenced across a multitude of sources (Sect. 8.3). This contributes to the plausibility of the entrepreneurial story as a whole, even if not all of the biographical accounts were verifiable in detail (upstream assessment of story acceptability, see Fig. 3.5).

To understand how the trustworthiness of an entrepreneur’s story comes about, I shall now examine the ethical stance of entrepreneurs. Mayer et al. have suggested three factors that are critical to building and restoring trustworthiness: ability, integrity, and benevolence (1995, pp. 717–720). This three-factor model of trust reflects the concept of *ethos* from Aristotelian rhetoric, which, according to the Greek philosopher, consists of practical wisdom (*phronesis*), virtue (*arete*), and goodwill (*eunoia*) (Palmieri & Musi, 2020, p. 274). Trustworthiness is thus modeled as a multidimensional construct based on cognitive and affective elements (Ingenhoff & Sommer, 2010, p. 341; McAllister, 1995, pp. 25–26). On the one hand, people decide for good reasons—and thus cognitively—whether they consider the other party trustworthy or not. On the other hand, emotional ties between the trust-giver and the other party have an affective influence on trust formation (Ingenhoff & Sommer, 2010, p. 34). Following the suggestions of Mayer et al., we can define the term *ability* as something that “highlights the task-and situation-specific nature of the construct in the current model” (1995, p. 718). Trustworthiness through *integrity* is formed when the other party consistently adheres to principles that the trustor finds acceptable (or when the other party seems to have demonstrated this in the past). Character and value congruence are mentioned as related constructs. The construct of integrity at the personality level has references to the concepts of regulative and normative legitimacy at the corporate level (lawful behavior, acting in accordance with industry standards and promises). Mayer et al. point out that consistency alone is insufficient to establish trust, as the other party may constantly violate principles that are important to the trust-giver (1995, p. 720). This is why a third factor

is required for trust building, which is described as *benevolence* and pertains to the extent to which the other party is assumed to want to do good to the trust-giver without there being any clearly discernible self-interest (Mayer et al., 1995, p. 718). Altruism and social responsibility fall into this category (we care). Regarding the interplay of the three factors, Mayer et al. have stated: “Ability, benevolence, and integrity are important to trust, and each may vary independently of the others. This statement does not imply that the three are unrelated to one another, but only that they are separable” (1995, p. 720).

According to this understanding, investor trust requires plausible evidence that entrepreneurial talent will not turn into deception. The three factors—ability, integrity, and benevolence—can be modeled as intermediate standpoints that provide argumentative support for a claim of trustworthiness but require supporting premises. Crucial to this analysis is the observation that Trevor Milton's narratives have an argumentative dimension (argumentative narratives), albeit in a rather implicit way. As Andrea Rocci and Carlo Raimondo have shown using the example of Juicero, a healthy juice company founded in 2013 by Doug Evans, argumentative storytelling seems to be particularly effective in creating ethos (Rocci, 2017). Trevor Milton rarely uses the terms trust or trustworthiness in his biographical accounts. However, as this analysis reveals, many of Trevor Milton's recurring small stories have an argumentative core to justify an implicit trust-related standpoint that can be plausibly reconstructed from context, namely strategic persuasion with respect to investor relations. When asked on a [podcast](#) (The Chartcast, 2020) how Nikola's steep rise was possible, Trevor Milton responded by referring to his father:

He had his degree in business and his entire philosophy from the time I was a kid is how important it is to be financially sustainable. And as I grew, him and I came up with these terminologies that you cannot be environmentally sustainable if you're not financially sustainable. And this is where I get a lot of pushbacks from the online community, because I'm a big believer of being financially sustainable without having to rely on government credits to make your business model work. (The Chartcast, 2020, 7:52–8:24)

Later in the same interview Trevor Milton added:

My family always raised me that, you've got to find people that are good at what you're not good at and bring them into your life and, and then be honest and work hard. (2020, 1:32:30–1:32:41)

Neither trust nor integrity is explicitly mentioned in these statements, but it is plausible to assume that Trevor Milton is using them to emphasize his own trustworthiness (I have integrity because I was raised to be honest and upright, and I am trustworthy because I have integrity). Van Werven et al. (2019) were able to demonstrate in their microlevel study of investor pitches that new venture founders often constructed a specific type of *enthymeme*, in which the argument remained incomplete because its claim (or standpoint) remained implicit (van Werven et al., 2019, p. 199). Similarly, Trevor Milton's ethos building left implicit the intermediate standpoints that were to be supported argumentatively (threefold claim of ability, integrity, and benevolence). For example, when Trevor Milton talked about how he had successfully started new ventures in the past and learned from the obstacles he encountered, he implicitly gave the impression that he would be able to leverage

that experience for Nikola. The rhetorically somewhat clumsy argumentation in this case would be: I am trustworthy because I am able. And I am able because I have proven it in the past and because I learn from challenges. However, this example shows that it is rhetorically more elegant to leave parts of the argument implicit (cf. Sect. 2.2.4, p. 29). As Van Werven et al. (2019, p. 206) have pointed out, enthymemes are often just accepted without further scrutiny because of their rhetorical power to achieve narrative plausibility.

This book suggests that ability, integrity, and benevolence form a compound argumentation supporting the trust standpoint of the entrepreneurial story, with the locus being *intrinsic* (locus *from definition*, locus *from whole and parts*, see Fig. 2.8). In other words, ability, integrity, and benevolence act unitedly, complementarily, and jointly in favor of the founder's ethos formation. The three are the constitutive components of trust, and when they work together, they acquire argumentative power to support trustworthiness in the entrepreneurial personality (cf. Palmieri & Musi, 2020). This can be illustrated by a practical example: Trevor Milton's high school candy business in Las Vegas showed he was cut out for entrepreneurship at a young age. Everything Trevor Milton did entrepreneurially, in his own framing, prepared him to disrupt the transportation industry. His defeats reinforced the survival instinct required for entrepreneurship. At Nikola, he said he assembled a team capable of compensating for his weaknesses and he, Trevor Milton, could listen to his team. The hardships of his youth shaped his character and led him to take on responsibility early in life. His parental home instilled in him the values that matter in life, and failure made him a better person with integrity. Ultimately, to demonstrate benevolence, it was important for Trevor Milton to credibly portray that he was driven by a positive motive and wanted to contribute to a better world with his entrepreneurial solutions. If the founder succeeded in credibly demonstrating that Nikola's entrepreneurial mission served a higher purpose, he was very likely to generate narrative resonance with his target resource providers as a result (Sect. 3.4.1, p. 78). Comparison across different rhetorical situations revealed that while Trevor Milton varied these and other story fragments, he typically did so in such a way as to simultaneously support the three intermediate standpoints—that is, he distributed the small stories in such a way that ability, integrity, and benevolence were effective together (Fig. 5.3). After all, investors make themselves vulnerable—they can lose all or part of their investment—and both the opportunities and the risks are particularly pronounced for startups and other young growth companies. This willingness to be exposed to the actions of a startup, and especially an entrepreneur, therefore requires evidence of some sort that the other party can do what is hoped for and will adhere to certain basic, shared ethical principles so that the talent can flourish for mutual benefit (cf. *trust definition*, Sect. 2.1.2).

In argumentation, trust is frequently used as a premise justifying a standpoint/claim (*ethotic argument/locus from authority*). The trustworthiness of the source is taken as a reason to support the transfer of acceptance from one or more premises to a standpoint (Walton, 1998, pp. 200–203). As Brinton explains, “the aim is to transfer [...] credibility [...] from some person or persons to a conclusion” (Brinton, 1986, p. 246). In the case of Nikola, one line of reasoning could have been: You

should invest in Nikola because ValueAct, a well-known San Francisco-based investment firm, has provided seed capital to Nikola (O’Dell, 2019b). In this case, the reputation of the investment firm would serve as an argument to support Nikola’s trustworthiness. In contrast, in narrative ethos formation, trustworthiness is not a premise but the conclusion of an argumentative process, with ability, integrity, and benevolence supporting the standpoint of trustworthiness as intermediate standpoints (Palmieri & Musi, 2020, p. 275). The following figure illustrates the overall argumentation structure and the reasons put forward to justify the trust standpoint. As shown in Fig. 5.5, the recurring small stories used by Trevor Milton in the previous chapter can be mapped onto the three-factor model proposed by Mayer et al. (1995) for building trust. The various story fragments, as outlined, have an argumentative core that, taken as a whole, seems very well suited to building trust in the entrepreneurial story (embeddings Type 2, see Fig. 3.7). Moreover, these recurring small stories appear to be conducive to acceptance across diverse stakeholder groups in the context of the downstream assessment proposed in the theoretical framework (Fig. 3.5). They lend themselves to polyphonic balancing because the messages they convey seem capable of transcending system boundaries and develop

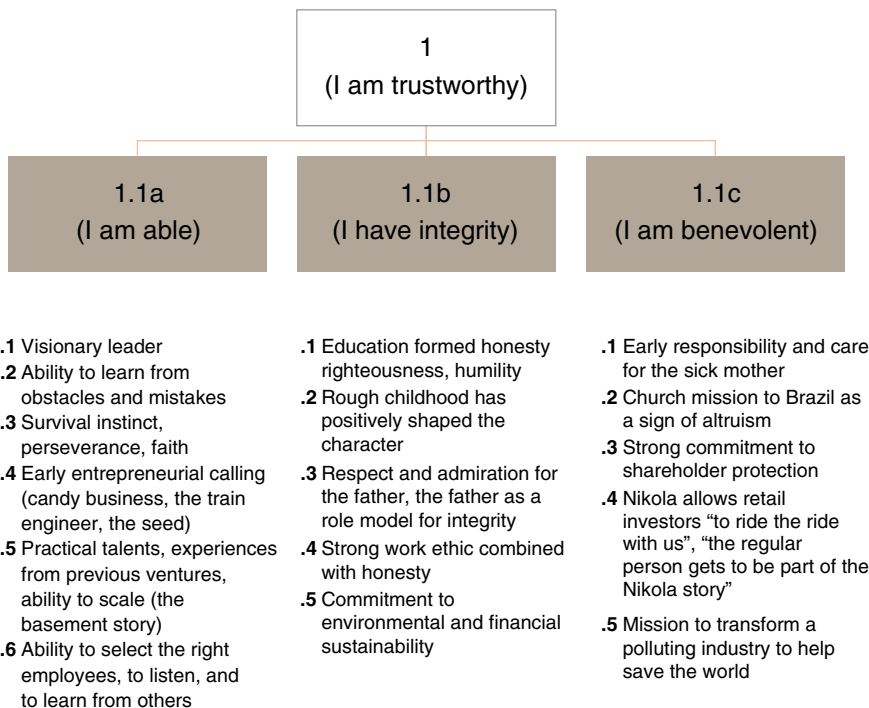


Fig. 5.5 Ethos creation through argumentative storytelling on the example of the founder’s story

broad-based, trust building power as arguments embedded in a primarily narrative discourse.

5.2 Justifying Competitive Advantage

This chapter reconstructs the business case, starting with an introductory quasi-journalistic analysis. Here, the presentation of Nikola's uniqueness and his role by the founder, as taken from various sources and occasions, is subjected to an exploratory examination for possible inconsistencies (Sect. 5.2.1). The quasi-journalistic reconstruction follows a chronological narrative and addresses turning points and sudden changes in strategy. This lays the foundation for an argumentative reconstruction of Nikola's business model.

Section 5.2.2 explores the intricacies of Nikola's integrated supply chain and describes the critical components that are essential to the product-side ecosystem. In the next step (Sect. 5.2.3), methodologically irrelevant features are filtered out, while relevant implicit aspects are included. This process leads to the creation of meaningful relationships between the remaining argumentatively relevant components. This multi-stage approach serves to systematically build a comprehensive understanding of Nikola's business model, guided by the overarching goal of critically evaluating its merits and pitfalls (for the steps of argumentative reconstruction, see Sect. 2.3.3).

5.2.1 *The Nikola Story*

On December 1, 2016, Trevor Milton made his grand entrance. Seven months after the first media announcement, the moment the Nikola community had been waiting for had arrived: Nikola One, the company's heavy-duty semi-truck, saw the light of day and was presented to the invited media, customers, industry partners, politicians, and other stakeholders in a sophisticatedly staged, [live-streamed show](#) (Nikola Motor Company, 2016b). The following paragraphs provide a scene-by-scene description of the show using the present tense.

"Everything kind of starts when you're young and you have a lot of paths in life you can take, but this was my path to transform how trucking works, everything about it, from the ground up" (Nikola Motor Company, 2016b, 00:24-00:33). With these words, Trevor Milton starts a video prelude, accompanied by some chords, not too much, but just enough to lift the audience's emotions. These introductory words are followed by a statement from Max Fuller, Chairman, CEO, and co-founder of US Xpress, one of the nation's largest truckload carriers, who looks exactly like a trustworthy, older businessman should look like. "I've met a lot of dreamers, sometimes they have great ideas, but they can't ever get off ground," Fuller starts his

remarks, “so when I first met Trevor, it’s pretty exciting to see that he actually had more than just on paper” (Nikola Motor Company, 2016b, 00:57-01:10).

“We built something no one else thought was possible,” continues Milton, “and we have done it with a team of passionate, driven young entrepreneurs all put into one incredible team here at Nikola” (Nikola Motor Company, 2016b, 01:16.01:26). In a steady crescendo, the video approaches its climax, which centers on the founder’s core message.

If something can be done, it should be done. We’ve been able to prove it works, now it’s time for us as a company to take the products out on the road, show they can outperform a diesel in every application, in every situation, and change the philosophy of an entire society. (Nikola Motor Company, 2016b, 2:05-2:22)

Then, the Nikola founder makes his first physical appearance by rolling up next to the stage with a prototype of Nikola’s electric utility vehicle (called the NZT). Trevor Milton enters the stage in an open shirt, sleeves rolled up, accompanied by upbeat sounds. Next, a quote from Oren Harari, author of several books on leadership, fades in: “The electric light did not come from the continuous improvement of candles” (Nikola Motor Company, 2016b, 4:48). The founder explains why large, established manufacturers could never take on the risks that Nikola was willing to shoulder. Behind Trevor Milton, hidden under a form-fitting tarp, the audience can make out the contours of the prototype around which everything revolves: the Nikola One semi-truck. A second video, just before the unveiling, makes it clear what Nikola is all about. After images of environmental destruction, the video fades back to the now darkened revolving stage. The commentary voice continues:

Movers revolutionized our world, it’s time to revolutionize theirs. For those who bravely stand at the crossroads of innovation and enterprise, for those who are prepared to give our children a moral compass and not just a road map, for those who wish to leave the planet better than it was when we found it. (Nikola Motor Company, 2016b, 31:59-32:21)

Next, the tarp falls like a negligee, the light comes on, and what everyone wants to see becomes visible. After a deliberate pause, an obviously moved Trevor Milton re-enters the stage to the applause of the audience. It is a meticulously choreographed show.

This brief scenic description sheds light on the visual aspects of meaning-making. While these are important, they are not the primary focus of this analysis, which is principally concerned with the content of the communication and only marginally with forms of presentation, presentational devices, and the way a message is rhetorically conveyed (*lexis or elocutio*). However, visual and atmospheric stimuli undoubtedly influence what happens in the audience’s mind and can be used strategically (Sect. 3.4, p. 82). The way coherence emerges from what an audience hears, sees, and feels can be actively controlled or at least influenced. According to Erving Goffman, *frames of meaning* allow individuals to create understanding, organize their experience, and guide further action (Clarke, 2011; Goffman, 1986). The more inconspicuously and, in a sense, naturally, these frames are mobilized without significant intervention by the speaker or sender, the more likely it is that the desired interpretation can be triggered in the audience’s “mental cinema” (cf. Sect. 3.2.1). “When the talk itself is ineffective—which is frequent—the audience

finds that the speaker cannot easily be dissociated from the speech, and that his effort at framing the talk is something that lingers on inside the frame, disrupting the work it was meant to do” (Goffman, 1986, p. 257). Jean Clarke (2011) has analyzed how entrepreneurs used visual cues to evoke certain frames “that connected with or bridged stakeholder’s understanding of the venture, ensuring that their audience accepted the entrepreneur’s preferred meaning over any other” (2011, p. 1385). Undoubtedly, the focus on argumentation and storytelling in the present book only captures partial aspects of the entire meaning-making process. The example of Nikola One’s unveiling illustrates how Trevor Milton used a range of visual symbols during his performance, how he carefully managed the surrounding visual and atmospheric environment, and how he both controlled and allowed emotions for strategic purposes. In this instance, meaning was achieved mainly through the combination of speech, sound design, and visual cues.

Four months before the unveiling, on August 1, 2016, Trevor Milton was quoted in a Nikola press release announcing that the startup’s “advanced R&D team has achieved 100 percent zero emissions on the Nikola One.” He said: “Nikola has engineered the holy grail of the trucking industry” (Nikola Corporation, 2016e). “Imagine what this could do for the air in every city in America. We knew our emissions would be low, but to have the ability to achieve true zero emissions is revolutionary for the worldwide trucking industry,” Milton added in the same press release. Just 7 weeks earlier, on June 16, 2016, Nikola had announced that it had received more than 7000 reservations for the prototype, which was described as “a near zero emission truck” (Nikola Corporation, 2016d). How was it possible to achieve zero emissions within just 7 weeks? This breakthrough was all the more astonishing because the Nikola One was supposed to have a battery that would be charged by a generator that was run by a turbine that itself ran on gasoline, diesel, or natural gas (Nikola Corporation, 2016c). Though much cleaner compared to a typical diesel truck, Nikola One’s turbine was not zero emission.

The answer came 30 days after the “holy grail” announcement: In a startling change of direction, Nikola suddenly announced that the heavy-duty trucks used in the U.S. and Canadian markets would be powered by a hydrogen fuel cell (Nikola Corporation, 2016f). In the same press release, Nikola announced plans to establish a nation-wide network of over 50 hydrogen fueling stations instead of building a network of compressed natural gas fueling stations, as previously planned. The question remains: What prompted Trevor Milton to suddenly abandon a technology that, just 7 weeks earlier, he described as “10–15 years ahead of any other OEM [original equipment manufacturer] in fuel efficiencies, MPG [miles per gallon] and emissions” (Nikola Corporation, 2016d)?

More than 4 years later, *The Wall Street Journal* reconstructed how this change of direction came about: Mark Russell, who later became Nikola’s CEO, told the *Journal* that it was he, Russell, who initiated the switch (Foldy et al., 2020). Russell was apparently worried that “falling diesel-fuel prices would doom any cost advantage for natural gas.” Days after Mark Russell voiced his concerns, Trevor Milton decided to pivot to hydrogen fuel cells, Russell recalled (Foldy et al., 2020). According to Milton, Nikola’s board “had a total panic attack,” but switching to

hydrogen allowed Trevor Milton to sell investors on a zero-emission future, as *The Wall Street Journal* reported. At the time, according to people who worked on the prototype truck, Nikola did not appear to have any in-house resources dedicated to hydrogen (Foldy et al., 2020). Moreover, when Nikola announced it was taking reservations for the Nikola One, the press release blended the past, present, and future tenses, making it difficult for the reader to grasp what already existed and what was aspirational (Parloff, 2020). “Nikola has built the truck of the future and will hold that title for quite some time,” Trevor Milton was quoted in the Nikola press release (Nikola Corporation, 2016a). However, the very first sentence of the same press release indicated that the realization might not have progressed as far as the founder had imagined. Nikola “has engineered, developed and is finalizing assembly” of the Nikola One, it said, adding that “the fuel will be delivered through Nikola’s own gas wells” (Nikola Corporation, 2016a). In fact, Trevor Milton repeatedly used tenses that made it difficult for the recipient to distinguish planned actions from implemented ones (fallacy of lack of clarity and ambiguity fallacy). Sometimes he even made it impossible. In a December 2019 interview with *Commercial Carrier*, Trevor Milton gave the impression that the startup’s mission had already been accomplished, even before Nikola had sold a single truck. He said: “Nikola will always be known as the company that changed the world of trucking. Nobody else will ever get that title” (Shiers, 2019, p. 20). “I knew I had a chance to change the world. And that’s what I did,” said Milton in an interview with the *Financial Times* in September 2020 (Waters, 2020). Such discrepancies between planning and execution seemed rather negligible from Trevor Milton’s point of view (which they are not: Language Use Rule, Rule 10 of the Code of Conduct for critical discussion, cf. Sect. 2.3.1, p. 39). Two weeks after going public, Milton explained in an interview with the financial talk show *Fast Money* on *CNBC* what kind of message the investing public wanted to hear from the founder’s perspective:

The generation that’s investing now they care more about the environmental impact of what you’re doing than they do like “oh, you’re six months or eight months from revenue.” They don’t care. They’re like “you know what, you’re changing the world, you are going to reducing emissions more than anyone else? We’re invested into you.” (CNBC Television, 2020b, 7:26-7:39)

In the same interview, the founder described Nikola’s outstanding mission: “Nikola is a unique company because we are targeting the second biggest polluting industry in the world, the trucking industry” (CNBC Television, 2020b, 0:57). “Changing the world for the better,” Nikola commented on its Facebook account about going public on the Nasdaq stock market (Nikola Motor Company, 2020c). Trevor Milton never made a secret of his world-changing mission. In an [interview with Nasdaq](#) on the day the company went public, he even went so far as to equate America’s yearning for healing in the midst of the pandemic with Nikola: “There’s a lot of bad things happening around the world with the corona[virus], and Nikola truly is America’s comeback story,” the founder said (Nasdaq, Inc., 2020, 6:57).

The Latin term *excusatio non petita* describes an attempt to justify something without being solicited to do so. Trevor Milton, so the interpretation of this book,

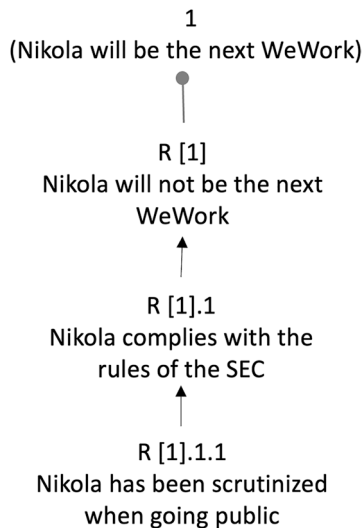
gives an impressive example of such behavior in the popular online talk show *This Week in Startups*. When the host asked him the simple question “What is the product you are trying to create in the world?”, Trevor Milton did not respond with a product description or with a small story that was relevant to the core product as one might expect (This Week in Startups, 2020, 3:40). Instead, he took a big detour and explained that Nikola mainly went public because of WeWork. “A lot of people ask, why did you go public?”, the founder replied, only to add “well, mainly it was because of WeWork. [...] Once WeWork came along, ultimately, the next question was what makes you not the next WeWork?” The U.S. real estate company providing flexible workspaces gained mainstream media attention in 2019 with its failed initial public offering (IPO). In it, WeWork’s charismatic co-founder, Adam Neumann, played an apparently questionable role. Growing concerns about its governance, valuation, and financial outlook led WeWork to drop the IPO at that time. The *New York Times* described the turmoil surrounding WeWork as follows: “The last 80 days have been an implosion unlike any other in the history of start-ups” (Amy Chozick, 2019). In other words, when Trevor Milton was asked what the product was, he brought up a recent alleged fraud and explained why he took Nikola public. Trevor Milton’s calculation behind the surprising comparison was to differentiate Nikola from WeWork (*locus from opposition*). Rather than using confirmatory arguments that directly supported Nikola’s trustworthiness in the context of the question posed, Trevor Milton attempted to proactively refute a counterargument that critics might bring forward (*Nikola will be the next WeWork*). This is all the more surprising as neither the question nor the introduction to the podcast interview addressed WeWork or the reasons for Nikola’s Nasdaq listing. “When you go public you show them everything. They get to see your books, the money, every contract, every related party transaction, they get to see everything,” Trevor Milton added. “And ultimately what that is: It brought a lot of confidence to the investors around Nikola” (This Week in Startups, 2020, 4:19-4:32). Figure 5.6 shows Trevor Milton’s rebuttal to an anticipated WeWork comparison. His starting point is the premise that companies are scrutinized before they are listed. This was also true for Nikola, Trevor Milton clarified. It can be surmised that Trevor Milton intended this argument to buttress Nikola’s supposed legitimacy, which is a particular form of legitimacy referred to as *regulatory legitimacy* (see later, Sect. 5.3.2).

In an interview with Nasdaq published on Nikola’s Facebook account, Trevor Milton made the following comments on the day of Nikola’s stock market debut:

So many people did not think that Nikola was real or legitimate, and it took years to convince the critics that it was legitimate. [...] Our executive team has an enormous amount of gratitude, and we are going to lead this company with honesty. We are going to do everything we can to make everyone proud. We are not in this for the short term, we are in this for the long term. And we are going to lead the company as well as we can and with complete honesty, transparency, and I think that’s what’s cool about going public, because you are finally going to be transparent about everything. And people can appreciate that, and they reward you for it. (Nasdaq, Inc., 2020, 8:15-9.28)

In the founder’s logic, going public not only increased the startup’s legitimacy, but it also gave retail investors the opportunity to benefit from Nikola’s stock price

Fig. 5.6 Trevor Milton's counterarguments denying an assumed WeWork analogy (*excusatio non petita*)



gains. It was not just large funds, venture capitalists, and other institutional investors who could enjoy the results of the growth; “we allow retail investors to come in, and they get to ride the ride with us,” said Milton, “the regular person gets to be part of the Nikola story now” (This Week in Startups, 2020, 10:08). This argument reinforces Trevor Milton’s claim of benevolence, because, in this line of reasoning, Trevor Milton’s commitment to shareholder protection was not done out of self-interest but out of an altruistic motive to advocate for retail investors (Sect. 5.1.3, p. 121). The founder hardly missed an opportunity to convince investors of the attractiveness of an investment in Nikola shares. Speaking to *TTNewsmakers*, a series of conversations featuring insights from transportation industry leaders, Trevor Milton said on July 28, 2020:

I think by year’s end we will have one of the greatest rallies we’ve ever seen. What we’re about ready to announce over the coming months leading up to Nikola World, that we have been very public about, is incredibly great news. You are going to see us become, I think, the most valuable brand of any trucking company in the world. (TTNewsmakers, 2020, 27:30-27:50)

The way Trevor Milton framed both his own story and that of his startup shows how important it was to him to build trust, especially with existing or prospective shareholders. In the early years of the company’s history up to the point when it went public, the founder took a very large role in Nikola’s corporate communications. This was further fueled by Trevor Milton’s presence on social media, especially Twitter. Like Elon Musk, Trevor Milton shared life views, teased business ideas, and rebutted critics. “I have an obligation to protect my shareholders,” Trevor Milton justified his sometimes harsh verbal attack on critics (CNN, 2020, 3:00). In its prospectus for investors (Form S-1), Nikola wrote that the company was “highly dependent” on its founder and largest shareholder, adding if “Mr. Milton were to

discontinue his service to due to death, disability or any other reasons, we would be significantly disadvantaged” (Nikola Corporation, 2020a, p. 17). Possibly aware of the risk this could create, Nikola began to put the founder’s influence into a bit of perspective in the weeks following going public. It was Trevor Milton himself who tried to shift Nikola’s message about its founder’s centrality. “I didn’t want that much control,” said Milton in *This Week in Startups* on July 31, 2020, “it’s unhealthy for an organization to have a dictator” (This Week in Startups, 2020, 6:44). For that reason, the founder said, he had separated the function of executive chairman from the CEO, only to add immediately that the current CEO, Mark Russell, was a great friend of his and that he, Milton, controlled the board so “whatever I want to get through I can get through if I really want to” (This Week in Startups, 2020, 8:07). Trevor Milton was probably aware of the danger that suspicions of groupthink⁵ might pose to investor confidence, so he added a thought about the balancing role of the Nikola’s board of directors.

We built this team, this really good balance around me of people that are objective, they’ll tell me no, they’ll tell me yes, they’ll tell me whatever I need that, whatever’s honest they’ll tell me, and they’re a great balance to me. (This Week in Startups, 2020, 9:28-9:42)

Whether the internal checks and balances were truly working is cast into doubt by a later statement by Milton in the same interview. Contradicting what he previously said, Milton clarified that it was the large funds that invested in Nikola that had demanded the separation of the chairman and CEO functions (2020, 1:03:35). On the functioning of the board of directors, Milton added: “Everything I’ve ever done with the board has always been a unanimous consent, which means I’ve successfully convinced my board [...], every one of them, I don’t ever overrule my board” (This Week in Startups, 2020, 1:03:45). In any case, the separation of the CEO function from that of the chairman of the board imposed on Nikola by institutional investors contributed to Nikola’s so-called *normative legitimacy*, which is achieved by meeting “softer” requirements of key stakeholders (see later, Sect. 5.3.2). One can only speculate on how dominant the founder’s influence on internal decision-making processes ultimately was. To the outside world, however, Trevor Milton was undoubtedly the dominant figure. While he rarely mentioned terms like trust, trustworthiness, or credibility in his biographical accounts, they regularly appear explicitly in his business statements. The following section attempts to uncover the argumentative structure in Trevor Milton’s remarks on Nikola’s distinctiveness as a company. To this end, Nikola’s business model is presented and analyzed.

⁵Groupthink refers to systematic errors made by highly cohesive groups when making collective decisions. The theory was introduced by the psychologist Irving L. Janis by analyzing retrospect accounts of historical events (Janis, 1982). Groupthink leads team members to irrationally discourage the expression of disconfirming opinions or even to prevent the emergence of such thoughts. Dominant leaders are among groupthink reinforcing factors (Born & Eiselin, 1996).

5.2.2 *Nikola Corporation's Business Model*

Nokia and Motorola's dominance of the mobile phone market ended soon after Apple launched the iPhone back in 2007. Eastman Kodak's failure to re-align its corporate culture with the new strategic direction to enable the move to digital photography ended a 100-year-long history of industry dominance. In recent times, Tesla, Inc. challenged the traditional car manufacturer's inertia. Visionary entrepreneurs turn existing markets upside down by using innovative technologies and radical new business models to displace established products, services, and players (Sect. 2.1.1). But while patents provide some protection, innovators run the risk that their breakthrough technologies will be quickly imitated by resource-rich incumbent competitors or by a second mover. In such a situation, establishing a bundled business model that combines or integrates multiple complementary products or services as a package can help deepen the moat that guards them against competitors, raise barriers to entry, and drive up switching costs for customers (Woo & Grandy, 2019, p. 59). Apple, for example, created a whole ecosystem of integrated products over the course of time, making it harder for Apple users to switch from iOS to Android. Similarly, Nikola was aiming to enter the fuel cell truck manufacturing industry by creating a vertically integrated ecosystem that would make it harder for established truck manufacturers to catch up (Woo & Grandy, 2019, pp. 62–63). Under Nikola's Complete Leasing Program, payments would have included the vehicle lease, service and maintenance, and hydrogen fuel. The startup also planned to bundle vehicle charging with the sale of trucks by launching a network of over 700 proprietary hydrogen fueling stations across the USA and Canada by 2028 (Woo & Grandy, 2019, p. 63). "When Nikola builds a route, we pre-sell the route," explained Trevor Milton (TTNewsmakers, 2020, 16:52). By this, he meant that Nikola wanted to build its hydrogen refueling stations exclusively on the routes served by its leasing customers. The associated risks were therefore low because the hydrogen consumption could be calculated very accurately in advance, resulting in a predictable payback of capital expenditures. In addition, Nikola announced plans to produce its own hydrogen on-site using renewable energy sources and to significantly reduce the cost of hydrogen production by standardizing hydrogen stations (The Chartcast, 2020, 28:28). Most importantly, Nikola had managed to lower the cost of hydrogen by more than 80%, the founder said:

We've been able to chop the cost of hydrogen from \$16 a kilogram down below \$3 a kilogram. \$4 per kilogram is parity with diesel. [At] \$3 you're 25, 30% less than a diesel to operate, which is game over for diesel. (The Chartcast, 2020, 11:48-12:08)

This aspect is crucial, because the cost factor of hydrogen has so far been much less advantageous than that of diesel. If Nikola were to succeed in implementing these plans, the leasing package would provide customers with stable and predictable monthly operating expenses (transportation by the mile). In addition to providing customer value in convenience, Nikola would increase the switching cost for customers while increasing the value added per truck delivered. When explaining how Nikola could eventually reach a \$100 billion USD valuation, Milton said: "How you

get there is because we vertically integrated the entire supply chain. It's very similar to Amazon" (Sozzi, 2020).

Nikola was able to demonstrate early success in both orders and partnerships. In May 2018, beer giant Anheuser-Busch ordered up to 800 of Nikola's semi-trucks in the largest single deal on record for heavy-duty trucks powered by hydrogen fuel cells (Nikola Corporation, 2018). Trevor Milton never left any doubt about the nature of his strategy, which was to achieve competitive advantage in association with partners that would contribute to the Nikola ecosystem. "Some of Tesla's biggest problems stem from it trying to do all and not working with anybody. I didn't want to repeat those mistakes," said Trevor Milton in an interview with *Commercial Motor* magazine (Shiers, 2019, p. 19). In fact, the integrated ecosystem through partnerships—and this is a key benefit—could help to increase barriers to entry for competitors without requiring Nikola to make large upfront investments (Woo & Grandy, 2019, p. 66). Among the companies Nikola had partnered with prior to the Nasdaq listing were auto-industry heavyweights and blue-chip investors. In September 2017, Nikola and the German automotive supplier Robert Bosch Ltd. announced a development partnership to bringing to market the "most advanced semi-truck ever built," with zero local emissions (Nikola Corporation, 2017a). Milton said Nikola had largely outsourced the development of the hydrogen fuel cell to Bosch (The Chartcast, 2020, 17:08). Also in 2017, Nikola formed partnership with Nel ASA, a Norwegian hydrogen company, as an equipment supplier to create "the largest hydrogen network in the world" (Nikola Corporation, 2017b). In September 2019, CNH Industrial N.V., with its brand Iveco, announced its intention to take a \$250 million USD stake in Nikola and to enter into a strategic heavy-duty truck partnership (Nikola Corporation, 2019a). The partnership with Iveco was important in view of Nikola's need to compensate for its weakness in truck manufacturing know-how. In the words of Trevor Milton: "There are lot of things we suck at, like manufacturing and parts supply. It takes decades to learn this stuff. I didn't want to learn it" (Shiers, 2019, p. 18). Nikola further augmented its ecosystem through partnerships with solar panel manufacturer Hanwha, and with RIG360, LLC, to provide Nikola customers with service support and maintenance coverage in key metropolitan areas and at major intersections of the U.S. interstate highway system (Nikola Corporation, 2021).

Overall, Nikola chose a market entry strategy that seemed as ambitious as it was promising. Had Nikola succeeded in achieving the claimed technological lead, the bundled package would have been difficult to imitate, raising barriers to entry for competitors and switching costs for customers. Yet, the creation of a vertically integrated ecosystem of complementary products and services through partnership came at the cost of entrepreneurial focus. In addition, control over key technologies was difficult to secure because Nikola outsourced large parts of its supply chain. In fact, from a value chain perspective, so the interpretation, Nikola was more of a technology infrastructure player than a mere truck manufacturer. The plan was that customers would pay a flat amount per kilometer for using the product instead of buying the product itself (transport as a service model, so to speak). Since a truck's fuel costs exceed its purchase price over its lifespan by several times, it would have

been commercially very attractive to cover the entire value chain. According to Milton, oil companies get about \$750,000 in revenue for every diesel truck sold (CNN, 2020, 0:30). Nikola claimed it would take that money from the oil companies, generating at least five times more revenue per truck leased than any of its competitors. Not surprisingly, a JPMorgan Chase & Co. analyst cited the leasing model and Nikola's partner-heavy approach as the company's most compelling aspects (Foldy et al., 2020).

5.2.3 *The Argumentative Structure of the Nikola Business Model*

Entrepreneurial business models may differ vastly in their concrete design, yet they all have one thing in common: They claim to offer solutions to real-world problems. And since every startup needs resources, one of the most important tasks of any new venture is to convince potential investors—argumentatively—that this act of entrepreneurial problem solving will prove to be a profitable investment in the longer term. The standpoint to be defended is thus practical; financial communication is about concrete financial decisions. As a basis for decision-making, however, information must first be transformed into knowledge (Palmieri et al., 2015, pp. 125–126). Palmieri (2017, p. 50) has summarized the relation between practical, decision-oriented, and knowledge-oriented issues in financial communication as follows (Fig. 5.7).

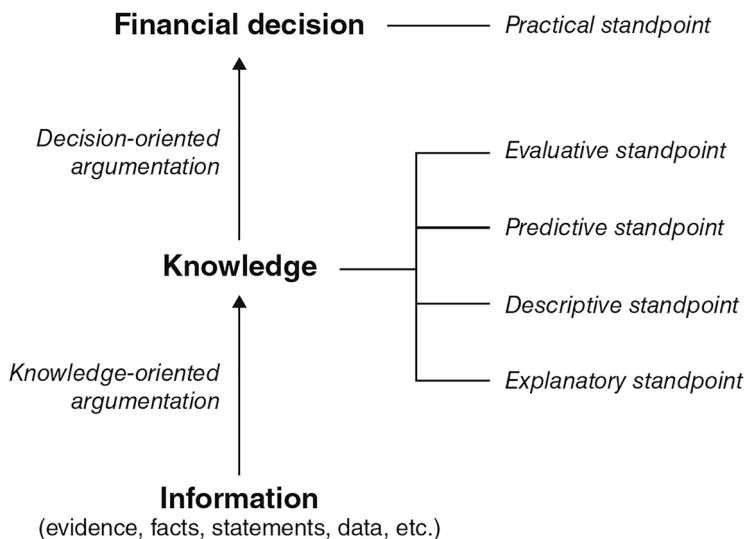


Fig. 5.7 Types of issues and standpoints in financial communication (Palmieri, 2017, p. 50) (Used with permission)

In particular, predictive and evaluative standpoints have often been heatedly discussed in the financial community, as expectations can vary widely and are highly open to interpretation. The same applies to the assessment of a company's fair value. An additional complicating factor for startups is that the general argumentative pattern of investment decisions presented in Fig. 5.4 is not as applicable to startups. As mentioned earlier (Sect. 4.4), the reason for this is that the startup does not yet have the history of creating shareholder value through good results that would provide the basis for building an argument (when combined with an optimistic earnings guidance). Thus, a different pattern is needed to convince investors of the attractiveness of an investment, with both cognitive and normative dimensions playing a role. This means that, on the one hand, the startup has to demonstrate its distinctiveness in a comprehensible, plausible, and inherently logical way, while, on the other hand, it will receive normative support based on the fit between the proposed venture and the broader worldviews held by the main stakeholders (van Werven et al., 2015, p. 618). Hence, in line with what van Werven et al. (2015, p. 619) have stated, the complex double task for founders is convincing stakeholders "that their firm both fits in and stands out from its environment." This includes that the entrepreneur must both provide a categorization of which industry a startup belongs to *and* make it plausible why it is different from and better than existing companies.

Nikola's investor prospectus filed with the SEC (Form S-1) describes the company as follows:

We are a vertically integrated zero-emissions transportation solution provider that designs and manufactures state-of-the-art battery-electric and hydrogen fuel cell electric vehicles, electric vehicle drivetrains, energy storage systems, and hydrogen fueling stations. Our core product offering is centered around our battery-electric vehicle ("BEV") and hydrogen fuel cell electric vehicle ("FCEV") Class 8 semi-trucks. The key differentiator of our business model is our planned network of hydrogen fueling stations. We are offering a revolutionary bundled lease model, which provides customers with the FCEV truck, hydrogen fuel, and maintenance for a fixed price per mile, locks in fuel demand and significantly de-risks infrastructure development. (Nikola Corporation, 2020a, p. 4)

In his own remarks on the business model, Trevor Milton further elaborates on the key differentiator of hydrogen fueling stations and opens the spectrum even further by shifting the focus away from the core product of zero-emission trucks. "We don't just sell a truck," Trevor Milton said on CNBC, "we're really a tech energy company" (CNBC Television, 2020a, 5:39). On another occasion, Trevor Milton said: "The difference between Nikola and all the other truck manufacturers in the world is that we're not really a truck manufacturer, we're really a clean energy company" (Nasdaq, Inc., 2020, 0:35). "Nikola's business model is probably one of the most unique and clever business models I have ever seen in my life," the founder told CNN, evaluating the business model he had developed. "There's money made in vehicles, but there's substantial money made in the energy. We're an energy technology company" (CNN, 2020, 5:40).

Thus, according to Trevor Milton, the combining of self-produced, sustainable-hydrogen-powered, zero-emission vehicles and a dedicated hydrogen fueling network was what gave the startup its competitive edge, with the combination of these

individual factors making all the difference. In an interview with entrepreneur and investor Jason Calacanis in his *This Week in Startups* format, Trevor Milton listed four reasons for Nikola's distinctiveness:

1. Nikola made the second dirtiest industry in the world go zero emission
2. It would create 10 to 20 times more revenue per truck than our competition
3. Its margins were gigantic
4. It had over 10 billion dollars in pre-order reservations. (This Week in Startups, 2020, 25:48-16:04 [list added])

How factually certain are the above listed reasons? Milton begins by referring to polluting industries. In this context, note that the ranking of the largest polluters depends on what type of pollution is being studied and how broadly or narrowly an industry is defined. Given Nikola's broad definition as an energy technology company, Trevor Milton could have argued that Nikola was attacking the two most polluting industries in the world. Measured in terms of water and air pollution, these are the energy and transportation industries, according to Omondi (2021). The other three reasons are difficult to assess in terms of their objective truth. A detailed examination of arguments 2 and 3, which relate directly to Nikola's business model, follows at the end of this chapter. Specifically, the assessment of the fourth point is complicated by the fact that reservations can be structured in different ways (they can be binding or nonbinding, the amount of the downpayment can vary greatly, as can the overall contract structure). So, how can the plausibility of a startup's business model be supported by argumentation when the facts are uncertain? What is the standpoint that needs to be justified and how can the argumentation be structured and reconstructed? These questions are addressed by presenting an alternative valuation rule and a popular Harvard Business School approach to analyzing competitive advantage.

The so-called *rule of 40* is a valuation method that originated in the private equity and venture capital industry and is used to value high-growth software companies. The rule of 40 states that if a company belongs to the group of particularly promising companies, the sum of the sales growth rate and the profit margin⁶ will be at least 40% (Feld, 2015). A young high-growth company with a sales growth rate of 60% and a profitability of minus 20% can be compared to a more mature company with a sales growth rate of 10% and a profitability of 30%. This is not a scientific law but rather a rule of thumb derived from practical experience through the analysis of a large number of growth companies. Particularly in the case of young, high-growth companies, it is very difficult to determine the fair enterprise value using conventional valuation standards, which is why practitioners often apply the rule of 40 in such cases. According to McKinsey, investors reward software as a service (SaaS) companies⁷ that are at or above the rule of 40 with consistently higher

⁶Often calculated as the EBITDA margin (earnings before depreciation, amortization, interest, and taxes divided by revenue)

⁷Software as a service is a model in which software is licensed on a subscription basis and is centrally hosted (Turner, 2019). By vertically integrating the supply chain and bundling the offer in a

valuation multiples (Roche & Tandon, 2021). While the rule of 40 has its limitations (SaaS companies' profit margins are larger than those of most other companies), it demonstrates that a balance between growth and profit is critical for young companies to keep a business flexible and healthy in an unpredictable market. In fact, when a company is in the startup phase and has sufficient financial resources, growth is often prioritized over profitability. In the medium to long term, however, achieving profitability is essential for any company.

Applied to the world of startups, this means: The business-model related standpoint to be defended can be reconstructed in generic terms as *X is a business that can achieve profitable growth*. The defense is successful if the startup can plausibly demonstrate that it can satisfy an unmet market demand differently and better than existing competitors. To do this, the company must be able to plausibly argue that, on the one hand, there is a demand for the entrepreneurial problem solution (*X meets an unmet market demand*) and, on the other hand, that the startup is capable of successfully satisfying this demand (*X can successfully satisfy the demand*). The second point in particular is a challenge. Only if competitive advantages can be gained and defended is it plausible that profitable growth will be achieved. *Competitive Advantage* by Michel E. Porter is one of the standard works of management literature. Porter (1998) has defined two main ways in which an organization can achieve competitive advantage over its rivals: differentiation or cost leadership. At the same time, the competitive scope can be broad (market leadership) or narrow (niche strategy), which leads to four generic strategies for achieving competitive advantages (Porter, 1998, p. 12):

- (i) differentiation,
- (ii) cost leadership,
- (iii) differentiation focus,
- (iv) cost focus.

When an entrepreneur develops a radically novel business concept, distinctiveness is the ultimate goal. This can be achieved through differentiation or cost leadership (making a product or service more accessible and affordable). In contrast, incremental variations of existing business models may aim to gradually improve established products and services or to better meet specific customer needs within a particular market niche than companies with a broader spectrum. The following proposition of a general argumentation pattern for a startup's business model combines these intermediate results. Each of the premises presented in Fig. 5.8 is, in fact, intermediate standpoint that requires further case-specific arguments to develop persuasive power in a startup's strategic communication efforts. Here, the two sources of competitive advantage are structured as components of a multiple argumentation structure, as, according to Porter, one factor is sufficient to create sustainable competitive advantage and thus justify a combination of growth and

leasing model, Nikola was effectively transferring the software model to the transportation industry (transportation as a service).

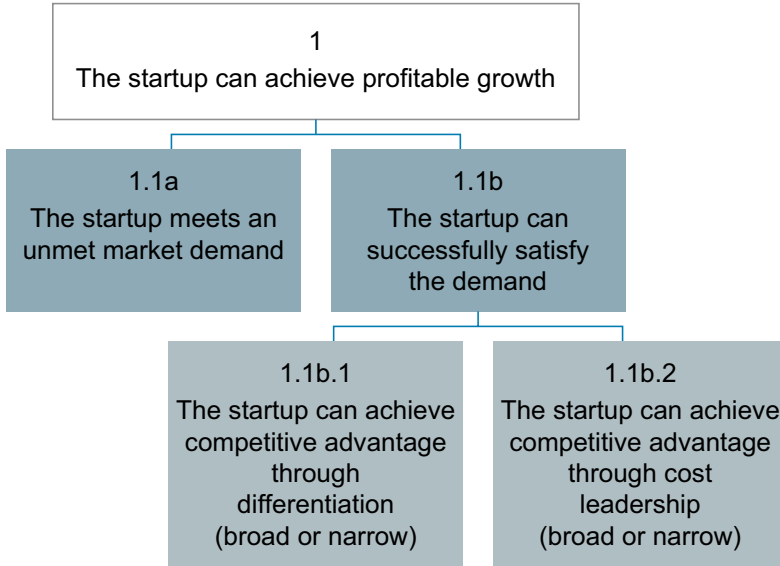


Fig. 5.8 The prototypical argumentative pattern of a rational argument supporting a startup's business model

profitability that appears attractive from an investor's perspective. As each of the generic strategies "involves a fundamentally different route to competitive advantage," in Porter's (1998, p. 11) view, a company would be well advised to make a conscious choice between one of the strategies rather than combining them. "Being 'all things to all people' is a recipe for strategic mediocrity and below-average performance, because it often means that a firm has no competitive advantage at all" (Porter, 1998, p. 12).

Nikola has not pursued a niche strategy or an incremental approach but instead has striven for market leadership through disruption. "Nikola's value, analysts say, lies in its big idea" (Foldy et al., 2020). As previously described, if Nikola wishes to convince investors that it can achieve profitable growth, the startup must be able to both demonstrate that their offering meets an unmet market demand and provide plausible arguments that Nikola is capable of successfully meeting that demand. When asked by a journalist from *Commercial Motor* magazine what his expectations were, Trevor Milton replied: "All I know is we will have more demand for our trucks than we will be able to build for the next 20 years or so. The market is huge in the US and Europe" (Shiers, 2019, p. 21). Implicitly, Trevor Milton, so the interpretation, was suggesting that Nikola was capable of at least partially satisfying the apparently large demand. In another interview, Trevor Milton compared Nikola to Tesla and concluded that there would be plenty of room for both, even if Tesla were to challenge Nikola for a share of the semi-truck

market: “And the best part is,” said Milton, “this market is so big, that both Tesla and Nikola could build trucks for the next twenty years without ever competing with the same customers. That’s how big this market is” (This Week in Startups, 2020, 34.52). In fact, it is largely undisputed that there is a large demand for zero-emission vehicles, especially in the trucking sector. “At Anheuser-Busch, we are continuously searching for innovative ways to improve sustainability across our entire value chain, progressing towards reaching our sustainability goals and driving our industry forward,” said Ingrid De Ryck, vice president of procurement and sustainability at Anheuser-Busch (Nikola Corporation, 2019b). The beer giant is by no means alone in this. Sustainability goals have found their way into the mission statements of many, if not most, listed companies, and meeting climate targets at international and national level requires consistent steps to reduce transport-related greenhouse gas emissions.

However, the argument would be incomplete without a justification as to why Nikola should be better able to meet these demands than other companies. This is where Michael E. Porter’s model of competitive advantage comes in. To realize its ambitious plans, Nikola has pursued a consistent strategy, with targeted cost leadership in hydrogen production being a key factor in the viability of the business model. In Nikola’s particular case, reducing the price of hydrogen can be described as the central linchpin of the business model. The cost advantage would allow Nikola to achieve both higher profit margins and significantly higher revenue per truck than its peers (although Trevor Milton’s forecast sales multiplier in the range of 10 to 20 seems somewhat exaggerated). As outlined, the latter is made possible by the bundled lease model, which includes energy (Sect. 5.2.2). In Nikola’s transportation-by-the-mile approach, the customer would pay a fixed rate per use. Without the cost advantage of hydrogen, however, the vertically integrated supply chain on which the lease model is built would not be competitive. In July 2020, just weeks after the successful Nasdaq listing, Trevor Milton claimed Nikola had already achieved a reduction in hydrogen costs from \$16 to under \$3, giving hydrogen a cost advantage over diesel (This Week in Startups, 2020, 19:32-20:21). According to Trevor Milton, standardization enabled this drastic cost reduction (The Chartcast, 2020, 28:28). Whether this factor could be sufficient for the claimed breakthrough was completely uncertain at the time the statements were made. Ultimately, it all depended on whether or not investors trusted the founder’s claims. If the massive reduction in hydrogen production costs did not materialize, Nikola could still become a successful manufacturer of zero-emission vehicles, but the startup would lose much of its supposed uniqueness. The valuation discount would be corresponding.

Unlike in Porter’s concept, cost leadership in Nikola’s case was complemented by differentiation through the startup’s claimed technology leadership in propulsion systems. As of September 2020, Nikola said it held 11 patents in the United States, with another 55 applications pending (Waters, 2020). To understand Nikola’s business model, it is important to highlight that Nikola intended to offer both

zero-emission hydrogen-electric and battery-electric propulsion systems as complementary technologies. In this context, the majority of sales were to be generated with hydrogen-powered drive systems, which are advantageous in long-haul trucking, where weight is the decisive factor. However, according to Trevor Milton, Nikola also claimed technology leadership for battery-powered trucks, which are considered superior in urban and short-haul applications.

We've got the most advanced battery-electric truck in the world. We have a truck coming into production right now with 720 kilowatt hours. The largest battery we know of anywhere in the world, on a truck coming into production. We have five of them coming off the assembly line right now in Ulm, Germany. (The Chartcast, 2020, 39:05-39:18)

The viability of Nikola's proprietary technology is difficult to assess from the outside, but it is undoubtedly another key element of the unique position Nikola has asserted. As previously described, the vertically integrated ecosystem of products and services bundled in a leasing model further widened the moat between Nikola and its competitors. In the logic of the business model, this combination enabled growth and profitability to be secured (Sect. 5.2.2, p. 132). The differentiation claim was further supported by the positioning of the Nikola brand, which could additionally increase profit margins. There were some who questioned the intellectual property of the Nikola design (Parloff, 2020). Nevertheless, the truck design was considered avant-garde and contributed to Nikola's brand value (*locus from formal cause*: "if the design of a product is good, the product will be good," cf. Sect. 2.3.2).

Although, according to Porter's approach to competitive advantage, differentiation strategies and cost leadership are mutually exclusive, it was from the combination of the two strategies that Nikola claimed its distinctiveness, which more than justified the startup's high market value from the founder's perspective. Since cost leadership and differentiation are complementary elements of Nikola's claimed competitive advantage, they were reconstructed as compound arguments (intermediate standpoints), for this particular case and in deviation from Michael E. Porter's model. Figure 5.9 summarizes the argumentation structure for Nikola's business model, where the listed premises function as multiple arguments for the intermediate standpoint they support.

5.3 Nikola's Trustworthiness as a Company

5.3.1 *The Argumentative Structure of Nikola's Investor Communication*

The consistency and plausibility of a business model is one thing. However, if a company wishes to convince investors without having numbers to back up the claim of distinctiveness, another ingredient is necessary. This is particularly pronounced

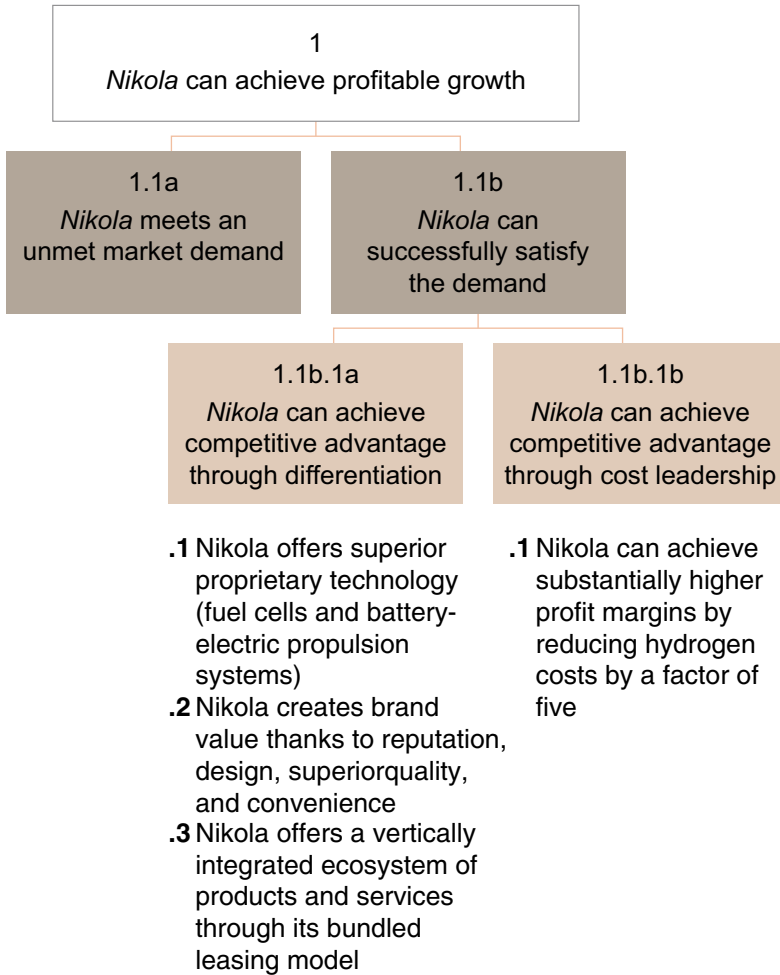


Fig. 5.9 The argumentative structure for the Nikola business model

in Nikola's case because, as Fig. 5.9 shows, Nikola has claimed many competitive advantages simultaneously, each of which is challenging to achieve. Nikola has announced breakthroughs in highly demanding scientific areas, both in hydrogen production and propulsion systems. And while Tesla has focused exclusively on battery-electric propulsion systems, Nikola claimed technology leadership in both areas, that is, in battery- and hydrogen-electric propulsion. As if all that was not enough, Nikola announced in February 2020 that it would enter the consumer market with a pickup truck called Badger, available in a fuel-cell or battery-electric version (Nikola Corporation, 2020b). This raises questions about the plausibility of

Nikola's business model given the company's inexperience and size (Nikola had a small workforce of about 400 employees in mid-2020).

In the case of startups, as previously explained, it is very difficult for an outside investor to assess whether the arguments used to justify the competitive advantage are grounded in reality. The distribution of information is so asymmetric—in favor of the company and the founder—that investor communications must be supported by arguments other than the business case to promote trustworthiness. Trevor Milton likely sensed or knew this. That's why he supplemented business model arguments (support for 1.1.a) and conversational, mainly biographical, storytelling (ethos building, intermediate standpoint 1.1.c) with an additional strand of reasoning, the goal of which was to build trust in the Nikola company (intermediate standpoint 1.1.b). Figure 5.10 summarizes these considerations.

5.3.2 *Legitimacy, Credibility, and Trust: The Social License to Operate*

As outlined in Sect. 2.1.2, trust is the strongest form of credibility and takes time to build. For trust to develop, a company must be perceived as legitimate by key stakeholders. To conceptually clarify the relationship between legitimacy, credibility, and trust, the following analysis will refer to a model developed in a different context. Based on extensive interviews with relocated villagers about the ups and downs of their relationship with a Bolivian mine over a 15-year period, Robert G. Boutilier and Ian Thomson (2011) identified four phases of what has been called the *social license to operate* (SLO). The term was first used by Jim Cooney at a World Bank conference in 1997 and refers to the level of acceptance a company or project has from local communities (Cooney, 1997; Jijelava & Vanclay, 2017). SLO is viewed as a continuum of four levels, and where a company is on this continuum depends on the perception of the level of legitimacy, credibility, and trust that a community assigns to a company. The lowest level (withheld/withdrawn legitimacy) means that a particular company or project is at risk of having its access to important resources restricted. If a company is considered to be legitimate, its right to exist (acceptance) has been recognized. Once the company has proven its credibility, its social license rises to the level of approval. If the company succeeds in building trust over time, its SLO can rise to the level of psychological identification (Boutilier & Thomson, 2011, p. 2) (Fig. 5.11).

A company that operates a mine or builds a pipeline in a developing country can by no means be expected to enjoy legitimacy, credibility, or even trust from local communities. In the logic of SLO, legitimacy can be achieved if the company adheres to the prevailing laws, rules, and norms, and if the company succeeds in convincing the community of the value of the project. Credibility can arise when a company delivers on its commitments and promises. Trust is possible when an organization—and its leadership—consistently, honestly, and respectfully reaches

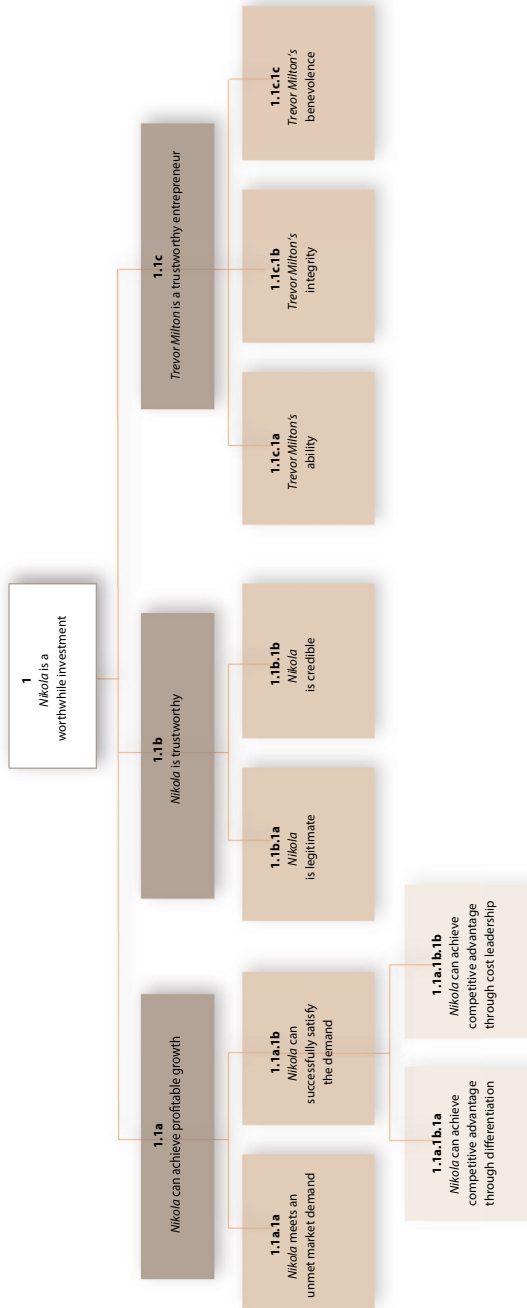
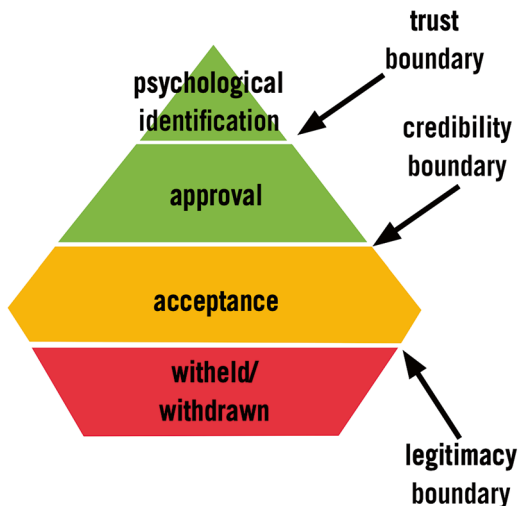


Fig. 5.10 The overarching argumentative structure of Nikola's strategic investor communication

Fig. 5.11 The “pyramid” model of the social license to operate proposed by Boutilier and Thomson (2011) (Used with permission)



out to communities over time, listens, addresses concerns, and becomes both reliable and predictable.

Just like a company operating in exposed areas, a startup cannot rely on legitimacy, credibility, and trust being placed in it. This foundation must first be developed. In the author's view, the SLO approach provides a good basis for describing the steps that need to be climbed in the process. However, to conceptually clarify legitimacy as it applies to startups, we need to broaden the spectrum. Rutherford et al. (2009) have suggested that three types of legitimacy exist: regulative, normative, and cognitive (2009, p. 951).⁸ *Regulative legitimacy* is the legitimacy derived from following laws and generally accepted rules. This category includes mandatory disclosure requirements for publicly traded companies. The U.S. Securities and Exchange Commission (SEC) states that “companies offering securities for sale to the public must tell the truth about their business, the securities they are selling, and the investment risks” (Securities and Exchange Commission, 2020). *Normative legitimacy* is achieved through the fulfillment of “softer” requirements set by key stakeholders. Doing more than is explicitly required of a company further promotes normative legitimacy. Finally, *cognitive legitimacy* is described as a “tacit form of legitimacy, in which stakeholders make legitimacy judgments about an organization passively and not based on any sort of active evaluation” (Rutherford et al., 2009, p. 951). For stakeholders to provide passive support, it is enough that an organization does no harm and feels meaningful in some way, while active support requires that it adds value to the target group it affects. Cognitive legitimacy may involve mere acceptance of an organization as necessary or inevitable based on taken-for-grantedness. “Unfortunately, this type of legitimation generally lies

⁸The literature also sometimes distinguishes between *pragmatic, moral, and cognitive legitimation* with slightly different delineations (Suchman, 1995, p. 577).

beyond the reach of all but the most fortunate managers" (Suchman, 1995, p. 583). Since knowledge of a startup's activities is usually not widespread, it is even less likely that a startup will be seen as a "given" (Rutherford et al., 2009; van Werven et al., 2015).

In all these cases, legitimacy is attributed to a company; it cannot be produced directly. This perspective is considered by Suchman's definition, which characterizes *legitimacy* as "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (Suchman, 1995, p. 574). Consequently, legitimate organizations are perceived by the public as "more meaningful, more predictable, and more trustworthy" (Suchman, 1995, p. 575). Characteristic of this concept of legitimacy is that legitimacy is ascribed to an organization, with public perception playing the decisive role, based strongly on perceived value congruence. Storytelling is considered an "effective legitimation tactic" because stories are rich, subjective, and require external validation to a reduced degree (Rutherford et al., 2009). In addition, research seems to show that compelling storytelling improves a startup's chances of survival (Aldrich, 1999; Fisher, 1985). The notion that the quest for legitimacy sometimes involves dubious ethical behavior was examined by Rutherford et al.: "It is our contention that new ventures face significantly different conditions with regard to legitimacy seeking than firms in other phases of existence; and these conditions may encourage founders to lie or otherwise deceive" (2009, p. 952).

5.3.3 *The Pursuit of Credible, Legitimate Distinctiveness*

Drawing from insights from argumentation theory, van Werven et al. (2015) developed a typology of six arguments that are available to entrepreneurs to convince stakeholders that their venture is both legitimate and has a distinctive potential. These are: analogy, classification, generalization, cause, sign, and authority (see also taxonomy of loci, Fig. 2.8). By its nature, having a disruptive business model offers advantages in establishing distinctiveness, while establishing legitimacy, credibility, and trustworthiness remains challenging. Following van Werven et al., I will now attempt to apply the six proposed prototypical inference principles of argumentation in a startup context to Nikola.

Argument by analogy allows an unknown situation to be clarified by comparing it to a similar, more familiar case (Perelman, 1979). For example, Trevor Milton compared Nikola's vertical integration of the value chain to Amazon (The Chartcast, 2020, 12:10).

It's kind of like Amazon, where you buy something online, and instantly it's shipped through Amazon, delivered through Amazon, logistics [are managed] through Amazon, right to your door, [and] returns [are handled] through Amazon. And that's kind of how Nikola is. When you buy our truck, everything's covered.

Trevor Milton probably hoped that this analogy would make his own approach more comprehensible, while at the same time underscoring Nikola's uniqueness by using a comparison foreign to the industry (*extrinsic locus*). Argumentation based on comparison can go in two directions: The locus from analogy connects different but comparable worlds, whereas the *locus from opposites* connects separate, contrasting worlds (Nikola, the eco-friendly disruptor vs. the old guard of the second biggest polluting industry).

The claimed convenience of Nikola's leasing package is argumentatively supported by the customer friendliness of Amazon's vertically integrated supply chain. But herein lies the difficulty of the analogy: A leasing solution from a truck manufacturer is quite different from the sales process of a technology company that focuses on e-commerce and cloud computing. However, the somewhat far-fetched comparison has one significant advantage: The analogy argument contains an authority argument (*complex locus*); after all, Amazon is one of the most successful companies of the modern era, and Trevor Milton's comparison puts Nikola close to this success story.

In another example, Trevor Milton tries to support the legitimacy of Nikola by drawing a comparison from the world of card games. When asked why he went public pre-revenue and how he, Trevor Milton, managed to build such a remarkable level of trust, the founder explained "the psychology behind it" with a metaphor from the game of poker.

I knew that our company was legitimate. I knew that our business model was rock solid. [...] It's like you have a full house in your hands or whatever. You got a royal flush. In cards, you go all in. You're not worried about it. So, I went all in. I said "let's show the world." Let's show our cards, because then they can actually judge for themselves. (The Founder Hour, 2020, 56:28–57:19)

Milton thus explained Nikola's reason for going public (target domain) by exploiting a more concrete source domain (poker) to enable a transfer of meaning from the poker game to the public listing at Nasdaq (Perelman, 1979). Therein is an *argument from position to know*, because as founder and chairman, Trevor Milton knew the true value of his startup's proprietary technologies. However, the poker comparison has a drawback, because as we know, a shrewd player can win at poker even though he knows he has terrible cards in his hand.

Argument by classification assumes that a generalized conclusion about known members of a class applies to a previously unexamined example (van Werven et al., 2015, p. 622). According to Milton, oil companies get about \$750,000 in revenue for every diesel truck sold (CNN, 2020, 0:30). Depending on the model, this corresponds roughly to five times the purchase price of a heavy-duty truck (Sect. 5.2.2, p. 134). By classifying Nikola as a clean energy company (*argument from definition*), Trevor Milton made clear that the startup claimed this added value; this differentiated Nikola from traditional truck manufacturers and justified Nikola's high valuation from Milton's perspective (Nasdaq, Inc., 2020, 0:35).

Argument by generalization works in the opposite direction to classification and is inductive (van Werven et al., 2015, p. 623). Trevor Milton used arguments by generalization as suitable instruments, which is not unexpected, as narration can be

considered a form of personalized argumentation. "This is what we've been able to show the world what we can do," said Trevor Milton, standing next to his prototype at the unveiling of the Nikola One semi-truck (Nikola Motor Company, 2016, 34:40). "This is a real truck, this is not a pusher," the founder added (2016, 39:15). The prototype served as proof to Trevor Milton that Nikola was capable of mass-producing zero-emission trucks and transforming the industry.

A *causal argument* was used by Trevor Milton when he made a connection between Nikola's zero-emission trucks, its disruption of the world's second largest polluting industry, and its capacity to improve the state of the world (global warming). In the founder's logic of reasoning, one was the consequence of the other (*locus from final cause*: "If an action is a means to achieve a desirable end, it is reasonable to do it," cf. Sect. 2.3.2). In this way, Nikola not only met an unmet need but also aided compliance with climate agreements and greenhouse gas emissions targets at the level of individual organizations and government bodies both locally and globally (e.g., Paris Agreement on climate change). The argumentative starting point is Nikola's credible commitment to pursue its zero emissions targets. If the company is to achieve just that, both the truck and the actual source of the fuel must be emission free. Trevor Milton backed up Nikola's efforts to reduce greenhouse gas emissions with successes achieved in producing sustainable energy sources at the company's headquarters in Phoenix AZ.

We have the only off-grid headquarters that we know of, completely on hydrogen, battery, and solar. We have 3.5 megawatts of solar up on the roof producing about 18 megawatts of energy a day in our headquarters, and we're storing 10,000 kilograms of hydrogen and using fuel cells as energy backup and batteries as energy sources as well. Our company is truly one of the most innovative companies in the world. (CleanCitiesSac, 2019, 10:03-10:25)

The following Fig. 5.12 summarizes one of the subordinative structures of this strand of argumentation that contributes to Nikola's perceived normative legitimacy, as shown in Fig. 5.13 (cf. also Fig. 6.8).

Related to the previous two types of argument, an *argument by sign* is used when something is considered an indication or symptom of a broader phenomenon (Perelman, 1982; van Werven et al., 2015, p. 626). When Worthington Industries, a steel manufacturer and buyer of one of Trevor Milton's previous businesses, became one of the first outside investors, the seed capital provided by Worthington signaled that Nikola deserved some level of trust (O'Dell, 2019b). Signs that the breakthrough was imminent were sent by Trevor Milton in many forms. In July 2020, Trevor Milton said in several interviews that five Nikola Tre trucks were coming off the assembly line in Ulm, Germany, "right now" (CNN, 2020, 1:30; The Chartcast, 2020, 39:15; This Week in Startups, 2020, 1:08:45). Nikola Tre was a model designed and developed for the European market in cooperation with Iveco and Bosch. It seemed that Nikola was much more than just a big idea. Trevor Milton signaled that major product launches were imminent. It has been pointed out already that Trevor Milton mixed past, present, and future tenses and tended to present plans as if they were already reality (cf. Sect. 5.2.1, p. 128). However, it seems that the Nikola founder was by no means alone in this respect. In their study of founder

Fig. 5.12 Arguments to back up Nikola's legitimacy in tackling greenhouse gases

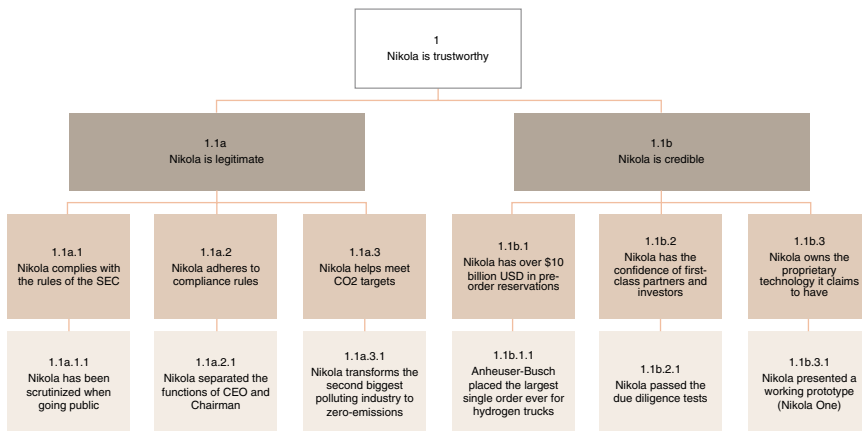
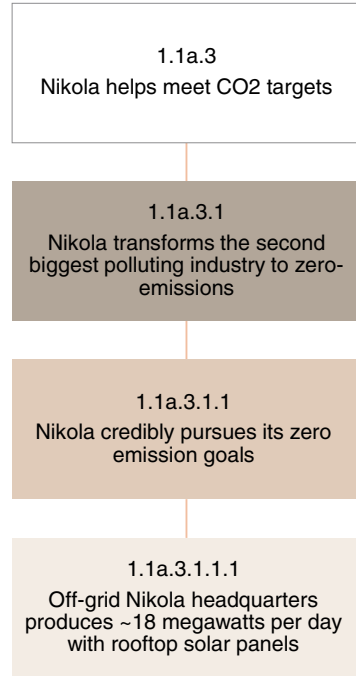


Fig. 5.13 Nikola's arguments for trustworthiness

itches to investors, Van Werven et al. (2019) were able to demonstrate that rhetorically anticipating future events is, to a certain extent, part of the standard repertoire of startup entrepreneurs. According to Van Werven et al., “talking as if’ the venture’s future product or performance is the present” is one of the rhetorical strategies often used by new venture founders to increase the likelihood that their narratives will be seen as plausible and resonant (van Werven et al., 2019, p. 194).

Market readiness seemed to meet filled order books, which could be seen as another positive sign from an investor's point of view. In July 2020, the Nikola founder announced more than \$10 billion USD in pre-order reservations (This Week in Startups, 2020, 25:50). The most prominent order, however, dated back two years. "We build on order, not speculation," Trevor Milton was quoted as saying in Nikola's May 2018 press release announcing that beer giant Anheuser-Busch had ordered up to 800 Nikola semi-trucks—the largest single order ever for heavy-duty hydrogen fuel cell trucks (Nikola Corporation, 2018). The deal was widely seen as a sign of confidence. As the automotive news site *trucks.com* wrote "Landing the Anheuser-Busch contract gives Nikola added credibility with the investment community and could pull it out from beneath battery-electric vehicle maker Tesla's shadow" (O'Dell, 2018). And trucking analyst Antti Lindstrom said: "Nikola has been needing something to pull them forward, to show potential investors they have a viable product, and this is it" (O'Dell, 2018). It is also worth noting that on August 10, 2020, Nikola announced an order for 2500 battery-electric waste trucks from the U.S. waste disposal company Republic Services.⁹ It was to date the "largest single order in the waste industry," and Republic Services had an option to expand it to up to 5000 vehicles (Nikola Corporation, 2020c). "Nikola Stock Shoots Higher Because Companies Might Actually Want What It's Selling," *Barron's* wrote with reference to a 13% share price increase in midday trading on the day of the announcement (Root, 2020). Not only are the sheer volumes of these orders argumentative, but so are the brands associated with it, especially in the case of Anheuser-Busch, which leads to the next type of argument following the classification developed by van Werven et al. (2015).

As stated in Sects. 2.3.2, 3.4.3, and 5.1.3, *arguments from authority* aim to transfer the trustworthiness of a source to a conclusion. In other words, the trustworthiness of a source is taken as a reason to justify the transfer of acceptance of one or more premises to a standpoint. This inferential link is used both frequently and prominently by Trevor Milton. When Max Fuller—chairman, CEO, and co-founder of US Xpress, one of the nation's largest truckload carriers—appeared on the live-streamed Nikola One unveiling show, the intent behind it was to transfer some of that industry veteran's trustworthiness to the Nikola brand (Sect. 5.2.1). "I have no ownership in the company, but I can tell you, I'm pretty excited about how the company is moving forward, how the products are coming to the market," said Fuller (Nikola Motor Company, 2016, 1:57). General Motors chairman and CEO Mary Barry called Nikola "an industry leading disrupter" (General Motors, 2020). The distinguished partner companies, institutional investors, and funds all contributed to building credibility in the Nikola brand by lending it their authority (Sect. 5.2.2, p. 133). "You don't get a half billion dollar infusion by selling promises," Facebook user Pablo Casco commented on a post on Nikola's Facebook page (Nikola Motor Company, 2020a). He obviously got the message that Nikola wanted to convey. The

⁹On December 23, 2020, Nikola and Republic Order announced the end of the collaboration, resulting in a cancellation of the order (Nikola Corporation, 2020e).

thousands of retail investors who invested in Nikola also trusted that what convinced so many highly respected market participants such as GM, Bosch, CNH Industrial (Iveco), Nel ASA or ValueAct Capital, to name but a few, could not be built on sand. Many probably thought that the due diligence procedures and requirements prescribed for going public would have brought irregularities to light (cf. Sect. 8.3).

Figure 5.13 summarizes Nikola's main trust building arguments. It contains the arguments discussed in Sect. 5.3.2 for strengthening Nikola's regulative and normative legitimacy. Nikola's experienced management team, which Trevor Milton says was able to compensate for its own weaknesses, further enhanced the startup's external credibility (cf. Sect. 5.2.1).

5.4 Interim Results

Like trust, stories reduce complexity. They can provide orientation and convey meaning. Used in this way, stories have a sense-making power, and with the advent of big data, enhanced data-analytical tools, and additional computing power, the importance of such meaning-making has only increased, as Damodaran (2017, p. 16) points out: "Ironically, though, it is exactly this surge in number-crunching and computing powers that has created a greater demand for good storytelling, often as a counterpoint to masses of numbers." In the specific case of startups, it is often difficult for investors to assess the true value of a company due to the lack of reliable financial data to calculate forecasts. In such situations, investors rely on other indications to close the trust gap. In his article "Economy of Words," Douglas R. Holmes (2009) describes how central bankers use stories to influence expectations and promote monetary stability. Their skillfully composed narratives serve as "analytical bridges to the near future" (2009, p. 386). Holmes has observed that trust in monetary stability is linguistically shaped by central bankers. Something similar seems to occur at the corporate level, with entrepreneurs attempting to narratively influence stakeholder expectations in the longer run (cf. Sect. 2.1.2). The case study suggests that, in the startup context, it is not only a certain type of story that is important but also a certain structure of argumentative components and combinations of the two language practices in the form of mutual embeddings at the discourse level (Sect. 3.4.3). These are especially crucial in building trust to bring about an investment decision. The example of the Nikola Corporation illustrates how important building trustworthiness is for a startup's strategic communication.

For a brief moment, it appeared that the Nikola Corporation would rewrite the future of transportation. The mastermind behind this ambitious vision, Trevor Milton, promised a cleaner, more sustainable alternative to diesel trucks, capturing the imaginations of countless investors worldwide in the early, data-poor days of the startup. But as history shows, the dreams of many did not come true. Despite the subsequent downturn, the intriguing question remains: What were the strategic communication mechanisms that led investors worldwide to invest billions in Trevor

Milton's dreams? Examining these underlying patterns provides relevant insights, detached from subsequent events. The analysis so far has revealed ten main things:

1. Startup communication in Nikola's case was rich both in argumentation and in storytelling during the period under study (RQ3)
2. The latter of these appeared to be particularly effective in building ethos in connection with the entrepreneurial story, with building trust in the founder to overcome the existing trust gap being paramount in the startup's strategic persuasion efforts (RQ1)
3. The recurring individual small stories in this context pursued an argumentative goal that could be assigned to a three-factor model of ability, integrity, and benevolence (embeddings Type 2: argumentative narratives)
4. Argumentation was the predominant linguistic practice in supporting the plausibility of Nikola's business model but also in underpinning the legitimacy and credibility of the startup
5. The Nikola founder applied various loci as logical principles of support, mainly *locus from authority*, *locus from analogy*, *causal loci*, and *definitional loci* (Sect. 5.1.3, p. 123, Sect. 5.3.3)
6. Storytelling mattered in this mainly argumentative discourse when it came to illustrating and exemplifying Nikola's mission and values, e.g., commitment to a greater cause, the self-image of a radical disruptor, etc. (embeddings Type 1: narrative arguments)
7. The argumentative support for the unique position of the Nikola business model consciously or unconsciously followed Michael E. Porter's concept of competitive advantage, with the difference being that the Nikola founder simultaneously claimed a differentiation strategy and cost leadership for his startup (RQ2)
8. In this context, the claimed cost advantage in hydrogen production was the main argument for Nikola's unique selling proposition (Sect. 5.2.2, p. 132, Sect. 5.2.3, p. 139)
9. Fact-checking proved to be challenging in the present case due to the difficulty in verifying the biographical narratives of the founder, the lack of market maturity of the startup's products, and the resulting asymmetric distribution of information. To bridge the trust gap, this book identified the trustworthiness of the entrepreneur as a key factor in Nikola's strategic persuasion (Sect. 5.1.3, p. 120, Sect. 5.2.1, p. 130)
10. Overall, building trust in the run-up to the Nasdaq listing and in the weeks afterward was very successful. There is no other way to explain the fact that Nikola succeeded in attracting renowned partner companies and customers as well as convincing both institutional and numerous retail investors of the startup's future prospects, which led to Nikola's market capitalization even surpassing that of Ford for a brief moment (Sect. 5.2.2, p. 133, Sect. 5.3.3, p. 149). Nikola's strategic investor communication in this complex rhetorical situation is best described as polyphonic balancing (Sect. 3.4.1).

Figure 5.14 shows aspects 3, 6, and 10 of the interplay between argumentation and storytelling in Nikola's strategic communication in the pre-crisis period.

Van Werven et al. (2019) conducted a narrative and argumentative analysis of the investor pitches of ten new venture founders in the Netherlands. Based on the data collected in the longitudinal case study, they identified six overarching claims around which the pitches were structured (van Werven et al., 2019, pp. 203–205):

1. Our target customers are experiencing a problem and need a solution
2. Our product provides benefits to our customers
3. Our venture operates in an environment that is conducive to success
4. Our intermediate performance suggests that the business opportunity exists
5. Our team is well equipped with skills and experience
6. Funding would help us further develop and grow our venture

In the proposed argumentative structure of Nikola’s investor communication, these six claims are included, albeit they are structured somewhat differently (see Fig. 5.10). Items 1 to 3 can be linked to market attractiveness and the business model, which involve convincing investors that the startup can achieve sustainable profitable growth. Item 4 is related to the credibility of the startup (in this context, the confidence of blue-chip partners, pre-order reservations, or presentable prototypes were mentioned). Item 5 refers to the ability of the founder or the team of founders and was mentioned as one of the three aspects that are critical for building trust in the entrepreneur as an individual or as a team (in addition to integrity and benevolence). Item 6 is the desired, all-encompassing outcome of the investor pitch (overarching standpoint), which is about making it plausible to the potential resource providers that the startup is a worthwhile investment (not just in terms of helping the company as item 6 suggests, but primarily out of the investor’s self-interest). Overall, in Nikola’s strategic investor communication, the appeal to values seems to be of much greater importance than the structure proposed by van Werven et al. (2019) would suggest (both in building corporate legitimacy and, in particular, in

FOCUS	UNIT OF ANALYSIS	ANALYZED PHENOMENA
Context level	Rhetorical situation	Complex: polyphonic balancing
		Simple: triangular or transmitter-receiver
Macro level	Intertextual chains and networks	Argumentative discourse stays argumentative Transitions Type 1: discourse becomes more argumentative Transitions Type 2: discourse becomes more narrative Narrative discourse stays narrative
Micro level	Discourse structure	Purely argumentative: series of reasoning steps
		Embeddings Type 1: narrative arguments
		Embeddings Type 2: argumentative narratives
		Purely narrative: temporal sequence of events

Fig. 5.14 Nikola’s strategic communication in the pre-crisis period in the light of the analytical framework

building trust in the founder’s story, where integrity and benevolence were key factors).

Following on from the comparison of the use of story fragments in different rhetorical situations made in Sect. 5.1.2, Fig. 5.15 shows Trevor Milton’s use of central argumentative components for the Nikola business case for the identical ten sources.¹⁰ The central arguments do not vary as much by audience as the narrative fragments used; rather, they are applied fairly uniformly throughout, regardless of context. Indeed, a cross-comparison of the sources reveals remarkable consistency in the use of these central premises in different rhetorical situations (cf. Sect. 8.3). This particularly applies to the demand for environmentally friendly solutions, the claimed hydrogen cost advantage, the vertically integrated value chain, the asserted superior proprietary technology, and Nikola’s trusted partner, customers, and investors. Nevertheless, the tests Nikola had been subjected to for the stock exchange listing were mentioned in as many as five of eight possible cases.

Although an extreme case, Nikola’s story contains valuable lessons for entrepreneurs, investors, and academics alike. This is because Trevor Milton’s strategic communication effectively met the complex information needs of investors and the market’s information environment. Despite numerous limitations, it is therefore worth uncovering the underlying structure of Nikola’s argumentation and gaining inspiration for the strategic communication of other startups in the field of emerging technologies. Derived from the case analysis, Fig. 5.16 provides an overview of a proposal for a prototypical overarching argumentation framework for investor-oriented communication of startup companies, which can inspire future research (limitations, cf. Chap. 9).

Publications	1 = The Chartcast (2020, July 17). Trevor Milton—The Chartcast with TC & Georgia. (No. 35) [Podcast].	2 = This Week in Startups (2020, July 31). Nikola Founder Trevor Milton on competing with Tesla, going public pre-revenue & more (No. 1090).	3 = The Founder Hour (2020, July 6). Trevor Milton: Nikola Corporation (No. 151) [Podcast].	4 = TTNewsmakers. (2020, July 28). The Evolution of Electric Truck with Trevor Milton, Founder and Executive Chairman, Nikola Corp.	5 = Minding, Inc. (2020, June 4). Behind the Belt with Nikola’s Founder and Executive Chairman, Trevor Milton.	6 = Shiers, W. (2019). Sparking Interest. Commercial Motor, 232(5870), 18–23.	7 = Hitch, J. (2020, June 2). With Nikola now public, it’s time to know CEO Trevor Milton. FleetOwner.	8 = Nikola Motor Company. (2020, July 23). Groundbreaking in Coolidge Arizona	9 = Nikola Motor Company. (2019, April 16). Nikola World 2019—Official Product Portfolio Unveiling Video	10 = Nikola’s Facebook Account
Demand for environmentally friendly solutions	1:36:40	25:55, 27:10, 34:50, 1:12:55	50:15, 51:45	9:30	3:10, 4:55, 7:10	p. 21		33:20	42:50, 55:00	March 21
Hydrogen cost advantage	11:50, 28:50	19:45, 23:05	33:15, 56:50	18:30, 25:50	2:00				41:50	Jan 23, June 3, June 4, Aug 1,
Unique vertically integrated ecosystem & leasing model	11:25	5:11, 21:54,	33:00	15:55, 27:10	0:44, 1:20, 1:50, 4:10		pp. 2, 5	7:50, 9:05, 12:45	40:30	March 4, June 4
Superior proprietary technology	14:25, 16:40, 39:05, 1:33:40	17:00, 33:10, 33:45, 37:20, 50:10	59:40	11:30, 14:40	5:40	pp. 20, 21		10:45	17:30, 37:50, 38:30	Feb 11, June 25, July 8, July 17
Trusted partners customers, and investors	16:28, 23:20, 26:40, 30:10, 1:00:30, 1:01:55, 1:04:45	26:05, 27:00, 32:40	58:20, 1:00:50, 1:05:00	16:58, 24:20		p. 18	p. 3		42:30	Jan 7, Feb 6, April 30, June 3, Aug 5, Aug 10, Aug 25, Sep 4, Sep 8
Scrutinized when going public	1:15:20, 1:17:40, 1:20:15	4:15, 1:00:10	56:20		2:55, 9:20		p. 5			

Fig. 5.15 Cross-comparison on Trevor Milton’s repeated use of key arguments to support the Nikola business plan

¹⁰The gray boxes at the very bottom of the table indicate two sources from 2019 where that line of reasoning in support of Nikola’s regulatory legitimacy could not yet be applied.

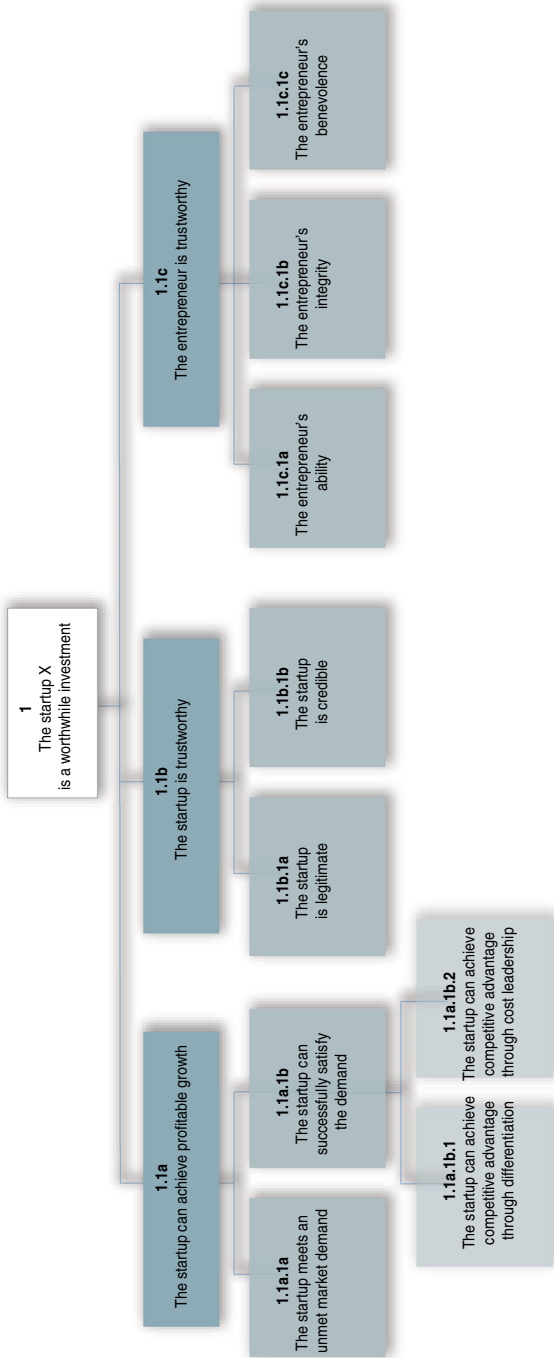


Fig. 5.16 Proposal for a prototypical argumentative framework for a startup's strategic investor persuasion

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Chapter 6

The Crisis Episode



This chapter addresses the transformative dynamics of Nikola’s strategic communication amidst a crisis episode. Based on an examination of the crisis trigger—the so-called Hindenburg report—the central points of attack are identified against the backdrop of the previously reconstructed argumentation framework of Nikola’s strategic investor communication (Sect. 6.1). In a second step, Nikola’s reaction to the crisis is examined (Sect. 6.2). Subsequently, the events in the aftermath of the report are presented and an interim conclusion is drawn as to how the interplay of argumentation and narration has developed over time due to the intervention of the short seller (Sect. 6.3).

6.1 The Hindenburg Report

6.1.1 Introduction

A detailed report released on Sept. 10, 2020, by the then five-person firm Hindenburg Research (2020a) marked the starting point for the rise of the New York-based short seller, who landed the big coup in early 2023 with an attack on Indian billionaire Gautam Shantilal Adani’s multinational industrial conglomerate.¹ For Nikola, however, the so-called Hindenburg report was the trigger for a crisis of trust from which Nikola has not recovered, even 2 years after the event. In the wake of that report, Trevor Milton resigned as executive chairman of Nikola, and both the U.S. Department of Justice (DOJ) and the Securities and Exchange Commission (SEC) launched investigations. These events likely contributed significantly to the

¹Other prominent Hindenburg Research targets included Lordstown Motors, Wins Financial, Genius Brands, China Metal Resources Utilization, Standard Lithium, Mullen Automotive, and Block Inc.

massive drop in the startup's stock price, even though the overall market rose in the second half of 2020. One year after the crisis of confidence erupted, Nikola's shares had lost 81% of their previous year's value² and Nikola's prospects seemed more uncertain than ever. Coincidentally, or possibly indirectly aided by the situation, allegations of sexual misconduct against Trevor Milton came to light shortly after the short seller's report was published (characteristics of corporate crises, cf. Sect. 2.1.2, p. 18). Determining the veracity of these charges is beyond the scope of this analysis, but in the overall context, these massive allegations likely further undermined Trevor Milton's trustworthiness in the public eye. As discussed in Sect. 5.1.3, the trustworthiness of the founder was a crucial element in Nikola's investor communication, and the sexual harassment allegations made against Trevor Milton undoubtedly represented a serious attack on the founder's integrity (cf. Sect. 6.3).

On July 29, 2021, Trevor Milton was charged by U.S. federal prosecutors with misleading investors about the startup's products and technology. Milton, who had been taken into custody, entered a plea of not guilty and was released on \$100 million USD bail (Bushey & Aliaj, 2021). At the time of writing, Trevor Milton was still Nikola's largest single shareholder.

The publication of the Hindenburg report came just 2 days after the announcement of a strategic manufacturing and technological tie-up with General Motors. The report³ titled *Nikola: How to Parlay An Ocean of Lies Into a Partnership With the Largest Auto OEM in America* consisted of

- An executive summary as a list of 24 bullet points.
- Two brief background notes (one about Tesla and one about GM).
- An introduction to Trevor Milton the person.
- Two parts ("Part I: Trevor Milton's Career Path Leading Up to Nikola" and "Part II: Nikola").
- A list of 53 questions for Nikola.
- A brief conclusion.
- An appendix.
- A disclosure note (Hindenburg Research, 2020a).

The first part of the report concerned Trevor Milton's career up to the founding of Nikola and followed a chronological order. The second part dealt with the Nikola company and was also largely chronological. All explanations were supported by further links, photos, and screenshots of social media posts. No clear prioritization of the numerous charges made was discernible either from the structure of the report or from the comments, with one exception: Many of the short seller's allegations related directly to Trevor Milton's trustworthiness as a person and as an entrepreneur. The enormous importance that the short seller attached to the entrepreneurial

²Nasdaq closing price on Sept. 8, 2020, the day the partnership with GM was announced: \$50.05 USD vs. Nasdaq closing price on Sept. 10, 2021, one year after the day the Hindenburg report was made public: \$9.66 USD (Nasdaq, Inc., n.d.).

³The page numbering is missing from the document, which is available on the Hindenburg Research website at <https://hindenburgenresearch.com/nikola/>

story was evident simply from the fact that one of the two main parts of the report was devoted to Trevor Milton's professional career. This is consistent with the present book's analysis on the importance of ethos building in the context of startup's strategic investor communication (Fig. 5.5). The connection of Hindenburg's allegations to the topic of trust was confirmed by the report's explicit mention of trust issues. Hindenburg wrote by way of introduction:

Credibility is important for any management team, but this is especially true of a company like Nikola that has virtually no revenue and no shippable product. Given Nikola's market cap as of this writing, the company is ~\$20 billion promise of what it can achieve in the future. And Trevor Milton is as "key man" as it gets. (Hindenburg Research, 2020a)

Hindenburg Research was founded in 2017 by Nathan Anderson, "an unknown in the investing world," according to *The Wall Street Journal* (Zuckerman, 2020). When asked by *Barron's* how Hindenburg chooses its targets, Anderson replied:

In general, we use some pretty traditional ways of screening for accounting red flags and the like. We also look for recidivists or bad actors in management that have a history of stock promotion or securities fraud or being associated with companies or businesses that have been charged with securities fraud or other kinds of white-collar crimes. People are key. (Cherney, 2020)

In Anderson's eyes, the overall market situation in 2020 had parallels to the situation before the dot-com bubble in the early 2000s, making it easy for storytellers to seduce retail investors:

We're in a market where there's so much liquidity sloshing around, and so much of the retail investment is in hype-fueled industries, that it has attracted and enriched just about every stock promoter capable of telling a basic story. (Cherney, 2020)

Twice, in the introductory list of key bullet points and in the conclusions, Hindenburg Research referred by analogy to Theranos, a privately held corporation founded in 2003. Hindenburg (2020a) wrote:

Every now and then a story comes around that exposes how little the "experts" really know. Theranos inked partnerships with Walgreens, Safeway, and Cleveland Clinic and staffed its board with luminaries. We think Nikola's partners did not do their homework. (Hindenburg Research, 2020a)

Theranos was a Silicon Valley based health technology startup founded by 19-year-old Elizabeth Holmes, a Stanford dropout with a penchant for Steve Jobs-style black turtlenecks. Holmes was the very public face of Theranos and attracted a considerable amount of media attention. *Forbes* named her "the youngest woman to become a self-made billionaire" (Herper, 2014). Theranos claimed to significantly improve blood test convenience thanks to proprietary technology that required as little as a few drops of blood. Like Trevor Milton, Elizabeth Holmes was successful in convincing investors that the claimed technology served a greater cause. "What we're about is the belief that access to affordable and real-time health information is a basic human right, and it's a civil right," Holmes said (Herper, 2014). The story faltered when articles in the *Journal of the American Medical Association* and *The Wall Street Journal* cast doubt on the validity of the results and the technology used

(Carreyrou, 2015; Ioannidis, 2015). Instead of providing transparent information, Theranos apparently engaged in cover-ups. In January 2022, a California jury found Holmes guilty on four of 11 charges, including three counts of fraud and one count of conspiracy to defraud investors (Paul, 2022). Whether the analogy put forward by Hindenburg applies to aspects of Nikola beyond the missionary exaltation of the entrepreneurial vision will have to be judged not least by the competent courts.

The following will address Hindenburg Research's main allegations, with the first step being to identify, reconstruct, and structure these allegations and locate the specific points in Nikola's argumentative framework that are being challenged by the short seller. This is followed by an analysis of Nikola's response to the short seller attack and a presentation of the interim findings of an internal probe Nikola commissioned in the aftermath of the events.

6.1.2 Hindenburg's "Evidence" as Counterargument

The report starts with the sentence: "Today, we reveal why we believe Nikola is an intricate fraud built on dozens of lies over the course of its Founder and Executive Chairman Trevor Milton's career" (Hindenburg Research, 2020a). According to the interpretation of this book, the "extensive evidence" announced in the second sentence takes the form of counterarguments intended to correct alleged false statements by Trevor Milton. "We have never seen this level of deception at a public company, especially of this size," Hindenburg (2020a) continues. The report is considered an attempt to refute the claim that Nikola is a worthwhile investment. This is due to the short seller's primary objective of profiting from the attacked company's falling share prices without having to present solutions to the alleged problems. "Milton has laid the groundwork to extract hundreds of millions from Nikola years before ever delivering on his promises," Hindenburg (2020a) writes. As will be analyzed in detail below, the Hindenburg report attacks all three pivotal claims of Nikola's investment proposition (Fig. 5.10): It questions Trevor Milton's trustworthiness as an entrepreneur, it challenges Nikola's trustworthiness as a company, and it contests Nikola's ability to achieve sustainable, profitable growth by attacking the startup's claimed competitive advantages.

Hindenburg defends the credibility of its own research with a reference to the trustworthiness of the sources. The short seller writes:

Our work for this report involved speaking with multiple whistleblowers, business partners, and former employees as well as reviewing extensive internal documentation from Trevor's ventures leading up to Nikola, including emails, text messages, recorded conversations and behind-the-scenes photographs. (Hindenburg Research, 2020a)

Before the actual, argumentative part of the report begins, Hindenburg Research briefly addresses the report's immediate topicality—linked to the announcement of the strategic tie-up with GM—to which the title prominently refers (Sect. 4.3). In Hindenburg's view, the partnership is predicated on an implicit recognition of Trevor Milton's narrative achievement. "Essentially, it's a free call option in a 'sexy'

EV [Electric Vehicle] story for General Motors,” writes Hindenburg Research. The short seller thus in no way doubts that Nikola and its founder have succeeded in creating brand value, although, in Hindenburg’s view, this brand value is based primarily on storytelling, more specifically on the founder’s successful positioning of Nikola as a «sexy» zero-emissions story. This is in line with the statements made in Sect. 5.1.2 that storytelling can serve as a driver of value creation for startups. In summary, the short seller concludes that GM’s motivations for closing ranks with Nikola have a lot to do with Trevor Milton as a person (Hindenburg Research, 2020a):

The real ‘value’ for GM seems to be branding. We believe the legacy automaker simply seeks to latch General Motor’s storied name onto Nikola’s charismatic Founder and Executive Chairman, Trevor Milton. Trevor is perceived by many as a forward-thinking, fresh, visionary entrepreneur capable of rivaling Elon Musk’s allure.

In the following, Hindenburg’s central arguments will be examined considering Nikola’s investment proposition.

6.1.3 Hindenburg’s Counterarguments to Nikola’s Competitive Advantage Arguments

The following analysis opts not to follow the chronological structure of the Hindenburg report and instead prioritizes and structures the content in accordance with the core elements of the Nikola investment case. Hindenburg does not deny that Nikola is addressing an unmet market demand, and therefore this component of Nikola’s investor pitch is excluded from the following discussion. The second part of the report examines the central arguments of Nikola’s claimed distinctiveness through competitive advantage and attacks the two key premises from which differentiation advantage and cost leadership are derived: the use of superior proprietary technology and the ability to massively reduce the cost of hydrogen production (Sect. 5.2.3, p. 139, Sect. 5.3.1, p. 141). If any of these premises are invalid, the claims regarding the uniqueness of Nikola’s business model lack any basis (compound argumentation structure). Figure 6.1 shows the two central points of Hindenburg’s attack as rebuttals against the acceptance of the two key premises of Nikola’s competitive advantage (1.1a.1.1a & 1.1b.1.1).⁴

Hindenburg’s evidence in the two central lines of counterargument includes various sub-arguments based on multiple sources: testimony from former Nikola employees and partners, testimony from Trevor Milton himself, behind-the-scenes photographs, contracts, and other documents.

Hindenburg’s strongest substantive attack against Nikola’s investment proposal, according to the interpretation of this book, concerns the startup’s claimed *cost*

⁴The basis of Nikola’s business model was the vertical integration of the hydrogen supply chain, on which the leasing model was built (Figure 6.2). However, Hindenburg also challenged Nikola’s claimed technology leadership in battery electric propulsion systems (R[1.1a.1.1b]).

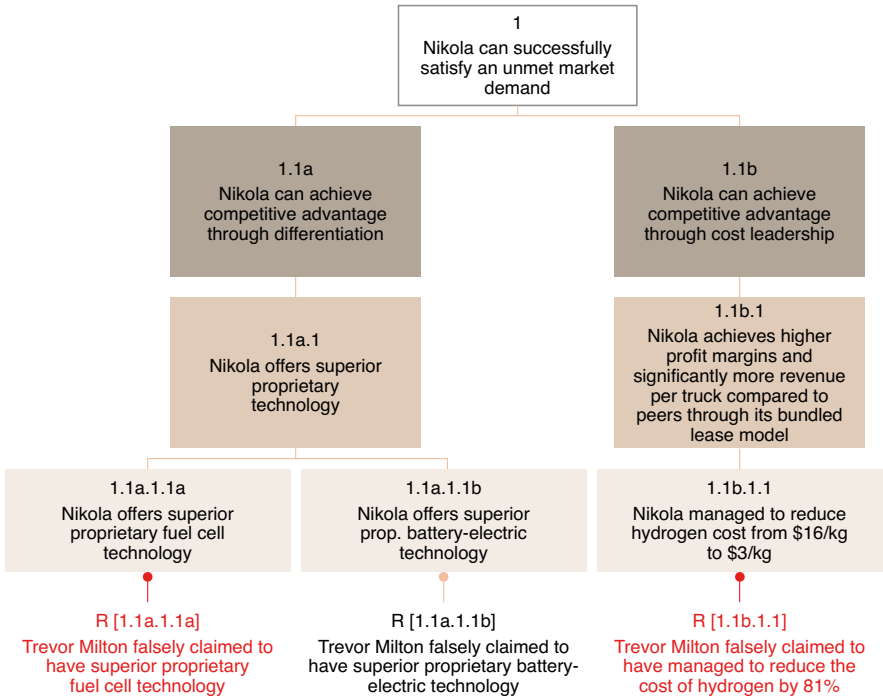


Fig. 6.1 Hindenburg’s counterarguments to Nikola’s competitive advantage arguments

leadership in hydrogen production, although this point is only elaborated on by Hindenburg at the end of the report. It has been pointed out that this aspect is the linchpin for vertical integration of the value chain, which is what justified Nikola’s high valuation in the first place (cf. Sect. 5.2.2, p. 132, Sect. 5.2.3, p. 139, Sect. 5.3.1, p. 141). Trevor Milton repeatedly mentioned that Nikola has managed to cut the cost of hydrogen from \$16 USD/kg to around or below \$3 USD/kg (The Chartcast, 2020, 11:50; The Founder Hour, 2020, 20:07). This massive cost reduction would give Nikola a cost advantage of at least 20% over diesel at the time of this writing (TTNews-makers, 2020, 25:52). According to Trevor Milton, the reason for this cost reduction was the standardization of hydrogen stations (The Chartcast, 2020, 28:28). “We’ve got the largest hydrogen station in the western world already operational in Phoenix, Arizona,” said the founder in March 2020 (CNBC Television, 2020, 7:16). The Hindenburg report points out that this statement contradicts a statement made later. When pressed on the subject, the founder admitted in July 2020 that Nikola did not produce hydrogen. Instead, he held out the prospect of the hydrogen station being up and running in December to coincide with Nikola World 2020: “The station is designed to store and pump about 1000 kg’s per day. Electrolyzers are going in now and should be operational with zero emission solar production by Nikola World 2020” (Meckmann, 2020). Hindenburg concludes that

Trevor Milton falsely claimed to have already reduced hydrogen costs by more than 80% without having a single production facility in operation. “Given the complicated nature of hydrogen,” wrote Hindenburg, “we wanted to look closer into the resumes of who Nikola has put in charge of such a critical and dangerous aspect of their business” (Hindenburg Research, 2020a). Not without irony, Hindenburg adds, one would have expected a world-renowned scientist to lead the revolutionary hydrogen efforts. Instead, as the short seller noted, the director of hydrogen production and infrastructure was Trevor Milton’s brother, Travis, whose previous experience before joining Nikola, according to Hindenburg (2020a), “looks to have largely consisted of pouring concrete driveways and doing subcontractor work on home renovations in Hawaii” [Travis Milton left his job at Nikola in November 2020, according to LinkedIn (Milton, n.d.)]. The head of infrastructure development, in turn, was a former CEO and general manager of a golf club in Idaho, Hindenburg noted, referencing LinkedIn.

These and other attacks by Hindenburg on the competence of key leaders in Nikola’s organization contrast sharply with Trevor Milton’s repeated statements about surrounding himself with the most capable people to compensate for his own weaknesses. He made one such statement at an appearance on July 23, 2020, at the groundbreaking ceremony for the planned manufacturing facility in Coolidge, Arizona. Trevor Milton began his speech with a tribute to his team:

I started in my basement, built up the company with people that were incredibly talented around me. And I learned a lot from my previous companies to this one, and one of them was how important the team is. We’ve assembled one of the best teams in the world, and that’s what helped us get here so fast. It’s not about me. [...] I couldn’t do without people that were much better or much smarter than me. That’s one of the things I’ve learned in my life how important it was to hire the best people in the world around you. (Nikola Motor Company, 2020a, 8:40-9:19)

Hindenburg’s rebutter to Nikola’s cost leadership consists of two complementary lines of counterargument, presented in Fig. 6.2.

In the area of *proprietary technology*, Hindenburg challenged Nikola’s capabilities in both key technologies: battery- and hydrogen-electric propulsion systems. The short seller furthermore questioned Trevor Milton’s claim that Nikola had developed its major components in-house. This last point was illustrated, among other things, by the example of inverters. In Nikola’s very first media release it was emphasized that “the majority of the semi-truck components are being developed by Nikola” (Nikola Corporation, 2016). Hindenburg showed that this also applied to inverters, citing, among other things, a now-deleted tweet from Trevor Milton on June 6, 2020, in which he wrote: “All the technology, software, controls, E axle, inverters, etc. we do internally.” These statements are challenged by the example of a taped inverter from one of Nikola’s prototypes (the so-called Nikola Two), which Hindenburg was able to show was an off-the-shelf product from a third-party vendor, Cascadian Motion. Among other things, Hindenburg also claimed that Nikola quietly outsourced the redesign of its NZT off-roader despite claiming to develop virtually everything in-house. The more serious accusations, however, were

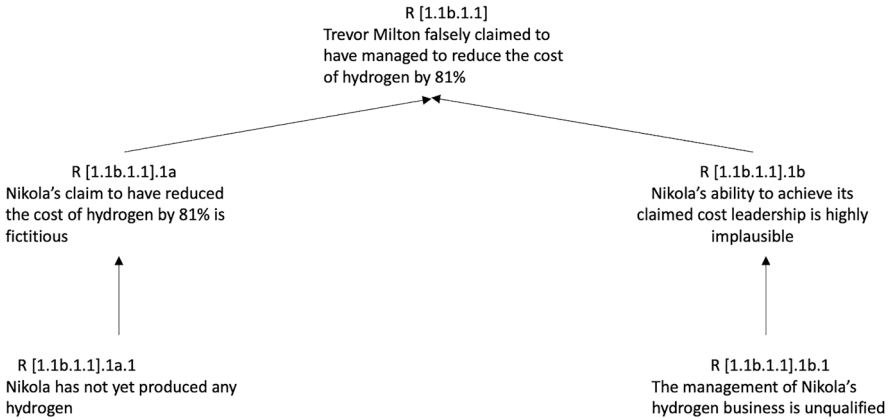


Fig. 6.2 Counterarguments denying Nikola’s cost leadership claim

Hindenburg’s assertions that Nikola had made false claims concerning its central propulsion technologies.

On November 19, 2019, Nikola announced a “game-changing” battery cell technology capable of “increas[ing] the range of current EV [electric vehicle] passenger cars from 300 miles up to 600 miles with little or no increase to battery size and weight” (Nikola Corporation, 2019). “This is the biggest advancement we have seen in the battery world,” Trevor Milton was quoted as saying in the same press release. For confidentiality and security reasons, according to Nikola, no further details could be given, but as one sentence from the press release indicated, the source of this breakthrough high-density battery was a team of developers with whom Nikola had signed a letter of intent: “This month, Nikola entered into a letter of intent to acquire a world-class battery engineering team to help bring the new battery to pre-production,” Nikola wrote (Nikola Corporation, 2019). Using litigation records, Hindenburg was able to locate the name of the company to which the sentence in Nikola’s press release had apparently referred. ZapGo, as the company is known, was sued by Nikola in March 2020, according to Hindenburg, “alleging fraud, false representations, and failure to disclose that the President of ZapGo had been indicted months earlier for tax fraud” (2020a). The high hopes, it seems, quickly evaporated. Despite this, Nikola did not correct or retract its November 2019 announcement. Investors were thus led to believe that the revolutionary battery technology still existed. Hindenburg’s conclusion that the technology simply never existed is supported by two additional pieces of evidence involving both battery technology and hydrogen. Hindenburg Research (2020a) quoted the spokesman for Powercell AB, the Swedish hydrogen fuel cell company with which Nikola had partnered. The spokesman described Nikola’s claimed battery and hydrogen fuel cell technology as “hot air” (Hindenburg Research, 2020a). The second indication has to do with the strategic cooperation with GM that immediately preceded the publication of the Hindenburg report. As part of the cooperation, it was envisaged that Nikola would use GM’s proprietary technologies. Specifically, it is stated: “As part of the

agreement, Nikola will utilize General Motors’ Ultium battery system and Hydrotec fuel cell technology, representing a key commercialization milestone for General Motors” (General Motors, 2020). From Hindenburg’s perspective, the logical question was why Nikola should use GM’s proprietary technologies when its own powertrain solutions were so superior.

Hindenburg’s circumstantial chain of evidence against Nikola’s claims of hydrogen fuel cell capabilities was made up of several individual components. The short seller indicated that, even at the unveiling of the Nikola One prototype in December 2016, some things were not as shiny as they appeared to be (cf. introduction to Sect. 5.2.1). Hindenburg based the allegations on a critical June 17, 2020, *Bloomberg* article, as well as internal sources, videos, and behind-the-scenes photos of the unveiling show. At the event, Trevor Milton said Nikola had put up a chain to keep people from hitting any of the vehicle controls, “because they do work” (Nikola Motor Company, 2016b, 38:19). “This is a real truck, this is not a pusher,” the founder added (2016b, 39:15). People familiar with the truck, who apparently asked not to be identified, told *Bloomberg* that gears and motors were missing, and while the words “H2 Zero Emission Hydrogen” were stenciled on the vehicle, there was no fuel cell on board (Ludlow, 2020). Milton then had to admit that there was in fact no hydrogen fuel cell on board. Central components had been removed for safety reasons, he said (Ludlow, 2020). “We have behind-the-scenes photos and other evidence,” writes Hindenburg, “showing just how incomplete the Nikola One was at the time of the 2016 reveal” (2020a). Hindenburg also highlighted a suspicious cable connected to the prototype from under the stage that apparently powered the displays in the driver’s cabin.

Hindenburg’s arguments against Nikola’s claimed proprietary technologies are compiled in Fig. 6.3. The allegations by Powercell’s media spokesperson and the anticipated use of GM’s proprietary technology relate to both Nikola’s hydrogen and battery technology.⁵

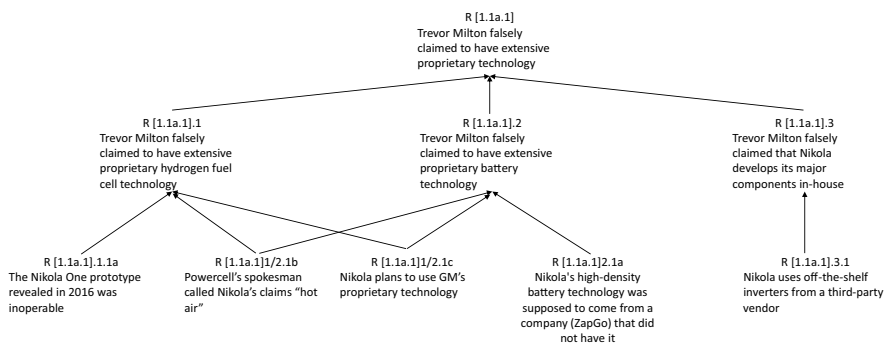


Fig. 6.3 Hindenburg’s rebuttal to Nikola’s claimed extensive proprietary technology

⁵With R[1.1a.1].1/2.1b and R[1.1a.1].1/2.1c a *divergent argument structure* is followed, where a premise simultaneously supports two intermediate standpoints (Palmieri & Musi, 2020, p. 277).

6.1.4 *The “Nikola One in Motion” Video*

Many of the various argumentative components of Nikola’s investor communication complemented each other in such a way that the individual arguments unfolded their effect in combination (compound structure). If one element was missing, a considerable part of the effect was lost. However, the most harmful attacks from the startup’s perspective appear to have been those that targeted multiple premises, supporting several standpoints at the same time and in doing so undermined the value base on which Nikola’s investor communication was built. This can be exemplified by Hindenburg’s allegation against Nikola, which received the most public attention (cf. Sect. 7.2).

The starting point of the controversy was a 39-second video published by Nikola. It can be viewed at this [link](https://twitter.com/nikolamotor/status/956576016809340928) (<https://twitter.com/nikolamotor/status/956576016809340928>). The video, which is dramaturgically very simple, consists of eight cuts—there are long and extreme long shots mostly from a bird’s eye view, plus background music with spherical sound, and the Nikola logo in the credits. Four of the nine sequences show the Nikola One prototype in motion on a long, straight road. A chain of hills can be seen in the background. “Behold, the Nikola One in motion,” Nikola wrote on Twitter on January 25, 2018 (Nikola Motor Company, 2018).

Hindenburg apparently found the road used for the video production. It is, according to the short seller, located south of the city of Grantsville on the so-called Mormon Trail in the state of Utah. “This section of road is lightly used and features a 2-mile-long perfectly straight stretch with a consistent 3 percent grade,” wrote Hindenburg Research (2020a). “The video was simply the result of Nikola towing the truck to the top of a hill and rolling it down,” claimed Hindenburg. The short seller cited an unnamed former Nikola employee who was in contact with then-Nikola chief engineer Kevin Lynk. As evidence, Hindenburg published an excerpt from a text message with this former Nikola employee that confirmed the accusation. In addition, Hindenburg put it to the test and had a vehicle roll down the road at idle speed. According to Hindenburg, the vehicle reached a top speed of 56 mph and rolled for about 2.1 miles. The straight stretch seemed ideal for pulling a scam like the one for which Hindenburg held Nikola responsible. “The deception involved in the production of this video appears to have been elaborate,” writes Hindenburg Research (2020a). Hindenburg based the claim that the video was a deliberate deception on the simultaneous concurrence of several factors, including the meticulous choice of camera position to give the viewer the impression that it was a completely flat stretch of road (compound structure, cf. Fig. 6.4). “Nikola One hydrogen-powered semi begins road tests,” an industry publication commented on the video, indicating that Nikola’s way of staging and framing in fact gave the impression that the prototype was driving under its own power (Left Lane, 2018).

An overall assessment must take various aspects into account. First, there is a difference between a situation in which an established car manufacturer presents a prototype that does not yet have a built-in propulsion system and the specific

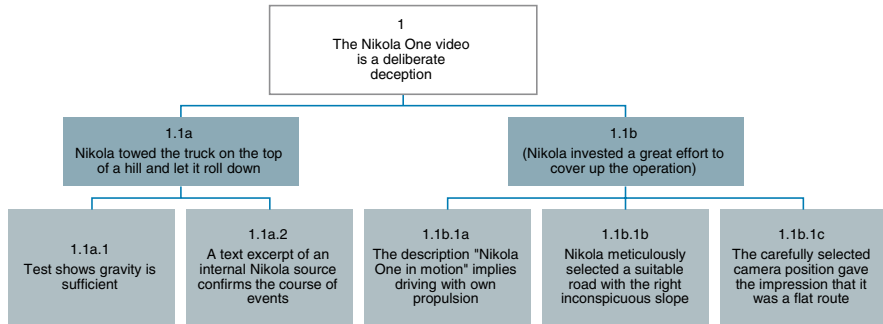


Fig. 6.4 Hindenburg’s reasoning in the case of the “Nikola One in motion” video

situation in which Nikola did (or did not) do so. The incumbent automaker has already demonstrated that it can mass produce a conventional drive system (if, however, the focus were on the novel nature of the propulsion system itself, the situation would be quite different). Nikola, on the other hand, aimed to disrupt the industry and entered highly innovative fields of technology in which it had to first prove its own capabilities. That is why Hindenburg’s staging charge was, according to the interpretation of this book, first and foremost an attack on Nikola’s business model, more precisely on its claimed technological leadership in the field of hydrogen propulsion. But it was more than that.

The Nikola One was not just any prototype. It was the truck that Nikola announced it would launch on the day of its first press release. Nikola One was the subject of the “holy grail” announcement, in which Nikola declared that it had achieved zero emissions. This was shortly followed by Nikola’s announcement that the Nikola One to be offered in North America would use hydrogen technology. Most importantly, it was Trevor Milton’s remarks on the day of the Nikola One unveiling that added an extra twist to Hindenburg’s accusations. In a video from the day of the unveiling, the Nikola founder said:

It took years and years to get here. This isn’t just a pusher like a lot of vehicles that they unveil [that] are just vehicles that don’t actually function. This is a fully functional vehicle which is really incredible. [...] It’s not just a pusher. That’s what they call in the automotive world the vehicle that they just push and it doesn’t move. (Roadshow, 2016, 0:47-1:09)

Given these statements, Hindenburg’s accusation simultaneously attacked the very foundation of the entrepreneur’s trustworthiness (Sect. 5.1.3). Trevor Milton’s integrity and benevolence were simultaneously called into question. If Hindenburg’s allegations (and those of Bloomberg about the unveiling event) were true, then Trevor Milton lied to gain an advantage in the scramble for resources, to the detriment of investors, business partners, and customers.

And ultimately, the accusation of deception raised in connection with the video was also an attack on Nikola’s trustworthiness as a company (Sect. 5.3.3). After all, the video was published and promoted through Nikola’s official communication channels, and high-ranking managers at least knew about the production. Whether

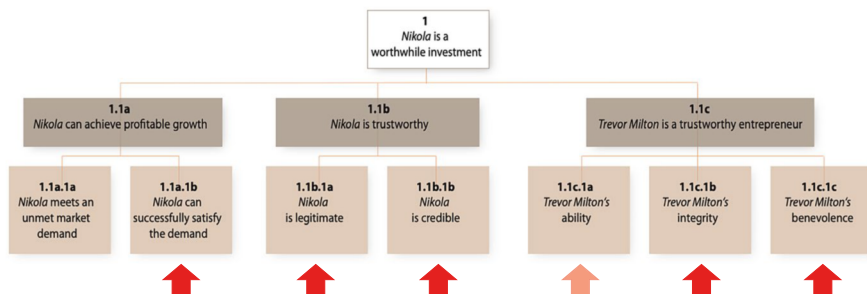


Fig. 6.5 The points of attack of Hindenburg’s argumentation in connection with the “Nikola One in motion” video

the allegations with which Trevor Milton is charged constitute a criminal offense is a matter for the competent courts to ultimately decide. Undoubtedly, however, the allegations surrounding the “Nikola One in motion” video simultaneously attacked virtually all the supporting pillars of the argumentative framework of Nikola’s investor communications, including Nikola’s business model, the company’s legitimacy and credibility, and the founder’s trustworthiness, as shown in Fig. 6.5. They were above all a direct attack on the value base that had previously been established in an interplay of narration and argumentation (Sect. 5.4).

6.1.5 *Hindenburg’s Counterarguments to Nikola’s Trustworthiness Arguments*

As outlined in Sect. 5.3.2, corporate trustworthiness is viewed in this book as the product of both corporate legitimacy and credibility, with time being required for trust to grow. It has been shown that Trevor Milton repeatedly brought Nikola’s stock listing into play in his interviews as evidence of Nikola’s legitimacy (cf. The Chartcast, 2020; The Founder Hour, 2020; This Week in Startups, 2020). “It brought a lot of confidence to the investors around Nikola,” said the founder with reference to going public (This Week in Startups, 2020, 4:19). In doing so, Trevor Milton contrasted Nikola with the startup WeWork, which, unlike Nikola, had not followed the rules established by the SEC for publicly traded companies. Therefore, WeWork was not able to complete its IPO as planned (cf. Fig. 5.6).

Unlike WeWork, Nikola did not plan to go public via a traditional IPO; it went public by completing a reverse merger with a special purpose acquisition company (SPAC), which Hindenburg’s founder Nathan Anderson called “one of the least desirable paths to going public” in an interview (Cherney, 2020): “It’s one with far less scrutiny than the traditional initial public offering process, and one relegated to companies that really couldn’t cut it,” said Anderson. This argument can be interpreted as an undercutter against Trevor Milton’s conclusion that going

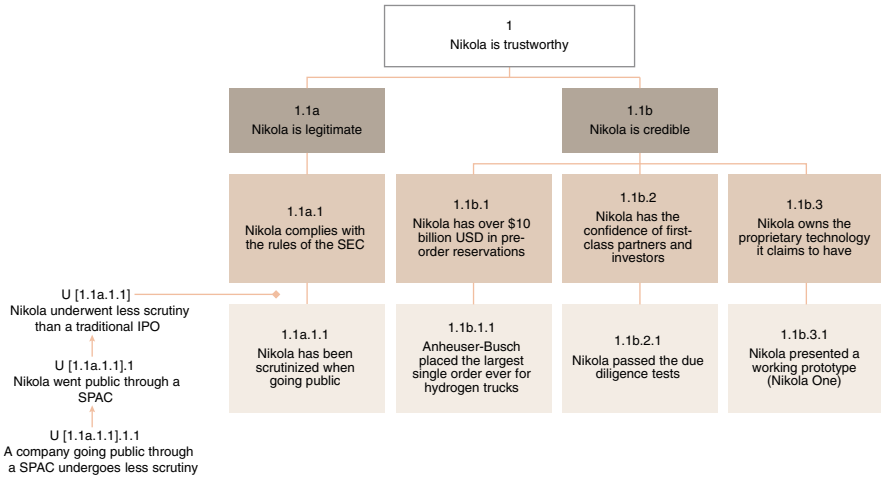


Fig. 6.6 Hindenburg’s undercutter vs. Trevor Milton’s argument of regulatory legitimacy

public showed that Nikola was playing by the rules (cf. Sect. 5.2.1, p. 128, Sect. 5.3.3, p. 146). In this case, the issue is whether the inference relation is relevant and sufficient to justify the transfer of acceptance from the premise to the standpoint (cf. Sect. 2.3.3, p. 48). Trevor Milton’s premise is not entirely wrong, but it appears insufficient because, as Hindenburg interjects, a company going public through a SPAC is subject to less scrutiny than a traditional IPO. In other words, Trevor Milton’s arguments for achieving legal admissibility do not give the whole picture. Consciously or unconsciously, he omits parts that are relevant to understanding the facts of the case and the interconnectedness of the arguments (cf. weakening strategies, Sect. 3.3, p. 68). The following Fig. 6.6 illustrates Hindenburg’s counterargument.

Hindenburg does not mention the poker metaphor that Trevor Milton invoked to illustrate his decision to go public (cf. Sect. 5.3.3, p. 146). Put simply, the founder explained that he knew what good cards he had in his hand, so it was easy for him to put the cards on the table. “I said, let’s show the world. Let’s show our cards, because then they can actually judge for themselves” (The Founder Hour, 2020, 57:10). The transparency argument implied therein contrasts strikingly with Nikola’s apparent fixation on NDAs [non-disclosure agreements], secrecy, and legal intimidation that Hindenburg describes in its report (Hindenburg Research, 2020a). Hindenburg cites testimony from former employees, contractors, and visitors, as well as Trevor Milton’s attempts to intimidate a critical *Bloomberg* reporter on Twitter (violations of *dialectical virtues*, cf. Sect. 3.2.2).

Nikola’s *claim to legitimacy* was further bolstered by the startup’s mission to reduce global greenhouse gas emissions (Sect. 5.2.1, p. 126). Nikola’s credible commitment to achieving this goal has been underpinned by its own successes in producing sustainable energy sources (cf. Sect. 5.3.3). This last point is also called

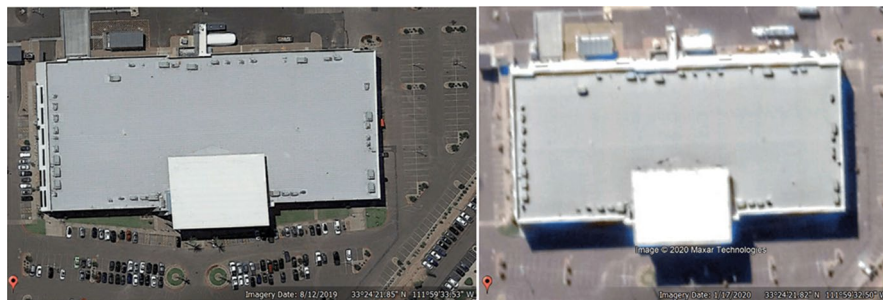


Fig. 6.7 Satellite pictures of Nikola’s headquarters dated August 2019 (1.) and January 2020 (Hindenburg Research, 2020a) (Used with permission)

into doubt by the Hindenburg report. Central to the issue is Trevor Milton’s claim, made in April 2019, that solar panels on the roof of Nikola’s headquarters would produce about 19 megawatts of energy daily (CleanCitiesSac, 2019, 10:03). As Hindenburg was able to show, Nikola representatives were quoted as saying the following during a tour of Nikola headquarters by local press journalists in the presence of Nikola’s then-head of global marketing, Vince Caramella, in late June 2019:

While most of the work on the building is largely finished, a cafeteria for employees still needs to be constructed. Solar panels will also be installed on the roof to provide power to the building, officials said. (Ringle, 2019)

As evidence of Trevor Milton’s misstatement, Hindenburg published satellite photos of Nikola’s headquarters from August 2019 and January 2020. The images, pulled from Google Earth Pro, show no solar panels on the roof of Nikola’s headquarters (Fig. 6.7).

Hindenburg’s attack undermined Nikola’s normative legitimacy on the central point of the entrepreneurial mission (cf. Sect. 5.3.2). Figure 6.8 shows where Hindenburg’s rebuttal came in (cf. also Fig. 5.12).

Nikola’s claim to own energy sources was attacked by Hindenburg in another aspect: “Nikola owns several natural gas wells across the country,” explained Nikola (Nikola Motor Company, 2016a). Those wells were apparently used as a backup for solar hydrogen production. Yet, because, as Hindenburg pointed out, they were not listed as assets in Nikola’s filings with the SEC, the short seller doubted their existence (Hindenburg Research, 2020a).

To provide argumentative support for Nikola’s *credibility as a company*, Trevor Milton repeatedly used arguments by authority, in which the trustworthiness of a source was applied to support the credibility claim (cf. Sect. 5.3.3). The order by beer giant Anheuser-Busch was the most prominent of the announced pre-order reservations, which totaled over \$10 billion USD overall (This Week in Startups, 2020, 25:50). However, Nikola’s customers were not the only parties to have strong confidence in the company. The startup apparently also enjoyed the trust of

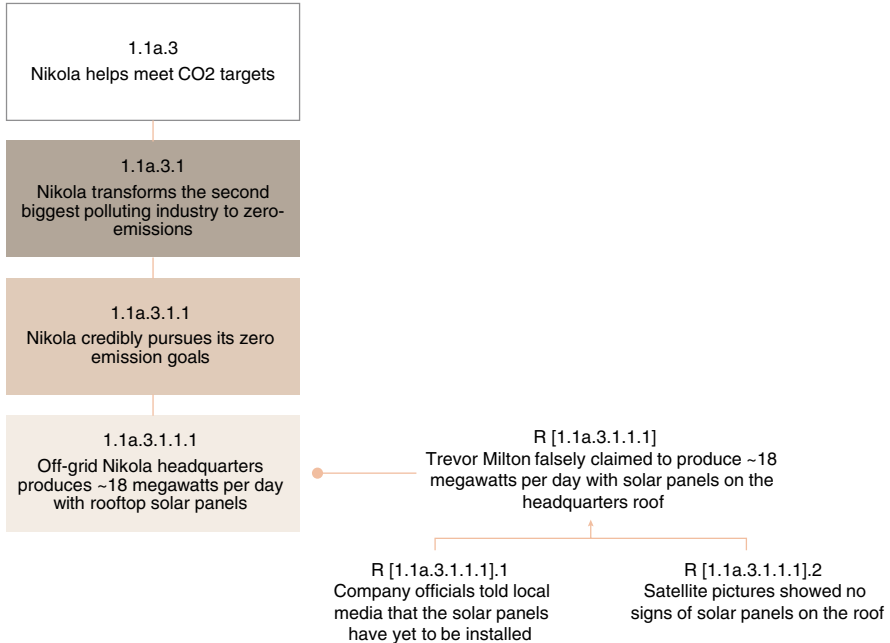


Fig. 6.8 Nikola’s normative legitimacy called into question: Hindenburg’s counterarguments denying Nikola’s credibility in tackling greenhouse gas emissions

well-known investors and business partners, which significantly boosted Nikola’s overall credibility (cf. Sect. 5.3.3, p. 149).

These arguments were not left unchallenged in the Hindenburg report. The short seller called Nikola’s order book “more fluff than substance” (Hindenburg Research, 2020a). In this context, Hindenburg referred to the contract with Anheuser-Busch, which apparently contained numerous exit clauses that were listed individually in the contract and cited by Hindenburg (Hindenburg Research, 2020a; Nikola Motor Company & Anheuser-Busch, 2018). The short seller assumed that the rest of the orders in the order book were also nonbinding. Thus, the short seller questioned the relevance of the order book as an argument for Nikola’s credibility. Further, Hindenburg wrote that “key partners and backers have been cashing out aggressively”:

Worthington, Bosch and ValueAct have all sold shares. Worthington sold \$237 million shares over a 2-day-span in July and another \$250 million in August. We think they know exactly what type of company Nikola is, and we expect that as Nikola’s GM “partnership” boosts the stock price, key holders will continue to exit. (Hindenburg Research, 2020a)

The following is an overview of the two strands of attack (Fig. 6.9).

In addition, Hindenburg questioned the feasibility of the Nikola Tre production plan, quoting a Bosch spokesperson as saying, “we don’t have any yet,” while

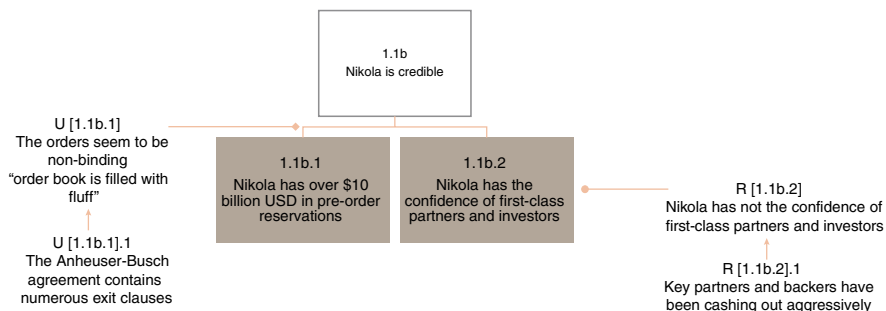


Fig. 6.9 Hindenburg’s counterarguments disputing the credibility of Nikola as a company

Trevor Milton said, “we have five of them coming off the assembly line right now” (Hindenburg Research, 2020a).

6.1.6 *Hindenburg’s Attack on Trevor Milton’s Trustworthiness as an Entrepreneur*

For the short seller, the point was to disprove that Nikola was a worthwhile investment. All the arguments put forward by the short seller served this purpose. They were ultimately aimed at bringing down the edifice of argumentation erected by Trevor Milton (Fig. 5.10). The above-described critical examination of Nikola’s business model filled most of the second part of the Hindenburg report. By contrast, the introduction and the first part of the report directly addressed the trustworthiness of Trevor Milton as a person. According to *Reuters*, Kim Brady, Nikola’s then chief financial officer, said in a conference call the day after the Hindenburg report was released that the “short seller hit job” was “character assassination on founder Trevor Milton” (Reuters, 2020). Indeed, the Hindenburg report was primarily a personal attack on the central founding personality that sought to call into question the trustworthiness of the entire investment case. The following analysis will identify and reconstruct the central elements of this attack.

As outlined in Sect. 5.1.3, the various narrative elements and fragments Trevor Milton repeatedly used were efficient for the purpose of creating ethos. The argumentative core of the narratives was associated with the three factors of ability, integrity, and benevolence. Although there were isolated attacks by Hindenburg on Trevor Milton’s entrepreneurial skills, they proved less pronounced. If Hindenburg claimed that Nikola filled key positions with unqualified managers (see Sect. 6.1.3), this shed light on Trevor Milton’s ability to select the right team while compensating for his own shortcomings. It is precisely this ability that Trevor Milton has repeatedly claimed for himself (Nikola Motor Company, 2020a, 8:52; The Chartcast, 2020, 1:24:41; The Founder Hour, 2020, 13:57). After all, one of Trevor Milton’s often-quoted guiding principles is as follows: “The greatest asset you will ever have

in your life is to find out where you are not good at and bring people around you that are better than you” (The Founder Hour, 2020, 14:33).

Much more prominent, however, were Hindenburg’s attacks on Trevor Milton’s integrity and, above all, benevolence. Further discussion will therefore focus on these aspects. “Nikola is a massive fraud constructed on dozens of lies,” concluded Hindenburg (2020a, p. 53). In the closing paragraph, the short seller wrote further:

Sometimes people misspeak by accident. No one has a perfect memory, and we all occasionally get things wrong. But what we have witnessed at Nikola, and specifically from Trevor Milton, is a pattern of well-planned and deliberate acts of deception (...). (Hindenburg Research, 2020a)

It was important for Hindenburg to emphasize that this was not a random string of failures, but that there was both a pattern and a will behind it. Even more pointedly, Hindenburg wrote in its summary (Hindenburg Research, 2020a, p. 54):

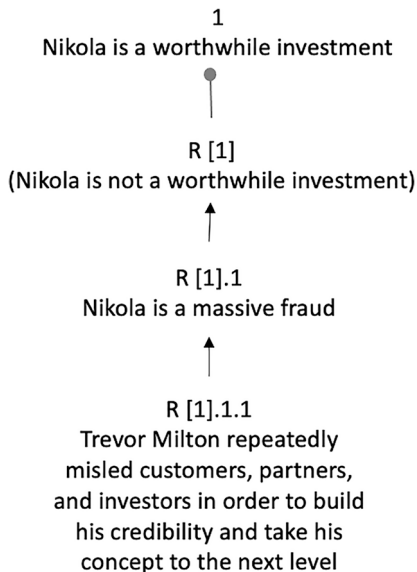
We think Trevor Milton is incapable of telling the truth. We believe he lies like most people breathe. It is natural for him, and our extensive review of his history suggests it has been this way throughout his entire business career.

The alleged lies, according to Hindenburg’s account, are not merely a lack of integrity. In Hindenburg’s logic, they are deliberate acts of deception for Trevor Milton’s personal benefit. According to Hindenburg, they serve to enrich Milton at the expense of investors and business partners who, according to the short seller, have been actively and repeatedly misled or betrayed. Thus, if the short seller cast doubt on the trustworthiness of Trevor Milton as an entrepreneur, and by doing so on the investor case as a whole, in Hindenburg’s view this was not primarily due to Trevor Milton’s abilities as an entrepreneur, but to his alleged character deficiencies. When Hindenburg writes of Trevor Milton “we believe he lies like most people breathe,” it intends, so the interpretation, to emphasize the purportedly subconscious, natural, and automated nature of this action (Hindenburg Research, 2020a, p. 54). Breathing usually happens unconsciously and it is vital. Anyone who stops breathing dies. By using this image, Hindenburg insinuates that Trevor Milton cannot survive without lying. There is a second aspect that is important for the accusation of fraud, namely the supposed strategic component of the act. Fraud and deception create victims, and in Hindenburg’s logic, Trevor Milton committed them systematically to gain personal advantage (cf. concept of trust, Sect. 2.1.2, p. 15). Therefore, without actively using those terms, Hindenburg’s reasoning is directed against both Trevor Milton’s personal integrity and his benevolence.

In the introductory disclosure, Hindenburg wrote: “After extensive research, we have taken a short position in shares of Nikola Corp.” (Hindenburg Research, 2020a, p. 2). The central standpoint to prove for Hindenburg is that Nikola is not a worthwhile investment because it is a massive fraud. To substantiate the fraud allegation, the short seller wants to show three points:

1. The alleged deceptions follow a pattern (not a one-time event).
2. They are deliberately planned, intentional, and pursue a selfish goal (not random).
3. They are directly linked to Trevor Milton, who, according to Hindenburg Research, “is as ‘key man’ as it gets” (2020a).

Fig. 6.10 Hindenburg’s argumentation to substantiate the accusation of fraud



The assertion in the introduction that contains these three points mentioned seems to be crucial in this context. Hindenburg writes:

What we found is that, for over a decade, instead of developing his own capabilities, Trevor has established an undeniable track record of taking from others and claiming technology as his own. [...] Trevor would then leverage what he had and repeatedly mislead customers, partners, and investors in order to build his credibility and take his concept to the next level.

Figure 6.10 summarizes Hindenburg’s counter argumentation.

Rebuttal [1].1.1 is supported by numerous premises that are directly related to Trevor Milton’s entrepreneurial career—a combination of several premises is required to support the allegation of a pattern of conduct relevant to fraud, which is why I chose the compound structure here. Hindenburg’s main allegations are summarized below:

- R[1].1.1.1a Trevor Milton overpromised at his first startup, an alarm sales company, “resulting in a total loss for the initial acquirer” (2020a).
- R[1].1.1.1b Trevor Milton’s 50/50 business partner at that time was led to believe the exit was much smaller than the \$300,000 USD claimed by Trevor Milton, “saying he ultimately received only \$100,000 for his 50%” (2020a).
- R[1].1.1.1c Trevor Milton claimed his second startup, uPillar, an online classified ads website that sold used cars, had 80 million monthly users (The Founder Hour, 2020, 18:25; This Week in Startups, 2020, 57:55). A website that was active the time indicates 200,000 monthly users, and a former employee called the claim of 80 million monthly users “absurd” (2020a).

- R[1].1.1.1d Trevor Milton’s key client, Swift, at his next startup, dHybrid, accused Milton of not living up to agreements (2020a).
- R[1].1.1.1e Trevor Milton claimed the Swift contract was worth \$250 million to \$300 million USD, although according to Hindenburg (2020a) the contract amount was \$16 million USD.
- R[1].1.1.1f Together with his father, Trevor Milton created a new startup with an almost identical name, dHybrid Systems, LLC, instead of dHybrid, Inc. to give prospective partners the impression that the company had been in operation for years (2020a).
- R[1].1.1.1g According to Hindenburg, Trevor Milton consistently overpromised on the technical capabilities of his various ventures throughout his entrepreneurial career (2020a).
- R[1].1.1.1h Trevor Milton cashed out \$70 million USD when going public and amended his share lock-up (2020a).

The fact that Trevor Milton received \$70 million USD in June 2020 in a cash-out of private shares he held when Nikola merged with the SPAC VectoIQ was not disputed by Trevor Milton (This Week in Startups, 2020, 1:02:03). Milton justified his decision by saying that of the 70% he held in Nikola, he had given about 30% to his employees (The Founder Hour, 2020, 1:02:56).

Figure 6.11 shows in condensed form the structure and main premises of Nikola’s investor communication and Hindenburg’s main points of attack to substantiate the allegation of fraud.

Douglas N. Walton (1998, 2008) has pointed out that ad hominem arguments are not fallacious in every case, “for in some instances questions of personal conduct, character, motives, etc., are legitimate and relevant to the issue” (2008, p. 170) According to Walton, “judgements of when a claim about an arguer’s character is relevant to judging the plausibility or implausibility of his or her argument should be determined by the purpose and structure of the dialogue of which the argument

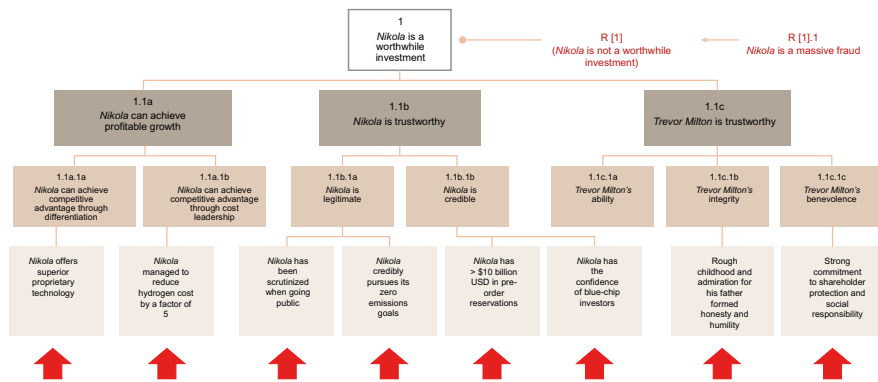


Fig. 6.11 Hindenburg’s main points of attack

is a part” (1998, p. 278). Ad hominem arguments are sound if the person being criticized is advancing arguments from authority or providing testimony based on personal experience or pointing to their own achievements to support a claim (Walton, 1998, pp. 18–21). Trevor Milton did all this, as the previous reconstructions have shown.

6.2 Nikola’s Response to the Short Seller Attack

On September 14, 2020, 4 days after the publication of the Hindenburg report, Nikola published its highly anticipated response to the short seller attack. Under the title *Nikola Sets the Record Straight on False and Misleading Short Seller Report*, Nikola reacted in a compact form to the comprehensive accusations of the short seller. By way of introduction, Nikola emphasized the “opportunistic timing” of the publication of the report, immediately after the announcement of Nikola’s partnership with General Motors and the resulting rise in the share price (Nikola Corporation, 2020b). From Nikola’s point of view, this was an indication of the short seller’s intent “to negatively manipulate the market” to profit financially (2020b, p. 1). This was followed by the remark that Nikola had already gone through various due diligence processes and by a listing of the progress made on Nikola’s strategic initiatives, particularly the production of various model variants. This list included four bullet points with brief descriptive-explanatory notes on four ongoing strategic initiatives (Nikola Two, Tre, Republic Services order, and the Badger Pickup Truck partnership with GM), grouped on one page with some further links.

In the remaining pages, Nikola directly addressed the allegations made by Hindenburg Research, limiting it to what the startup considered the “starkest examples” of false and misleading statements (Nikola Corporation, 2020b). Of the specific points Nikola listed, four were not among Hindenburg’s main points of attack, according to the interpretation of this book. They were rather side issues and concerned the following topics:

- The departure of a former Nikola CFO
- Nikola’s NZT utility vehicle
- The “hot air” statement by a spokesman of Powercell AB, a former partner and now third-party competitor (cf. Sect. 6.1.3)
- The potential value of a contract between Swift Transportation and dHybrid Systems LLC dating back to 2010 (cf. Sect. 6.1.6)

The remaining counterstatements concerned:

- A quote by a Bosch spokesperson regarding the Nikola Tre production roadmap (cf. Sect. 6.1.5, p. 175)
- The production of inverters (see Sect. 6.1.3, p. 167)
- A supposedly historic battery technology partnership (cf. Sect. 6.1.3, p. 168)
- Hindenburg’s allegation that the Nikola One presented in 2016 “was not a real truck and was, in fact, a pusher” (cf. Sect. 6.1.3, p. 171)

- Hindenburg's accusations in connection with the "Nikola One in motion" video (cf. Sect. 6.1.4, p. 170)
- Nikola's hydrogen production capabilities (cf. Sect. 6.1.3, p. 166)
- Hindenburg's doubts about the qualifications of some Nikola managers in key positions (cf. Sect. 6.1.3, p. 167)

Trevor Milton, otherwise a central reference point in Nikola's corporate communications (Sect. 5.1.3, p. 120, Sect. 5.2.1, p. 130), was mentioned briefly only twice in the entire response. This seems rather surprising, considering that Hindenburg's main point of attack centered on Milton (Sect. 6.1.1, p. 163 and Sect. 6.1.6). The focus of Nikola's response was clearly on counter argumentation—narrative references and elements were completely absent. A look at the share price performance on September 14, 2020, the day Nikola's official response to the short seller's allegations was published, shows that the startup had succeeded in providing some short-term relief to the markets. The Nasdaq Composite Index closed virtually unchanged that day. In contrast, Nikola shares closed the same day at \$35.79 USD, up from an opening price of \$30.51 USD (Nasdaq, Inc., n.d.). So, with a stable overall market, Nikola shares gained more than 17%. However, the increase in confidence on the markets was short-lived. Nikola shares would lose more than 55% of their September 14 value by the end of 2020, while the overall stock market would grow steadily (Nasdaq closing price on December 31, 2020: \$15.26 USD).

The day after Nikola's response, Hindenburg (2020b) published a rather detailed counterstatement titled *We View Nikola's Response As a Tacit Admission of Securities Fraud*. In it, Hindenburg wrote that Nikola had only addressed 10 of the 53 points in question, and "of those it touched on, it largely confirmed our findings or raised new questions" (Hindenburg Research, 2020b). The following paragraphs will discuss the argumentation structure in two main lines of Nikola's defense strategy in more detail and will present Hindenburg's reaction to it.⁶

One aspect concerns the trustworthiness of the attacker, Hindenburg Research, the other the complex of issues surrounding the "Nikola One in motion" video. The fact that Nikola, in addition to refuting certain points of attack, was concerned with casting doubt on the trustworthiness of the originator of the accusations can be deduced from the structure of the startup's counter argumentation. With a rhetorical figure reminiscent of an *epistrophe*, Nikola repeated the same sentence in italics after each accusation by Hindenburg Research, namely: "These allegations by the short seller are false and misleading, and designed to manipulate the market to profit from a manufactured decline in Nikola's stock price" (Nikola Corporation, 2020b). This sentence, which was repeated ten times, made it clear that Hindenburg held a short position in Nikola stocks and stood to gain if the shares fell. However, this was not something Hindenburg had attempted to hide. The short seller wrote in the initial disclosure of the report: "After extensive research, we have taken a short position in shares of Nikola Corp. This report represents our opinion, and we

⁶ Due to the aspects discussed in Sect. 6.3, not all points of Nikola's response need to be analyzed in detail.

encourage every reader to do their own due diligence” (2020a). Moreover, in a more extensive disclaimer at the end of the report, Hindenburg states, among other things, that it “stands to realize significant gains in the event that the price of any stock covered herein declines” (2020a).

Following Douglas Walton (1998, pp. 11–14), Nikola’s argumentation can be interpreted as *bias ad hominem*, an attempt to undermine the opponent’s trustworthiness by questioning the impartiality of the arguer (cf. Sect. 3.2.2, p. 65). “In such a case, the criticism alleged is that the arguer in question cannot be trusted to engage in fair argument because he or she has a hidden agenda, a personal motive or bias for pushing one side of the argument and ignoring the other side” (Walton, 2008, p. 185). Although Nikola responded to some of Hindenburg’s accusations, by repeating the same sentence ten times, Nikola called into question the fairness of the attacker and thus of the attack as a whole. Nikola thereby underscores the short seller’s selfish motives, negating Hindenburg’s interest in truthful and sincere discourse. In an ideal-typical model, Nikola’s approach can be seen as a violation of a code of conduct for reasonable argumentative discourse presented in Sect. 2.3.1. The first pragma-dialectical rule, the freedom rule, stipulates that parties must not prevent each other from putting forward standpoints or from casting doubt on standpoints (van Eemeren & Grootendorst, 2004, p. 190). While Nikola did not engage in direct obstruction in this instance, the allegation of bias was a distraction from an in-depth discussion of the allegations. This kind of argument, however, is more subtle than attempts of direct personal attack on an arguer’s ability, veracity or character, so-called *abusive ad hominem* (Walton, 2008, p. 177). Although it was argumentatively understandable for Nikola to point out Hindenburg’s motives, the constant repetition of this fact seemed to serve more rhetorical than argumentative purposes. Even if Hindenburg had a self-serving motive, which neither side has disputed, the short seller’s allegations may still be true.

In an interview with *Barron’s* published in connection with these events, Hindenburg Research founder Nathan Anderson commented on what drives him. The remarks read like a counterargument to Nikola’s *bias ad hominem* argument. Anderson said:

We want to expose all of the things that enable fraud to pervade across the financial system. We view ourselves as investigative journalists with a different business model, more than what we’re commonly referred to, as just short sellers. [...] We want to put bad guys in jail. We want to catalyze legislation that makes markets more transparent and effective. (Cherney, 2020)

Nathan Anderson’s remarks attacked Nikola’s attempt to discredit Hindenburg as the source of the allegations at several points. He challenged the transfer of acceptance from the premise that short seller’s profit from a decline in stock prices to the conclusion that they manipulate markets. While it is true that Hindenburg would benefit from a drop in Nikola’s share price, Anderson said profit was not the only motivator. It was about putting the bad guys in jail, he stated, or in other words, justice was the driving force, according to the Hindenburg founder. At the same time, Andersen directly attacked the accusation of market manipulation and

contrasted it with an alternative view that highlighted Hindenburg’s contribution to efficient markets. Even the definition of Hindenburg as a short seller was countered with the rebutter that what he was doing was in fact investigative journalism with a different business model. Figure 6.12 shows the points of attack of Hindenburg’s counter argumentation.

The second main strand of Nikola’s counter argumentation concerned the allegation of “deliberate acts of deception” that Hindenburg made in connection with the “Nikola One in motion” video (Hindenburg Research, 2020a, p. 53). For completeness, the entire corresponding section in Nikola’s response is reproduced here:

Short Seller Distorts Nikola One 2017 Third Party “Future of Transportation” Promotion Video and Creates a Popular Lie [written bold in the original]: Hindenburg seeks to portray Nikola as misrepresenting the capabilities of the Nikola One prototype in a 2017 video produced by a third party, as “simply filmed rolling down a big hill.” Nikola never stated its truck was driving under its own propulsion in the video, although the truck was designed to do just that (as described in previous point). The truck was showcased and filmed by a third party for a commercial. Nikola described this third-party video on the Company’s social media as “In Motion.” It was never described as “under its own propulsion” or “powertrain driven.” Nikola investors who invested during this period, in which the Company was privately held,

knew the technical capability of the Nikola One at the time of their investment. This three-year-old video of a Nikola One prototype is irrelevant except for the fact that the short seller is trying to use it for its main thesis. The fact is, Nikola has real working hydrogen fuel-cell powered semi-trucks. Any reports intended to suggest that Nikola’s trucks do not drive are erroneous, and recent videos of Nikola vehicles driving can be found here (<https://bit.ly/3iAfubi>). (Nikola Corporation, 2020b)

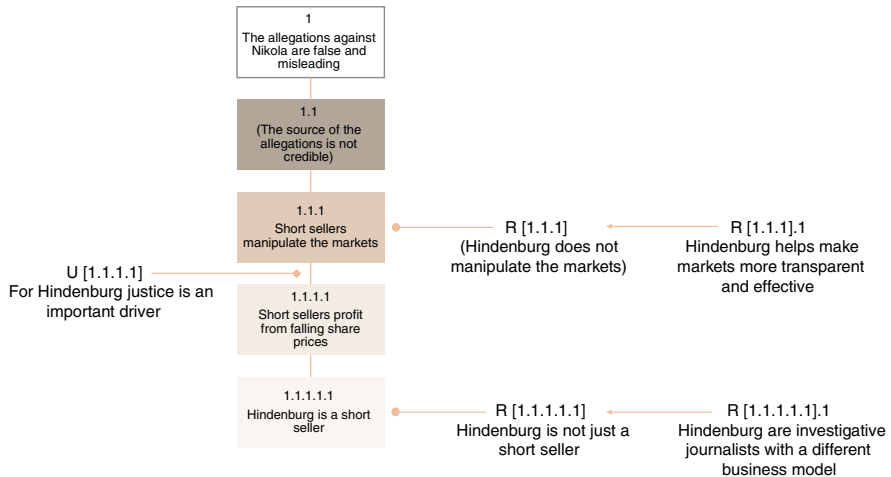


Fig. 6.12 Nikola’s response and Hindenburg’s reaction: The question of the trustworthiness of the short seller as a source

The link points to a 30-second video on YouTube titled “Nikola World 2019 Nikola Two Electric Semi Truck Demos.” In the preceding section of the startup’s response, Nikola defines the term “pusher”: “A pusher means a vehicle that was not designed to be moved by its own propulsion system,” writes Nikola (2020b). According to this interpretation, a vehicle does not necessarily have to be self-propelled in order not to be a “pusher.” It is sufficient if it was designed to do that.

Thus, without disputing the main argument that the prototype was kept in motion only by gravity, Nikola essentially made four points in defense:

- (i) Nikola wrote the startup never stated its truck was driving under its own propulsion, although the truck was designed to do just that (“no pusher”).
- (ii) Nikola emphasized that the video in question had been produced by a third party (thus implicitly assigning responsibility for planning and implementation to that third party, so the interpretation).
- (iii) Nikola assumed investors of that time, when the company was privately held, were aware of the technical capabilities of the Nikola One at the time of their investment.
- (iv) Nikola pointed out that the video was 3 years old and therefore irrelevant.

The first three points can be interpreted as refuting Hindenburg’s argument of deliberate deception (rebutters directly attacking the acceptability of the argument). As previously discussed, Hindenburg sought to present argumentative evidence of a pattern of intentional deception emanating from Nikola to damage investor confidence in the startup, with the “Nikola One in motion” video being a key component of that alleged pattern. As Nikola argued, even if the allegation of deception were true in the case of the video—which, according to Nikola, it was not—the video would still be irrelevant. After all, the company claimed, the three-year-old video showed a long-outdated state of development. Therefore, it may be interpreted that, with the fourth point, Nikola undercuts the acceptance transfer from the premise (accusation of deliberate deception) to the overall standpoint (no worthwhile investment). Figure 6.13 shows the structure (material and procedural components) of the two strands of Nikola’s counter argumentation (cf. Sect. 2.3.3, p. 47).

One day after Nikola’s response, Hindenburg Research renewed its accusations. The short seller wrote:

In Monday’s response, the company acknowledged that its vehicle was not functioning under its own power, and instead, was apparently simply showcasing the power of gravity. It claimed that using the term “in motion” dispelled the deceptive nature of the video. We disagree. [...] Nikola’s response yesterday completely failed to address Trevor’s false statements claiming that the truck “fully functions and works.” Instead, the heavily-lawyered language clumsily attempted to redefine the term “pusher”, suggesting that because Nikola *hoped* its non-functional vehicle would work *someday*, that it therefore wasn’t a pusher at the time [italics in the original]. (Hindenburg Research, 2020b)

As the development of the share price described elsewhere in this section makes clear, Nikola failed to restore investors’ damaged trust. In a virtual conference 2 days after Trevor Milton’s resignation, Kim Brady, Nikola’s chief financial officer, dismissed Hindenburg’s accusation that Nikola misled investors with the 2018 promotional video. According to *The Wall Street Journal*, he said: “Anyone who’s

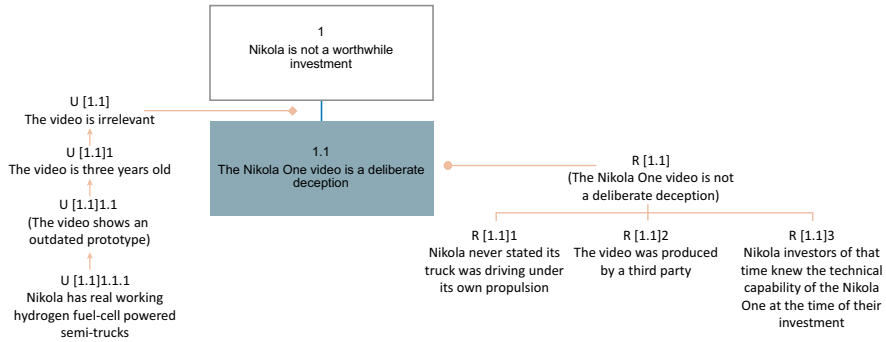


Fig. 6.13 Nikola’s defense in the case of the “Nikola One in motion” video (in condensed form)

involved in the automotive world understands when a truck is first introduced, it’s a show truck” (Colias, 2020). However, this statement seems dubious on several levels:

- Not all investors were necessarily familiar with automotive industry standards.
- Trevor Milton repeatedly attempted to dispel the impression that the Nikola One was a show truck (cf. Sect. 6.1.3, p. 169, Sect. 6.1.4, p. 171), and.
- Nikola was not an established OEM that had already proven it could produce the propulsion systems whose technologies it claims to have mastered.

The fact that Nikola indirectly admitted that the most important prototype of that time was kept in motion solely by gravity was a triumph for the short seller. By the same measure, Nikola’s definitional quibbles could not dispel the fact that Nikola’s own description of “in motion” implied self-propulsion to the average observer. Since the fuel cell is a technologically sophisticated and highly innovative propulsion technology, Nikola first had to prove that the startup was capable of implementing it.

6.3 The Aftermath of the Report and Nikola’s Internal Investigation

Shortly after the release of the Hindenburg report, two women accused Trevor Milton of sexually abusing them when they were minors (cf. Sect. 4.3). The allegations were denied by Trevor Milton. Neither Nikola nor Trevor Milton made a connection between Milton’s resignation as chairman and these allegations. However, in an article published in the *Financial Times* on December 6, 2020, the authors, citing unnamed sources, indicated that these allegations of sexual misconduct were the main reason for Trevor Milton’s resignation (P. Campbell et al., 2020). In that article titled “Nikola: the clues in Trevor Milton’s past that investors missed or ignored,” the authors wrote:

Ultimately, what felled Mr Milton was not the collapsing share price, nor the catalogue of legal fallouts aired in the short selling report, or even the DoJ investigation into the business. Instead it was a series of personal allegations, circulating online in the days following the report, that led him to offer his resignation, according to three people. (P. Campbell et al., 2020)

Section 5.1.3 showed that, especially for startups, the perceived trustworthiness of the entrepreneur is of pivotal importance for the investment case (cf. also Sect. 5.2.1, p. 130). As the Nikola case study suggests, at this stage, character factors played as big a role as talent and entrepreneurial skills. After weighing all the factors, Nikola and Trevor Milton probably concluded that Milton's resignation would most likely clear the way for a fresh start. Yet, precisely because Nikola's corporate communication was so focused on its charismatic founder personality, Trevor Milton's departure remained a major upset to the startup. This manifested itself in a nearly 30% drop in the value of Nikola's already battered stock immediately after the announcement.

In the months following Trevor Milton's departure, the startup scaled back its ambitions and changed its communications, which had previously been heavily tailored to the founder's vision and personality. In this context, Nikola tried to shift its message about its founder's centrality and make it clear that a new phase of the company's development had now begun. Nikola's vision has excited a lot of people, however "as this company went public," Girsky said on September 30, 2020, "it was migrating from a vision story to an execution story" (Foldy et al., 2020). This communicative turn concerned the choice of topics, intensity, and tonality, but also the language practices applied (see also Chap. 7). On Nikola's Facebook page, there was not a single post in the four critical weeks following the short seller attack, either by or about the CEO Mark Russell or referencing Trevor Milton's successor as chairman, Steve Girsky. In fact, Milton's successor did not appear on Nikola's Facebook page at all. In the 12 months following the short seller attack, there was not a single entry or reference to or from Nikola chairman Steve Girsky. The last reference to Trevor Milton is from September 9, 2020, the day before the short seller attack. "The Badger is truly going to be one of the most amazing vehicles ever built," the founder is quoted as saying in the post's header (Nikola Motor Company, 2020b). Thereafter, the general tone of communication became more modest, execution seemingly played a greater role, and narratives appear to have virtually ceased to play a role in corporate communications or communications by senior leaders (transitions Type 1, see Fig. 3.7).

On November 30, 2020, Nikola announced that the strategic partnership with General Motors had been downgraded to a supplier agreement and that plans to build a consumer pickup truck called the Badger in cooperation with GM had been abandoned (Nikola Corporation, 2020c). Nikola's substantive change of communicative direction with regard to Hindenburg's accusations took place at the end of February 2021, a good 5 months after their publication. Until then, the allegations had always been denied and dismissed. This now changed. Following the Hindenburg report, Nikola hired the Chicago law firm Kirkland & Ellis LLP to conduct an internal investigation. A summary of the ongoing probe was published in Nikola's Securities and Exchange Commission filing, published on February 25, 2021, a

so-called 10-K document, which was somewhat hidden in the second part “Part II, Item 8. Financial Statements and Supplementary Data” under item “14. Commitments and Contingencies, Legal Proceedings” (Nikola Corporation, 2021a).

A total of nine statements,⁷ seven of which were made by Trevor Milton and two by Nikola, were found to be “inaccurate in whole or in part” according to the SEC filing. These are Nikola Corporation (2021a, p. 103):

1. in July 2016, the Company stated that it owned rights to natural gas wells, and in August 2016 that the wells were used as a backup to solar hydrogen production;
2. in August 2016, Milton and the Company stated that the Company had engineered a zero-emissions truck;
3. in December 2016, Milton stated that the Nikola One was a fully functioning vehicle;
4. that an October 2017 video released by the Company gave the impression the Nikola One was driven;
5. in April 2019, Milton stated that solar panels on the roof of the Company's headquarters produce approximately 18 megawatts of energy per day;
6. in December 2019 and July 2020, Milton stated that the Company “can produce” over 1000 kg of hydrogen at the Company's demo stations and that the Company [meaning: costs] was “down below” \$3/kg at that time;
7. in July 2020, Milton stated that “all major components are done in house”; he made similar statements in June 2020;
8. in July 2020, Milton stated that the inverter software was the most advanced in the world and that other OEMs had asked to use it; and
9. in July 2020, Milton stated that five trucks were “coming off the assembly line” in Ulm, Germany. (Nikola Corporation, 2021a, p. 103)

According to the security filing, “analysis is ongoing to assess, among other matters, whether any such statements were intentional, material, not corrected by other public statements, or harmful to the Company's stockholders, either before or after our business combination and subsequent public listing in June 2020” (Nikola Corporation, 2021a, p. 104). In its filing, Nikola, however, disputed the notion that its entire business was an “intricate fraud built on dozens of lies over the course of its Founder and Executive Chairman Trevor Milton's career,” as Hindenburg (2020a) had suggested. “In other respects, the Hindenburg article's statements about the Company were inaccurate,” wrote Nikola (2021a, p. 104). Kirkland and Ellis apparently hired automotive experts as part of the review. Those experts found that Nikola's technical and engineering leads had “deep industry experience and expertise” and the company's “technological contributions and development are consistent with other OEMs [original equipment manufacturers] at similar stages of development” (Nikola Corporation, 2021a, p. 104). “These findings are inconsistent with the main conclusion of the Hindenburg article that the Company was an ‘intricate’ or ‘massive fraud’,” summarizes Nikola (2021a, p. 104).

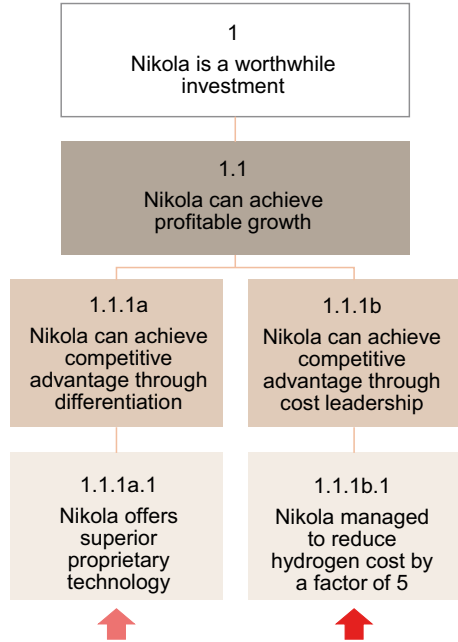
⁷The nine statements are a verbatim quote.

However, Hindenburg's allegation of fraud did not primarily relate to the expertise of Nikola's management, nor did it make any reference to Nikola's level of technological maturity as compared to other OEMs at similar stages of development (which could be regarded as a violation of the unexpressed premise rule in the pragma-dialectical model, cf. Sect. 2.3.1). Rather, Hindenburg's fraud allegation suggested a pattern of intentional misrepresentation and deception directly related to Trevor Milton (cf. Sect. 6.1.6). If Nikola wanted to invalidate Hindenburg's conclusion, the startup would have had to refute these central premises. It is noticeable that Nikola clearly distanced itself from the founder in the months following the short seller attack. Nikola's preliminary admission of nine false statements, seven of which were attributed to Trevor Milton, was an element of this distancing, as was the reorientation of the basic communicative orientation. If we assess the nine admissions in light of the reconstructed argument for Nikola's ability to achieve sustainable profitable growth, we see that at least four of them seemed likely to hit Nikola very hard. These are allegations 2, 3, 4, and 6, which to a significant extent form the basis for Nikola's claimed competitive advantage, with item 6 being the centerpiece that established Nikola's claimed cost leadership (cf. Figs. 5.9, 6.2, and 6.14).

The debunking of item 6 meant that the linchpin of Nikola's vertically integrated value chain was gone. As a result, Nikola's business model lost its central unique selling proposition, on which its high stock market valuation was based (cf. Sect. 5.2.2, p. 132, Sect. 5.2.3, p. 139, Sect. 5.3.1, p. 141). Ultimately, it was Trevor Milton who celebrated Nikola's distinctiveness at every available opportunity (cf. Sect. 5.2.1). Nikola's argumentation in connection with the cited securities filing implied, according to this book's interpretation, a downgrading of its own aspirations. The benchmark henceforth was only "other OEMs at similar stages of development" (Nikola Corporation, 2021a, p. 104). The global disruptor became a normal company.

In late July 2021, Trevor Milton was charged by U.S. federal prosecutors with deceiving investors about the startup's products and technology, and the SEC filed a civil lawsuit against Milton. "From the beginning this has been an investigation in search of a crime," Milton's lawyers were quoted as saying in the *Financial Times*, calling the criminal case "a new low in the government's efforts to criminalise lawful business conduct" (Bushey & Aliaj, 2021). Both the criminal prosecution and the SEC complaint cited the "now-infamous video," referring to the "Nikola One in motion" video, as the *Financial Times* reported (Stacey, 2021). According to the prosecutor's office, the Nikola founder's "scheme targeted individual, non-professional investors" by providing "false and misleading statements directly to the investment public through social media and television, print, and podcast interviews" (USAO Southern District of New York, 2021). The indictment concludes that "throughout in or about 2020, Milton promoted a false and exaggerated narrative that Nikola was a first mover in the zero-emissions-trucking business" (2021). Nikola (2021b) responded to the indictment of the company's founder in a brief media release, stating that Trevor Milton had resigned from his positions on Sept. 20, 2020, and that he had "not been involved

Fig. 6.14 Nikola’s demystification through its own internal investigation



in the company’s operations or communications since that time.” Furthermore, the company pointed out that Nikola “has cooperated with the government throughout the course of its inquiry” (Nikola Corporation, 2021b). After weeks of speculation, Nikola confirmed a settlement agreement with the SEC on December 21, 2021, in which Nikola (2021c) neither admitted nor denied wrongdoing but agreed to pay a civil penalty of \$125 million USD over 2 years. “The company has taken action to seek reimbursement from its founder, Trevor Milton, for costs and damages in connection with the government and regulatory investigation,” Nikola declared (Nikola Corporation, 2021c). On October 14, 2022, after 5 h of deliberations, a New York federal court jury on October 14, 2022, convicted the Nikola founder of one count of securities fraud and two counts of wire fraud (Ramey & Foldy, 2022). They acquitted him on a second count of securities fraud. Nikola shares closed at \$3.06 USD on the day of the founder’s guilty verdict, down from \$42.37 the day before Hindenburg’s allegations against Milton were made public (Nasdaq, Inc., 2022).

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Chapter 7

The Hindenburg Report as a Turning Point



7.1 The Popularity of Search Queries Using Google Trends

Prior to the publication of the Hindenburg report *Nikola: How to Parlay An Ocean of Lies Into a Partnership With the Largest Auto OEM in America*, Nikola was a highly successful new venture (Fig. 4.1). The Nikola share price was undoubtedly very volatile in the 3 months after its NASDAQ debut, but Trevor Milton was remarkably successful in convincing partner companies and investors of his company's prospects. Nikola succeeded in integrating prominent partner companies into what the author considers a conceptionally well-designed vertical value chain (cf. Sect. 5.2.2). The Arizona-based startup was also exceptionally successful in the capital markets. Many retail investors had bought into a company that had virtually no revenue, causing Nikola's market capitalization to briefly surpass even that of Ford shortly after going public (cf. Sect. 4.3). However, Nikola's success was by no means limited to individual, non-professional investors; in fact, Nikola also managed to gain the trust of several reputable institutional investors, funds, and financial analysts.

This chapter aims to investigate whether any change in public perception can be detected in the period after the short seller attack compared to the period before. First, it should be noted that, even before the publication of the said report on September 10, 2020, Nikola received public attention far beyond the competitive environment. Search queries for the term "Nikola Corporation" in Google Search across the United States peaked during Nikola's remarkable NASDAQ debut in early June 2020, according to Google Trends (Fig. 7.1). In the wake of the short seller attack, a second peak occurred in mid-September 2020—one that was slightly less pronounced than the one in early June but longer lasting. Searches were particularly frequent in the state of Arizona, which is not surprising since Nikola is based there.

The picture is quite different when one looks at the search queries for the term "Trevor Milton." These remained at a relatively low level throughout the year 2020,

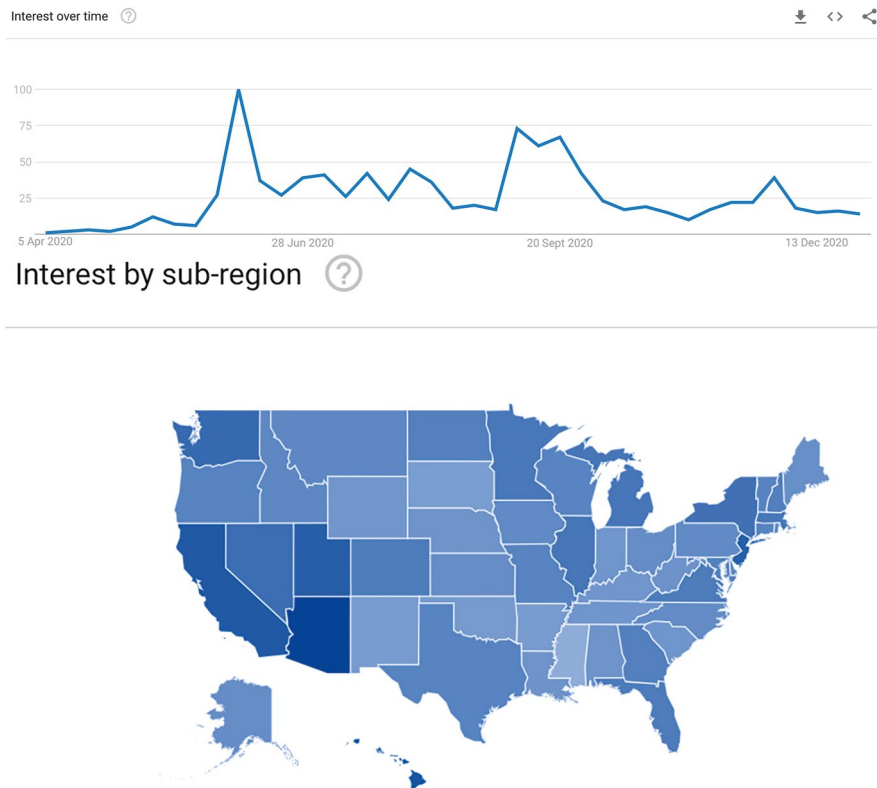


Fig. 7.1 Interest over time and by subregion for the search query “Nikola Corporation” according to Google Trends

except for September, when they suddenly rose sharply (Fig. 7.2). The increase coincided with the publication of the Hindenburg report, and searches peaked during the week of Trevor Milton’s resignation, when the first allegations of sexual misconduct were made public. The search queries were particularly pronounced in the state of Utah, where Trevor Milton was born, attended college, and founded Nikola.

In the context of Nikola’s NASDAQ debut in June 2020, public attention to the startup surged as expected, with public interest seeming to focus primarily on the company rather than the entrepreneur behind it. This changed dramatically in September. The analysis with Google Trends can be interpreted to mean that the short seller’s attack led to increased awareness of Trevor Milton in particular. As explained in Sect. 6.1.1, p. 163 and Sect. 6.1.6, Hindenburg heavily targeted Nikola founder Trevor Milton in its attack, and it can be concluded that this personal attack and the events that immediately followed were indeed noticed by a broader public and attributed not only to the startup Nikola but above all to the entrepreneur Trevor Milton. The following section will further examine whether and how reporting on Nikola and Trevor Milton changed after the publication of the short seller report.

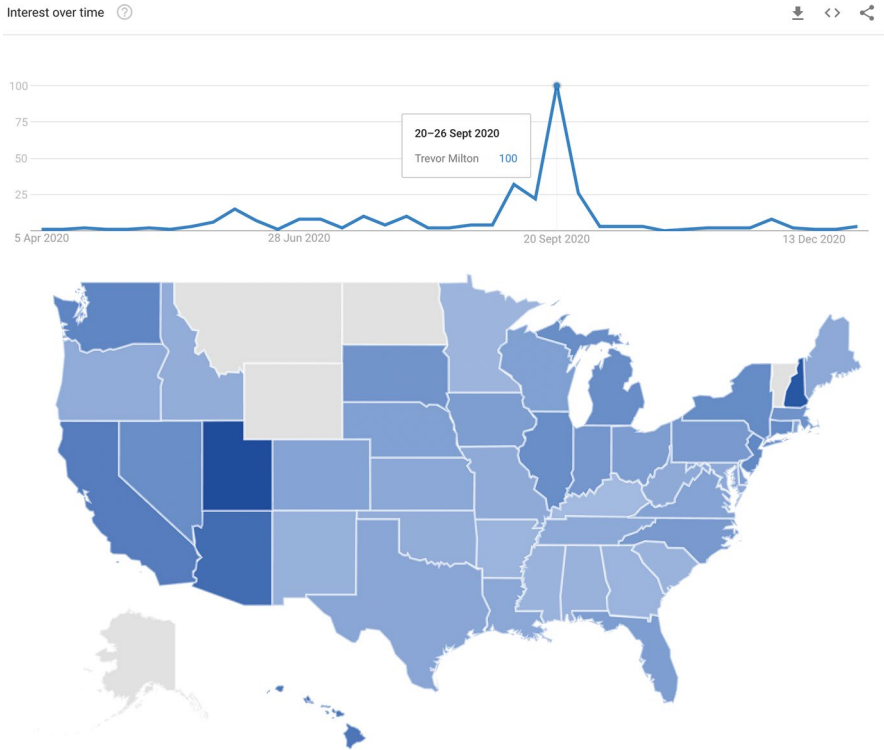


Fig. 7.2 Interest over time and by subregion for the search query “Trevor Milton” according to Google Trends

7.2 Coverage of the Nikola Case in Selected Media

The influence of the media on the financial industry and in particular on investment decisions is multifaceted, and different research streams have reached different conclusions depending on their point of view. Carlo Raimondo (2019) has mapped the various research streams on the role of the media in finance by dividing this universe of knowledge into two substreams that reflect the two main areas of finance: the direct impact of the media on financial markets in terms of asset prices, on the one hand, and the broader impact of the media on corporate finance and governance, on the other hand (Raimondo, 2019, pp. 156–157). As far as the influence of the media on stock price formation is concerned, there are streams that emphasize the positive contribution of the media in situations of asymmetric information, while others conclude that the media tends to increase investor irrationality, be it through unfounded enthusiasm or through sensationalism (Raimondo, 2019, pp. 158–160). Among others, business journalists refer to financial analysts, whose recommendations undoubtedly influence stock markets (Whitehouse, 2022, p. 46; Whitehouse et al.,

2018). In both the Nikola and Tesla cases, the performance of financial analysts has been largely poor during the period covered by this book, albeit in opposite directions in each case. While the vast majority of financial analysts have underestimated the performance of the Tesla share over a long period of time, they have massively and continuously overestimated the value of the Nikola share. Although financial analysts lowered the average price target of the Nikola share by around 50% between the beginning of August and the end of December 2020, the average price target was still significantly higher than the Nikola share price of the time. As of August 5, 2020, the average analyst target price for NKLA was \$55 USD, according to *Dow Jones/Barron's*, representing an upside of 62% (Root, 2020a). As of September 21, the average price target was lower, at \$47.5 USD, but it promised a massive upside potential of over 75% (Assis, 2020). By December 23, 2020, the average analyst price target had dropped to \$29 USD per share, with 3 of 8 analysts still rating the Nikola stock a buy (Root, 2020b). This implied an upside of nearly 100% (Nikola's closing share price was \$15.03 USD on December 23, 2020). For comparison, the closing price was \$9.87 USD 1 year later, on December 31, 2021. Thus, while financial analysts were projecting a potential doubling of Nikola's stock price at the end of 2020, the price fell 50% in the following 12 months against a growing NASDAQ overall market, raising questions about incentive structures within the expert group of financial analysts that are beyond the scope of this study.

This analysis does not address the question of whether media coverage of the Nikola case may have influenced corporate governance decisions in a particular direction. Nor is it intended to assess whether the media coverage of Nikola influenced the share price in favor of market efficiency or, conversely, whether it might have helped to promote irrational decision-making. This study merely assumes that media coverage affects stock market performance and that the stock price is an indicator of investor confidence in a company, although exogenous factors must be considered (cf. Sect. 2.1.3). In our case, the question of whether the publication of the Hindenburg report changed the topics, focus, and thus the general tone of media coverage of Nikola in any way is of particular interest. To answer this more precisely, the analysis used corpus linguistic methods and an open-source software, AntConc. Actual sentiment analysis was not conducted, despite the availability of specific word lists for the realm of finance—in such an analysis, a target corpus is matched with a word list as a reference corpus (cf. Loughran & McDonald, 2011). The reason is that, in a relatively narrow corpus, negations, or modifications, such as amplifications and attenuations, might have distorted the results in a considerable way. Nevertheless, a comparison of the collections of articles across two time periods does reveal insights.

For this analysis, I collected all the English language articles in the Factiva database that had Nikola or Trevor Milton as their main topic and appeared in *Reuters*, *Financial Times*, *The Wall Street Journal*, *Barron's*, and *Forbes* publications in the 4 months before and after the release of the Hindenburg Research report. I chose the 4 months before and after the event as the observation period to study a sufficiently long period during which Nikola, as a publicly traded company, was obligated to provide ongoing public communications. As for the source selection, it was important to represent Reuters, one of the world's largest news agencies, and to include

four specialized media products from the field of business and financial reporting. To qualify for inclusion in the corpus, each article had to contain “Nikola” or “Trevor Milton” in the title.¹ The resulting corpus included 279 articles—97 of these articles (128 articles minus 31 duplicates) were published before the Hindenburg report, and 182 of the articles (281 articles minus 99 duplicates) were published on and in the 4 months following the release date, September 10, 2020.

The first thing to notice is that the number of articles published in the 4 months following the short seller attack was almost double the number published in the previous period. This is remarkable in that Nikola’s NASDAQ debut, a landmark event for the startup, occurred early in the first 4-month period. Also, the word clouds of keywords automatically generated in Factiva along with the search queries seem to indicate that the main topics of media coverage shifted significantly. However, these results should be interpreted with caution, as detailed information on the creation of these word clouds could not be found on the Dow Jones Factiva website. In its Factiva user manual, Dow Jones, the producer of the news database, writes: “Keywords display the terms and phrases with significant volume,” and “the keyword font size indicates the frequency of the term in the news for the time period selected” (Dow Jones and Company, 2012, p. 65). According to the University at Buffalo Libraries, the visualization generated by Factiva shows the top keywords examining the top 100 articles of the search (Klotzbach-Russell, 2022). Nevertheless, the keywords generated in this way give an indication of the most important topics covered in the respective periods.

For the 4 months preceding the Hindenburg report, the main keywords related to Nikola’s entrepreneurial orientation and the industry in general (electric truck startup, battery-powered semi, electric vehicle, fuel cell, electric pickup). In addition, keywords that refer directly to the reverse merger in the context of Nikola’s public offering were listed (equity stake, special-purpose acquisition company) (Fig. 7.3, left).

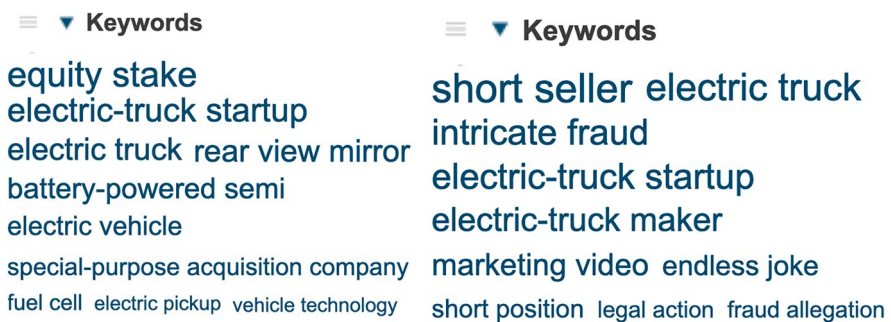


Fig. 7.3 Word clouds by the Factiva database for the Nikola target corpus from the 4 months before [left] and after the short seller report was published

¹In the Companies section of Factiva “Nikola Corp.” was selected, other search settings: Duplicates = Identical. Exclude = Republished news, recurring pricing, and market data, Web News.

The keywords generated in the 4 months following the Hindenburg report present a much different picture. The most prominent term in this later period—“short seller”—did not appear in the previous period. In addition, terms with a legal meaning appeared (intricate fraud, legal action). The fact that “marketing video” also appeared as a keyword underscores the importance that this element of the short seller attack assumed in media coverage.

To generate a comparison, I applied the same approach to articles with the terms “Tesla” and/or “Elon Musk” in the title. The search query yielded a total of 759 articles that appeared in the selected media outlets during the 8 months relevant to this analysis. Of these, 305 (519 minus 214 duplicates) were published in the 4 months before September 10, 2020, and 454 articles (690 minus 236 duplicates) were published in the 4 months after. The automatically generated keyword display in Factiva provides very limited insights into the tone of media coverage. Nevertheless, it was noticeable that, unlike in the case of Nikola, in the case of Tesla, Inc. the word clouds were not remarkably different. The most important keywords described Tesla’s industry. Among them are terms like “electric vehicle maker” or “electric car maker.” Metals, which are important for the production and improvement of lithium-ion batteries, were also an important topic. While there were differences between the two-word clouds, there was no indication of a fundamental shift in themes (Fig. 7.4). One noteworthy and explainable difference concerns the reopening of a Tesla plant in Fremont, California in the first time period, which directly followed the pandemic-induced dip in share prices in March 2020—this seems to have been an aspect of the media coverage in this first period. The considerable rise in the Tesla share price also attracted media attention, albeit less than might have been expected (cf. Sect. 4.3).

For further analysis with the corpus tool AntConc, I manually cleaned the PDF files containing the Nikola article collections² and converted them to .txt files. The

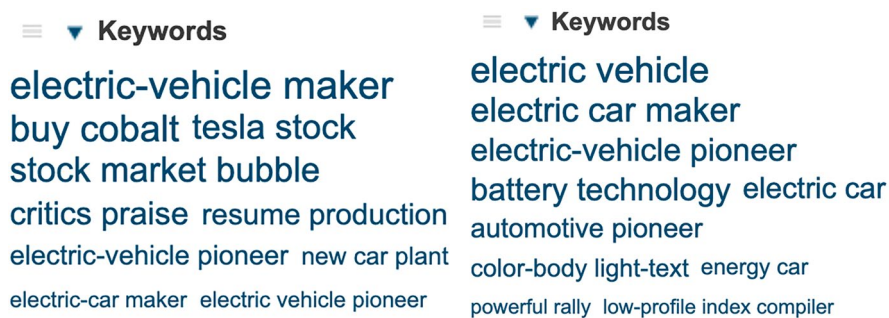


Fig. 7.4 Word clouds by the Factiva database for the Tesla reference corpus from the 4 months before [left] and after the short seller report was published

²Factiva-generated source names, search summaries, and article classifications that could distort the results have been manually removed.

goal was to identify patterns in reporting from a distance, so to speak, that are difficult to discern from a mere reading of various articles.

To find out which words can be considered characteristic of the coverage in the 4 months after the publication of the Hindenburg report (target corpus) compared to the 4 months before (reference corpus), I used the keyword tool. As AntConc’s developer, Laurence Anthony (2022), writes, “this tool shows words that appear unusually frequently in the target corpus in comparison with the words in the reference corpus based on a statistical measure (i.e., ‘keywords’).”³ Figure 7.5 shows the

	Type	Rank	Freq_Tar	Freq_Ref	Range_Tar	Range_Ref	Likelihood	Effect
1	hindenburg	1	345	0	1	0	300.578	0.008
2	report	2	453	41	1	1	197.481	0.01
3	seller	3	272	7	1	1	186.046	0.006
4	mr	4	441	49	1	1	167.653	0.01
5	allegations	5	174	0	1	0	151.479	0.004
6	short	6	404	57	1	1	125.649	0.009
7	milton	7	609	130	1	1	113.781	0.013
8	fraud	8	139	1	1	1	111.197	0.003
9	claims	9	140	2	1	1	105.004	0.003
10	said	10	706	187	1	1	87.899	0.015
11	false	11	93	0	1	0	80.934	0.002
12	video	12	91	0	1	0	79.192	0.002
13	was	13	570	144	1	1	78.451	0.013
14	sept	14	116	4	1	1	74.216	0.003
15	had	15	260	42	1	1	70.263	0.006
16	department	16	75	0	1	0	65.264	0.002
17	september	17	108	5	1	1	63.453	0.002
18	justice	18	71	0	1	0	61.782	0.002
19	against	19	94	3	1	1	61.29	0.002
20	research	20	181	28	1	1	51.239	0.004
21	misleading	21	55	0	1	0	47.856	0.001
22	executive	22	175	28	1	1	47.767	0.004
23	anderson	23	52	0	1	0	45.245	0.001
24	misled	23	52	0	1	0	45.245	0.001
25	dhybrid	25	51	0	1	0	44.375	0.001

Fig. 7.5 Disproportionately frequent words in the 4-month period after the short seller report was published

³Indexer = simple_word_indexer; sort by likelihood. When using log likelihood as the statistical measure, the following significance values apply (Anthony, 2012): 95th percentile; 5% level; $p < 0.05$; critical value = 3.84 99th percentile; 1% level; $p < 0.01$; critical value = 6.63 99.9th percentile; 0.1% level; $p < 0.001$; critical value = 10.83 99.99th percentile; 0.01% level; $p < 0.0001$; critical value = 15.13.

The screenshot shows a software interface for a collocation tool. At the top, there are tabs for 'KWIC', 'Plot', 'File', 'Cluster', 'N-Gram', 'Collocate' (which is selected), 'Word', and 'Keyword'. Below the tabs, it displays 'Collocate Types 35', 'Collocate Tokens 925', and 'Page 5'. A search query 'Hindenburg' is entered in a text box, with a 'Start' button and an 'Adv Search' checkbox. Below the search box, there are options for 'Window Span' (From 5L to 5R) and 'Sort by' (Likelihood). The main part of the interface is a table with the following data:

	Collocate	Rank	FreqLR	FreqL	FreqR	Range	Likelihood	Effect
1	research	1	133	6	127	1	548.406	4.268
2	report	2	151	43	108	1	396.508	3.127
3	short	3	96	86	10	1	193.576	2.639
4	seller	4	77	73	4	1	178.372	2.892
5	released	5	35	2	33	1	126.510	3.911

Fig. 7.6 Words that appeared frequently within a distance of five words to the left and right of the term “Hindenburg”

25 characteristic words for the period from September 10, 2020, to January 10, 2021. This word list provides an indication of the extent to which the Hindenburg report dominated coverage in the media outlets studied in the 4 months following its publication. It is a cluster of interconnected topics that have made it through the media filter. “Hindenburg” was the term that occurred most disproportionately (unusually) frequently in the period studied. It appeared 345 times, while it did not appear at all in the previous period.

Figure 7.6 shows which words co-occurred with “Hindenburg” in the target corpus. Of these five words, three were among the top six most disproportionately frequent words: “Short,” “seller,” and “report.” It is also not surprising that “research” and “released” were often mentioned in connection with “Hindenburg.” The full company name is Hindenburg Research, and as is well known, it was this short seller that released the critical report on Nikola.

Applying the collocation tool to the term “mr,” which ranked fourth in the list of disproportionately frequent words in the keyword analysis, I found that “Milton” came first by a wide margin, followed by Mark Russell, the then CEO of Nikola, and Nathan Anderson, the founder of Hindenburg Research (Fig. 7.7). Steve Girsky, Trevor Milton’s successor as Nikola chairman only came in fourth place. In fifth place was Jeff Ubben, founder of the investment company ValueAct, which made an early investment in Nikola (Sect. 5.3.3, p. 145). The *Financial Times* wrote about the fourth and fifth named executives in an article titled “Nikola: the clues in Trevor Milton’s past that investors missed or ignored”:

Some investors in Nikola say they overlooked Mr Milton’s brashness because of the other executives backing the company—including Jeff Ubben, the founder of activist hedge fund ValueAct and Mr Girsky, a respected automotive executive. (P. Campbell et al., 2020)

	Collocate	Rank	FreqLR	FreqL	FreqR	Range	Likelihood	Effect
1	milton	1	292	0	292	1	1584.249	5.034
2	russell	2	32	0	32	1	147.169	4.602
3	anderson	3	25	0	25	1	130.562	5.038
4	girskey	4	27	0	27	1	117.882	4.44
5	ubben	5	18	0	18	1	102.488	5.357

Fig. 7.7 Words that appear frequently within three words to the right of the term “mr”

This result confirms the important role that *arguments from authority* played in Nikola’s trust building described in Sect. 5.3.3.

The patterns on the language surface of media coverage are consistent with the results that emerged from examining search queries in Google Trends: The short seller attack not only dominated the news coverage but was also directly associated with founder Trevor Milton. What is also noticeable is the accumulation of terms that can be associated with legal disputes in the broadest sense. These include terms such as “fraud,” “allegations,” “false,” “justice,” “misleading,” “mised,” but also “diligence,” “lawsuit,” or “legal.” The especially high number of mentions of the term “video” (91 mentions compared to zero mentions in the previous period) illustrates the role that this aspect of Hindenburg’s argumentatively relevant components played in media perception. The more substantial aspect of the business model from the point of view of this book was Trevor Milton’s false claim, conceded by Nikola itself, that the startup had managed to drastically reduce the cost of hydrogen production (cf. Sect. 5.2.2, p. 132). In contrast, the video argument was apparently more engaging and illustrative on the one hand while simultaneously undermining multiple strands of Trevor Milton’s and Nikola’s trust argument on the other (cf. Sect. 6.1.4).

Numerous terms in the keyword analysis indicate that the period following the publication of the Hindenburg report was dominated by argumentation, as described by the qualitative case reconstruction. Keywords like “allegations,” “claims,” but also “accusations” and “accused” were strongly represented. For example, the word “rebuttal” never occurred in the previous period but occurred 27 times after the short seller attack (rank 61 of disproportionately frequent words). “Rebuttal” was frequently mentioned in connection with “refuting,” and “denied” also appeared in the list of the 74 disproportionately frequent words. All of these terms indicate the importance of aspects of counter argumentation (Sect. 2.3.3).

Applying AntConc’s Key-Word-In-Context tool to the word “allegations” (rank 5 of the keyword list) reveals a strong tie with the term “fraud,” which in turn is closely linked to the terms “short” and “seller” (i.e., the source of the allegations). This confirms the impression that there is an interconnected cluster of topics that is dominant and directly related to the debate unleashed by the short seller attack (Fig. 7.8).

KWIC Plot File Cluster N-Gram Collocate Word Keyword				
Total Hits: 174 Page Size 100 hits 1 to 100 of 174 hits				
File	Left Context	Hit	Right Context	
1 Nikola_after_clean.txt	threatened legal action against a short-seller who levied	allegations	of fraud against the US electric truck start-up.	
2 Nikola_after_clean.txt	investors' confidence after a short-seller earlier levelled	allegations	of fraud against a company that was briefly one	
3 Nikola_after_clean.txt	ted in September that the DoJ was making inquiries into	allegations	of fraud at the company. The furor over the	
4 Nikola_after_clean.txt	U.S. Department of Justice in September in connection to	allegations	of fraud by short-seller Hindenburg, the electric-truck	
5 Nikola_after_clean.txt	U.S. Department of Justice in September in connection to	allegations	of fraud from short seller Hindenburg, the electric vehicle	
6 Nikola_after_clean.txt	missions vehicle maker over the weekend in the wake of	allegations	of fraud leveled by hedge fund Hindenburg Research. Since	
7 Nikola_after_clean.txt	ng statements Electric-truck startup Nikola Corp. denied	allegations	of fraud outlined in a report published this week	
8 Nikola_after_clean.txt	in half, after short seller Hindenburg Research launched	allegations	of fraud that the company disputes. Now GM will	
9 Nikola_after_clean.txt	a squabble with short-seller Hindenburg Research over	allegations	of nepotism and fraud. The short-seller report came	
10 Nikola_after_clean.txt	a squabble with short-seller Hindenburg Research over	allegations	of nepotism and fraud. The short-seller report came	
11 Nikola_after_clean.txt	iblic squabble with short-seller Hindenburg Research on	allegations	of nepotism and fraud ** Milton has sold ~3.24 mln of	
12 Nikola_after_clean.txt	Hindenburg's concerns, while denying the hedge fund's	allegations	of fraud. It uses wordplay, for example, to deal	
13 Nikola_after_clean.txt	, among other accusations. Nikola and Mr. Milton denied	allegations	of fraud. Nikola has said it contacted and briefed	
14 Nikola_after_clean.txt	ation. Both federal inquiries may not produce any formal	allegations	of wrongdoing. The SEC has the authority to bring	
15 Nikola_after_clean.txt	ation. Both federal inquiries may not produce any formal	allegations	of wrongdoing. The SEC has the authority to bring	
16 Nikola_after_clean.txt	model, to be a system integrator, is not well understood'	Allegations	of deception cast shadow over Nikola's lofty aims	
17 Nikola_after_clean.txt	ie electric and fuel cell truck startup stepped down amid	allegations	of fraud. Nikola founder Trevor Milton, whose company become	
18 Nikola_after_clean.txt	a truck downhill for a promotional video, as it counters	allegations	of fraud. Nikola rolled truck down hill but rejects '	
19 Nikola_after_clean.txt	dHybrid Inc employee, "hilarious". Nikola's woes and the	allegations	of over-egged technology are, he adds: "a repeat	
20 Nikola_after_clean.txt	e since Sunday. Despite the slew of personal attacks and	allegations	of years of deception, there are no moves within	

Fig. 7.8 How the word “allegations” was commonly used in the target corpus (KWIC Tool)

Swapping the selected target and reference corpora reveals words that occur disproportionately less frequently in the 4 months after September 10, 2020, than in the period before (Fig. 7.9).

The list shows that, in the previous period, Nikola was much more often associated with Tesla (analogy or contrast). The same applies, albeit somewhat less emphatically, to Elon Musk (44 references in the preceding period vs. 23 thereafter). Unsurprisingly, terms directly related to Nikola’s NASDAQ debut in early June 2020 appeared (“IPO” and “SPAC”), as well as words related to financial reporting (“stocks” and “warrants” and “market”) or the industry and products in general (“electric” and “cybertruck”). The word “traditional” (rank 16) occurs particularly frequently in conjunction with “auto” and “maker,” suggesting that Trevor Milton’s battle against the old guard of OEM’s did make its way into the media in the pre-period, but that there was no longer much use for such components of Trevor Milton’s storytelling repertoire in the post short seller attack period (cf. Sects. 5.1.1 and 5.1.2). Much the same can be said about the Tesla comparison. Although Trevor Milton increasingly distanced himself from Tesla and Elon Musk the more Nikola gained prominence in the public perception, Tesla has long remained an important narrative containing an argumentative core in the context of Nikola’s rise (Sect. 4.2, p. 93, Sect. 5.2.2, p. 133, Sect. 5.2.3, p. 138, Sect. 5.3.3, p. 149).

	Type	Rank	Freq_Tar	Freq_Ref	Range_Tar	Range_Ref	Likelihood	Effect
1	hindenburg	1	345	0	1	0	300.578	0.008
2	report	2	453	41	1	1	197.481	0.01
3	seller	3	272	7	1	1	186.046	0.006
4	mr	4	441	49	1	1	167.653	0.01
5	allegations	5	174	0	1	0	151.479	0.004
6	short	6	404	57	1	1	125.649	0.009
7	milton	7	609	130	1	1	113.781	0.013
8	fraud	8	139	1	1	1	111.197	0.003
9	claims	9	140	2	1	1	105.004	0.003
10	said	10	706	187	1	1	87.899	0.015
11	false	11	93	0	1	0	80.934	0.002
12	video	12	91	0	1	0	79.192	0.002
13	was	13	570	144	1	1	78.451	0.013
14	sept	14	116	4	1	1	74.216	0.003
15	had	15	260	42	1	1	70.263	0.006
16	department	16	75	0	1	0	65.264	0.002
17	september	17	108	5	1	1	63.453	0.002
18	justice	18	71	0	1	0	61.782	0.002
19	against	19	94	3	1	1	61.29	0.002
20	research	20	181	28	1	1	51.239	0.004
21	misleading	21	55	0	1	0	47.856	0.001
22	executive	22	175	28	1	1	47.767	0.004
23	anderson	23	52	0	1	0	45.245	0.001
24	misled	23	52	0	1	0	45.245	0.001
25	dhybrid	25	51	0	1	0	44.375	0.001

Fig. 7.9 Words that appeared disproportionately less frequently in the 4-month period after the short seller report was published

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Part III
Results, Discussion, and Conclusion

Chapter 8

Findings and Evaluation



For clarity, I reproduce below the research questions formulated in Sect. 4.5:

RQ1	What recurring narratives can be identified and how do they relate to each other? Do the individual narratives fit together into a larger, overarching story, and can certain underlying mythologems in which the story is rooted be reconstructed? What functions do these narratives serve in the context of the startup’s strategic persuasion?
RQ2	Which recurring arguments can be identified and reconstructed? What relevant implicit information should be integrated from what is said, written, or visible and from the situation, the circumstances, or the larger context? How can these various argumentative components be meaningfully structured into an overarching argumentative framework of Nikola’s strategic investor communication that can potentially be applied to a wide range of startups dealing with novel technologies?
RQ3	What discourse structures in terms of an interplay of arguments and narratives can be identified? How can the embeddings best be described, in what form do they occur, and what use could such embeddings have regarding strategic persuasion?
RQ4	Did the interplay between argumentation and narration for the purposes of strategic persuasion change over time in the case of the Nikola Corporation, for example, because the startup’s situation shifted significantly due to stakeholder intervention? Can any change in public perception be detected in the period after the short seller attack compared to the period before? What exactly happened in the crisis episode? What are the key points of attack and how did the startup respond? Specifically, how did this affect the interplay between argumentation and storytelling?
RQ5	What is the overall assessment of Nikola’s strategic communication during the period under study? What can practitioners learn from the case study about what can be done to prevent crises and what recommendations can be derived from the case to manage them successfully when a crisis does occur? Are there useful analytical tools that can help entrepreneurs, policymakers, and communications professionals to contextually identify appropriate crisis response strategies?
RQ6	How can startup investors detect early signs of severe overpromise or even fraud in a startup’s strategic persuasion efforts? Are there indicators that can be identified in the case during the period under study, so-called red flags, which should have made investors wary? How exactly did these signs manifest themselves, and what role did the founder figure play in this?

Through an exploration of these research questions, each delving into distinct facets of startup dynamics, this study aims to unravel insights into startup communication, with limitations discussed in Chap. 9.

1. **Effective communication in startups:** Crafting a compelling startup narrative while ensuring trustworthiness.
2. **Meeting the information needs of investors:** Understanding the essential components of a convincing startup pitch in an argumentative structure.
3. **Argumentative storytelling:** Strengthening storytelling using argumentative concepts and tools.
4. **Communication in crisis mode:** Learning the importance of counter argumentation techniques for fending off attacks and understanding why they alone may not suffice.
5. **The dangers of the hype:** Recognizing the perils of unwavering faith in charismatic founders, emphasizing the need for internal checks and balances, and promoting critical thinking during overwhelming startup hype.
6. **Protection against overpromises:** Identifying warning signs that should have prompted investors to exercise caution, potentially averting misinvestments and significant losses.

8.1 Overall Findings

The main goal of this book was to contribute to a better understanding of the interplay between argumentation and storytelling in a business context where strategic persuasion plays an important role. The case provided these connections by making it possible to reconstruct exactly how a founder proceeded to build investor trust, what points a short seller attacked, and how the company responded communicatively. The examination of the case suggests that narration and argumentation should not be understood as opposing or even contradictory practices but rather as interlocking and complementary practices of strategic persuasion in a startup context (RQ3, cf. Fig. 8.2). To ignore or dismiss one or the other would be to omit an essential part of lived communicative practice. One approach to argumentation can be from a primarily narrative perspective, as advocated by Walter R. Fisher (1987) in his path-breaking book *Human Communication as Narration*. However, such an approach, based on the primacy of narrative, runs the risk of underestimating the role of reasoning in making human communication—and ultimately human thought and action—more reliable. This contrasts with an approach that examines narration from a primarily argumentative perspective and thereby risks neglecting many non-core items by filtering out all components that are not argumentatively relevant, even though they may be essential to the power of the story and the way it is told. These include the particular mood, atmosphere, charm, wit, humor, and unique “sound” of a story, all of which contribute to the addressee’s vivid experience of the

story and emotional involvement (cf. Sect. 2.3.3, p. 47, Sect. 5.1.2, p. 110, Sect. 5.2.1, p. 125–126). This study aimed to apply theoretical concepts related to both language practices, to establish linkages, to reconstruct interactions between these practices, to identify changes over time, and to systematize relationships, especially in situations where strategic persuasion is required, and the evidence base is ambiguous or thin. It is a difficult task to establish plausibility when reliable facts are lacking and other ways, means, and justifications have to be found to build trust. For this specific initial situation, the chosen case study was a suitable object of investigation (Sect. 4.4). Today we know that Trevor Milton promised more than he could deliver. The common thread between Nikola and notable cases such as Theranos or Wirecard lies in the alleged misrepresentation of information to investors and the public. While each case has its own characteristics, Nikola differs from Theranos or Wirecard by the mere fact that the company still exists at the time of writing. The Nikola case possesses a nuanced complexity, and its dynamic nature adds an extra layer of intrigue.

In addition to offering practical insights that can enhance a startup's strategic communication and crisis resistance, the primary contribution of this book lies in its methodological approach. Specifically, it introduces an analytical framework that can potentially be applied to a wide range of startup and crisis communication issues where building trust is crucial (Chap. 3). In doing so, it proposes, among other things, a sequence of upstream and downstream checks for the acceptability of nonfictional stories (Fig. 3.5), it organizes the argumentative components relevant in the context of strategic investor communication into a meaningful structure (Figs. 5.10 and 5.16), and it examines the interplay of argumentation and narration at three levels, namely the context, macro, and micro levels (Fig. 3.7). At the *context level*, the rhetorical situation in which Nikola's strategic persuasion takes place can best be described by the notion of *polyphonic balancing*, which involves accommodating a variety of relevant voices with different expectations and demands (Sect. 3.4.1). Narration in this context appears not only as a means of personalizing argumentation and establishing accessibility but also opens up possibilities for crossing system boundaries communicatively and creating a sense of connectedness between the arguer and the audience by drawing on shared experiences and values, on which understanding can be built (RQ1, cf. Sect. 2.3.3, p. 51, Sect. 3.4.1, p. 78). Storytelling provides the listener, viewer, or reader with an additional perspective illustrated by the personified individual case that is strongly emotionally triggered and where the appeal to values is important. It appears that overall, in Nikola's strategic investor communications, the appeal to values—both in building corporate legitimacy and, even more importantly, in engendering trust in the entrepreneurial story—is of far greater relevance than alternative research on investor pitches by startup founders would suggest (cf. van Werven et al., 2015, 2019). This finding is confirmed by the salient feature of the short seller's attack—it was primarily a personal attack on the central founding personality, causing the short seller to question the trustworthiness of the entire investment case (Sect. 6.1.1, p. 163 and Sect. 6.1.6).

At a *micro level*, analyzing discourse structure, the case provides numerous entry points for studying strategic startup communication as both a series of argumentative steps and as temporal sequences of events in the form of narrative fragments—small stories that can trigger broader stories that most likely pre-exist in the recipient’s mind (cf. Sect. 2.2.4, p. 32, Sect. 2.3.3, p. 51, Sect. 5.1.2, p. 111 & 113). As Figs. 5.1 and 5.2 illustrate, these fragments fit into a larger overarching plot that follows common narrative structures with certain underlying mythologems in which the story is rooted (RQ1). Nikola founder Trevor Milton used several narrative fragments and argumentative components repeatedly during the time under study, combining them in different ways depending on the context (RQ1, Figs. 5.3 and 5.15). From a micro-level conceptual perspective that focuses on characteristics of embeddedness within a mixed discourse structure (RQ3), argumentative narratives—stories that contain embedded arguments (embeddings Type 2)—in this case study have a primary importance for building investor trust at the level of the startup entrepreneur (ethos creation by narration at the level of the founder’s story, see Fig. 5.5). In contrast, narrative arguments (embeddings Type 1) complement trust building at the level of corporate legitimacy, with varying loci being applied (mostly locus by authority, locus by analogy, and locus from opposites, cf. Sect. 5.3.3). However, when it came to supporting the plausibility of Nikola’s business model, argumentation was the predominant language practice, with few embedded narratives and mainly intrinsic loci being employed (primarily causal and definitional loci, however, also an argument from position to know played a role). Figures 8.1 and 8.2 illustrate these relationships.

At the *macro level*, focusing on changes in the interplay of argumentation and storytelling over time, this book examined a 4-month period before and after a short seller attack, at the outset of which Nikola went public and committed to ongoing public communication as a now publicly traded company. Based on various indicators, including a quantitative analysis using corpus linguistics methods (Sect. 7.2), the present study has demonstrated that the short seller attack by Hindenburg Research indeed represented a turning point in the public perception of the Nikola Corporation and could be interpreted as the trigger for a crisis event that caused lasting damage to investor trust (RQ4). In the crisis event, a pronounced shift in communication mode to argumentation took place, which can be described as the *argumentative turn*, and this shift was particularly striking in the case of Nikola, as narration completely faded into the background after the short seller attack, to the point where it now no longer takes place to any substantial degree (Sect. 6.2, Sect. 6.3, p. 186). Figure 8.1 shows the observed change in the interplay between argumentation and storytelling in Nikola’s strategic communication during the crisis episode (the faintly highlighted area shows the pre-crisis mode, where the discourse structure is characterized by embeddings, cf. Fig. 5.14).

FOCUS	UNIT OF ANALYSIS	ANALYZED PHENOMENA
Context level	Rhetorical situation	Complex: polyphonic balancing Simple: triangular or transmitter-receiver
Macro level	Intertextual chains and networks	Argumentative discourse stays argumentative Transitions Type 1: discourse becomes more argumentative Transitions Type 2: discourse becomes more narrative Narrative discourse stays narrative
Micro level	Discourse structure	Purely argumentative: series of reasoning steps Embeddings Type 1: narrative arguments Embeddings Type 2: argumentative narratives Purely narrative: temporal sequence of events

Fig. 8.1 Nikola’s strategic communication during the crisis episode in the light of the analytical framework

8.2 A Thought Experiment

Was the crisis-induced turn to the argumentative mode in Nikola’s case imperative and without alternative? Here, my concern is to distinguish crisis response mechanisms from crisis prevention and to derive suggestions as to how more successful crisis management and communication could have been achieved in the Nikola case (RQ5, cf. Sect. 8.4). In conclusion, the journey of Nikola Corporation from startup to public company was characterized by successes as well as challenges (Sect. 4.3). The crisis that the company faced underscored the critical role of trust in strategic communication for startups. Additionally, the crisis revealed the significant influence that a founder can have on a startup’s success or failure (Sect. 5.1.3, p. 120, Sect. 5.2.1, p. 130, Sect. 6.1.1, p. 163). Trevor Milton’s strategic persuasion was instrumental in attracting investors, but his false statements and misrepresentations also contributed to the company’s downfall (Sects. 5.1.3 and 6.1.6). Put briefly, the Nikola Corporation case study embodies the story of a successful—albeit problematic because crisis-prone—buildup of investor trust from May 2016 to August 2020, and a subsequent failed attempt to restore the trust lost in a short seller attack in September 2020 (Sects. 4.3, 6.3). Could the Nikola story have taken a different course? While crisis management is essential, it inherently assumes that the crisis has already occurred. The answer to this even bigger question inevitably remains hypothetical because history develops dynamically from a concatenation of individual events. Nevertheless, there are certain clues or indications that justify engaging in the thought experiment, which in itself can be seen as a characteristic narrative means of reasoning (Olmos, 2017). It is a mental counter to the idea that the course of events is immutable and against a view in hindsight that might easily tend to regard events that have truly occurred as fundamentally predictable. There was a

moment when it looked as if Trevor Milton's vision would come true. It lasted 2 days, to be exact, from the announcement of a strategic partnership with General Motors on September 8, 2020, to the publication of the so-called Hindenburg report on September 10, 2020. This period was too short to allow Nikola to "create the facts" that would have enabled it to counter the attacks with concrete achievements. The present study has made the case for why it seems appropriate to interpret the short seller attack as a crisis event that had a profound impact on the public perception of Nikola and on subsequent events (Chap. 7). For Hindenburg, however, the timing was just about ideal in more ways than one. The attention of the investment community after the spectacular announcement of the GM tie-up was focused on Nikola, and the share price rose accordingly, which opened up a lucrative potential for a price drop for the short seller, but above all, as explained, the time span between announcement and defense was far too short to counter the attack with concrete results from the GM partnership (Sect. 4.3).

In addition to financial participation, the announcement of the strategic partnership between the two companies included GM's commitment to implement Nikola's Badger program and an agreement that Nikola would utilize GM's Ultium battery system and Hydrotec fuel cell technology, "providing validation and scale in a multi-billion dollar total addressable market" (General Motors, 2020; Nikola Corporation, 2020a). No one can say with certainty how much time might have been needed to create facts that would have caused a short seller attack to fail. But it certainly seems very plausible that successful attacks would have become increasingly difficult the longer the partnership lasted. The Badger was to be Nikola's first commercially available vehicle, capable of taking on Ford's legendary F-150 pickup truck. Trevor Milton's Twitter message one Sunday evening in early June 2020 that orders were now being taken for the vehicle shortly thereafter caused Nikola's market capitalization to momentarily surpass that of the Ford Motor Company, with its more than century-old history (Sect. 4.3, p. 95). It is therefore easy to imagine what the success of this ambitious plan would have meant for Nikola's position in the automotive industry. Nikola's success in both its main business segment—semi-trucks—and its Badger program required breakthroughs in propulsion technology, particularly in fuel cells, and in lowering the cost of hydrogen production, which established Nikola's unique selling proposition through a vertically integrated value chain (Sect. 5.2.2). The strategic partnership with North America's largest automotive company would have promised important progress in these areas if the necessary time had been available. But fate or circumstances decide differently.

8.3 An Argumentative Evaluation of the Nikola Story

Short sellers do not need to develop a counterplan for what a more successful business model might look like; all they need to do is to destroy trust in an existing investment proposition. For a short seller attack to be lucrative, a short-term collapse in confidence in the target of the attack is sufficient. However, for the attacker's reputation, a more lasting impact is beneficial, especially since short sellers like

Hindenburg Research claim to contribute to market transparency and efficiency by exposing the mechanisms that allow fraud to spread through the financial system (Fig. 6.12). If an attack proves to be justified in retrospect, short sellers like Hindenburg can claim to have performed a socially valuable task. In an interview with *Barron's*, Hindenburg founder Nathan Anderson talked about the capability to tell “a basic story” being enough to trigger a stock hype, and therefore the trustworthiness of the management team and especially the entrepreneur being a primary target, according to Anderson (Cherney, 2020). The business model of the company under attack is also under scrutiny, but it is rather of secondary importance in Anderson’s view (Sect. 6.1.1, p. 163). Altogether, a short seller attack can essentially be interpreted as a counter to an argumentative framework that the company and the entrepreneur have previously developed to gain investor trust, with the trustworthiness of the central founding figure, in Nikola’s case Trevor Milton, being of eminent importance (Fig. 5.10).

Trust building in the period leading up to the publication of the Hindenburg report proved extraordinarily effective in the case of the Nikola Corporation. There is no other way to explain how a company can go public pre-revenue and reach a valuation that exceeds the market capitalization of the company that revolutionized the automotive industry more than 100 years ago with the introduction of assembly line production, that is, the Ford Motor Company. This book reconstructed the argumentatively relevant components in this process and put them into a meaningful structure, from which a proposal for a prototypical, overarching argumentation framework for investor-oriented strategic communication by startup companies was derived that can inspire future research (RQ2, Fig. 5.16). In this framework, startups are modeled as aiming for profitable growth through distinctiveness in attractive markets, which is argumentatively supported by the business model (Sect. 5.2.3). Distinctiveness is considered a necessary but not sufficient condition to convince investors of the attractiveness of an investment (Sect. 5.3.3). The legitimacy and credibility of the startup on the one hand and, in particular, the trustworthiness of the entrepreneurial personality on the other hand are further factors that are required to convince investors (Sect. 5.1.3). These lines of argument unfold their persuasive power if—and only if—they work in combination (compound structure). Although the US federal prosecutors’ indictment states that Trevor Milton targeted individual, non-professional investors, the same could be said for his quest to build trust with financial analysts and affiliates. The vast majority of financial analysts massively overestimated the potential of the Nikola share, and Trevor Milton was able to convince a multitude of reputable companies in due diligence procedures (Sect. 5.3.3, p. 149 and Sect. 7.2, p. 196). The present book’s quasi-journalistic reconstruction of individual events over time and argumentative and narrative analyses based on it demonstrated that Trevor Milton combined storytelling and argumentation highly effectively in the period before and immediately after going public (cf. Sect. 5.4). To be sure, there were a series of signals that should have raised investors’ suspicions (RQ6, Sect. 8.5). However, the individual arguments and narrative fragments formed a largely consistent whole, and comparisons across different sources and formats (TV, podcast, print interviews, appearances at corporate events, etc.) revealed some (Sect. 5.2.1, p. 131), but not remarkably many, internal contradictions (Sect. 3.3, p. 73, Sect. 5.1.3, p. 121, Sect. 5.4). Nikola’s business model, this

book concludes, was developed in a fundamentally consistent manner, the individual parts were interlocked, and, in their entirety, they could have justified the claims of distinctiveness that the founder made for his startup (a vertically integrated supply chain that would potentially justify revenues per truck that were many multiples of those achieved by competitors and an offering that combines zero-emission long-haul hydrogen transportation and fine distribution with electric propulsion). Likewise, the small fragmentary biographical narratives coalesced into a larger entrepreneurial story capable of supporting trust building to bring about an investment decision (Sects. 5.1.2, 5.1.3). It was demonstrated that the Nikola founder used key arguments and small stories (story fragments) in a recurring manner and was quite capable of adapting these combinations to suit the situation (Figs. 5.3 and 5.15). The analysis found that Trevor Milton tailored the combination of items to the target audience, keeping in mind not only the format but probably even the profile of the interviewer (cf. Sect. 3.4.3, p. 82, Sect. 5.1.2, p. 116). For example, he dedicated the first half of an hour-long interview for a podcast that targeted young entrepreneurs and had two enthusiastic young interviewers purely to narrative, peppered with little stories about Milton's childhood, his school problems, and other setbacks, and what those experiences have taught him on his path to becoming a successful entrepreneur (The Founder Hour, 2020). By contrast, in a similarly lengthy podcast interview with a comparable, if somewhat more investor-heavy, audience, Trevor Milton opted for a much more argumentative focus from the outset (WeWork analogy as an example for an *excusatio non petita*, see Fig. 5.6). The interviewer for the latter podcast was Jason Calacanis, a US entrepreneur and angel investor known for his critical interview style, which he put to full use in his interview with the Nikola founder (This Week in Startups, 2020). The initial question in that interview was: "What is the product that you are trying to create in the world, or products, and why is that important to you?" The obvious answer would have been to produce zero-emission trucks, but the important finding in this context relates to the fundamental openness of possibilities to enrich or introduce this statement with narrative elements from Trevor Milton's standard repertoire, such as a reference to the values that his father passed on, his experiences with the old guard of the truck industry, or his calling, which was reflected in Nikola's mission (Sect. 5.1.2). Trevor Milton chose a different path.

Applying the proposed conceptual framework for upstream and downstream assessment of nonfictional stories to the Nikola case (see Fig. 3.5), the analysis reveals three strong aspects that emerge from the *upstream assessment*:

- (i) The widespread lack of verifiable facts regarding key technologies.
- (ii) The considerable internal consistency of the overarching story (lack of fundamental contradictions between the individual biographical story fragments as well as the internal consistency of the business model as a whole).
- (iii) The factual existence of blue-chip partners, reputable clients, and institutional investors, as well as predominantly optimistic assessments by financial analysts, adding to the plausibility of the investment proposition.

As discussed, the distribution of information in startups tends to be strongly asymmetrical on the side of the company or entrepreneur, since reliable figures are

lacking and only a narrow inner circle can truly assess the existence and development status of the claimed proprietary technologies (Sect. 5.1.3, p. 120). This was not changed by Trevor Milton’s rhetorical attempt to use a poker metaphor to suggest that he had laid all the cards on the table (Sect. 5.3.3, p. 146). In such a difficult valuation situation, any successful due diligence assessment by a reputable partner will inevitably shift the information gap in favor of the public and lend plausibility to the overall story. After all, why should retail investors hold doubts when even the experts at North America’s largest automotive company, GM, considered Nikola promising and trustworthy after all their due diligence? Indeed, this transfer of trustworthiness from the authority of partners—whose factual existence cannot be denied—to Nikola can be interpreted as the main argument for Nikola’s corporate credibility. One of these respected partners, Bosch, supported Nikola in the immediate aftermath of the short seller attack, stating that a quoted statement by a Bosch employee was “taken out of context” (Nikola Corporation, 2020b). And while several companies downscaled or dissolved their partnership with Nikola, others, such as Iveco and Bosch, have continued to stand by Nikola to this day. On September 2, 2021, Nikola and Bosch even announced a strategic agreement for fuel cell manufacturing (Nikola Corporation, 2021b). Not only did the authority of Nikola’s strategic partners contribute to the startup’s corporate credibility, but so did the orders from high-profile clients (Sect. 5.3.3, p. 149). Trevor Milton foregrounded the value of these orders but, as a *weakening strategy*, concealed or denied the alleged non-binding nature of much of it, making it thus difficult or impossible for investors to access the critical information, as the short seller was able to show in his report (Sect. 6.1.5, p. 175, cf. also p. 173).

Despite argumentative weaknesses that will be addressed, Trevor Milton combined stories and arguments in a contextually appropriate manner as a rhetorically highly effective pairing for building trust in a dual sense. On the one hand, the authority of a given source (a reputable business partner, customer, or investor) was used to justify a *transfer of acceptance* to Nikola as a worthwhile investment, and stories were developed around these trustworthy sources (narrative arguments, embeddings Type 1). On the other hand, in a primarily values-based narrative discourse, Trevor Milton, in building the ethos of his own entrepreneurial story, embedded arguments in his recurring stories that could be grouped to support a threefold claim of ability, integrity, and benevolence (RQ1, argumentative storytelling, embeddings Type 2, see Fig. 5.5).

$$t = a \times i \times b.$$

whereby:

t = trustworthiness at the founder’s level (the outcome of ethos creation)

a = ability

i = integrity

b = benevolence

These three constitutive components of ethos formation at the entrepreneurial level are intended to be relevant only if taken jointly (compound arguments).¹ Trust was not the starting point here; it was the intended *outcome of an argumentative process* ostensibly mediated by stories. And while these small trust-building stories were not told as a complete and coherent whole, they did coalesce into an entrepreneurial story that seemed consistent, vivid, and detailed.² In other words, the overarching story in the founder's various interviews and appearances was never coherently and comprehensively told as such, but taken as a whole, the small stories that were repeatedly deployed resulted in a story that conformed to common narrative structures (Figs. 5.1 and 5.2). As explained, the corresponding narrative fragments were adapted to specific audiences and formats, and they were sometimes only included to provide rhetorical embellishment to mostly argumentative statements (e.g., when it came to the plausibility of the business model in a predominantly argumentative discourse). Trust building in the context of the entrepreneurial story, in contrast, was primarily narrative, with each of these stories containing an argumentative core that was important for building trust. The embeddings could vary, but what united the different manifestations was that they were more a matter of *conversational storytelling* in the kind of rhetorical situations that are inherent in everyday business life rather than a meticulously prefabricated form of storytelling in the Campbellian sense.

From a *downstream logic*, the stakeholder perspective raises questions about the acceptability of the overarching message embodied in the Nikola startup story (Sect. 3.3, p. 74): It is the story of a self-proclaimed disruptor of the global transportation industry and of turning the alleged second largest polluting industry environmentally sustainable. This message appears to be effective in three ways:

- (i) It provides argumentative support for Nikola's business model (Nikola satisfies an unmet market demand).
- (ii) It underpins Nikola's normative legitimacy.
- (iii) At the level of individual values, it supports Trevor Milton's claim to benevolence (the entrepreneur, having emerged purified from all his struggles, puts himself at the service of a cause greater than himself). Since fact-checking regarding key technologies claimed by Nikola proved to be very challenging, the trustworthiness of the entrepreneur as a primary source was likely a crucial factor in the investment decision (Sect. 5.1.3, p. 120, Sect. 5.2.1, p. 130, Sect. 6.1.1, p. 163).

¹Investors in startups make themselves highly vulnerable because the valuation is demanding, and the risks are particularly pronounced. Therefore, investors need plausible evidence that the other party is capable of doing what is hoped for and adheres to certain shared basic ethical principles so that entrepreneurial talent does not turn into deception.

²This may be the reason why, in contrast to the conclusions of narrative transport theories, narration and argumentation are presented here not as opposing and incompatible devices, but as complementary persuasive ones. Narrative transportation makes an important contribution when stories are told comprehensively and coherently and can thus bring about the state described. In the case of Nikola, however, the founder's task was to provide confidence-inspiring arguments and stories to various stakeholder groups, primarily investors, over a period of several years; those narratives were typically told fragmentarily in small stories.

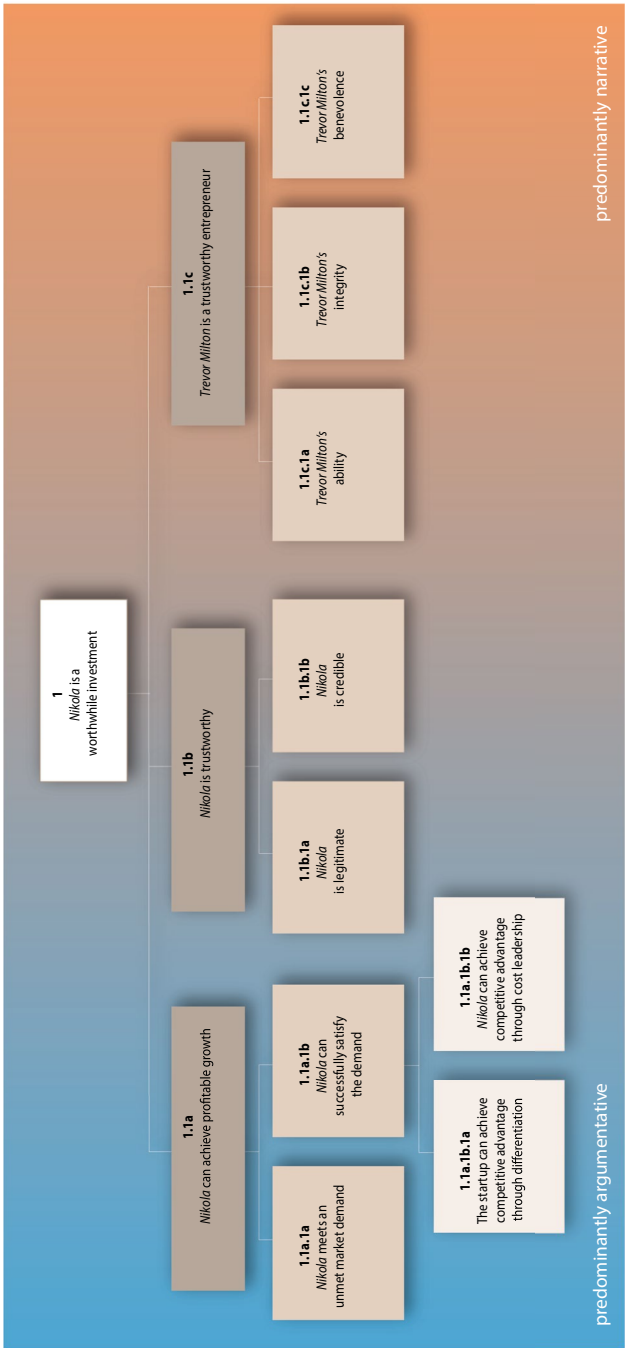


Fig. 8.2 The components of Nikola's strategic investor communication as an interplay of argumentation and narration

In polyphonic balancing, the overarching message of the Nikola story seemed eminently suitable for overcoming system boundaries between stakeholder groups (Sect. 3.4.1). Figure 8.3 summarizes important aspects of the upstream and downstream assessments of the overall Nikola story, which are examined from a critical perspective in Sect. 8.5.

The discussion of the theoretical framework in this study highlighted the specific characteristics of engaging narratives and strong arguments (Sect. 2.2.3, p. 26, Sects. 3.2.1, 3.2.2). However, it would also be possible to look at these two language practices from a perspective that focuses on the limitations of the other practice. Argumentation requires cognitive effort and tends to be difficult to access and rather emotionless, whereas storytelling, though engaging, can impair critical judgment and lead to hasty generalizations—the message to be conveyed can be tailored such that it is even manipulative (Sect. 3.1). A responsible arguer, as well as a skilled storyteller, is likely to be able to combine the two practices in a way that compensates for the weaknesses of each (RQ3). Trevor Milton was undoubtedly a motivating communicator with high aspirations and an undeniable ability to not be discouraged by setbacks (Sect. 5.1.1, p. 108, not even the short seller has denied the charisma of the founder: cf. Sect. 6.1.2, p. 165). In a summarized overall view, however, he only partially possessed the skills that would be required to combine the two language practices, argumentation, and storytelling, in a way that would be beneficial for the company in the long term, this book concludes. The case analysis suggests that the founder of Nikola favored rhetorical effectiveness over accuracy, logical validity, and dialectical soundness. Trevor Milton's violations of the basic dialectical virtues of freedom and responsibility are evident, among other things, in his attempts to intimidate critics and persistent investigative journalists on social media (cf. Sect. 5.2.1, p. 130, Sect. 6.1.5, p. 173, Sect. 6.2, p. 182). His irregularities in veracity can be illustrated using two examples documented in the case study, one of which attracted considerable media attention and became a central element of the crisis discourse, while the other, more important according to the interpretation of this book, was not discussed prominently at all. Overall, the mass media coverage in the financial and news media outlets studied here in the months following the short seller attack were dominated by three overlapping topics: first, the allegations made by the short seller Hindenburg Research, second, Trevor Milton the person, and, third, the claims of fraud made against the founder (RQ4, Fig. 7.5, cf. also Fig. 7.2).

It should be noted that Hindenburg's attack, which can be understood as a counterargument to the argumentative framework that established Nikola's *raison d'être*, contains considerably more rebutters than undercutters. This can serve as an indication of the broad internal consistency of the argumentative framework authoritatively developed by Trevor Milton to justify the startup's distinctiveness. If the underlying premises—the starting points for justifying Nikola's unique selling proposition—had been correct, Nikola's claim to achieve extraordinary profitable growth could undoubtedly be justified (cf. Sect. 5.2.2, p. 132). The present study has demonstrated that Trevor Milton's argumentation regarding Nikola's business model can be reconstructed in a consistent manner using the well-known Harvard approach to competitive advantage developed by Michael E. Porter (Sect.

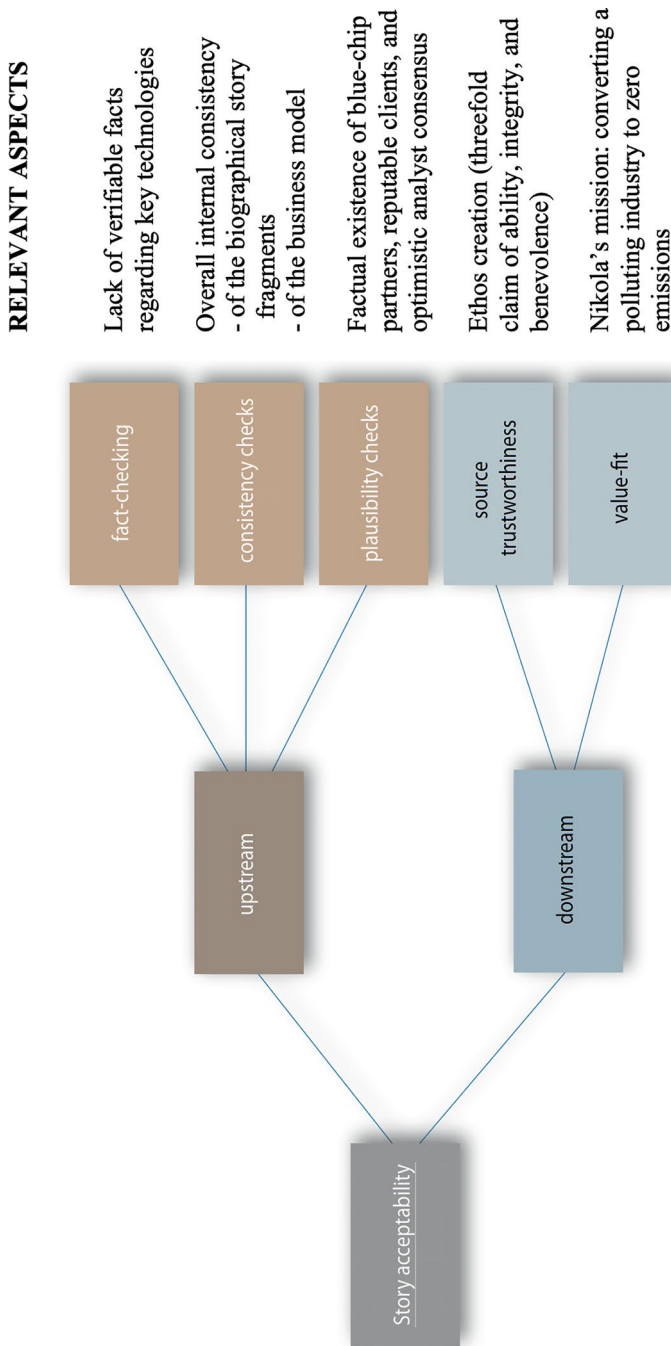


Fig. 8.3 Upstream and downstream assessments of the Nikola story

5.2.3, p. 134). There is only one catch. If the claimed drastic reduction in hydrogen costs by more than 80% cannot be sustained, the main supporting pillar of the business model will fall away and the valuation will be reduced to what the market currently considers realistic: The move to mass production is challenging, and Nikola is one of many competitors in the zero-emission truck market, which traditional manufacturers are also vying for and in which battery-electric drive is just establishing itself, while hydrogen propulsion still has hurdles to overcome, including cost. The reduction of hydrogen costs is the decisive starting point on which the vertically integrated value chain is built. Nikola's bundled leasing model and transportation by the mile approach can only lead to a competitive advantage if the cost of hydrogen is approximately equal to or lower than diesel (cf. Sect. 5.2.2, p. 132, Sect. 5.2.3, p. 139, Sect. 5.3.1, p. 141). In this case only, Nikola would be able to increase the value-added per truck delivered by a multiple of the purchase price (Sect. 5.2.2, p. 134). According to an SEC filing from February 25, 2021, Nikola clarified that Trevor Milton's July 2020 statement that Nikola had succeeded in reducing the cost of a kilogram of hydrogen from \$16 USD to less than \$3 USD, which would have established this competitive advantage, was "inaccurate in whole or in part" (Nikola Corporation, 2021a). This removed the linchpin of the business model that appears to have been even more important than the propulsion technologies themselves and undermines the justification for Trevor Milton's definition of Nikola as essentially being a clean energy company (Nasdaq, Inc., 2020, 0:35).

In the media discussion, however, there was another dominant aspect that was widely used as an allegory for the startup's fraudulent practices (cf. Sect. 7.2, p. 198). The video at issue, "Behold, the Nikola One in motion," was about 3 years old at the time the Hindenburg report was published and, in fact, did not reflect the state of technological development in September 2020 (Sect. 6.1.4, p. 170). It was essentially trivial compared to the hydrogen cost, but while the hydrogen cost matter would have required an examination of the business model, this short video and its associated deception were immediately understandable, easily accessible, tellable, and relatable to everyone. While Hindenburg's attack was predominantly argumentative, this one component, including the attempt to roll an experimental car off the same hill while letting gravity alone do the work, fulfilled the characteristics of stories, and both the underlying attempt at deception and the way it was uncovered could be retold as a sequence of events in chronological order (Sect. 6.1.4). And so, this video embodied the power of small stories and the great potential and existential danger they hold for corporate communications. The case study showed how small stories, when combined, can build trust and thereby influence investment decisions through the argumentative core they contain (Sects. 5.1.2 and 5.1.3). However, small stories do not just create value; they can also destroy it. Perhaps the existence of such a catchy small story explains why Nikola was judged more critically in the mass media and by the general public after the publication of the Hindenburg report than by the vast majority of financial analysts, who overwhelmingly continued to massively overestimate Nikola's market value in the months following the short seller attack (Sect. 7.2, p. 196). In terms of a hypothesis, it could be suggested that for

financial analysts, the presence of highly regarded partners and an internally consistent business model were more important than a 3-year-old video. Yet, this video was a fundamental attack on the value base that the founder claimed for himself and his company. Indeed, the related allegation of deception simultaneously attacked virtually all the supporting pillars of the argumentative framework of Nikola's investor communications, including Nikola's business model, the company's legitimacy and credibility, and the founder's trustworthiness (Fig. 6.5). The conclusion is obvious: Someone who lets a prototype roll off a hill and titles the video "in motion" is capable of further deception. And so, the danger of hasty generalizations, which is always inherent in stories, came into play here as well. The message of this small story is that a liar will not be believed, even when he speaks the truth. Memorable small stories like this, which are also visually conveyed, are difficult to refute. Nikola's counter, however, was hardly conducive to trust (Fig. 6.13).

8.4 Crisis Prevention and Response

This book examined the presence of argumentation in crisis discourse. In the Nikola case, argumentation was *the* central language practice of the repertoire of crisis communication, and financial media and news outlets critically discussed the organization's arguments for restoring confidence, i.e., they questioned these argumentative components. In the introduction to this section, the question was raised as to whether the crisis-induced *argumentative turn* observed in this case was inevitable (move to a purely argumentative discourse, transition Type 1, Sect. 3.4.2). At first glance, the choice to counter argumentative attacks argumentatively seems logical. This book, however, has shown that stories embedded in a primarily argumentative discourse can be rhetorically effective in building trust, as can argumentative narratives, and that nonfictional stories can serve as *evidence of some sort* under certain conditions, as highlighted in the presentation of a conceptual sequence of upstream and downstream assessments of story acceptability (see Fig. 3.5). The founder's resignation created a communicative vacuum at Nikola (Sect. 6.3, p. 186). And while the shift to more modest communications seems understandable, Nikola's strategic communications during the crisis lacked a key ingredient that was easily accessible and appealed to values. Most importantly, this book concludes, it lacked a narrator, a trusted carrier of the message (Sect. 2.2.4, p. 35, Sects. 5.1.2, 5.1.3). Trevor Milton's successor as chairman and current CEO, Steve Girsky, a former vice chairman of General Motors, would have been a credible, well-connected executive likely capable of leading such a dialogue. However, this dialogue with key stakeholders was never conducted publicly, no turnaround story was developed around Girsky, and Trevor Milton's successor barely featured in Nikola's corporate communications. Nikola's communications, after the founder's resignation, lacked an identifiable character who could give the audience a window into the story and around whom new stories could have been developed (cf. Sect. 3.2.1). It remains to be seen whether the new Nikola leadership will be able to close this gap.

On the positive side, an agreement with the SEC was reached at the end of 2021 and Nikola admitted making several misleading or false statements—albeit it did so late and rather covertly, a full 5 months after the Hindenburg report was published (Sect. 6.3, p. 186). The immediate argumentative response to the attack, however, was incomplete, reactive, and poor in several respects, according to the conclusion of this book (Sect. 6.2). The mere fact that Nikola indirectly admitted that the most important prototype of that era, the Nikola One, was kept in motion solely by gravity in a promotional video described as “Behold, the Nikola One in motion” was a triumph for the short seller. To the same extent, Nikola’s definitional quibbles with the term “pusher” could not dispel the fact that Nikola’s own description of “in motion” implied self-propulsion to the average observer (cf. Sect. 6.2, p. 185). As for completeness, no mention was made of the following points, among others:

- Nikola’s statement that it owned rights to natural gas wells (Sect. 6.1.5, p. 174).
- Trevor Milton’s statement that solar panels on the headquarters’ roof produced approximately 18 megawatts of energy per day (Sect. 6.1.5, p. 173).
- Hindenburg’s attack that most of the pre-order reservations were nonbinding (Sect. 6.1.5, p. 175).
- The allegation that Trevor Milton and key partners had cashed out aggressively shortly after Nikola’s NASDAQ debut (Sect. 6.1.5, p. 175 and Sect. 6.1.6, p. 179).

One practical piece of advice that can be derived from the case study is that, when in crisis mode, it does not seem sensible to completely dispense with those components that were crucial to the previous, successful trust building process, even if they carried the seeds of the later crises. The task is to make the organization more resilient to crises rather than completely replacing the strategic communication components that were pivotal to the startup’s initial rise (Sect. 3.3). In the communications vacuum following Trevor Milton’s departure, there was no sender to personalize communications and no stories that could have helped to connect to stakeholders, induce action, and restore trust.³ In addition to the value-based discourse, *arguments from authority* were previously an important component of Nikola’s strategic communication. In crisis mode, these arguments were almost completely absent (cf. Sect. 5.3.3, p. 184). This *locus* was only briefly picked up at one point when, in likely the strongest part of Nikola’s response to the short sellers’ attack, an official statement from Bosch was used to counter the questioning of the production schedule for the Nikola Tre semi-truck.⁴ Had Nikola been able to get some of its reputable partners to publicly defend the startup, the attack might have lost some of its edge. It seems likely that this would have allowed a more positive

³Overall, Nikola’s crisis communication seemed to be rather reactive, selectively trying to neutralize the negative as opposed to actively creating new content that could enable a more positive connotation. For more on communicative action in trust repair discourse, see Fuoli and Paradis (2014), Palmieri (2009), Palmieri and Musi (2020).

⁴Bosch wrote that a quoted statement by a Bosch employee was “taken out of context” (Nikola Corporation, 2020b).

course of events for Nikola. More than 2 years after the event that triggered the crisis, Nikola still seems to be in crisis management mode, and it is too early to tell how the story will ultimately end for the truck manufacturer. Virtually every young company goes through periods of crisis, and ultimately a company's success depends in no small part on its ability to successfully cope with crises and learn from them.

One task that is as important as successful crisis management is building resilience, which leads to the question of what can be derived from the case study for crisis prevention. The term *Shoshin*, in the study of Zen Buddhism and Japanese martial arts, means *beginner's mind* and refers to an attitude of openness, eagerness, and lack of prejudice, even at an advanced level (Suzuki & Dixon, 2005). It may well be the spiritual foundation of what is described in argumentation theory as *dialectical virtues*, and the Nikola case study has provided insight into how fundamental they are to crisis prevention. This book has presented conceptual foundations, methodological frameworks, analytical tools, and practical techniques that appear highly capable of increasing an organization's resilience to crises—e.g., a conceptual sequence of upstream and downstream assessments of story acceptability (Sect. 3.3, pp. 71–77), argumentative reconstruction (Sect. 2.3.3), a noting scheme (Sect. 2.3.3, p. 45), including counter argumentation that can target the acceptability of premises and the relevance and sufficiency of inferential relations (Sect. 2.3.3, p. 48). However, these methods, tools, and techniques can only fulfill their task if their unbiased application is supported by a corporate culture that not only permits such use but encourages it (cf. Sect. 3.3, pp. 68–70, Sect. 5.2.1, p. 131). If their use is supported, they can both improve the startup's overall argumentation and, in particular, increase the argumentative strength of the stories used; the stories become *argument ready*, so to speak, with the consequence that the resilience of the entire organization is strengthened as critics will have a harder time refuting the stories argumentatively. The analytical tools presented not only have the potential to protect investors from costly misjudgments but also to prevent the company itself from its own manipulations, which seems all the more important when the founder is more dominant. This case study strongly suggests that critical thinking, language awareness, and especially argumentative awareness play a key role in this (e.g., Sect. 5.2.1, p. 128, Sect. 5.3.3, p. 146, Sect. 6.1.5, p. 173 & p. 175, Sect. 6.2, p. 184). Argumentation can be seen as a means of cognitive distancing, and this might be the point Mercier and Sperber (2011) had in mind when they wrote “individuals may develop some limited ability to distance themselves from their own opinion, to consider alternatives and thereby become more objective,” only to add immediately afterward that this “involves exercising some imperfect control over a natural disposition that spontaneously pulls in a different direction” (2011, p. 72). This tendency, “a natural disposition that spontaneously pulls in a different direction,” may be even more pronounced in groups. As Irving L. Janis (1982) was able to demonstrate, cohesive groups tend toward conformity (*groupthink*), which is reinforced by dominant, charismatic leaders, even if they explicitly invite criticism. There are various procedural rules and organizational principles that can limit the danger of

groupthink—and enabling a change of perspective is an important factor therein, along with the anticipation of possible counterarguments. Enabling this mindset, creating the institutional conditions for it, and providing the means for it can be considered one of the most important leadership tasks. It is fundamental because, as described by Mercier and Sperber, people’s natural dispositions pull them in a different direction, and in a startup phase, it is obviously a matter of strategically convincing as many relevant stakeholders as possible, especially investors, of the business model. It is particularly difficult to keep a beginner’s mind when the first successes have already been achieved. It was not possible in this book to reconstruct whether critical thinking was present and encouraged at Nikola or, on the contrary, rather suppressed and marginalized (Sect. 4.1, p. 92). There are indications that Trevor Milton was aware of the challenges associated with having a dominant founding figure (Sect. 5.2.1, p. 131), but it is difficult to determine how rigorously he derived the necessary measures from it.⁵ The one thing that is certain is that startups are susceptible to crises due to their position as young, up-and-coming companies, especially when they have successfully come through an initial phase and come into the focus of a larger public (Sect. 2.1.1). Nikola likely represents the normal case here.

Because of this inherent vulnerability to crisis, more emphasis should be placed on critical thinking in entrepreneurship education and research than is currently the case⁶ (cf. Geissler, 2019). Actively practiced critical thinking and measures based on it could not only improve the quality of entrepreneurial problem solving but would also foster corporate resilience. The latter can be lastingly strengthened through argumentation. Undoubtedly, entrepreneurs can become disseminators of misinformation and even disinformation. This shows how important critical thinking is in entrepreneurial education: basic knowledge of perception bias and argumentation theory, critical source checking, inclusion of opposing voices, and combating groupthink in startups would be essential components here. However, the dialectical virtues discussed have significance far beyond startups and the business world (Sect. 3.2.2). The intellectual courage to deal with controversial arguments plays an important role in an open society. Critical thinking, freedom, and responsibility are essential to avoid prejudice and bias.

As Damodaran (2017, p. 19) has noted: “Founders who invent improbable rises from poverty, portfolio managers who claim to have foresight to get out just ahead of market collapses, and CEO’s who invent struggles with nonexistent business challenges may, with repeated retelling of their stories, start believing them.”

⁵The presentation of the motives that led to the dissolution of the dual function of CEO and Chairman is one of the few accounts that does not appear to be entirely consistent in itself (cf. Sect. 5.2.1, p. 125).

⁶Using the Business Source Premier database to search leading entrepreneurship journals for the word combination “critical thinking” in the title or abstract yields just five hits for the period from July 2012 to July 2022. The journals examined are Journal of Business Venturing, Entrepreneurship Theory and Practice, Small Business Economics, Journal of Small Business Management, Strategic Entrepreneurship Journal, and Academy of Management Learning & Education. A blocking period of several months may apply until availability in the database.

Narratives become memories, and memories, through repeated retelling, become narrative truths that the narrator believes to be true, even if they are false (*concepts of truth* see Sect. 3.3, p. 70). In psychology, this effect is described as *confabulation* (Berrios, 1998; Metcalf et al., 2007). This is the opposite of cognitive distancing, which is proposed here as a means of responsibly combining storytelling and argumentation as a rhetorically highly efficient pairing in trust building in a startup context.

8.5 Red Flags for Investors

Every now and then a startup story capable of shaking up the status quo comes along. Nikola was such a story. Unlike Hollywood screenwriters, however, entrepreneurs are not rewarded for merely being imaginative. Corporate storytelling is much closer to documentaries than to feature films. To assess the argumentative acceptability of nonfictional stories, the present book has proposed a conceptual framework of upstream and downstream evaluations (Fig. 3.5). For those who want to invest in startups, conventional valuation methods are of little use because they cannot be based on reliable figures (Sect. 4.4). The investor must therefore inevitably use plausibility assessments. Investor trust in a startup context is described in this book as the result of plausibility considerations, where first the trustworthiness of the entrepreneur (or the founding team), second the potential of the business model, and third the trustworthiness of the company as a whole is of central importance. If one of these factors is missing entirely or partly, the essential foundation that makes an investment worthwhile is missing (Fig. 5.16). Exogenous factors, such as general market expectations, which can have a significant influence on the timing of investment decisions, are not the object of the investigation of this book (Sect. 2.1.3). Market development was only taken into account insofar as statements on the price development of the Nikola share were set in relation to the overall market (or to a benchmark such as Tesla, Inc.). This chapter is concerned with summarizing indicators that should have alerted investors, and these consistently relate to one or more of the three factors mentioned above that are important in building investor trust. John Maynard Keynes (2018) assumed that the value of financial assets is anchored in the expectations of actors relative to the expectations of other actors (Sect. 2.1.3). In the short run, therefore, it may be sufficient, in Keynes' sense, for buying or selling decisions in the stock market to be based on expectations about the expectations of other market participants, knowing that expectations may temporarily overshoot. In this way, stock prices can indeed be very disconnected from fundamentals at times. In the case of startups and very young growth companies, valuation is further complicated by the fact that, as previously described, the historical track record from which to form a picture of the future is very limited. This makes it all the more important for the longer-term investor to critically examine and question the argumentative framework of a startup's strategic investor communication. According to the interpretation of this book, the ability, integrity, and

benevolence of the central entrepreneurial personality (or the founder team) are as important as the potential and plausibility of the business model for a young growth company to grow in the medium to long term. After all, only the human factors (ethos factors) provide the guarantee that the company can implement the goals it has set itself and act in investors' interests (Sect. 5.1.3, p. 123).

Ex post evaluations are delicate because there is a risk that what actually happened will be judged as obvious and logical in retrospect. This section has attempted to counter this with a thought experiment in which events (that are still unfolding) could have gone differently. Nevertheless, there were indicators that should have made investors critical. Six important ones are the following (RQ6):

1. Going public via a SPAC before revenue raised critical issues related to the process leading to the listing (reduced scrutiny) and unpredictable product maturity. In such cases, critical plausibility checks of the company's claimed capabilities and the trustworthiness of the entrepreneur and executive team are even more important than usual (Sect. 4.3, p. 95, Fig. 6.6).
2. Offering fuel cell and battery-electric propulsion at the same time made sense from a business model perspective (long haul vs. local distribution) but is extremely demanding technologically (Sect. 5.2.3, p. 140). Adding to this already challenging situation, with no proven semi-trucks on the market, Trevor Milton announced Nikola's entry into the consumer market with the Badger program (Sect. 4.3, p. 95). This lack of focus in a highly complex technological area, which was also evident in the simultaneous pursuit of a differentiation strategy through technology leadership in propulsion systems and cost leadership in hydrogen production, should have raised critical questions about feasibility (Sect. 5.2.3, p. 140 and p. 141).
3. At Nikola, the dependence on suppliers was enormous, making the startup potentially vulnerable (Sect. 5.2.2, p. 133). Trevor Milton decided to outsource large parts of the startup's supply chain. However, full control over the supply chain is crucial when key technologies are at stake, i.e., battery technology, fuel cells, and hydrogen production in Nikola's case.
4. The dimension of the claimed technological breakthroughs (for example, reducing hydrogen costs by over 80%, or the announcement of a breakthrough high-density battery cell technology, the so-called "holy grail" announcement) while maintaining a very broad focus should have made investors cautious (Sect. 5.2.2, p. 132, Sect. 5.3.1, p. 141, Sect. 6.1.3, p. 168). This includes a critical assessment of the plausibility of the chronological sequence of the proclaimed technological breakthroughs and the associated strategy shifts that emerged from the case reconstruction (e.g., Nikola's claim to have achieved zero emissions with the Nikola One in just 7 weeks and the abrupt switch to fuel cells and hydrogen fueling stations, cf. Sect. 5.2.1, p. 127).
5. Weak signals that ran counter to building trust at both the startup and founder levels should have been considered—such as the founder's presentation of the brand name and the association with Tesla as unintentional and basically annoying (Sect. 4.2, p. 93), the harsh reactions when pressed on critical issues, as the

short seller pointed out (violations of the freedom rule of the code of conduct of pragma-dialectics, cf. Sect. 5.2.1, p. 130, Sect. 6.1.5, p. 173, Sect. 6.2, p. 182), the WeWork analogy that emerged from case reconstruction (*excusatio non petita*, Fig. 5.6), the disjunction between sensational announcements and presentable results (Sect. 5.2.1, p. 127 and p. 130, Sect. 5.2.2, p. 132, Sect. 5.2.3, p. 136, Sect. 6.1.3, p. 168), the reluctance to make critical content accessible (such as the nonbinding character of the majority of communicated orders making it thus difficult for investors to assess the true value of the information, as the short seller was able to show in his report: *weakening strategy*, cf. Fig. 6.9), but also ambiguities in language use that emerged from the case reconstruction (violations of rule 10 of pragma-dialectics—blending of the tenses, cf. Sect. 5.2.1, p. 128, Sect. 5.3.3, p. 147, definitional quibbles concerning the term “pusher,” Sect. 6.2, p. 184, Sect. 6.1.4, p. 171).

6. Shortly after Nikola’s NASDAQ debut, Trevor Milton and key partners aggressively cashed out shares, which is basically the red flag of red flags (Sect. 6.1.5, p. 175, Sect. 6.1.6, p. 179). The short seller successfully attacked such inconsistencies between the founder’s statements about Nikola’s value creation potential and actual actions, as they fundamentally called into question the trustworthiness of the entrepreneur and the credibility of the company. In particular, they cast doubt on Trevor Milton’s benevolence stance (Sect. 5.1.3, p. 121). After all, the founder justified Nikola’s early listing as an altruistic act that would allow ordinary citizens to participate in Nikola’s success story as retail investors (Sect. 5.2.1, p. 130). The fact that Trevor Milton monetized some of his shares while promoting the attractiveness of a Nikola investment did not go unnoticed by prominent commentators (cf. Sect. 6.1.6, p. 179). It did not, however, have the impact one would have expected from information intermediaries—especially financial analysts—who are supposed to contribute to the critical rationality and efficiency of the market’s information environment (Sect. 7.2, p. 196).

The interplay of argumentative and language awareness would have jointly drawn the focus of investors, financial analysts, journalists, and the broader market information environment to the critical issues at stake. For example, heightened argumentative awareness should have prompted these stakeholders to scrutinize Trevor Milton’s claimed cost leadership in hydrogen production—a linchpin of Nikola’s business model and a critical factor in justifying its claimed valuation in the year 2020 (Sect. 5.2.3, p. 139). The unveiling of these findings required a basic understanding of argumentative reconstruction, as discussed in Sect. 2.3.3, in order to logically structure the defense of Nikola’s business model.

Another critical example is the founder’s tendency to interweave tenses, blurring the boundaries between aspiration and execution. While such blurring may be a common trait of entrepreneurs mastering the delicate balance between envisioning the future and making it a reality, it underscores a fundamental challenge (cf. Sect. 5.3.2, p. 148). Entrepreneurs must convincingly bridge the gap between vision and reality while facing skepticism, especially when it comes to emerging technologies. Investors therefore play a crucial role in differentiating between plans and realized

strategies. To achieve this clarity, they along with financial analysts and journalists must press entrepreneurs on these specific issues, both in their own interest and in the interest of the general public. When in doubt, it can pay to stick to a simple maxim: If a story sounds too good to be true, it probably is not true.

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Chapter 9

Limitations and Recommendations for Future Studies



This study examined the role of storytelling and argumentation in the processes of building and restoring trust in a startup context, asking whether and how these language practices relevant to strategic persuasion are intertwined. Due to the object of investigation and research strategy, there are several relevant limitations that are important to recognize, as they not only contextualize the current study but also reveal potential research trajectories that could significantly advance our understanding of startup communication:

- This book provides an analytical framework that can potentially be applied to a wide range of startup and crisis communication problems in which trust building plays an important role (Chap. 3). However, the specific research interest entailed an in-depth investigation of the particular rather than the general (Sect. 1.2). This means that the extent to which the findings and methodological contributions from this specific case and context—an Arizona-based technology startup—can be generalized to a broader population of startups and entrepreneurs needs to be critically examined. Nevertheless, the case may provide sufficiently good working hypotheses whose transferability to other cases seems worth testing. This is especially true for the proposed prototypical argumentation framework for investor communication, which is derived from the case, but also from a rational reconstruction of investors' informative needs and entrepreneurial goals (Sect. 5.4). Moreover, the scheme integrates a concept of achieving entrepreneurial competitive advantage that is well known in the business literature (Sect. 5.2.3). It, therefore, appears to be suitable to inspire future research for several good reasons.
- For the purposes of this study, other cases such as Tesla (Sect. 4.2, p. 93, Sect. 5.2.2, p. 133, Sect. 5.2.3, p. 138, Sect. 5.3.3, p. 149, Sect. 7.2, p. 198), Theranos (Sect. 6.1.1, p. 163), WeWork (Sect. 5.2.1, p. 129, Sect. 6.1.5, p. 172), Lordstown Motors (Sect. 6.1.1, p. 161), or Juicero (Sect. 5.1.3, p. 122) were mentioned or included, but not systematically compared, as such cases were only included to the extent that this resulted organically from the single case study: for example,

when such companies were specifically referenced in one of the sources analyzed in connection with the Nikola Corporation case study (Sect. 1.2). Future research could systematically compare the strategic communications of a sample of startups with a particular characteristic to identify similar and divergent patterns. Of particular interest could be startups that faced a fundamental trust crisis at a stage when they had already gained some notoriety. For example, a comparison of startups that have overcome such crises with varying degrees of success could bring relevant patterns to light.

- The book examined *the what and not the how* of communication, i.e., the focus was primarily on the content of communication and only marginally on forms of presentation, presentational devices, and the way in which a message is rhetorically conveyed (lexis or elocutio). For example, relating communication styles to personality traits of startup founders or correlating rhetorical styles with the threefold concept of ethos formation could be informative in contributing to a deeper understanding of strategic startup communication. Moreover, the book did not focus on the message creation process, on power structures, or contextual factors that can significantly influence this process, which is often the focus of business management approaches to studying startup communications.
- This study was not concerned with common management approaches to crisis resolution but rather examined crisis prevention and response in light of language awareness, specifically argumentative awareness. Among other things, it examined the effects of a crisis event on communicative practice—particularly regarding the interplay between argumentation and narration—and analyzed how reporting (topic setting and focus) in selected mass media changed as a result of the crisis event (Chap. 7).
- For the assessment of Nikola's external perception, the focus was on a selection of financial media and news channels (Sect. 7.2). A more comprehensive analysis of rhetorical arenas and subarenas could provide valuable insights into the challenge of polyphonic balancing and take more account of the dynamics of crisis communication. Such an expanded approach could also incorporate follow-up communication on social networks or user-generated investor platforms such as *Seeking Alpha*.
- The indicators of trust within the investment community used in this book are subject to interpretation (Sect. 2.1.3). In this regard, this study relies on the development of the Nikola share price relative to the overall market development, supplemented by some quantitative analyses of the general perception of the startup under study, mainly in financial media. Since this book focuses on strategic persuasion, it considers Nikola's long-term stock market performance as the most appropriate and accessible indicator of the trust placed in the startup, albeit with certain limitations (Sects. 2.1.3, 7.2). Indeed, in the short run, various factors not directly related to strategic persuasion can influence the stock price.
- Both the narrative and argumentative reconstructions are interpretations, a common feature of all discourse-based research. For example, this book suggested that three components—ability, integrity, and benevolence—form a compound argumentation supporting the trust standpoint of the entrepreneurial story (Sect.

5.1.3). However, the interplay of the three components needs to be tested, and other configurations of trust-based argumentation seem possible. One way to test the reliability of the analysis is through text annotation studies that measure annotator agreement or inter-coder reliability. Thus, a first step toward empirical testing could be to have multiple analysts tackle the same texts and measure agreement. In this way, a more rigorous assessment can be made of whether an analyst's interpretations appear intersubjectively valid. Another step for empirical testing is to compare the results of the analysis of given items with the interpretations of experts working in the field who are unaware of the analytic framework. For this purpose, experiments can be conducted in which practitioners are asked to rate or classify textual stimuli. The common goal of all these different methods is to test the coherence and consistency of interpretations across different researchers or professionals in the field.

- The case analysis is based on publicly available sources (Sect. 4.1). Direct interviews with involved persons in key functions were not possible, perhaps due to ongoing legal proceedings.
- No statements can be made about the internal organizational processes that led to the analyzed observations on the language surface.
- The case studied is constantly evolving and taking new turns. It is conceivable that new findings will come to light that will make it necessary to revise statements made in this study.
- The assessments made are not judgments in the legal sense. It is entirely possible that the ongoing proceedings will come to different conclusions than those presented in the context of this investigation.

Nonetheless, these initial ideas may provide fertile ground on which to build new research that contributes to our understanding of startup communication and trust formation. This would be valuable because trust enables progress—misplaced trust, however, hurts.

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