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UNLOCK REPUTATION

The Currency of Collaboration

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Core Message

In a fragmented, fast-moving world, success is no longer driven by performance alone, but by an institution's ability to align values, behavior, and leadership. Unlock Reputation reframes corporate reputation as the operating system of collaboration. It explains reputation as a values coded system that enables institutions to earn trust, legitimacy, and the willingness of stakeholders to work with them. The book provides readers with strategic guidance on how to achieve it.

Guiding Principle

Reputation is the currency of collaboration. It governs whether institutions can attract allies, withstand pressure, and operate with legitimacy across society. Built on integrity and prosperity, strong reputations amplify influence, reduce friction, and create the goodwill required to navigate risk, shape outcomes, and endure over time.

About the Author

Roy Persson is a corporate insider writing this book to help institutions adapt and survive the most challenging time in corporate history: The Reputation Era. For over 20 years has advised Fortune 500 companies on reputation, public trust, and institutional legitimacy. His work sits at the intersection of corporate leadership, public affairs, and societal accountability, guiding senior executives as they navigate regulatory scrutiny, activism, crisis, and long-term reputational risk. He has developed multi-stakeholder reputation frameworks that translate values, trust, and evolving expectations into practical guidance for leadership decision-making across complex institutional environments.

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A Personal Word from the Author

If you're reading this from inside a large-scale institution, especially a major modern corporation, I want to speak to you directly. This book is not written about you from the outside. It's written with you in mind. I know the environment you're operating in. I've sat in the rooms where every word is weighed for risk. I've watched smart, principled people navigate competing pressures from employees, regulators, customers, investors, and political actors. You are living in the hardest time in corporate history. The Reputation Era.

I'll be honest. There were moments I considered not writing this book. Not because the issues felt unresolvable, but because speaking plainly about corporate reputation right now carries real personal and professional risk. In our current environment, even structural analysis of institutional pressure is easily read as accusation. But silence carries its own costs. When we move toward risk avoidance, the burden falls on the professionals inside the organization and society alike. It leaves an already dysfunctional reputation operating system in disrepair.

This book is written in good faith. With fairness, curiosity, and responsibility toward both institutions and society. It is not an indictment of corporate leaders. If anything it paints a picture of executives caught in a complicated, conflicted, and paradoxical world that they have suddenly become highly accountable to. This book is not a manifesto demanding institutions perform virtue or pick sides. It is a structural diagnosis of the pressures they face and the systems that interpret those pressures.

However, some of what follows will feel uncomfortable. Because this book operates from a simple premise. Power and responsibility are intricately linked. That shouldn't be unsettling, but it forces us to consider a hard question. Are our choices actually building the trust we say we need, or are we engaging in behaviors to buy just enough time to achieve our next short-term goal?

The chapters that follow examine how reputation is formed, stressed, and misunderstood inside and outside our institutions. This is where the work begins. Thank you for taking the journey.

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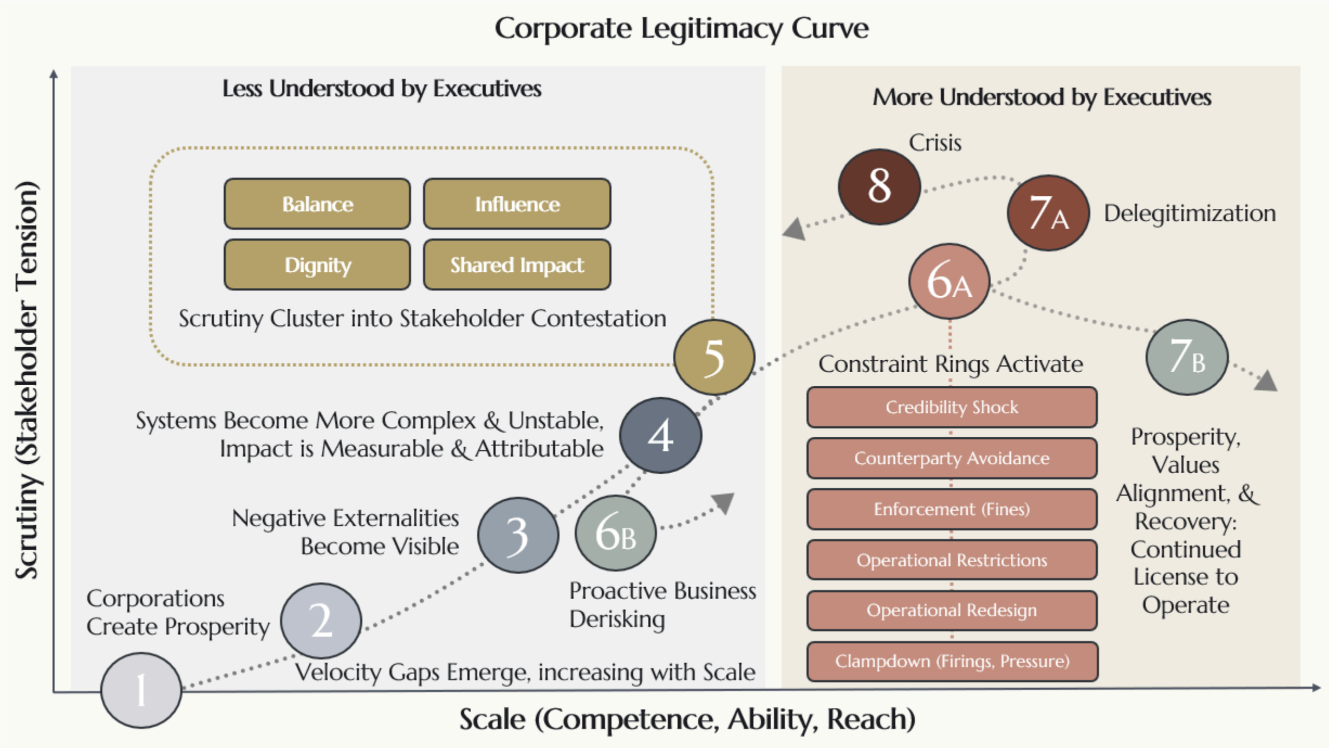
The Napkin Visual: Book Spine and Organizing Architecture



The Corporate Legitimacy Curve serves as the visual structural spine of Unlock Reputation. It is the guiding architecture on which the entire argument rests. The first three chapters deconstruct each element of this model in granular detail, through historical analysis and empirical case studies. Early in the book the reader moves from abstract mechanisms to concrete examples, building an intuitive understanding of why business growth without alignment generates reputational risk. The remainder of the book expands outward from this foundation, explaining reputation as a concept that is highly conflated in the modern business era. Middle portions of the book explain what reputation actually is and what it is not. While later portions of the book transition to strategic guidance, providing executives with frameworks for embedding reputational foresight into governance, decision-making, incentive design, and stakeholder engagement.

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Please note that the perspectives and analysis in this book are my own, based on my professional experience advising institutions over two decades. They do not represent the views, opinions, or positions of any of my former employers or clients.

Section I: Tides of Change: Key Reputation Trends in a Transforming World

Quote Text (Placed on the section break page): *"We are not makers of history. We are made by history." — Martin Luther King Jr.*

Chapter 1: The Tension of Corporate Power

Passage 1: The Impact of Global Enterprise

Summary Text (Not Included in Final Copy): Corporations were built to deliver prosperity and scale, which they did spectacularly, earning a shield from scrutiny as long as stakeholders felt the benefits. But the speed at which they moved, innovated, and scaled created velocity gaps where regulation, risk management, and human understanding couldn't keep pace. Companies succeeded at their core mission while simultaneously creating consequences they couldn't anticipate, making their competence their greatest vulnerability. The prosperity that once enabled institutions to obtain legitimacy now faces intensified scrutiny. We now live in the Reputation Era, where reputation is quickly becoming the primary currency through which institutions can sustain their license to operate.

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In 2008, the American federal government authorized $700 billion for a troubled asset relief program (TARP) for the banks that had just collapsed the American economy.[1] In the same week, millions of households faced foreclosure.[2] The banks, it was decided, were too important to fail. The families who felt the financial impact were not. No meaningful scandal emerged. High profile executives did not receive jail time.[3] Within months, bonuses resumed. Yet from that moment forward, it was not business as usual. The ground society stood upon was becoming increasingly uneven. Modern day systems would reward the architects of collapse, while leaving ordinary people in a survival game.

Leading up to this point, scrutiny of society's largest institutions was already an ambient glow. The G7 summit, a small coalition of advanced economies coordinating on global issues, had drawn sustained public opposition across Europe since the 1980s.[4] Davos, the annual gathering of global political and corporate leaders, became a focal

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[1] *Troubled Asset Relief Program (TARP)*. (2026, February 13). U.S. Department of the Treasury. https://home.treasury.gov/data/troubled-asset-relief-program

[2] *Have Borrowers Recovered from Foreclosures during the Great Recession? - Federal Reserve Bank of Chicago*. (n.d.). Retrieved May 6, 2026, from https://www.chicagofed.org/publications/chicago-fed-letter/2016/370

[3] Arnold, C. (2013, July 26). After Five Years, Why So Few Charges In Financial Crisis? *NPR*. https://www.npr.org/2013/07/26/205866019/few-on-wall-street-have-been-prosecuted-for-financial-crisis

[4] Patterson, B. (2010, June 19). NEWS: The G7 summit in 1988. *The Council of Canadians*. https://canadians.org/analysis/news-g7-summit-1988/

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point for organized dissent and criticism throughout the 1990s.[5] At the same time, environmental concerns were scaling into global coordination efforts, culminating in the United Nations Earth Summit.[6] That shift was shaped in part by earlier moments when the consequences of industrial growth became visible, including the 1969 river fire in northeastern Ohio.[7]

The financial failure in 2008 would be different. It served as a unique event that fundamentally shifted how the world viewed institutions. Not because the event showed harm, but because it revealed that it was not a sudden localized episodic failure. It marked a point of clarity after centuries of accumulating structural misalignment. It was the shocking force of compounding corporate velocity. It struck both physically and emotionally. Its reach landed beyond local communities, propagating globally. The lesson provided more than an understanding that velocity carries consequences, it taught the world that those consequences were already deeply embedded into nearly every facet of their lived experience. The problem was no longer in someone else's backyard, or river. The issue was no longer a societal challenge that would manifest in tragedy on someone else's clock. The reality became

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[5] Protesters to blame Davos elite for global crisis. (2009, January 14). *Reuters*. https://www.reuters.com/article/economy/protesters-to-blame-davos-elite-for-global-crisis-idUSLE726797/

[6] US EPA, O. (n.d.). *Products of the 1992 Earth Summit* [Speeches, Testimony and Transcripts]. Retrieved May 6, 2026, from https://www.epa.gov/archive/epa/aboutepa/products-1992-earth-summit.html

[7] Rotman, M. (n.d.). *Cuyahoga River Fire: The Blaze That Started a National Discussion*. Cleveland Historical. Retrieved May 6, 2026, from https://clevelandhistorical.org/items/show/63

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clear, inescapable, and hard to ignore. The systems that provided society with growth and prosperity were both highly unstable and uneven.

Banks had leveraged risky assets as fuel to expand mortgage lending which increased homeownership and home prices.[8] These actions injected society and economic systems with prosperity. But what was under the foundation of these homes was risk, far greater than a weak credit rating. It was systemic risk, where consequence could be shifted downward while elevating protection upward. Systemic risks that emerged from velocity gaps. The speed capital moved at was outpacing every guardrail designed to oversee it. Information was moving faster than understanding. Threats to communities were measurably greater than what they could absorb. Regulation and risk management was either absent, or unable to keep pace. Velocity gaps are what happens when adaptation, innovation, expansion, commercialization, and information exceeds comprehension and conformation. When these velocity gaps converge, systems become unstable. And when systems become unstable, they typically collapse. The larger and more complex the system is, the greater the consequences. Velocity gaps have always been there, for hundreds of years, but now they are magnifying and becoming globally interconnected. Global prosperity could now be seen as being directly connected to global vulnerability.

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[8] *Crisis and Response: An FDIC History, 2008–2013*. (n.d.).

This vulnerability was not intentionally planned, the plot arranged by a malicious clandestined group of institutional actors. To the contrary, corporations were executing as they were expected to act and they were doing so with remarkable competence. Banks, like any other industry, were intentionally acting with a primary objective in mind, which is to drive shareholder returns while delivering prosperity.[9] To do so banks became engines of complex financialization strategies through the latter part of the twentieth century.[10] The corporation was perfectly designed to do this, but what they were not designed to do was absorb the social consequences of those strategies. Corporations had proven that innovation, scale, and reach could deliver extraordinary economic resilience and shareholder returns. As they scaled it was assumed that business competence would naturally include self-governance features that would prioritize societal stewardship. That assumption, which was already under pressure from anti-corporate protests and escalating environmental concerns, shattered with the rise of home foreclosures resulting from the 2008 financial crisis.

Millions of foreclosure signs were staked out in front of homes. Looking out the front window, communities didn't see the word foreclosure, they saw a chilling modern day

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[9] editor, P. R. F. B. P. R. is a copy, Economics, F.-C. with E. in, Finance, P., & policies, over twenty years of experience in the classroom L. about our editorial. (n.d.). *The 2008 Financial Crisis Explained*. Investopedia. Retrieved May 6, 2026, from https://www.investopedia.com/articles/economics/09/financial-crisis-review.asp

[10] Ki, Y. (2018). Large Industrial Firms and the Rise of Finance in Late Twentieth-Century America. *Enterprise & Society*, *19*(4), 903–945.

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understanding. *"In the modern world, what corporations do with their power matters more to our society than it ever did before."* That visibility began to reshape the interpretation of institutional power. And it raised a question that would define the coming era, *"How can corporations operate at a scale without losing the ability to foresee and manage the potential consequences of that scale?"*

Institutions have failed before. But 2008 was different in scale and velocity. It was the first time a collapse happened globally and instantaneously, exposing velocity gaps across every interconnected system at once. The signals that the reputation operating system was failing were becoming increasingly visible for about 100 years before the 2008 mortgage crisis sent its shockwaves through society. Ironically, the earliest cracks in the system were commonly taught in history books for nearly 500 years. How could signals that eventually led to a global financial meltdown accumulate for centuries, yet remain invisible? It remained out of sight, because these signals of breakdown were camouflaged by perceived prosperity. This becomes a uniquely defining quality of the 2008 financial crisis. It was more than a breaking point, it gave the signals of reputational failure clarity. It revealed that the systematic engineering of prosperity did not include the required mechanics to mitigate or prevent consequence. And when consequence is visibly greater than prosperity, scrutiny always follows.

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What unfolds is the greatest paradox of the modern era. Corporations are being held to standards of accountability, to shield society from consequence, which they were never purposefully designed to meet. While simultaneously being asked to do what they were designed to do, act as engines of scale. To achieve this scale firms prioritize efficiency, optimization, speed, cost reduction, and profit seeking maximization. Corporations built the scale that society demanded, granting prosperity which advanced societal wellbeing. The tension arrives when corporations succeed at their core mission, while creating consequences they could not always anticipate. Leaving businesses to face stakeholder scrutiny for societal externalities they did not intentionally design. Companies are failing precisely when they are succeeding. Their competence has become their vulnerability. As a result, modern day business success carries risk which is often delayed and not easily detectable, but the risk is always present. This is the contradiction at the center of modern day corporate life. The relationship between institutional trust and performance not only began to separate, but the gaps between the two further accelerated.

But this paradox contains an ironic twist. Corporations are highly innovative institutions capable of delivering convenience, quality, and technological advancement at remarkable scale. They do more than solve problems; they translate new possibilities into forms of prosperity that people can experience in their everyday lives. That prosperity historically produced institutional acceptance. When

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stakeholders believed corporations were improving lives, strengthening communities, and advancing society, they granted those institutions the support and permission needed to continue operating and expanding. This continued acceptance is legitimacy. When earned through prosperity, legitimacy does more than provide permission to operate. It strengthens institutional resilience and creates a shield from scrutiny.

Two conditions sustained this prosperity shield. First, stakeholders had to experience tangible benefits through jobs, access to goods and services, infrastructure, convenience, or innovation. Second, the consequences of corporate activity had to remain distant, diffuse, or invisible. When both conditions held, corporations could expand with limited resistance. Greater acceptance enabled greater scale, accelerating adaptation, innovation, commercialization, expansion, and information gathering.

But this rapid growth has the propensity to create velocity gaps, moments where institutional capability advances faster than the systems required to comprehend its effects, govern its expansion, and align it with societal expectations. As witnessed throughout history, and most visibly during the 2008 financial crisis, when these velocity gaps converge, systems become unstable. When systems become unstable, they become vulnerable to collapse. The irony becomes clear. The prosperity shield

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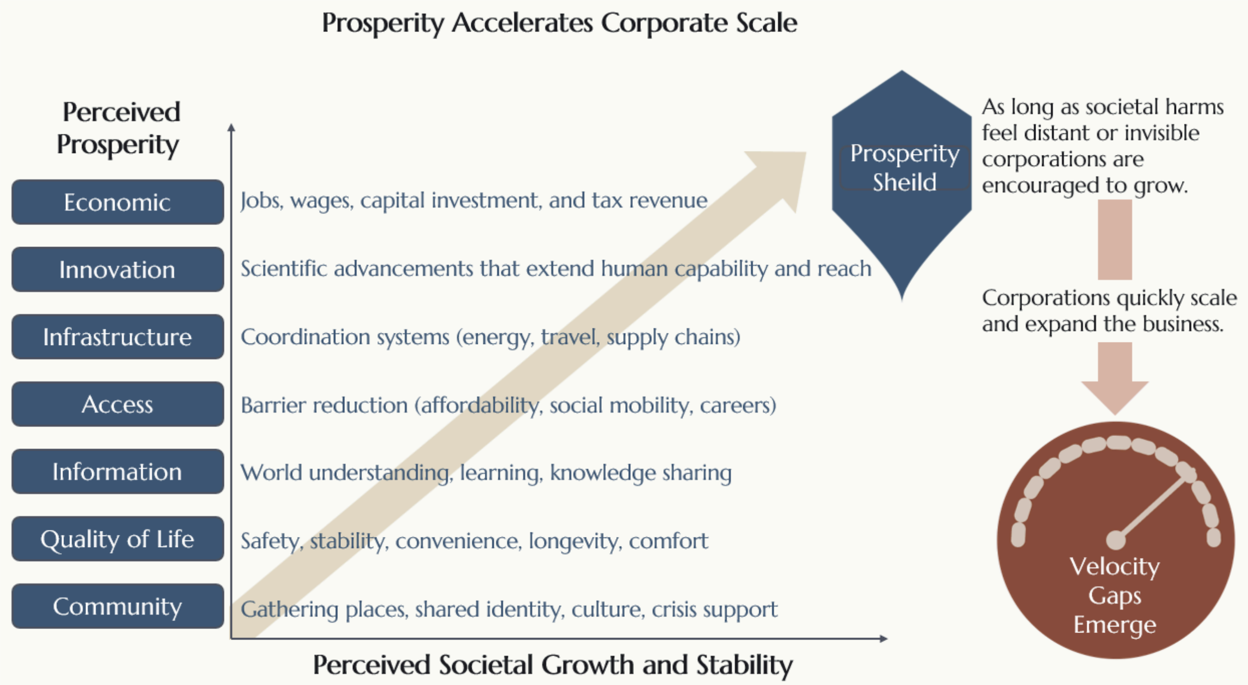
that enables corporate expansion also creates the conditions for greater societal consequence and scrutiny. Companies celebrated as heroes can succeed long enough, and scale far enough, to become villains within the same plot.



Prosperity should not be viewed as the culprit, it should be understood as an essential component of societal structure. It should be further understood as a multifaceted societal benefit ecosystem, one that corporations have played an important role in creating for over 1000 years. The corporation was purposefully designed to be powerful engines of technological advancement, transforming advances in science, medicine, and infrastructure into solutions that reach deep into society. As society advanced, so too did the prosperity that corporations delivered. From pharmaceutical

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breakthroughs that extend life expectancy to digital platforms that democratize access to information and financial services, they moved scientific possibility into lived reality. They've also proven to be highly effective at delivering economic prosperity through the jobs, wages, and capital investment which sustain livelihoods and bolster communities. Prosperity is felt through enormous infrastructure that makes modern life operable at scale through energy networks, logistics systems, supply chains, and digital networks that connect billions of people and enable instant coordination across time zones. The reach of this prosperity feels both instantaneous and limitless, delivering access and reach through global distribution that reduces friction between supply and demand, expanding participation across geographies that once would have been unreachable.

These outcomes of modern day prosperity did not emerge from small systems. They required capital concentration, global coordination, and operational complexity that only large enterprises could sustain. Consider the transformation that has occurred in just the last century. Back in the 1600s, global trade was dominated by sailing ships operated by companies like the British East India Company, where voyages required months, enormous capital risk, and close alignment with state authorities.[11] Over time, the rise of market liberalization, capital mobility, and modern information systems

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[11] *East India Company | History, John Company, Battle of Plassey, Definition, & Facts | Britannica*. (n.d.). Retrieved May 6, 2026, from https://www.britannica.com/topic/East-India-Company

scaled trade and innovation globally. By connecting markets, standardizing systems, and enabling cross-border exchange, corporations dramatically reduced the barriers of time and distance. Today, complex medical innovations developed in one country can be deployed globally within years, or even months. This compression of time and distance is what makes modern life possible and what fundamentally shaped how society became dependent on the prosperity that corporate scale creates.

Beyond creating goods and services, corporations have demonstrated remarkable capacity for community and social support during moments of crisis as well. When disasters strike, modern corporations often possess the operational capacity to act faster than governments can mobilize. During Hurricane Katrina, large retailers like Walmart restored supply chains and delivered essential goods more rapidly and effectively than federal agencies could.[12] During COVID-19, companies compressed years of digital transformation into months, with McKinsey research showing that organizations discovered they could move up to 40 times faster than they believed possible before the crisis.[13] They shifted to remote work in weeks, migrated operations to the cloud, reconfigured supply chains, and supported vaccine distribution, food

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[12] *Wal-Mart's Response to Hurricane Katrina: Striving for a Public-Private Partnership*. (n.d.). HKS Case Program. Retrieved February 6, 2026, from https://case.hks.harvard.edu/wal-mart-s-response-to-hurricane-katrina-striving-for-a-public-private-partnership/

[13] McKinsey & Company. (n.d.). *How COVID-19 has pushed companies over the technology tipping point—And transformed business forever.*

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security, and medical supply protection. When the 2024 Hualien earthquake struck Taiwan, killing at least 17 people and causing widespread damage, Foxconn donated $80 million in relief and mobilized its logistics network to support affected communities.[14] These moments show what corporations can accomplish when they commit resources and capability to collective societal welfare.

This is the prosperity that stakeholders demanded from corporations as they scaled. Stakeholders recognized corporations were engines of economic growth, community stability, technological advancement and infrastructure enablement. Companies became the conduit between invention and impact, the drivers of growth and societal stability. Many of the advancements enjoyed on a day to day basis would not be possible without the evolutionary success provided by corporate scale.

Yet it is precisely this unprecedented evolutionary success that leads to the contradiction at the center of modern corporate life. The same scale, reach, speed, and coordination that enable extraordinary progress have amplified missteps and ethical blind spots. The positive impact these companies offer society is in a state of conflict, challenged by perceptions of corporate greed and well-documented negative externalities on communities and the environment. A skeptical public has become accustomed to a range of corporate scandals. Canonical examples of fraud,

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[14] *Taiwan receives earthquake relief donations from 30 countries | Taiwan News | Apr. 6, 2024 20:01.* (2024, April 6). https://taiwannews.com.tw/en/news/5137664

such as Enron in 2001, unfolded in full public view. While lesser-known overcharging schemes by Corporate Travel Management that led their founding executive Jamie Pherous to step down.[15] The impact of the corporation in the Reputation Era goes well beyond making products that meet market needs. Corporations now operate deeply within the systems that deliver prosperity, but those same systems can also produce velocity gaps and far-reaching societal consequences. For much of corporate history, the successful delivery of prosperity provided the dominant basis on which legitimacy was granted. Ironically, as legitimacy enabled prosperity and corporate scale to expand, that increasing scale became the backdrop for crisis-inducing scrutiny. This is the context of the Reputation Era, a time in which corporate success does not reduce scrutiny; instead it intensifies it. The more powerful corporations become, the more society expects them to safeguard the power they create.

The 2008 financial crisis ushered in the Reputation Era because it made the gaps between corporate competence and corporate accountability not only visible, but hard to ignore. The Reputation Era would redefine corporate risk from concerns of scandal or moral failure, to systematic structural instability. The financial crisis became an undeniable proof point that when systems that move faster than they can be governed, they create negative externalities that accumulate until they become

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[15] *CTM MD Pherous steps down amid accounting turmoil*. (2026, February 2). https://www.businesstravelnewseurope.com/Management/CTM-MD-and-founder-resigns-amid-accounting-turmoil

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visible. And once externalities are attributed to an institution, society begins asking harder questions. Are the benefits fairly distributed or concentrated? Is power being exercised responsibly or exploited? Are people being treated with dignity or as disposable? Are the costs of growth being shouldered by those who profit, or transferred to communities and ecosystems that bear no responsibility for creating them? These questions, once raised, do not fade away. They accumulate over time, creating pressure that narrows the space in which a corporation can operate. Partnerships begin to dissolve, credibility weakens, and regulatory tolerance shrinks. A company's license to operate becomes increasingly conditional. What begins as scrutiny gradually transforms into constraint, creating vulnerabilities that accelerate delegitimization and can ultimately become existential threats to the institution itself.

Today's society, growing ever more conscious and globally connected, wakes to the Reputation Era's most unavoidable question: *"Can I trust companies with the increasing influence and power that the modern corporate ecosystem provides?"* This question sits at the center of corporate legitimacy in the modern era. A question that lands because corporations are now more powerful than they ever have been before. A question that will rise more frequently and aggressively because corporate power is more visible and easily contested. This question arrives because today's systems feel fractured, uneven, and highly unstable. In this environment, legitimacy is no longer secured through economic performance alone. It is continuously negotiated as

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stakeholders evaluate institutions through the lenses of prosperity, desirability, and, increasingly, integrity. Reputation is the currency that carries and consolidates those judgments. What was once viewed merely as a communication tool or brand asset has become something far more vital to institutional longevity. In the Reputation Era, reputation determines whether an institution's conduct is interpreted as worthy of continued acceptance and whether its license to operate is strengthened, contested, or constrained.

Passage 2: Making the Reputation Era

Summary Text (Not Included in Final Copy): Over two thousand years, corporations evolved from local civic organizations into global forces capable of shaping geopolitical systems. With each era, from Ancient Rome through the Industrial Revolution to today, corporate scale and power expanded faster than society could build the accountability and interpretive mechanisms needed to evaluate and oversee them, creating persistent velocity gaps. Early corporations earned legitimacy through competence, prosperity, and proximity, but as they grew larger, faster, and more complex, the relationship between performance and accountability fractured. Journalism briefly provided a shared system through which corporate power and its consequences could be interpreted. But digital fragmentation, combined with the weakening of regulatory, journalistic, and democratic authority, left reputation as the primary mechanism through which stakeholder judgments could be consolidated and

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legitimacy granted or withheld. The Reputation Era marks a structural condition in which corporate power is unprecedented and increasingly unmediated, requiring legitimacy to be earned through more than competence and prosperity alone.

The question of whether companies can be trusted with their influential scale results from changes that have been building over 2000 years. It evolved through a series of structural expansions that reshaped the institutional incentives, the speed they operate at, the reach of their influence, and how consequences from their decisions are distributed. These changes would take place over centuries, all of which would contribute to the most significant evolution in corporate history. Over the past 100 years the rules of how legitimacy is granted to business, the reputation operating system, would fundamentally change.

To understand the Reputation Era, it is not enough to examine the present moment. The conditions that define it were constructed gradually, across different periods of economic and institutional development. What changed was not the fundamental purpose of the corporation, its purpose would always be to produce prosperity. What evolved with each era was the introduction of new capabilities and new mandates that would introduce new velocity gaps. With each velocity gap the relationship between performance and accountability would separate. With each velocity gap, the potential for societal consequences emerged. With time these shifts started to produce a consistent visible pattern. Corporate capacity expanded faster than the systems designed to interpret, oversee, and legitimize that expansion. The result was not immediate breakdown, but accumulating strain that now constricts institutions in the modern era. To understand how this pattern formed, we need to examine how the systems through which corporate legitimacy was granted and sustained were built, what assumptions they carried, and where they began to fracture.

The pattern begins in ancient Rome. This period, the Ancient Civic Era, marks the first time corporations received legal recognition as entities (collegia and universitates) that could exist independently of the individuals who composed them.[16] These early corporate forms organized trades, religious orders, and civic works. What distinguished this era was the fusion of economic and civic mandates. Corporations generated prosperity while maintaining roads, managing public works, and structuring social order. Scale mattered fundamentally. Geographic reach was limited. The speed of commerce was constrained by physical distance. A merchant who profited from the community also lived in it. Consequences of the merchants' decisions were visible. As a result, proximity served as a mechanism for accountability.

[16] Patterson, J. L. (1983). The Development of the Concept of Corporation from Earliest Roman Times to A.d. 476. *The Accounting Historians Journal*, *10*(1), 87–98.

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Legitimacy flowed from the alignment of prosperity. If a corporation organized economic activity and contributed to collective welfare, it earned the right to continue operating. This assumption held because distance between power and consequence was minimal. Those organizing economic activity naturally understood their role in organizing society. In this time period the market and community were not treated as separate domains.. This is because the reputation operating system of the Ancient Civic Era recognized that visibility was direct and impact was local. This would not hold up thousands of years later.

Much of what was expected from, and how corporations acted in society, remained largely the same for 1000 years. That is, until the Medieval Guild Era. At this point, corporations evolved into formalized guilds and chartered towns, they became more sophisticated in how they created prosperity. These institutions showed their ability to translate economic activity in societal structures by creating rapidly growing urban centers. Guilds brought together merchants and craftspeople within specific trades. They established rules around production, apprenticeship, training, pricing, and market participation.[17] But what made guilds transformative was not its economic organization, it was the creation of class structures based on skill rather than birth.[18] A

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[17] Ogilvie, S. (2014). The Economics of Guilds. *Journal of Economic Perspectives*, *28*(4), 169–192. https://doi.org/10.1257/jep.28.4.169

[18] *Medieval Guilds—World History Encyclopedia*. (n.d.). Retrieved May 6, 2026, from https://www.worldhistory.org/Medieval_Guilds/

person could rise from peasant to master craftsman through competence and learning. While common in modern society, this was a revolution of its time. For the first time, economic position became linked to occupation and ability rather than solely to land ownership or lineage. Guilds determined who could learn, who could earn, and who could advance. They created structured wages, standardized training, and controlled access to participation within the urban economy.

The prosperity the corporation would provide society in the Medieval Era evolved significantly, but what did not change, materially, was its reach and proximity. Guilds operated within defined geographies. A guild's legitimacy was rooted in the community it served. The master craftsmen knew the apprentices and guild halls typically existed in just one city. Accountability remained both local and visible. When a guild maintained standards, those standards were enforced by neighbors and competitors who could see the work. Like the Ancient Civic Era, this local embeddedness made legitimacy straightforward. The guild that organized economic activity fairly, maintained quality, and contributed to community welfare earned the right to continue their business operations.

The next corporate evolution, in the 1600s, occurs 500 years later. The Chartered Era provided a blueprint for instability that would repeat consistently right up to the 2008 financial crisis. However, the velocity gap that emerges in this era doesn't take place at a bank, it transacts on merchant trading ships. Historical accounts typically spotlight the Dutch and British East India Trading Companies as the beginning of the modern corporate form, this framing holds merit in many ways. These companies supported advanced overseas trade and colonial expansion networks that combined private capital with state authority to manage risk and scale commercial ventures.[19] They introduced organizational features that remain foundational today such as joint stock ownership, which allowed capital to concentrate without individual investors bearing total liability. Continuity beyond individual investors also meant the enterprise could persist regardless of who owned it.[20]

But what truly distinguished the Chartered Era was a fundamental shift in how corporate power became mobile. Now corporations spanned jurisdictions, crossing oceans, to govern overseas territories. They also functioned as hybrid entities, part commercial enterprise and part governing authority, empowered to manage overseas territories, raise armies, collect taxes, and negotiate on behalf of the state.[21]

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[19] Oppon, A.-R. (2021). To what Extent did the Private Hybridity of The East India Company Result in Lack of Accountability? In A. Sarat & D. Prabhat (Eds.), *Privatisation of Migration Control: Power without Accountability?* (pp. 77–90). Emerald Publishing Limited. https://doi.org/10.1108/S1059-43372021000086B006

[20] Ransom, R. L., & McKenzie, J. D. (2025). The East India Company and the British Empire. In R. L. Ransom & J. D. McKenzie (Eds.), *Imperial Wars in the Modern Era: The Struggling for Territory* (pp. 33–35). Springer Nature Switzerland. https://doi.org/10.1007/978-3-032-07701-1_5

[21] *Armies of the East India Company | National Army Museum*. (n.d.). Retrieved May 6, 2026, from https://www.nam.ac.uk/explore/armies-east-india-company

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Advances in mobility, which repeated through history, is a corporate velocity gap. Its ability to undermine and threaten legitimacy would endure to the modern era. The mobility of corporate power spanning continents combined with a role to act as a governance structure, rendered accountability at best confused, and at worst completely unaccounted for. Who is responsible for a corporation operating in a distant territory as both merchant and governor? The home nation? The colonial authorities? The corporation itself? There was no accountability structure that could reach across jurisdictions to verify that power was being exercised responsibly. From this point onward, corporations were no longer confined to organizing local economic activity. Mobility gave them reach, making them instruments capable of shaping global trade, redrawing geopolitical maps, and establishing complex resource distribution across continents. Power escaped local oversight and the assumption that local accountability structures could suffice had broken, this structural problem would echo through each subsequent era, right into the modern era.

The Industrial Era marks the next evolution of the corporation. Advances in technology accelerated the speed at which goods, capital, and information could move, introducing early forms of what would become persistent velocity gaps. By the 1800s, large corporations, including textile manufacturers, steel producers, and railroad operators, concentrated labor, capital, and machinery at unprecedented scale.[22] Breakthroughs in energy and transportation connected regions that had previously been isolated, compressing distance and redefining coordination across markets. The transcontinental railroad, built within decades, did not simply expand commerce. It reshaped expectations around scale, speed, and reach.[23]

A new form of misalignment emerged in the form of a regulatory velocity gap. Corporations scaled rapidly, often faster than negative externalities could be understood and governance could adapt. Waves of innovation increased not only the capacity to connect, distribute, and scale, but also the capacity to compound consequences. What appeared in the Industrial Era as physical acceleration in transportation and logistics would, centuries later, surface as structural fault lines in financial systems leading up to the 2008 mortgage crisis.

But the scale and speed at which companies operated in the Industrial Era also led to increasingly tangible prosperity as well. This logistics transformation shrank world distances. Raw materials, goods, and people moved faster and farther than ever before. Like earlier corporate forms, Industrial Era corporations reshaped where people lived and how cities grew, while becoming an increasingly vital component of national economies. Prosperity widened as parallel advances in medicine and public

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[22] Temin, P., & Chandler, A. D. (1978). Chandler's The Visible Hand. *The Bell Journal of Economics*, *9*(1), 297–303. https://doi.org/10.2307/3003631

[23] Fukuyama, F. (n.d.). *Trust: The Social Virtues and the Creation of Prosperity*. Free Press. (Original work published 1995)

health led to breakthroughs in sanitation, vaccination, and surgical practice. These advances contributed to declining mortality rates and longer lifespans in industrializing societies.[24] The evolution of the corporation made it a force capable of shaping not only economic outcomes, but the pace and direction of societal change. Despite the ability for some corporations to scale beyond existing policies and governance frameworks, communities embraced corporate expansion because the prosperity was real, immediate, and highly transformative.

[24] Dattani, S., Rodés-Guirao, L., Ritchie, H., Ortiz-Ospina, E., & Roser, M. (2023). Life Expectancy. *Our World in Data*. https://ourworldindata.org/life-expectancy

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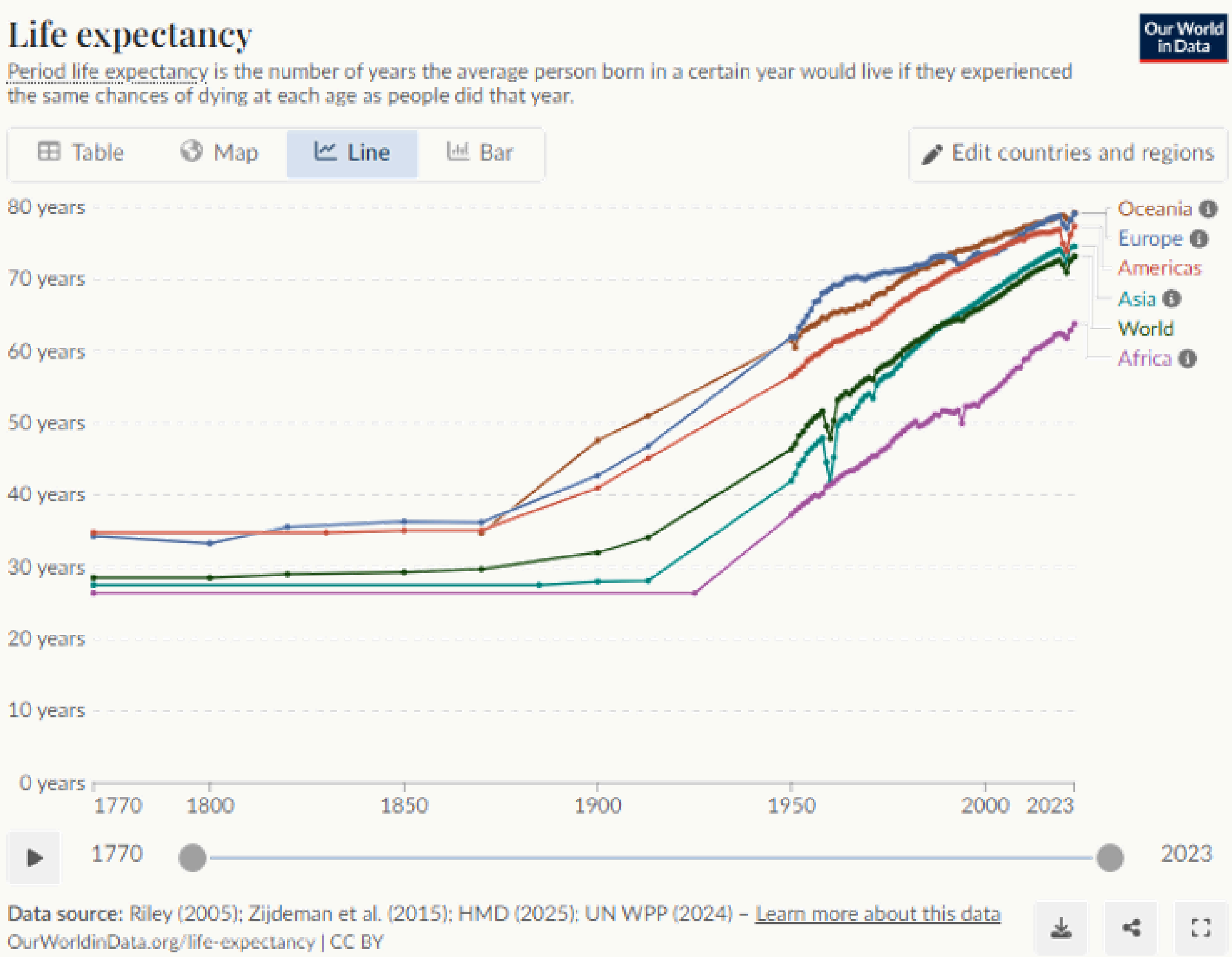

The regulatory velocity gap became increasingly visible as companies moved across more regions and jurisdictions. Governance struggled to keep pace, if they could at all. Companies began to operate in “grey spaces,” expanding faster than oversight and governance mechanisms could be established. The speed at which corporations could move, innovate, and enter new markets outpaced the ability of regulatory systems to respond. That power, once constrained by local oversight and structured governance

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systems in earlier eras, became far more difficult to contain. While the prosperity was undeniable, so was the velocity gap that enabled it. This structural misalignment would accumulate for centuries, eventually leading to moments of systemic global consequence.

Additional misalignments would continue in the New Dawn Era. A time where the most advanced corporations began to scale beyond what any single person could either oversee or fully comprehend. By the early 1900s, the corporate problem was no longer about learning how to build big, it was about having a full informational picture about what was built. From this point forward it would become increasingly commonplace that a manufacturing decision, that was made in a corporate headquarters, could ripple across factories, supply chains, and communities that executives would never visit, or potentially even knew existed. The information required to understand the full scale of consequences of those decisions simply could not travel that far backward through the organization.[25] Corporations were showing the earliest signs that rapid, highly accelerated scale would have informational blind spots. This resulted in corporations making decisions that created harm, but could not be fully anticipated in places, or future times, they could not see. This information velocity gap, where decisions are made without access to their consequences, would

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[25] *Digital History*. (n.d.). Retrieved February 8, 2026, from https://www.digitalhistory.uh.edu/disp_textbook.cfm?smtid=2&psid=3166

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become the blueprint for what would repeat throughout the next century, most visibly in the banking system that would be shocked by the mortgage crisis a hundred years later.

But blindness, in an ironic twist, creates an opportunity. Journalists began investigating what corporations either could not see, or thought the broader public did not understand. Ida Tarbell, a journalist, spent years tracing Rockefeller's Standard Oil decisions that led to significant economic and workforce consequences.[26] Ida pioneered muckraking journalism, which brought distant, hard to understand, harms, like monopolies, into visibility.[27] For the first time, the societal consequences of corporations had broad public witnesses. Visibility was magnified beyond those directly afflicted. Visibility forced a new dynamic, corporations had to answer to a new set of reputational stakeholders, the media, regulators, and an increasingly informed public. Maintaining legitimacy required dialogue with a broader set of stakeholders.

Visibility was the most powerful force unleashed in the New Dawn Era because it revealed that competence no longer guaranteed legitimacy. A company could be

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[26] *Ida Tarbell | American Experience | PBS.* (n.d.). Retrieved May 6, 2026, from https://www.pbs.org/wgbh/americanexperience/features/rockefellers-tarbell/

[27] *The Woman Who Took on the Tycoon.* (n.d.). Retrieved May 6, 2026, from https://www.smithsonianmag.com/history/the-woman-who-took-on-the-tycoon-651396/

efficient, profitable, and innovative, and still face scrutiny for consequences it had not foreseen. The decoupling had begun. At this point it was becoming understood that competence delivered prosperity, but competence was also recognized as delivering hidden consequences. It would take the global reach of the 2008 banking crisis to bring this lesson back to shocking reality. With each decade leading into the Reputation Era, visibility of negative externalities would only increase and expand. Scrutiny followed, society would begin asking a harder question. "*Can our corporations be trusted to safeguard our society?"* The historical baseline for protests against global institutions at G7 and Davos a century later had been set. The reputation operating system, which had functioned for centuries on the assumption that competence and legitimacy moved together, was beginning to show its first cracks.

The next evolution takes only fifty years. The second half of the twentieth century marks the Unbounded Era. A time where corporations reached significant global expansion, defined by increased physical scale, capital mobility, global geographic reach, and information technologies which created complex interconnected business, social, economic, and political systems. Advances in computing, digital communication, and the internet fundamentally altered how corporations operated and how they were perceived. Corporations were making the world a highly interconnected place, if one economic system or supply chain failed the consequences could be catastrophic. Because scale was also increasingly becoming “blind”, the extent of the fallout could be predicted, but never fully understood until the consequences occurred.

As systems became interconnected, visibility also increased dramatically as well. In the Unbounded Era corporate actions, once obscured by slow-moving news cycles and buried deep within organizational walls, became more visible through increased news and media exposure across a full range of reputation stakeholders such as employees, consumers, investors, regulators, and the public at large.[28] But this did not hold for long. Within this same time period the information system itself fractured. Digital platforms and algorithmic sorting split audiences into different realities. Now corporations became visible for negative externalities, but this visibility came without consensus. Media, activists, regulators, and the public all saw the same actions through different lenses. The information velocity gap that had briefly narrowed became scrambled. Shared understanding of corporate consequences was dissipating.

Another shock to stability during the Unbounded Era came in the form of financial and political frameworks, spearheaded by concepts like Milton Friedman's shareholder primacy.[29] This framework redirected corporate decision-making away from

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[28] Cabral, L. (2016). Media exposure and corporate reputation. *Research in Economics, Special Issue on Industrial Organization*, *70*(4), 735–740. https://doi.org/10.1016/j.rie.2016.07.004
[29] Friedman, M. (2007). The Social Responsibility of Business Is to Increase Its Profits. In W. C. Zimmerli, M. Holzinger, & K. Richter (Eds.), *Corporate Ethics and Corporate Governance* (pp. 173–178). Springer Berlin Heidelberg. https://doi.org/10.1007/978-3-540-70818-6_14

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stakeholder balance and toward short-term financial profit maximization. It shortened time horizons, prioritizing immediate returns over long-term consequence management. Financial deregulation accelerated capital flows and merger activity.[30] The change in corporate incentives set the stage for advanced financialization techniques that increased tolerance for risk taking.

The Making of the Reputation Era

Ancient Civic & Medieval Guild Era 0 – 1500s	Chartered Era 1600s	Industrial Era 1800s	New Dawn Era 1900	Unbounded Era 1950
Close proximity and visibility ensured accountability. Over time accountability would fragment with **velocity gaps** and **negative externalities** would become visible.	Velocity Gaps			
	Mobility Distance blurs accountability	**Governance** Scale exceeds governance safeguards	**Information** Scale and complexity becomes obscure	**Capital** Digitization, globalization, financialization
	Externality Reckoning			
	Coercive labor, resource extraction from overseas regions	Unsafe working conditions, pollution in industrial centers	Monopolies, unsafe products, deceptive marketing	Supply chain abuses, financial risk taking, global environmental harm
	Localized, not fully understood	Partially visible, often delayed	Increasingly visible via journalism	Highly visible, but fragmented narratives

Velocity Gaps A structural mismatch where the speed of corporate scale (mobility, governance, information, capital) exceeds the speed of the systems designed to interpret, govern, or legitimize it.

Externality Negative externalities occur when the societal costs of corporate activity are distributed beyond the firm, which translates to either hidden or blind consequences for stakeholders.

The result was 500 years of systematic misalignment. Information systems fragmented into incompatible narratives. Capital moved at velocities that regulation

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[30] Bruck, C. (1989). *The Predators' Ball: The inside story of Drexel Burnham and the rise of the junk bond raiders*. Penguin Books.

could not contain. Corporations operated at scale where visibility could not fully penetrate. No shared reality existed to evaluate what corporations were doing. Mechanisms for institutional trust were deteriorating. The reputation operating system, which had already fractured in the New Dawn, had broken completely. But nobody knew it yet, that is until the 2008 financial crisis would make this reality clear.

This set the stage for the Reputation Era, a moment unlike any other in corporate history. Corporations had accumulated unprecedented power, reach, and influence through exponential growth that dwarfed even the most recent Unbounded Era. Yet this moment of extraordinary corporate power coincided with widespread institutional delegitimization. Every mechanism that had once mediated corporate legitimacy fractured simultaneously.

Regulation could not keep pace with corporate velocity. Journalism fragmented across competing narratives and lost institutional authority.[31] Democratic institutions lost credibility. Digital platforms shattered shared reality into incompatible versions. Corporations became hyper-visible, but no single institution could mediate what that visibility meant. In previous eras, when corporate scale outpaced the systems responsible for oversight and interpretation, society often had time to construct new

[31] Di Martino, E., Galeazzi, A., Starnini, M., Quattrociocchi, W., & Cinelli, M. (2025). Ideological fragmentation of the social media ecosystem: From echo chambers to echo platforms. *PNAS Nexus*, pgaf262. https://doi.org/10.1093/pnasnexus/pgaf262

forms of accountability. Regulation would eventually catch up. Journalism would eventually expose consequences. Democratic institutions would eventually mediate disputes. But in the Reputation Era these systems weakened simultaneously. There was no reliable fallback, no universally trusted arbiter, and no stable shared framework through which corporate actions could be interpreted.

Into this vacuum, reputation emerged as the primary cross-stakeholder mechanism through which judgments could be consolidated to determine if legitimacy would be granted or withheld. It is not a communication strategy or a brand asset. It is the signal through which society evaluates whether corporate power is being wielded responsibly. Reputation became what every stakeholder watched, including employees, consumers, investors, regulators, activists, and the public, to determine whether an institution deserved permission to operate.

Reputation became the only mechanism left through which that power could be evaluated. But what reputation reveals, when it has no filter and no institutional mediator, is not just how decisions are made. It is what those decisions actually cost. The Reputation Era's structural condition created a peculiar vulnerability. Corporations operated at a scale where consequences could be neither fully anticipated nor fully hidden. Some societal harms emerged from complexity too vast to foresee, while others were foreseen and deliberately concealed. The distinction

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between incidental and malicious harm matters to executives, but to stakeholders, that difference does not eliminate accountability. The gap between what institutions claimed they could understand and what they actually knew has helped shape the delegitimizing landscape that defines the modern era.

Passage 3: The Externality Reckoning

Summary Text (Not Included in Final Copy): As corporations scaled in power and precision, so too did the societal consequences of their decisions. Historically moments of harm were tolerated, obscured, or diffused in pursuit of economic growth and societal advances. A growing societal consciousness, driven by mass media, increased corporate visibility exposing the negative externalities corporations have on society. The result was a continued erosion of institutional trust, reshaping the basis on which legitimacy was granted. Visibility in the communication era translated to scandal through the Reputation Era, leading stakeholders to no longer assume good faith; they increasingly expected corporate foresight, mitigation, and accountability for the negative externalities they imparted upon society.

The consequences of corporate scale are no longer invisible or distant. What corporations do ripples across labor systems, communities, and ecosystems in ways that stakeholders can now observe, measure, and attribute in real time. This visibility has fundamentally shifted how society evaluates institutional power. Consequences that were once diffuse, delayed, or difficult to trace are now immediate and measurable. They accumulate in public view, shaping perception before corporations can respond.

This natural rise in scrutiny dampens the prosperity shield that once protected corporate expansion. Recall that corporations earned legitimacy as long as stakeholders felt the benefits of growth and consequences remained invisible. But visibility changes the equation. As consequences become undeniable, stakeholders no longer assume that competence and scale equate to trustworthiness. The shield that once granted corporations permission to expand without question now requires constant defense.

Not all consequences, however, are the same. Some harms emerge from scale and complexity faster than understanding can follow. These are blind consequences, outcomes that could not have been fully anticipated at the moment of innovation or decision. Others are foreseen and deliberately managed in service of commercial outcomes. These are hidden consequences, harms that corporations knew about and chose to conceal or minimize. The distinction mattered once, when institutions mediated meaning and could differentiate between unlucky and unethical. This distinction, now, offers little protection in a world where institutional trust has fractured.

Both types of consequences undermine legitimacy, but for different reasons. Hidden consequences suggest a deliberate decision to prioritize commercial objectives despite known harm. Once brought to light, they often trigger crisis-inducing scandals because concealment is interpreted as evidence of compromised integrity.[32] Blind consequences are different; they reveal structural negligence, not a calculated plot. Yet in an environment saturated with institutional skepticism, the distinction between the two becomes almost academic. Society has accumulated so many documented cases of hidden harm, so many scandals where companies knew and acted anyway, that the default assumption has shifted. Stakeholders now generally assume consequences are known and ignored, choosing to scale anyway. Skepticism leads to the notion that concealment is the rule, not the exception. Even an unforeseeable harm translates to negligence and accountability failure. And when a single "honest" misstep happens, as they usually do, it triggers stakeholder suspicion that all harm is deliberate and malicious.

The tobacco industry provides a historical case of hidden consequences deliberately managed for profit. Internal documents later revealed that major tobacco companies possessed extensive scientific evidence linking smoking to cancer and addiction by the

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[32] Soltani, M., Veer, E., de Vries, H. P., & A. Kemper, J. (2024). "Did You See What Happened?" How Scandals are Shared via Social Media. *Corporate Reputation Review*, *27*(3), 186–201. https://doi.org/10.1057/s41299-023-00165-z

1950s.[33] Rather than acting to mitigate harm, corporate strategy focused on suppressing research, manufacturing doubt, and prolonging regulatory inaction through coordinated campaigns.[34] Product design and marketing were optimized not merely to sell cigarettes, but to sustain addiction and recruit new users, including younger populations. When called to testify before Congress in 1994, tobacco executives claimed the evidence was inconclusive, their products were not addictive, and they were not marketing to children. Internal documents later made public told a starkly different story.[35]

The opioid crisis followed a similar pattern. Beginning in the late 1990s, pharmaceutical companies aggressively marketed prescription opioids as safe and effective treatments for chronic pain, often minimizing the risks of addiction and dependency.[36] Internal communications revealed these firms knew of the addictive potential long before public harm became visible.[37] Yet corporate strategy prioritized

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[33] LeMaistre, C. A., Hamill, P. V. V., Guthrie, E. H., Farber, E., & Shopland, S. (with Project Muse). (2024). *Clearing the Air: The Untold Story of the 1964 Report on Smoking and Health*. University of California Health Humanities Press.

[34] Brandt, A. M. (2012). Inventing conflicts of interest: A history of tobacco industry tactics. *American Journal of Public Health*, *102*(1), 63–71. https://doi.org/10.2105/AJPH.2011.300292

[35] Cummings, K. M., Brown, A., & O'Connor, R. (2007). The Cigarette Controversy. *Cancer Epidemiology, Biomarkers & Prevention*, *16*(6), 1070–1076. https://doi.org/10.1158/1055-9965.EPI-06-0912

[36] Van Zee, A. (2009). The promotion and marketing of oxycontin: Commercial triumph, public health tragedy. *American Journal of Public Health*, *99*(2), 221–227. https://doi.org/10.2105/AJPH.2007.131714

[37] Alonso, J. S. (2021). Purdue Pharma Deceptive Research Misconduct: The Importance of the Use of Independent, Transparent, Current Research. *Voices in Bioethics*, *7*. https://doi.org/10.7916/vib.v7i.7786

rapid market expansion and revenue growth. Sales representatives were incentivized to encourage broader prescribing. Educational materials emphasized low addiction risk and positioned opioids as compassionate care. Between 2013 and 2015, one in twelve American physicians received opioid-related marketing. Among family physicians, it was one in five.[38] As prescription volumes surged, addiction rates, overdose deaths, and community destabilization followed.[39] In both cases, corporate power was exercised with precision in pursuit of growth, while costs and consequences were externalized to society.

But not all negative externalities are deliberately hidden. Microplastics offer a counter example of blind consequences. Plastic became a transformative innovation in the twentieth century. It solved genuine problems that created societal prosperity, because it was cheap, durable, and versatile. Corporations seized the prosperity shield, optimizing production and distribution at scale. No company set out with a plot to contaminate. No executive intentionally designed microplastics to pervade human bloodstreams, accumulate in organs, and possibly alter cellular function.[40] The harm

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[38] Eisenberg, M. D., Stone, E. M., Pittell, H., & McGinty, E. E. (2020). The Impact Of Academic Medical Center Policies Restricting Direct-To-Physician Marketing On Opioid Prescribing. *Health Affairs*, *39*(6), 1002–1010. https://doi.org/10.1377/hlthaff.2019.01289

[39] Hadland, S. E., Rivera-Aguirre, A., Marshall, B. D. L., & Cerdá, M. (2019). Association of Pharmaceutical Industry Marketing of Opioid Products With Mortality From Opioid-Related Overdoses. *JAMA Network Open*, *2*(1), e186007. https://doi.org/10.1001/jamanetworkopen.2018.6007

[40] Preda, O.-T., Vlasceanu, A.-M., Andreescu, C. V., Tsatsakis, A., Mezhuev, Y., Negrei, C., & Baconi, D. L. (2024). Health Implications of Widespread Micro- and Nanoplastic Exposure: Environmental

was not foreseeable at the moment of innovation. This consequence emerged from scale itself. Over decades of production, plastic decomposed into particles invisible to the naked eye. Those particles entered waterways, food chains, and human bodies. Later, as measurement technology improved and research accumulated, the full scope of harm became visible. By then, microplastics were everywhere.[41]

But microplastics are no longer a blind consequence, it is now a chronic one. Once visibility emerged, the industry response was slow, fragmented, and insufficient to match the scale of harm that had already accumulated, while production continued to expand and meaningful accountability remained elusive. The harm did not resolve into reform, it embedded itself further into ecosystems and human bodies as corporations defaulted toward incremental improvements rather than fundamental transformation. This is precisely why stakeholders perceive little difference between blind and hidden consequences, because when a blind consequence becomes visible and corporations fail to act with integrity, the original ignorance ceases to matter and the response begins to feel indistinguishable from concealment. What stakeholders evaluate is not the moment of discovery but the pattern of action that follows it, and

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Prevalence, Mechanisms, and Biological Impact on Humans. *Toxics*, *12*(10), 730. https://doi.org/10.3390/toxics12100730

[41] Cverenkárová, K., Valachovičová, M., Mackuľak, T., Žemlička, L., & Bírošová, L. (2021). Microplastics in the Food Chain. *Life*, *11*(12), 1349. https://doi.org/10.3390/life11121349

when that pattern resembles persistence rather than accountability, the distinction between unforeseeable harm and deliberate harm collapses entirely.

These three negative externalities underscore a defining lesson that shaped the Reputation Era. Some harms are concealed deliberately. Others emerge from scale and complexity faster than understanding can follow. In both scenarios, corporations operated with competence and precision in pursuit of their designed purpose. They optimized markets and they solved problems to deliver prosperity. Yet the consequence-awareness required to foresee and manage ripple effects was simply not fully built into corporate decision making architecture. When stakeholders began seeing the full chain from corporate decision to societal consequence, with a perceived lack of accountability, trust could not recover. Corporations in the modern era are perceived as lacking the mechanisms required to reliably manage the consequences that their accelerated scale created.

This erosion weakened the legitimacy of the corporate archetype itself. A public that once assumed competence meant trustworthiness now assumes the opposite. Stakeholders expect proof of consequence-awareness, not just capability. They interpret silence not as confident self-governance, but as potential concealment. In this environment, even well-intentioned organizations operate under presumption of scrutiny. Legitimacy, in the Reputation Era, must be actively earned rather than

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passively assumed. Now a single misstep can send reputation plummeting, which is a reputational inheritance of the modern era. Corporations traverse a landscape shaped not only by what they do, but by the accumulated memory of what other corporations failed to do, which is to anticipate potential societal consequences, accept accountability, and act with integrity.

Passage 4: The Growth-Responsibility Paradox

Summary Text (Not Included in Final Copy): As corporations expand, their influence over economies, governments, and social systems intensifies, making them not just business entities but key societal players. With this power comes heightened scrutiny, as the public, regulators, and stakeholders demand greater ethical responsibility, transparency, and accountability. The larger a corporation becomes, the more it must answer for its impact on workers, consumers, communities, and the planet.

This memory has translated into an increasing surge of populist skepticism toward institutions.[42] But this movement misunderstands that the ascension of modern corporate power followed no master plan. It was not the outcome of a grand design engineered in boardrooms by executives with master plans. Instead, corporations ascended to their current scale through a series of historical events, market dynamics, economic conditions, and incentive systems that emerged precisely because societies

[42] Jetten, J., & Mols, F. (2021). Support for populist parties. In J.-W. Van Prooijen (Ed.), *The Psychology of Political Polarization* (1st ed., pp. 97–111). Routledge. https://doi.org/10.4324/9781003042433-9

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demanded them. The memory of consequences and perceptions of significant corporate scale easily lends to the conclusion that corporations have been seizing power, despite a historical account which shows that they inherited it. Gradually, over time, it was granted piece by piece from public and governing bodies that wanted prosperity in the forms of faster innovation, better infrastructure, cheaper goods, convenience, and economic resilience. What they did not anticipate was that granting a private institution such capacities would eventually transform that institution into something that demanded a new, much more complex, system of accountability.

The core tension of modern corporate power lies in a paradox that cannot be resolved within current corporate architecture. Corporations were built to scale, optimize, and deliver prosperity at speed. They were not built to foresee and manage the full spectrum of consequences their decisions create across labor systems, communities, and ecosystems.[43] Yet that is now what society demands. Corporations are simultaneously expected to grow and, at the same time, to master the consequences of growth. They are expected to innovate and to anticipate all ripple effects of innovation. They are expected to move fast and to absorb the full weight of what speed creates. These mandates are not only paradoxical, they are incompatible. No system designed to maximize efficiency and returns can simultaneously manage all

[43] Idowu, S. O. (Ed.). (2013). *Encyclopedia of corporate social responsibility*. Springer.

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consequences with equal rigor. This paradox is one of structure, not a matter of bad actors within political circles or executive leadership teams. It is a structural dilemma embedded in how corporations are fundamentally organized.

This paradox manifests concretely in the expanding criteria stakeholders use to evaluate companies. Those criteria now extend far beyond marketing performance and economic impact to include how corporate operations shape the systems on which society depends.[44] Employees evaluate conditions of fairness, safety, and dignity alongside compensation and opportunity.[45] Consumers increasingly examine sourcing, labor practices, and environmental impact in parallel with product quality.[46] Communities assess whether corporate presence contributes to local resilience or extracts value without reinvestment.[47] Regulators and policymakers consider whether scale is being used to advance innovation responsibly or leverage corporate velocity to concentrate marketplace advantages, exploit regulatory grey space, or skirt

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[44] Kumar, S. (2023). A Review ESG Performance as a Measure of Stakeholders Theory. *Academy of Marketing Studies Journal*, *27*(3S), 1–2.

[45] Tiwari, A., & Sharma, R. R. (2019). Dignity at the Workplace: Evolution of the Construct and Development of Workplace Dignity Scale. *Frontiers in Psychology*, *10*, 2581. https://doi.org/10.3389/fpsyg.2019.02581

[46] Becker-Olsen, K. L., Cudmore, B. A., & Hill, R. P. (2006). The impact of perceived corporate social responsibility on consumer behavior. *Journal of Business Research*, *59*(1), 46–53. https://doi.org/10.1016/j.jbusres.2005.01.001

[47] Bopape, M., Nemakonde, L. D., & Fourie, K. (2021). Private companies and community collaboration: Towards building disaster resilience in Diepsloot, Johannesburg, South Africa. *Jàmbá Journal of Disaster Risk Studies*, *13*(1). https://doi.org/10.4102/jamba.v13i1.1003

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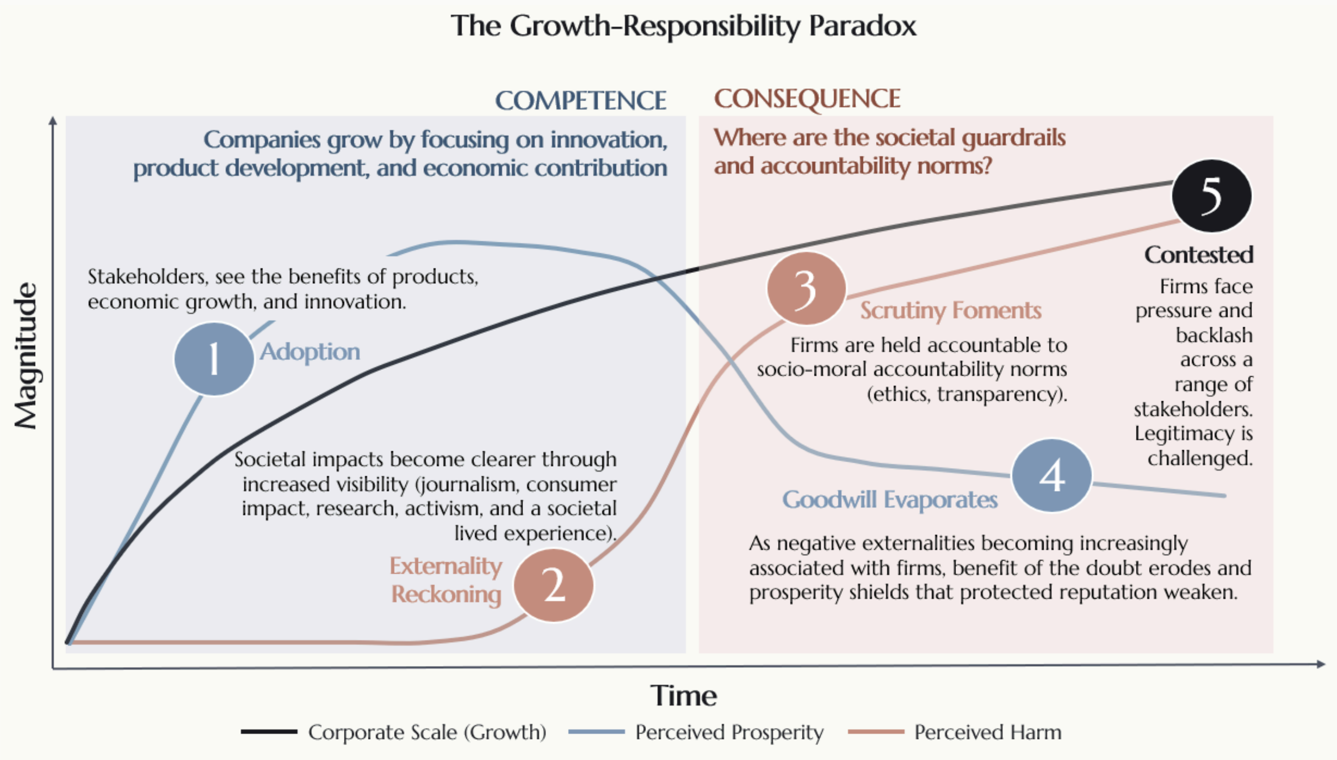
compliance and oversight.[48] This widening lens marks a structural change in how legitimacy is earned, requiring an alignment between capability and consequence. As corporate influence expands, so does the expectation that institutions anticipate the effects of their decisions beyond immediate financial outcomes to deeper societal impact. The paradox is not theoretical. It is the daily reality that corporations now navigate.



Within this paradox, reputation emerges as the primary currency through which stakeholder judgments are consolidated and legitimacy is strengthened, contested, or

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[48] Crandall, R. W., & Hazlett, T. W. (2023). Antitrust reform in the digital era: A skeptical perspective. *The University of Chicago Business Law Review*, 2(2), 293–331. https://chicagounbound.uchicago.edu/ucblr/vol2/iss2/1/

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weakened. But reputation is not a solution to the paradox. It is a diagnostic that reveals gaps between what corporations can foresee and what they actually cause. It makes visible the structural misalignment between corporate capability and corporate consequence. And because that gap is structurally designed to create consequence from competence, reputation becomes a currency that is in chronic short supply. Put simply, stakeholders demand proof of consequence-awareness that the current operating model of corporations cannot reliably provide. Legitimacy in the Reputation Era therefore depends on forms of accountability that many institutions are still struggling to build. The paradox remains unresolved, leaving reputation as the social judgment through which these systemic failures become visible and consequential. Ironically, there was a brief moment in history when visibility appeared capable of enabling accountability. Information would spark an externality reckoning, and stakeholders that could see consequences would demand safeguards. there was a brief moment in history when visibility appeared capable of enabling accountability.

Chapter 2: Reputation Hanging in the Balance

Quote Text (Placed on the section break page): *"If a problem cannot be solved, enlarge it." — Dwight D. Eisenhower*

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Passage 5: Pulling the Curtain Back

Summary Text (Not Included in Final Copy): Journalism evolved from a democratic watchdog into a fragmented and decentralized information ecosystem shaped by market incentives and technological acceleration. Along the way, narrative authority consolidated, fractured, and ultimately destabilized, giving rise to misinformation, perceived censorship, and erosion of shared reality. What began as scrutiny of corporate power became a system in which narrative itself became a source of asymmetry.

Rapid global scale, velocity gaps, and widening societal negative externalities played a significant role in producing the Reputation Era. But to truly understand how this era fell into place, the dynamics of corporate power must be explored. The power transformations that formed the Reputation Era, came about recently, spanning over the past 150 years. In this timeline corporate power would become highly visible, then unstable, then contestable.

Corporate power, that most closely resembles the power structures of modern day corporations, had accumulated significantly in the industrial age. Leading up to this point this power transformation was mostly quiet, obscure, or not fully understood. At this time prosperity looked like railroads that stretched across continents, oil pipelines that move energy across regions, and steel plants that were reshaping city skylines.

Leading into the early 1900's the mechanics of corporate scale were complex, distant, and difficult for most citizens to see. The New Dawn Era would translate that complexity into visible corporate power. In doing so, it would begin to destabilize a reputation operating system that had previously been relatively simple. Reputation was easier to sustain because corporations could earn legitimacy as long as a narrow group of political and public elites interpreted increasing corporate scale as evidence of competence and prosperity. A company's durable permission to operate therefore rested on a largely linear assumption, as long as capable institutions produced prosperity, then prosperity would provide sufficient grounds for legitimacy. This was the reputation operating system that had guided corporate behavior up to this point in history.

This software had a critical vulnerability, one that would glitch when the consequence of prosperity, as a result of accelerating scale, became visible. But for stakeholders to "see" the consequences of industry, they would need an interpreter that could decode corporate influence. The visibility of corporate power did not arrive through a single invention or political event. It emerged through the gradual construction of an information architecture that made hidden systems visible, and in doing so, the reputation operating system would begin to glitch.

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The stakes of the Reputation Era are not defined by corporate speed alone, but also by the systems that interpret and amplify that speed. Reputation exists in many locations, but it primarily resides in an information environment. In the New Dawn Era that information environment would evolve dramatically, alongside the institutions in it.[49] When industrial corporations began to accelerate scale across jurisdictions and communities, the public could not immediately grasp what that scale, and its potential consequence, meant. Negative externalities were experienced as slow moving, disparate, seemingly disconnected events such as rising prices, disappearing competitors, and shifting labor conditions. Those isolated stories did not always resonate with stakeholders because they lacked narrative coherence.

Journalism, especially muckraking journalism, provided that coherence. It translated dispersed negative externalities and corporate power into visible consequences. While journalism can be traced back to the Roman Era[50], its transformation into a professional, ethically oriented discipline marked a structural reputation turning point. The New Dawn era would formalize the journalism industry, including the founding of the University of Missouri's journalism school in 1908[51]. This journalism industry would

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[49] Barnhurst, K. G., & Nerone, J. (2008). Journalism History. *The Handbook of Journalism Studies*. https://www.academia.edu/992588/Journalism_History

[50] *Journalism | Definition, History, & Facts | Britannica*. (n.d.). Retrieved February 24, 2026, from https://www.britannica.com/topic/journalism

[51] *The J-School Legacy: Upholding the Journalist Creed at Mizzou*. (2026). Mizzou School of Journalism. https://journalism.missouri.edu/the-j-school/the-j-school-legacy/

make it possible for society to examine the mechanics of scale itself, including not just its outcomes. This anchored a broad societal expectation that concentrated power will be watched.[52]

Ida Tarbell's investigation into Standard Oil represents one of the clearest expressions of this shift. Beginning in 1902, her serialized reporting reconstructed the internal mechanics of Rockefeller's empire, detailing railroad rebates, secret agreements, and consolidation tactics with a level of clarity that made corporate power comprehensible to a broader public.[53] Tarbell's work was not merely investigative; it was a translation of power that widened visibility. The distance and obscurity of what Rockefeller was as a figure in society transformed into public narrative. Business leaders became legible societal actors that could now be examined and judged. Once stakeholders could see beyond corporate prosperity, the basis on which legitimacy was granted began to change. The equation to determine permission to operate became a net sum of prosperity minus perceived consequence. The reputation operating system was increasingly becoming a multi-variate equation.

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[52] Kalogeropoulos, A., Toff, B., & Fletcher, R. (2024). The Watchdog Press in the Doghouse: A Comparative Study of Attitudes about Accountability Journalism, Trust in News, and News Avoidance. *The International Journal of Press/Politics*, *29*(2), 485–506. https://doi.org/10.1177/19401612221112572

[53] Terrell, E. (2022, October 11). *Standard Oil, Tariffs, and Ida Tarbell | Inside Adams* [Webpage]. The Library of Congress. https://doi.org/10/standard-oil-tariffs-ida-tarbell

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Scrutiny of influential corporate power led to the passage of the Sherman Antitrust Act. A landmark law designed to prevent monopolies and restrain concentrations of economic power that could distort markets and harm the public. It became the defining intervention against Standard Oil, signaling that corporate scale, once celebrated, had crossed into a domain requiring formal oversight. But legal action did not serve as the key reputational transformation. Public opinion did not shift because of a legal ruling, it shifted because corporate power was emerging from behind the curtain.[54] The early twentieth century was more than an antitrust enforcement, it was the new dawn of corporate scrutiny.

As visibility expanded and took hold, scrutiny reinforced the relationship between visibility and accountability. Newspapers, often locally rooted, positioned themselves as civic institutions tasked with informing the public and exposing power.[55] The institution of journalism derived its own legitimacy by serving as an interpreter for power and influence. Stories that revealed corporate vulnerability reinforced the credibility and authority of the press. In exposing the consequences of corporate scale, journalism simultaneously strengthened its own legitimacy. The rise of

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[54] OpenStaxCollege. (2014). *The Origins of the Progressive Spirit in America*. https://pressbooks-dev.oer.hawaii.edu/ushistory/chapter/the-origins-of-the-progressive-spirit-in-america/

[55] Nord, D. P. (2001). *Communities of Journalism: A History of American Newspapers and Their Readers*. University of Illinois Press.

journalism served as a counterweight to corporate power, widening the number of stakeholders whose judgments institutions had to navigate.

Over time, visibility continued to widen, further pulling back the curtain, revealing societal consequences of corporate power not fully understood before. Issues such as labor practices, once confined to local contexts, could now become the subject of national interpretation. The Ludlow Massacre of 1914 illustrates how visibility could transform a localized industrial dispute into a nationwide legitimacy crisis.[56] When striking miners and their families were attacked by the Colorado National Guard, amid allegations of influence from Rockefeller interests, at least twenty people were killed, including women and children.[57] Public outrage spread rapidly through national coverage. Rockefeller, with a reputation already tarnished by issues of vast industrial scale, now became associated with human dignity as a cost of conducting business. Journalism collapsed the distance between action and perception, translating a localized tragedy into a delegitimizing national narrative.

The reputation operating system was expanding to include a wider range of stakeholders. Corporations could no longer rely solely on the acceptance of political

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[56] April 20, 1914: Ludlow Massacre. (n.d.). *Zinn Education Project*. Retrieved February 23, 2026, from https://www.zinnedproject.org/news/tdih/ludlow-massacre/

[57] *The Ludlow Massacre | American Experience | PBS*. (n.d.). Retrieved February 24, 2026, from https://www.pbs.org/wgbh/americanexperience/features/rockefellers-ludlow/

and economic elites; they also had to navigate media scrutiny and the increasingly visible experiences of employees and communities. Enter Ivy Lee, who advised Rockefeller to engage directly with journalists. By releasing information proactively, he sought to humanize corporate leadership and provide an explanation of corporate conduct.[58] His approach reflected a recognition that visibility had fundamentally altered the changing environment businesses were operating in. Corporations had become visible, and with that visibility silence would undermine legitimacy. Consequently, visibility requires communication, or, in its absence, interpretation will fill the void.[59] It was a transformative moment, it was understood that silent competence alone could not resolve multi-stakeholder scrutiny. Public relations emerged as an evolutionary adaptation to this more complex, multistakeholder reputation system. It was not initially conceived solely as persuasion, though that remit would expand over time. Its earliest role was to help institutions respond to visibility, explain their conduct, and navigate the widening set of judgments affecting their legitimacy.

Within decades, the communications function became an instrumental component of supporting institutional legitimacy. In an ironic twist, a practice initially developed to

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[58] Hallahan, K. (2002). Ivy Lee and the Rockefellers' Response to the 1913-1914 Colorado Coal Strike. *Journal of Public Relations Research*, *14*(4), 265–315. https://doi.org/10.1207/S1532754XJPRR1404_1

[59] bmadmin. (2014, August 25). Ivy Lee and the origins of the press release. *PR Academy*. https://pracademy.co.uk/insights/ivy-lee-and-the-origins-of-the-press-release/

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protect businesses from the reputational consequences of scale was soon used to accelerate scale itself. Edward Bernays extended the logic of public relations beyond response into influence. Drawing on psychological theory, he argued that public opinion could be shaped through deliberate communication strategies.[60] His campaigns demonstrated that narrative could do more than explain corporate behavior. It could shape how that behavior was perceived, and even create demand where none previously existed. The emotional mechanisms that Bernays would deploy in communications campaigns would later threaten an information ecosystem that consolidated and aligned through the mid-twentieth century. These threats to information stability would come to define the closing moments of the Unbounded Era (late 1900's).

Before the information ecosystem would fracture, there was a long duration of stability in the news ecosystem. For most of the mid-twentieth century the media network was highly consolidated. Advances in radio and television created a nationalized information environment in which a small number of institutions mediated public understanding.[61] Walter Lippmann, a Pulitzer prize winning American journalist, observed a complex, increasingly global, news environment that needed to

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[60] Harris, P., & Harris, I. (2022). Bernays, Edward Louis (1891–1995). In *The Palgrave Encyclopedia of Interest Groups, Lobbying and Public Affairs* (pp. 58–60). Palgrave Macmillan, Cham. https://doi.org/10.1007/978-3-030-44556-0_170

[61] Evans, F. (2021, August 12). *8 Moments When Radio Helped Bring Americans Together*. HISTORY. https://www.history.com/articles/most-famous-historic-radio-broadcasts

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be centralized. He believed that people relied on “pictures in our heads” to interpret increasingly dynamic world realities that had become proportionally overwhelming with the scale of news information.[62] At this time broadcast networks such as NBC, ABC, and CBS dominated the information landscape, these three outlets aligned and shaped how events (pictures in heads) were interpreted across the country.[63] Figures such as Walter Cronkite became trusted reference points, capable of influencing public sentiment and political decision-making simultaneously.[64] This environment created stability through a shared reality.

For corporations, this structure offered stability. Reputation could be managed within a structured, periodic narrative system. A crisis would unfold over extended intervals, typical in daily news cycles. Interpretation was mostly uniform and could be mediated through a finite set of channels. Corporations evolved their ability to anticipate, respond, and stabilize their narrative as scale continued to accelerate. As a result this period of time is often remembered as one of high institutional trust. That trust was a function of something more than just institutional behavior, it was a function of narrative alignment. Visibility existed within an information system capable of

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[62] Lippmann, W. (n.d.). *Public Opinion*. Retrieved February 25, 2026, from http://archive.org/details/PublicOpinion

[63] *Decline of the Big Three Networks | History | Research Starters | EBSCO Research*. (n.d.). EBSCO. Retrieved February 25, 2026, from https://www.ebsco.com

[64] *Walter Cronkite | Biography, Facts, & Views on Vietnam War | Britannica*. (2026, January 27). https://www.britannica.com/biography/Walter-Cronkite

translating events into relatively coherent shared interpretations. As long as that relationship held, legitimacy could be contested without it becoming unstable.

While a shared narrative held, for the time being, a new structural tension began to expose itself. One where visibility revealed how corporate innovation operated at a different velocity than democratic governance. Markets moved quickly, driven by incentives to innovate, scale, and capture advantage. Meanwhile, governance moved slowly, designed to deliberate, democratize, and reconcile competing interests to produce durable balanced rules.[65] This velocity gap became legible as journalism did not simply expose corporate behavior, it revealed how long that behavior could persist before meaningful government oversight emerged. The distance between scale and governance became visible. That widening gap would later become another defining feature of the Reputation Era.

One reason this governance gap widened was because companies learned how to effectively navigate "labels". Classification became a key strategy, "we are a platform, not a publisher," "we are a marketplace, not a financial institution," a strategy that was effective for navigating regulatory ambiguity.[66] Another factor driving the governance gap was the mobility of capital, rewarding speed and market capture over alignment

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[65] *The Avalon Project: Federalist No 62*. (n.d.). Retrieved February 22, 2026, from https://avalon.law.yale.edu/18th_century/fed62.asp
[66] *U.S. Code § 230—Protection for private blocking and screening of offensive material*. (n.d.). LII / Legal Information Institute. Retrieved February 25, 2026, from https://www.law.cornell.edu/uscode/text/47/230

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with governance structures. Corporations also recognized that increased consumer prosperity and delight only further delayed scrutiny, as early-stage innovations delivered superior convenience and quality.[67] Consumers would become habituated with improved experiences before consequence could become widely visible. A sometimes intentional strategy to acquire market share through an exceptional consumer experience before the negative externalities were understood. These strategies proved successful in expanding scale before governance could catch up, at this point companies could become entrenched before scrutiny could set in.

While scrutiny was delayed by increased prosperity, over time the consequences would become largely interpreted and understood. Now stakeholders evaluated not only whether companies complied with existing rules, but whether they recognized emerging risks and acted responsibly in the face of visible consequences.[68] This is where reputation diverges from legal conformity. Institutions could be legally compliant, but failure to mitigate externalities once they were aware of them would still leave legitimacy contested. What emerged was a reputational fault line where successfully scaling a company also introduced scrutiny. The question was no longer

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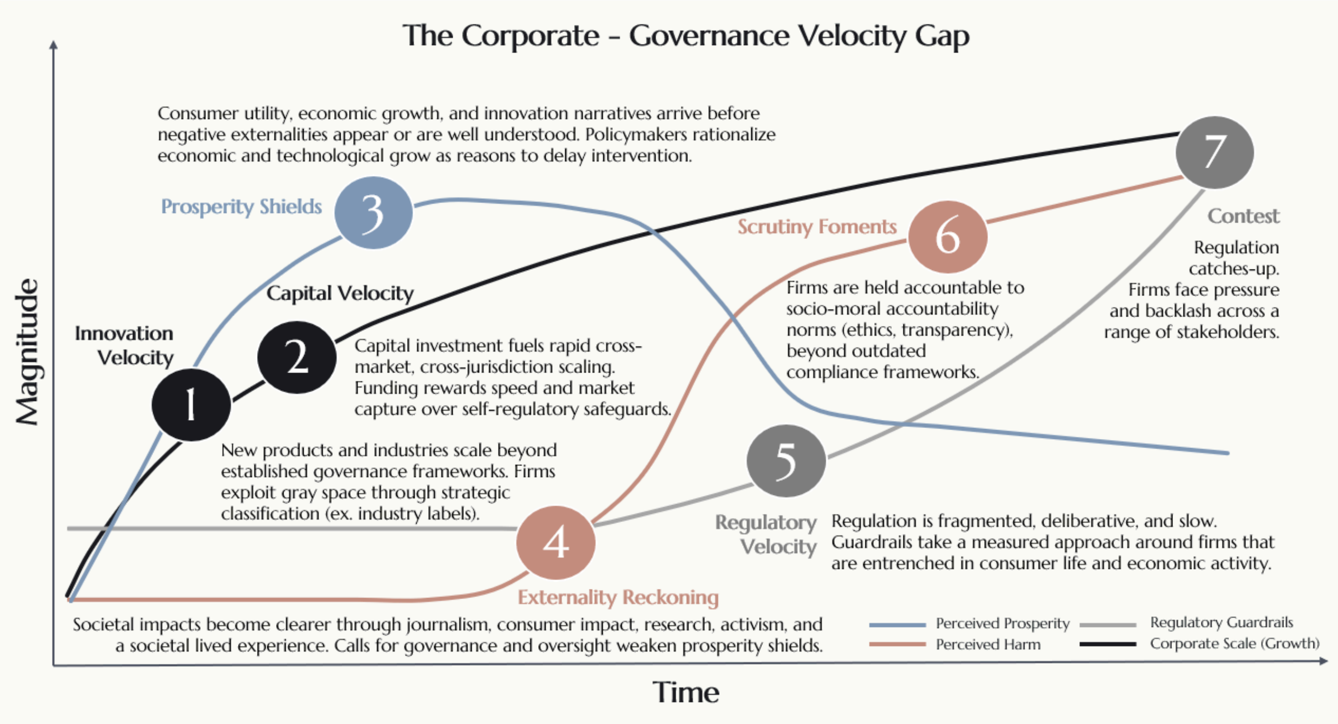
[67] Frieden, J., & Silve, A. (2023). The political reception of innovations. *Economics & Politics*, *35*(2), 595–628. https://doi.org/10.1111/ecpo.12228

[68] Suchman, M. (1995). Managing Legitimacy: Strategic and Institutional Approaches. Academy of Management Review, 20, 571-611. *The Academy of Management Review*, *20*, 571. https://doi.org/10.2307/258788

simply whether a company could scale within the rules. It was whether it was perceived to act responsibly within a system where the rules themselves lagged behind visible consequence.



Corporate responses to velocity gaps varied. Some organizations intentionally prioritized speed, exploiting regulatory ambiguity to capture market share before oversight could catch up. Others adapted, gradually investing in compliance as risks became visible. While some other companies take a completely different approach, recognizing that the velocity gap could be used to their advantage. In this case, they

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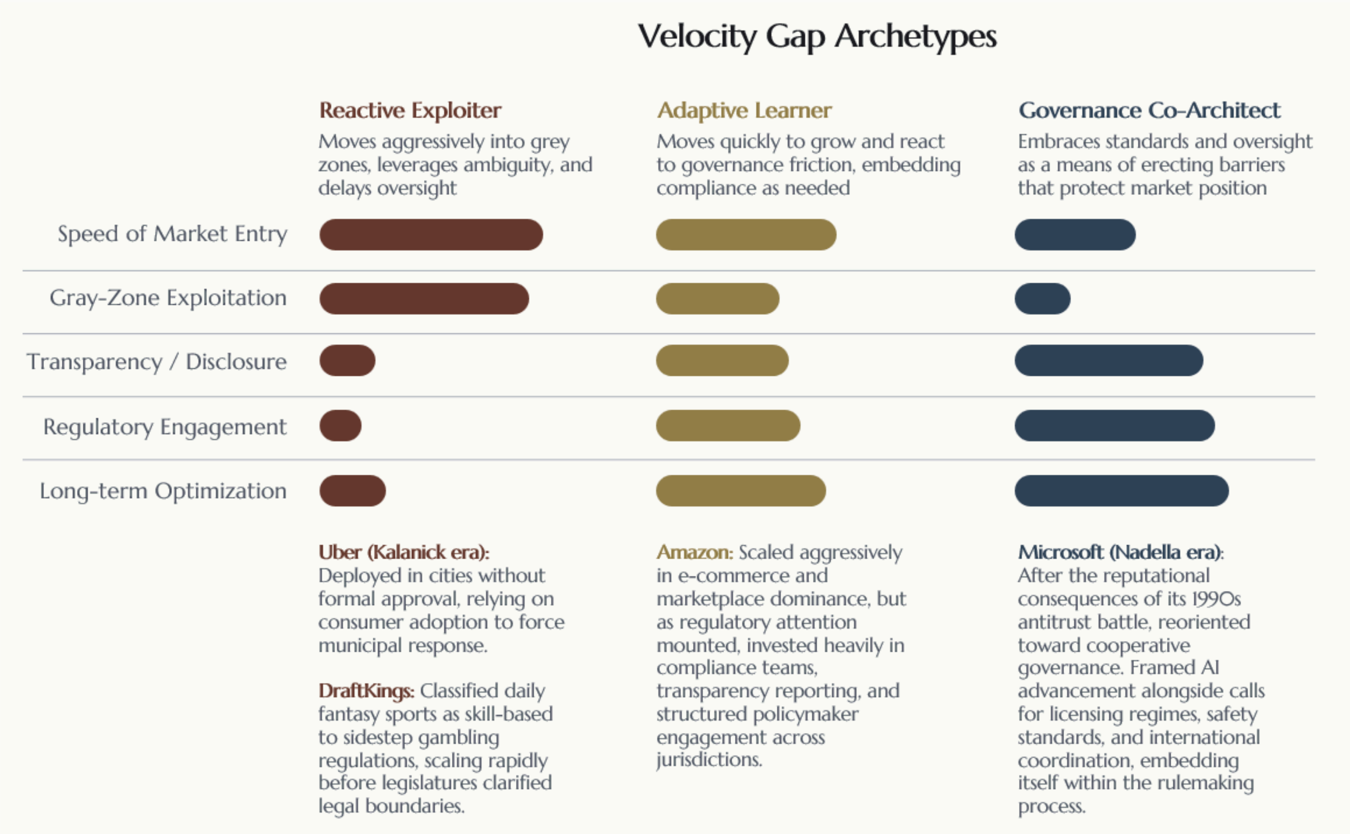
could deploy proactive legal compliance that could be used to shape governance itself, participating in the design of rules that would govern their industries and erect barriers to faster moving entrants. None of these approaches are primarily driven through ethical design, they are strategic responses to the same structural condition where innovation and capital velocity moves faster than governance and visibility. The velocity gap ultimately leads to three unique business strategies. Firms could choose to position themselves as either a Reactive Exploiter, an Adaptive Learner, or Governance Co-Architect.



Visibility and velocity gaps alone did not produce the Reputation Era. It was, however,

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a prerequisite and a marker of the New Dawn Era (Early 1900's). A time period where the reputation operating system would reveal itself as glitched and vulnerable. Power and asymmetry had become legible. But legibility alone did not fully destabilize the system. As corporations entered the Enbounded Era (~1950's), they faced a wave of instability, not from crisis, but through systematic structural design. This is the transition point that would crash the reputation operating system. Institutional power would not be contested because the curtain was pulled back, it would be challenged because common ground collapsed and a shared reality was lost.

Passage 6: The Collapse of Common Ground

Summary Text (Not Included in Final Copy): Two converging shifts, the redesign of capitalist incentives and the fragmentation of information systems, introduced significant power instability, weakening the structures that once anchored institutional legitimacy. As financial incentives pushed corporations toward short-term value and global capital mobility expanded asymmetry, institutions grew more distant from consequences, exposing a gap where legal compliance no longer guaranteed public trust.

Power had become visible, but something much deeper was about to change. Two converging forces, one economic and one informational, would set the stage for the modern day Reputation Era. On one side, the architecture of capitalism itself would be redesigned. Capital became more mobile, incentives were realigned around equity performance, and the structural ground beneath the post-war settlement shifted in ways that altered who benefited, how visibly, and at what cost to whom. On the other side, the information systems that translated corporate conduct narratives were fragmenting, accelerating, and polarizing. The shared narrative that allowed society to process institutional behavior through common reference points dissolved. While multiple factors produced the Reputation Era, the most formative influences were the ones that created power instability. As time progressed, shared realities further disintegrated while asymmetry expanded exponentially and, as a result, competence, on its own, became increasingly less effective for sustaining legitimacy.

Power instability begins at the heart of the Unbounded Era, in the 1970s. A time marked by turbulence and crisis for the American economy. The country faced destabilization from global competition, shocked by simultaneous stagnation and rising energy prices.[69] Instability, at this time, would not be resolved. It would be reshaped, redirected, expanded, and delayed. These pressures led to an intellectual reframing of capitalism. On a Sunday morning, September 13, 1970, *The New York Times Magazine* published an essay titled "The Social Responsibility of Business Is to Increase Its Profits," written by the American economist Milton Friedman. The

[69] Corbett, M. (n.d.). *Oil Shock of 1973-74*. Retrieved February 28, 2026, from https://www.federalreservehistory.org/essays/oil-shock-of-1973-74

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argument was direct, asserting that corporate executives are employees of shareholders and therefore have a fiduciary duty to maximize the value of investors and other capital intensive stakeholders. A company's main fiduciary duty, in this context, conveyed an obligation onto directors and executive officers to act in the best interests of shareholders. This also encompassed the duty of care, meaning management would be required to make informed and prudent decisions, avoiding any conflict of interest that would compromise, and reduce, shareholder returns. So long as a company ensured the language and labels they used to describe business operations were "within the rules of the game," they would remain in legal compliance and within basic ethical expectations.[70] This framework treated compliance with formal rules as sufficient evidence of responsible corporate conduct. As long as a company operated within legal and regulatory boundaries, it could reasonably expect that its legitimacy would remain intact. The Reputation Era would reveal the limits of that assumption. Institutions could comply with the rules governing their conduct while still falling short of evolving stakeholder expectations concerning fairness, consequence-awareness, accountability, and integrity.

Contrary to the popular notion, Friedman's essay did not instantly transform corporate behavior. While the argument helped articulate a direction toward

[70] Friedman, M. (2007). The Social Responsibility of Business Is to Increase Its Profits. In W. C. Zimmerli, M. Holzinger, & K. Richter (Eds.), *Corporate Ethics and Corporate Governance* (pp. 173–178). Springer Berlin Heidelberg. https://doi.org/10.1007/978-3-540-70818-6_14

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shareholder primacy, providing intellectual clarity at a time when American industry was searching for stability, the proposal required a more structural path to executing the vision. It took nearly a decade for a formal doctrine to become fully operationalized within corporate governance. The mechanism for translating Friedman's vision was through purposefully reengineering corporate incentive design. One of the most influential figures in that transformation was the economist Michael Jensen. In his landmark 1976 paper, "Theory of the Firm," co-authored with William Meckling, Jensen articulated what became known as agency theory. The argument was straightforward, corporate managers are agents of shareholders, and misalignment between managerial incentives and shareholder interests is inefficient. The solution, Jensen argued, was to redesign how executives are incentivized, ensuring that they are compensated in ways that tie their wealth directly to shareholder returns.[71]

This logic moved from academic journals to boardrooms. Compensation structures shifted, with executive pay increasingly anchored to equity awards and stock options.[72] In practical terms, this meant that leadership decisions increasingly aligned with stock performance. The shift would prove to be consequential because it

[71] Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, *3*(4), 305–360. https://doi.org/10.1016/0304-405X(76)90026-X

[72] Edmans, A., Jenter, D., & Gabaix, X. (2017, September 6). Executive Compensation: A Survey of Theory and Evidence. *The Harvard Law School Forum on Corporate Governance*. https://corpgov.law.harvard.edu/2017/09/06/executive-compensation-a-survey-of-theory-and-evidence/

recalibrated what corporate leadership optimized for. Corporate leadership lost their ability to transact a long-term vision that created durable business resilience. Instead it was incentivized to maximize market value, with an increased focus on driving consistent and continual short-term wins for its shareholders. The focus moved to devising tools that would expand market value dramatically. Scale became a key success factor and with it scrutiny would be sure to follow.

As Jensen's intellectual framework renovated corporate boardrooms, the need to retrofit the financial system plumbing with it became evident. In 1982, the Securities and Exchange Commission adopted Rule 10b-18, providing companies with a "safe harbor" when repurchasing their own shares.[73] While stock buybacks were not new, the rule clarified how and when firms could buy back their own stock without facing accusations of market manipulation. Buying a company's own stock was a simple but powerful tool for driving shareholder value. Buybacks reduced the number of available stock shares, which boosted a company's earnings per share evaluation. This in turn, would lead to stock price appreciation. When executive compensation was tied to stock price, it reinforced executive financial decision making that would elevate shareholder returns. As a result, the flow of profits that might have been directed toward business reinvestment (ex. wage growth, infrastructure investments,

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[73] *SEC.gov | Division of Trading and Markets: Answers to Frequently Asked Questions Concerning Rule 10b-18 ("Safe Harbor" for Issuer Repurchases)*. (n.d.). Retrieved February 28, 2026, from https://www.sec.gov/rules-regulations/staff-guidance/trading-markets-frequently-asked-questions/division-trading-markets-answers-frequently-asked-questions-concerning-rule-10b-18-safe-harbor

product innovation, etc.) previously was now being redirected towards increasing and protecting investors.

As the incentives systems changed corporations innovated additional tools to drive market share. From this, buybacks would be only one of several financially engineered solutions. Leveraged buyouts emerged as another powerful capital restructuring tool during this same time period. A leveraged buyout, known as an LBO, involves acquiring a company using a significant amount of borrowed money, with the acquired company's assets often serving as collateral for the debt that was used to purchase it.[74] If a company was seen as inefficient, bloated, or underperforming relative to its asset base, it became a target. The acquired, underperforming, firm would have inefficiencies eliminated, costs reduced, assets rationalized, operations streamlined, and performance improved.[75]

Firms such as Kohlberg Kravis Roberts, led by private equity financier Henry Kravis, became emblematic of this leveraged restructuring model.[76] His 1988 buyout of RJR Nabisco became more than a transaction. At roughly $25 billion, it was the largest

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[74] *Leveraged buyout (LBO) | Britannica Money*. (n.d.). Encyclopedia Britannica. Retrieved February 28, 2026, from https://www.britannica.com/money//money/leveraged-buyout

[75] *Operational Improvements in PE Buyouts | PDF | Leveraged Buyout | Private Equity*. (n.d.). Scribd. Retrieved February 28, 2026, from https://www.scribd.com/document/789779214/Operating-Improvements-in-Private-Equity-Buyouts

[76] Kaufman, A., & Englander, E. J. (1993). Kohlberg Kravis Roberts & Co. And the Restructuring of American Capitalism. *The Business History Review*, *67*(1), 52–97. https://doi.org/10.2307/3117468

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leveraged buyout in history at the time. The bidding war between corporate management and private equity firms unfolded visibility, transforming what might have been a technical financial maneuver into a phenomenon that struck awe and spectacle.[77] Chronicled in the book *Barbarians at the Gate*, the deal revealed to society that corporate power was shifting from managerial stewardship into aggressive allocation within capital markets. For many observers, it translated to a cultural moment when financial engineering became synonymous with highly influential transformative corporate power.

To drive shareholder value, the tools of financial engineering continued to stack and layer upon each other. Fueling many of these LBO transactions was the rise of the high-yield, or "junk," bond market. Michael Milken, working at Drexel Burnham Lambert, pioneered the large-scale underwriting and distribution of lower-rated, higher risk, corporate debt.[78] Milken argued that many firms with weaker credit profiles were undervalued rather than inherently risky. From this he built a market that channeled vast sums of higher risk capital, which are fittingly called junk bonds, into new financially engineered tools. These junk bonds financed leveraged buyouts at unprecedented scale. With the supply of debt becoming increasingly available, the

[77] Meikle, B. (2002, June 10). A Look Back At The Largest LBO Ever - [Content]. *Buyouts*. https://www.buyoutsinsider.com/a-look-back-at-the-largest-lbo-ever/
[78] Society, S. H. (n.d.). *Securities and Exchange Commission Historical Society*. Retrieved February 28, 2026, from http://www.sechistorical.org

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result was a surge in corporate takeover activity that normalized the culture of taking on exceedingly higher levels of risk.[79] While the 1980s LBO wave did not directly cause the mortgage crisis of 2008, it did create a culture of risk tolerance. Cracks were not obvious, because prosperity was expanding through market stabilization and rising economic activity.

Compounding this problem is another challenge that when a system is perceived to deliver prosperity, it is almost certainly expected to expand exponentially. This is precisely what happened to the financial incentive system, it expanded globally. As capital became more fluid within American markets, it also proved to be highly valuable as it expanded across borders. Roots of capital mobility now stretched from Wall Street to Shenzhen and Shanghai China, which was also shocked by another story of economic instability during the 1970s. At this time China was emerging from the economic and social upheaval of the Cultural Revolution. Industrial productivity lagged, state-owned enterprises were inefficient, and per capita income remained low.[80] China, like the United States, faced stagnation and structural fragility.[81] Deng Xiaoping's reforms were not ideological indulgences. They were pragmatic

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[79] U.S. Leveraged Buyouts: The Importance of Financial Visibility. (2013). *Liberty Street Economics*. https://libertystreeteconomics.newyorkfed.org/2013/08/us-leveraged-buyouts-the-importance-of-financial-visibility/

[80] Dollar, D. (1990). Economic Reform and Allocative Efficiency in China's State-Owned Industry. *Economic Development and Cultural Change*, *39*(1), 89–105.

[81] MacDougall, C. (1977). The Chinese Economy in 1976. *The China Quarterly*, (70), 355–370.

interventions designed to stabilize and modernize a struggling economy. Deng captured his philosophy in a now-famous phrase: "It doesn't matter whether a cat is black or white, as long as it catches mice."[82] The message was clear, economic results mattered more than Communist orthodoxy. Beginning in 1978, China opened itself to foreign investment, establishing Special Economic Zones, and gradually liberalizing portions of its economy. This provided labor costs that were dramatically lower than in the American Midwest. For multinational corporations, the equation was difficult to ignore. Capital could now flow into new markets where wages were much lower, regulatory frameworks were underdeveloped, and scale could be achieved at extraordinary speed. Within the incentive system, the result was predictable, production capacity would expand rapidly through global supply chains.[83]

For capital mobility to accelerate fully, the policy infrastructure of global trade had to be formalized. The North American Free Trade Agreement, enacted in 1994, reduced tariffs and trade barriers between the United States, Canada, and Mexico, expanding cross-border supply chains and manufacturing integration across North America.[84]

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[82] 邓京荆. (n.d.). *Black cat, white cat...* Retrieved March 1, 2026, from https://www.chinadaily.com.cn/a/201808/02/WS5b728ae4a310add14f385b4a.html

[83] Szapary, G., Dunaway, S. V., Burton, D., & Bléjer, M. I. (n.d.). II Overview of Reforms. In *China*. International Monetary Fund. Retrieved February 28, 2026, from https://www.elibrary.imf.org/display/book/9781557752024/ch002.xml

[84] *North American Free Trade Agreement (NAFTA)*. (n.d.). United States Trade Representative. Retrieved February 28, 2026, from https://ustr.gov/about-us/policy-offices/press-office/ustr-archives/north-american-free-trade-agreement-nafta

China's accession to the World Trade Organization in 2001, along with broader globalization policies, further expanded cross-border mobility of goods, capital, and production.[85] As a result supply chains quickly fragmented and stretched across continents. Corporations could quickly shift capital globally, however, labor could not move with the jobs, they remained geographically fixed.[86] From this another velocity gap emerges. The velocity of capital began to outpace the velocity at which local communities could adapt. The balance between the two deepened creating an uneven ground where corporate executives held leverage that employees could not influence. The rules of the game were being followed, but this would not shield corporations from contest and scrutiny.

The framework established in *Exit, Voice, and Loyalty* by German economist Albert O. Hirschman is instructive here. A stakeholder that does not have options, is vulnerable in declining scenarios. Without an exit option, they must rely on their voice. In situations where the power to exit (closing factories) outmatches voice (employee advocacy), loyalty dissipates and reputation weakens.[87] By the turn of the Reputation

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[85] *USTR - Background Information on China's Accession to the World Trade Organization*. (n.d.). Retrieved February 28, 2026, from https://ustr.gov/archive/Document_Library/Fact_Sheets/2001/Background_Information_on_China%27s_Accession_to_the_World_Trade_Organization.html

[86] Dept, I. M. F. R. (n.d.). III. Meeting the Challenges of Globalization in the Advanced Economies. In *World Economic Outlook, May 1997*. International Monetary Fund. Retrieved February 28, 2026, from https://www.elibrary.imf.org/display/book/9781557756480/Ch03.xml

[87] Hirschman, A. O. (1970). *Exit, voice, and loyalty: Responses to decline in firms, organizations, and states*. Harvard University Press.

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Era, that dynamic had become highly visible. Multinational corporations could reallocate production across continents while communities remained geographically fixed, financial institutions were rescued while households faced losses, and platform companies' global reach outpaced jurisdictional authority. The pattern was consistent. As exit continued to outpace voice, legitimacy strained. And where legitimacy strained, contestation followed.

That contest galvanized around perceived imbalance in the workforce. Productivity continued to rise through the late twentieth and early twenty-first centuries, but wages did not track as closely as they once had. Union density declined from its post-war highs of nearly one in three workers to just 5.9 percent in 2024.[88] Meanwhile, executive compensation, increasingly tied to equity performance, grew 1,094 percent from 1978 to 2024, while typical worker compensation increased by just 26 percent.[89] Wage growth remained more incremental and closely tied to local labor conditions, creating a widening asymmetry between the economic experience of corporate leadership and that of the communities around them. For a time, this divergence remained largely obscured, embedded within complex and abstract financial systems and softened by surface signals of stability and shared prosperity. The

[88] *Union Members Summary—2025 A01 Results*. (n.d.). Bureau of Labor Statistics. Retrieved February 28, 2026, from https://www.bls.gov/news.release/union2.nr0.htm

[89] *CEO Pay*. (n.d.). Economic Policy Institute. Retrieved February 28, 2026, from https://www.epi.org/publication/ceo-pay/

economic system was shifting gradually, its imbalances had accumulated over decades, most of which was largely out of view.

The information environment followed a very different trajectory. It did not evolve slowly, nor did it conceal complexity in the same way. As new forms of media and communication reshaped how corporate behavior was interpreted and understood, the information system that corporations had learned to navigate began to erode. Visibility continued to widen, but the centralized narrative fragmented. Interpretation became continuous, moving toward real-time engagement. The strain on the information system was driven by speed, but also by incentive. Unlike the slow half century drift of economic imbalance, the information system breakdown unfolded faster, in full public view, reshaping and fragmenting perception faster than institutions could adapt.

The breakdown began at a point in time where corporate power was highly visible, but also highly coordinated and managed. By the 1950's Edward Bernays had architected a system, the public relations function, where corporations could navigate scrutiny and maintain legitimacy. He extended the evolution of corporate communications through his own psychological theories, which were influenced by his uncle Sigmund Freud. Public opinion, he believed, was not something simply to respond to, but something that could be guided.[90] In the 1920s and 1930s, he orchestrated campaigns that linked products to identity, culture, and aspiration. Most famously, through his "torches of freedom" campaign, he reframed women smoking as a symbol of liberation.[91] In his influential essay, "Engineer of Consent", Bernays framed public relations as a scientific and purposeful process for shaping public support for ideas, policies, and products. Trained practitioners, he argued, could use research, psychology, and media channels to deliberately influence public opinion and align it with corporate objectives.[92]

Bernays introduced contradiction and tension into the same architecture he helped create. He demonstrated that corporate narrative could not only protect reputation and support legitimacy, but also accelerate corporate scale. Public relations was no longer designed solely to help institutions navigate scrutiny. The same discipline used to explain corporate conduct could also shape markets and expand desire. Could public relations serve as a steward of institutional credibility while simultaneously amplifying corporate ambition to scale the business?

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[90] Harris, P., & Harris, I. (2022). Bernays, Edward Louis (1891–1995). In *The Palgrave Encyclopedia of Interest Groups, Lobbying and Public Affairs* (pp. 58–60). Palgrave Macmillan, Cham. https://doi.org/10.1007/978-3-030-44556-0_170

[91] *Psychoanalysis shapes consumer culture*. (n.d.). Https://Www.Apa.Org. Retrieved February 25, 2026, from https://www.apa.org/monitor/2009/12/consumer

[92] Bernays, E. L. (1947). The Engineering of Consent. *The ANNALS of the American Academy of Political and Social Science*, *250*(1), 113–120. https://doi.org/10.1177/000271624725000116

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While public relations expanded its remit within corporations, journalism was also undergoing its own transformation in scale and authority. The Unbounded Era (mid 1900's) saw technological advances in radio and television that connected disparate communities and produced, for the first time, a genuinely nationalized narrative.[93] The emergence of these networks consolidated and aligned what had been a fragmented media ecosystem. The public's shared reality was strong because narrative authority was highly centralized, with three major news networks (ABC, NBC, and CBS) capturing over 90 percent of the U.S. audience.[94]

Evening news anchors became trusted cultural figures, their voices serving as common reference points across the country and, increasingly, the world. Walter Cronkite became one of the most trusted among them. In 1968, after traveling to Vietnam to report on the aftermath of the Tet Offensive, Cronkite broke from his customary neutrality and concluded on air that the war appeared destined for a stalemate. The impact was immediate and profound. President Lyndon B. Johnson reportedly told aides, "If I've lost Cronkite, I've lost Middle America," capturing the extent to which a single broadcast voice could influence national mood and political calculation.[95]

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[93] Evans, F. (2021, August 12). *8 Moments When Radio Helped Bring Americans Together*. HISTORY. https://www.history.com/articles/most-famous-historic-radio-broadcasts

[94] *Decline of the Big Three Networks | History | Research Starters | EBSCO Research*. (n.d.). EBSCO. Retrieved February 25, 2026, from https://www.ebsco.com

[95] *Walter Cronkite | Biography, Facts, & Views on Vietnam War | Britannica*. (2026, January 27). https://www.britannica.com/biography/Walter-Cronkite

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Journalism, in this era, did not merely report events. It mediated the "pictures in our heads" to create a shared reality. The significance of that shared reality for the reputation operating system cannot be overstated. When narrative authority was centralized, institutions could navigate the judgments affecting their legitimacy within a relatively coherent interpretive environment. A crisis could be contained, explained, and contextualized through a limited number of authoritative channels. That coherence gave the reputation operations system stability, but it would not last.

The first fractures appeared in the regulatory architecture of broadcasting itself. In the later stages of the Unbounded Era, TV cable network expansion introduced new, widening competition. The repeal of the Fairness Doctrine in 1987 marked a philosophical shift in regulatory approach. Rather than requiring broadcasters to present contrasting viewpoints through an "equal time" rule on controversial issues, regulators placed greater confidence in market competition to produce balanced narratives.[96] The reasoning, on the surface, seemed plausible. In a marketplace with more channels and more choices, the logic of regulatory mandated balance seemed unnecessary. The belief that market forces would ultimately create balance was incorrect, however. Media deregulation revealed that differentiated news narratives could become a highly competitive strategy. The repeal of the Fairness Doctrine

[96] Ruane, K. A. (n.d.). *Fairness Doctrine: History and Constitutional Issues*.

inadvertently laid the groundwork for a landscape in which partisan media thrived as broadcasters could tailor content to specific audiences.[97]

In this newly deregulated environment, executives such as Ted Turner and Rupert Murdoch recognized that format and identity could scale alongside content. CNN accelerated the news cycle with twenty-four-hour coverage, transforming news from a scheduled event into a continuous stream. Fox News leaned into audience alignment and opinion-driven programming, building a distinct editorial identity that attracted a loyal viewership. Many observers saw these developments as simple political positioning, but what they missed was an audience-targeting business strategy that aligned to new market incentives within an increasingly competitive journalism landscape. Leaders of media companies quickly understood that audience segmentation was powerful, and with it the scale of the media industry grew.[98] With that increased scale, the shared narrative center that once anchored broadcast journalism weakened. Different audiences consumed different interpretations of the same events, offered by different outlets with different editorial commitments. The

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[97] Scott, L. (2025, April 22). The repeal of the fairness doctrine accelerated the polarization of US media. *Poynter*. https://www.poynter.org/reporting-editing/2025/poynter-50-repeal-fairness-doctrine-rush-limbaugh-conservative-talk-radio/

[98] *Cable News Networks Have Grown More Polarized, Study Finds* | *Annenberg*. (2022, August 1). https://www.asc.upenn.edu/news-events/news/cable-news-networks-have-grown-more-polarized-study-finds

common ground that had allowed institutions to navigate the judgments affecting their legitimacy was eroding beneath them.

If cable fragmentation cracked the shared narrative, digital platforms shattered it. As news moved from print and broadcast into digital formats, the economics and architecture of journalism shifted fundamentally. Search engines redefined how information was discovered. Social platforms redefined how news was distributed. As distribution digitized, algorithms optimized for engagement. Emotional intensity often outperformed nuance, context, and verification. Content that provoked strong emotional reactions traveled farther and faster than traditional broadcast networks ever could.[99] What many interpreted as ideological bias was, at a structural level, the product of competing realities emerging as audiences consumed divergent interpretations of the same events.[100]

As an already weakened journalism industry confronted technologies that lowered barriers to entry, news consumption shifted rapidly toward social media feeds and video platforms. The influence of institutional journalism diminished as the media landscape became saturated with proliferating podcasts, independent newsletters, YouTubers, TikTokers, and influencer-driven commentary that increasingly served as

[99] Vosoughi, S., Roy, D., & Aral, S. (2018). The spread of true and false news online. *Science*, *359*(6380), 1146–1151. https://doi.org/10.1126/science.aap9559

[100] Tucker, J., Guess, A., Barbera, P., Vaccari, C., Siegel, A., Sanovich, S., Stukal, D., & Nyhan, B. (2018). Social Media, Political Polarization, and Political Disinformation: A Review of the Scientific Literature. *SSRN Electronic Journal*. https://doi.org/10.2139/ssrn.3144139

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primary news sources.[101] Google reshaped search by organizing information around query and relevance rather than editorial hierarchy.[102] Facebook transformed distribution by moving news from destination websites into personalized feeds, where it competed for attention alongside friends, family, and entertainment. Twitter compressed news cycles into seconds, rewarding immediacy over reflection.[103] Digital content platforms leveraged a statute known as Section 230, which labeled them as neutral speech conduits rather than news publishers, and that classification mattered, because governance rules attach to labels.[104] This allowed technology companies to operate under different rules than traditional journalism companies.

Shifts in political communications proved to be equally consequential. In 2012, Barack Obama announced his reelection campaign via Twitter and YouTube, setting the stage for future campaign launches and major political announcements to increasingly occur first on social media, bypassing traditional news outlets.[105] Elon Musk also

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101 *Overview and key findings of the 2025 Digital News Report | Reuters Institute for the Study of Journalism*. (n.d.). Retrieved February 26, 2026, from http://reutersinstitute.politics.ox.ac.uk/digital-news-report/2025/dnr-executive-summary

102 *How does Google determine ranking results – Google Search*. (n.d.). How Search Works. Retrieved February 25, 2026, from https://www.google.com/intl/en_uk/search/howsearchworks/how-search-works/ranking-results

103 *How Social Media is Transforming News Production and Consumption • Journalism University*. (2025, May 21). https://journalism.university/social-media-and-society/how-social-media-transforming-news/

104 *47 U.S. Code § 230—Protection for private blocking and screening of offensive material*. (n.d.). LII / Legal Information Institute. Retrieved February 25, 2026, from https://www.law.cornell.edu/uscode/text/47/230

105 *Social Media | Pros, Cons, Debate, Arguments, Facebook, Twitter, LinkedIn, & Internet Addiction | Britannica*. (2026, February 10). https://www.britannica.com/procon/social-media-debate

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supported the use of platforms to host political events, with the glitchy 2023 Florida Governor Ron DeSantis presidential campaign announcement on Twitter Spaces[106]. Credibility migrated from organizations to individuals and politicians around the world found they could increasingly bypass more critical traditional journalism in favor of friendly partisan media, personalities, and influencers who provided special access but rarely asked difficult questions.[107] This signaled a broader shift where political legitimacy and audience attention now reside. Content flowed toward amplification rather than interrogation, further accelerating the power of alternative media networks. If journalism had once served as the primary interpreter of institutional power, that interpretive authority was now dispersed across platforms, personalities, and algorithmic feeds that no single institution controlled.

For much of the past century, public relations and journalism had operated within a relatively coherent information environment that helped shape a shared reality. In recent decades, technological acceleration and deregulation fractured that coherence, creating a more unstable landscape in which institutional trust eroded more quickly than it could be rebuilt. It would be an overstatement to conclude that

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[106] Ortutay, -Barbara, Ortutay, A. P. B., & Press, A. (2023, May 25). *Elon Musk's event with Ron DeSantis reveals more Twitter pitfalls*. PBS News. https://www.pbs.org/newshour/politics/elon-musks-event-with-ron-desantis-reveals-more-twitter-pitfalls

[107] *Overview and key findings of the 2025 Digital News Report | Reuters Institute for the Study of Journalism*. (n.d.). Retrieved February 26, 2026, from http://reutersinstitute.politics.ox.ac.uk/digital-news-report/2025/dnr-executive-summary

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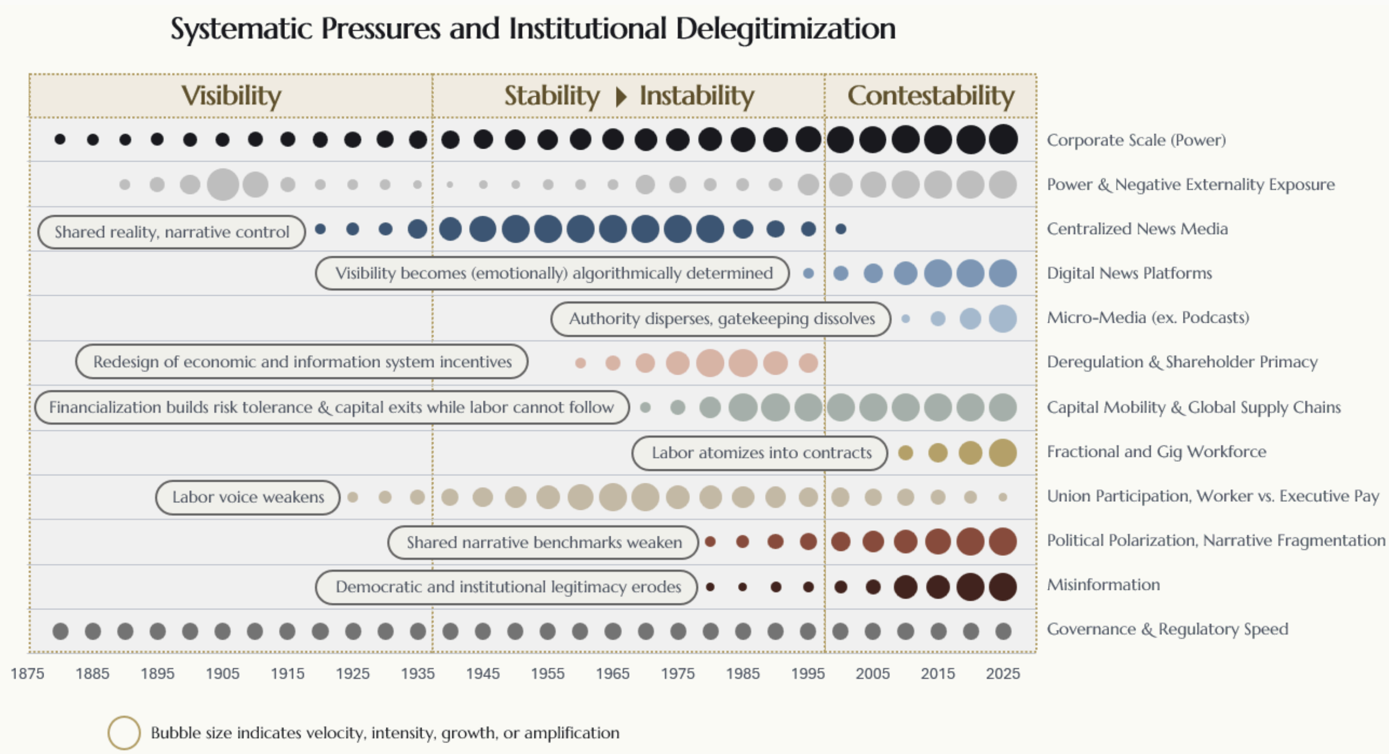
what changed was simply media technology. What changed was both market incentives and information system architecture. This shift moved reputation management from the margins of corporate operations toward the core of strategic endurance. It was no longer a downstream effect of business performance. It was becoming a condition for sustained operability. The structural progression of systematic pressures that created institutional delegitimization is in the visual.



Two forms of instability converged, setting the stage for the Reputation Era. The economic architecture of capitalism had been redesigned around shareholder primacy, capital mobility, and financial engineering, creating structural asymmetries

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that deepened faster than accountability mechanisms could adapt. Simultaneously, the information architecture that interpreted corporate conduct had fragmented, accelerated, and polarized, dissolving the shared narrative benchmarks that once gave institutions a stable surface on which to manage perception.

The connection between these two currents is the key to understanding why the reputation operating system broke. The economic shifts created real consequences as communities were hollowed by capital mobility, wage trajectories diverged from executive wealth, and financial crises distributed risk downward. The information shifts ensured those consequences would be narrated, amplified, contested, and remembered in ways that a centralized communications function would struggle to navigate. Competence, which had once been sufficient to earn legitimacy, was no longer enough because the systems that mediated interpretation and stabilized the judgments supporting legitimacy were themselves fracturing. A company could accumulate operational excellence and still remain vulnerable to a reputational crisis, not because of scandal or failure, but because the ground on which reputation was formed had become permanently unstable.

Passage 7: Dialing Up the Pressure

Summary Text (Not Included in Final Copy): Corporate power in the Reputation Era became not just visible or unstable, but actively contested, as economic redesign and

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fragmented information systems exposed institutions to continuous, multi-directional scrutiny. As more stakeholders gained the ability to challenge corporate conduct and trust declined across society, legitimacy shifted from something cognitively assumed to something constantly tested, where even compliant or well-intended actions could trigger skepticism, backlash, or reinterpretation.

With corporate power in the Reputation Era highly visible and increasingly unstable, the next development was its active contestation. The same technologies that fractured the shared narrative also armed the forces of contestation. A factory worker with a smartphone could document unsafe conditions and have the footage circulating on social media within hours. An investigative journalist with access to satellite imagery could track deforestation or emissions in near real-time. An activist investor could coordinate a shareholder campaign across jurisdictions through encrypted messaging. A whistleblower could reach millions through a single post on a platform that did not exist a decade earlier. Barriers to challenging institutional legitimacy shrank. Stakeholders were no longer distant, unorganized, or unheard.

This led to wide reaching systemic delegitimization that extended well beyond corporations. Trust fractures appeared across societal institutions as well, such as government, media, science, religion, and finance. Broad institutional distrust further compounded the pressure by weakening the credibility institutions could draw upon when explaining their conduct. The result was a reputation landscape populated by increasingly skeptical audiences that were more difficult to persuade or reassure. Each of these dynamics reinforced the others. Together, they produced a reputational condition, not an episode, in which legitimacy would be continuously contested.

This skepticism was amplified by another condition of the Reputation Era. Unlike earlier time periods, where corporations focused on performance and competence among elite segments of the population, the number of stakeholders and the expectations they have was continuously expanding. One of the consequences of global scale was an operational footprint that touched more communities, more labor markets, more ecosystems, and more regulatory jurisdictions than at any previous point in history. Not only did supply chains stretch across continents but digital products also reached billions of users and financial instruments connected pension funds in one country to mortgage debt risk in another.[108] The sheer scale and interconnectedness of the modern enterprise meant that the consequences of corporate decisions radiated outward in ways that were difficult to anticipate and impossible to identify in all of its permutations.

Scrutiny of an institution's legitimacy covered a wide range of domains and stakeholders such as the public, media, governments, advocacy organizations,

[108] Baldwin, R., & Freeman, R. (2021). Risks and Global Supply Chains: What We Know and What We Need to Know. *SSRN Electronic Journal*. https://doi.org/10.2139/ssrn.3936008

employees, investors, and consumers. In the Reputation Era, the widening of a jury meant juggling a wider range of expectations. Employees now expected ethical leadership, fair wages, and workplace engagement. Consumers expected transparency, sustainability, and alignment with their values. Governments expected contributions to broader societal benefit as well as compliance with rapidly evolving regulatory frameworks.[109] Investors began factoring reputational risk against performance into their capital allocation decisions.[110] NGOs and advocacy organizations focused on human rights, fair markets and mitigation of shared societal harms.[111] Local communities reinforced the need for balance and fairness that protects local economies, supports small business, and creates pathways for entrepreneurs. The result was a new governance reality, corporations would face more points of friction, more pathways for voice, more ways for legitimacy to be contested.

The speed of scrutiny became another defining characteristic of the Reputation Era. A company could face reputational escalation from a viral social media clip, a niche

[109] Collison, N. (2024). The Role of Government Regulation in Promoting Corporate Social Responsibility and Sustainable Development. *Journal of International Business Research*, *23*(4), 1–4.

[110] Kräussl, R., Oladiran, T., & Stefanova, D. (2024). A review on ESG investing: Investors' expectations, beliefs and perceptions. *Journal of Economic Surveys*, *38*(2), 476–502. https://doi.org/10.1111/joes.12599

[111] LeBaron, G., Lister, J., & Dauvergne, P. (2017). Governing Global Supply Chain Sustainability through the Ethical Audit Regime. *Globalizations*, *14*(6), 958–975. https://doi.org/10.1080/14747731.2017.1304008

podcast, or a coordinated online narrative within hours.[112] Because algorithms reward virality more so than verification, the result became a decentralized news ecosystem where disinformation and the deliberate spreading of propaganda to deceive or cause harm, found fertile ground.[113] Those responsible for protecting a corporation's reputation were reminded of what Edward Bernays had established years prior. Emotionally engaging content spreads faster than rationally driven messaging. In the Reputation Era, that insight was no longer merely a principle of persuasion. It was a structural condition of the information environment.

Efforts to balance the information ecosystem, through moderation of harmful content, introduced another layer of contest. Platform interventions designed to curb misinformation frequently became flashpoints themselves, as moderation efforts were framed by critics as censorship or viewpoint suppression. Throughout the COVID-19 pandemic, platform companies faced accusations of "non-governmental censorship" when they removed or limited the reach of vaccine and public health content which was considered to be misleading or false.[114] Whether accurate or exaggerated, the

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[112] Armutlu, I. I. (2024). Corporate Reputation and Crisis Management in Social Media: The Patiswiss Case Study. *International Journal of Research and Innovation in Social Science*, *VIII*(IX), 682–692. https://doi.org/10.47772/IJRISS.2024.809061

[113] Dance, W. (n.d.). *Addressing Algorithms in Disinformation*. Retrieved February 26, 2026, from https://crestresearch.ac.uk/comment/addressing-algorithms-in-disinformation/

[114] Moses, D. (2024, April 16). *The Word Censorship Has An Actual Meaning: A Defense of Content Moderation*. Tech Policy Press. https://techpolicy.press/the-word-censorship-has-an-actual-meaning-a-defense-of-content-moderation

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perception became operationally real. In a fragmented environment, the act of removing or labeling content could become as controversial as the content itself. The tools designed to restore shared truth often deepened the very divisions they were intended to heal.

Allegations of political bias became so salient that concerns about anti-conservative moderation were widely cited as contributing factors in Elon Musk's 2022 decision to purchase Twitter and roll back several anti-misinformation policies, including the reinstatement of previously suspended accounts.[115] Efforts to self-moderate and adjust the narrative toward a shared one led to increased scrutiny that further undermined institutional credibility. Attempts throughout the Reputation Era to build trust in news and content were often met with further erosion because contestability had become a self-reinforcing condition. Every intervention designed to stabilize the information environment generated new grounds for contestation.

The self-reinforcing condition that diminished credibility became a virus spreading across the entire institutional landscape. Trust declined not only in corporations, but in governments, media, science, religion, education, and finance. In the United States, confidence had fallen across the board since the 1970s. Over five decades, the proportion of Americans expressing "a great deal" of confidence in these institutions

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[115] *Social media moderators do go after conservatives*. (n.d.). Retrieved February 26, 2026, from https://www.theregister.com/2024/10/03/social_media_conservative_moderation/

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dropped anywhere from ten to twenty percentage points, with Congress and news media registering the lowest levels, roughly one in ten.[116] These trends were not confined to the American experience. Across democracies, similar patterns emerged.

Trust declined across institutions. By the mid-2020s, only one in four American adults claimed to trust newspapers, television, and radio.[117] According to the 2024 Edelman Trust Barometer, only 54 percent of global respondents reported trusting businesses, a figure that had stagnated or declined in many markets over the preceding decade.[118] Gallup's 2025 Confidence in Institutions survey reinforced the pattern showing 43 percent of Americans as expressing "very little" confidence in big business, up fourteen percentage points since 2002. That placed big business among the lowest-ranked institutions, only two points below the U.S. President and five below television news.[119]

In earlier periods of corporate controversy, other institutions, such as journalists, scientific experts, and government bodies to name a few, could still function as referees and credible collaborators. Authority was more balanced and aligned. A

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116 Milkoreit, M., & Smith, E. K. (2024). Rapidly diverging public trust in science in the United States. *Public Understanding of Science (Bristol, England)*, *34*(5), 616–627. https://doi.org/10.1177/09636625241302970

117 *Americans' Trust In News Media Falls To Record Low*. (2025, October 2). Grand Pinnacle Tribune. https://evrimagaci.org/gpt/americans-trust-in-news-media-falls-to-record-low-506083

118 *The Public's Distrust of Big Business: A Growing Crisis and a Call to Action - Reputation Partners*. (2025, March 24). https://reputationpartners.com/the-publics-distrust-of-big-business-a-growing-crisis-and-a-call-to-action/

119 Inc, G. (2007, June 22). *Confidence in Institutions*. Gallup.Com. https://news.gallup.com/poll/1597/Confidence-Institutions.aspx

media network's interpretation of a crisis was mostly believable. A regulatory body finding was perceived to carry weight. Scientific reports provided consensus that could settle a dispute. Today, corporations are judged in a credibility depleted ecosystem.[120] In an environment without trusted referees, every claim is contested, every defense meets skepticism, and reputation becomes both more volatile and even more consequential.

For corporations, the evaporation of credibility would undermine its own efforts to do the right thing. A company could fund environmental commitments, issuing a detailed sustainability report that critics would simply dismiss as greenwashing. Actions to build a diverse and inclusive workforce would be framed as performative. Making public statements to address societal issues that stakeholders expect companies to address, would lead to different, potentially delegitimizing, interpretations through highly partisan media channels. The greatest irony of the Reputation Era arises, the act of defending one's legitimacy had become, in many cases, a fresh occasion for its own contestation. Reputation professionals found themselves trying to build trust with audiences who had been conditioned, by decades of institutional failure and information fragmentation, to distrust the very act of institutional communication. The ground was not merely uneven. The soil itself had turned hostile.

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[120] Brady, H. E., & Kent, T. B. (2022). Fifty Years of Declining Confidence & Increasing Polarization in Trust in American Institutions. *Daedalus*, *151*(4), 43–66. https://doi.org/10.1162/daed_a_01943

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Contestation was not confined to digital platforms, advocacy campaigns, or regulatory proceedings. It extended into the cultural imagination, where the structural shifts described in previous sections were translated into symbols, narratives, and moral shorthand that shaped how ordinary people understood corporate power. By the late 1980s, the transformation of corporate governance had become visible enough to enter popular culture. In 1987, Oliver Stone's film *Wall Street* captured the spirit of the era. At the center of the story was Gordon Gekko, a fictional corporate raider who delivered what became one of the most quoted lines in financial history: "Greed, for lack of a better word, is good."[121] The film portrayed insider trading, leveraged acquisitions, and the ruthless pursuit of shareholder gain. Gekko was both villain and antihero, charismatic and corrosive.

The cultural impact was significant. "Greed is good" became shorthand for an era in which capital discipline, takeover battles, and shareholder returns dominated headlines. For some, it symbolized necessary correction after the stagnation of the 1970s. Greed, once defended as disciplined incentive alignment, was recast by many as imbalance and moral failure. Culture rarely preserves context and nuance, but it does create symbols. The movie *Wall Street* gave the decade a durable shorthand for a time marked by greed. Later moments of economic stress would revive the symbol in

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[121] *AFI|Catalog—Wall Street*. (n.d.). Retrieved March 1, 2026, from https://catalog.afi.com/Catalog/moviedetails/57877

new form. When inflation returned in the Reputation Era, the term “greedflation” spread as a ready narrative for price pressure interpreted as profit-taking.[122] The recurrence illustrates how quickly structural incentive shifts become reputational judgments once they are translated into everyday experience. Financial engineering could be rationalized on spreadsheets, but legitimacy was contested through the zeitgeist, quick takes, and headlines. And headlines, by their nature, always simplify.

For decades cultural moments showed society was picking up on an under current vibe. "Something feels wrong here.” A view from boardrooms and across capital markets showed returns that appeared rational, efficient, and indicative of growth. That view contrasted with the lived experience in many local communities. Prosperity felt slower, uneven, and less directly connected to corporate success. What was felt to be “wrong here” was a K-shaped economy, which is a divergence where different sectors, industries, or income groups experience vastly different outcomes. Nothing more effectively exposes divergent perspectives, and reputational stress fractures, more than a systematic breakdown.

In 2008, that systematic breakdown came. A global financial system, loaded with high risk mortgage debt, trembled. The federal government intervened to prevent systemic failure, deploying extraordinary measures to stabilize institutions whose

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[122] *GREEDFLATION definition and meaning | Collins English Dictionary*. (2026, February 25). https://www.collinsdictionary.com/dictionary/english/greedflation

collapse threatened the broader economy. To policymakers, intervention was necessary to prevent collapse. To many households, however, the optics were stark. Large institutions received stabilization funding and executives retained compensation packages, while households absorbed foreclosures, unemployment spiked, and retirement accounts shrank.[123] The crisis exposed how risk and consequence could be widely distributed downward while protection concentrated upward. It surfaced a perception that the financial architecture rewarded scale and absorbed failure differently depending on position within the system. 2008 was much more than a simple downturn; it was a legitimacy fracture. And unlike previous economic crises, it unfolded inside the fragmented information environment, which meant that the narratives it generated were diverse, contradictory, and impossible to contain.

The crisis cemented the core philosophy of the Reputation Era: great power and responsibility are intricately, and uncomfortably, linked concepts. However, as corporate scale amplified, responsibility was perceived to be lacking among the most influential actors in society. The burden fell not just on corporations, but those that were perceived to benefit the most from corporate prosperity. The perception that societal elites hold a disproportionate influence on setting the rules of the game became a moniker of the populist movement. The Fairness Foundation's 2025

[123] Mayer, C. J., Pence, K. M., & Sherlund, S. M. (n.d.). *The Rise in Mortgage Defaults*.

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"Inequality Knocks" report found that 63 percent of Britons believed the very rich had too much influence on politics, while 68 percent said ordinary people had too little. In the same study, 40 percent of Britons claimed that businesses wielded excessive political influence.[124] A 2025 survey conducted by Data for Progress among American voters produced similar findings: 73 percent believed billionaires had too much influence over federal government decisions, 67 percent said the same of corporations, and 66 percent of CEOs.

Where corporate influence felt most acute was on the question of broader societal wellbeing. According to Eurobarometer, 93 percent of Europeans believed that businesses should be guided by social economy values, focusing on social and environmental goals, redistributing profits, and operating with democratic governance structures.[125] A 2024 survey by JUST Capital reinforced the contrast, respondents were far more likely to believe companies had a positive impact on shareholders (73 percent) than on local communities (53 percent), society overall (45 percent), or the environment (34 percent).[126] The Reputation Era, in short, was a time

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[124] *Inequality Knocks*. (n.d.). Inequality Knocks. Retrieved February 12, 2026, from https://fairnessfoundation.com/inequality-knocks

[125] *Eurobarometer: Europeans embrace social economy and call for more support - Employment, Social Affairs and Inclusion*. (n.d.). Retrieved February 12, 2026, from https://employment-social-affairs.ec.europa.eu/news/eurobarometer-europeans-embrace-social-economy-and-call-more-support-2025-10-28_en

[126] 2024 Americans' Views on Business Survey. (n.d.). *JUST Capital*. Retrieved February 12, 2026, from https://justcapital.com/reports/2024-americans-views-on-business-survey/

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where large, highly influential institutions were perceived as prioritizing profits over societal wellbeing. Big business was mired in a growing perception that corporations were self-serving institutions operating at a comfortable distance from the consequences and risks that their scale produced.

With trust in corporations in decline, the notion of capitalism as a broken system became the next logical conclusion. According to Pew Research, public sentiment had become more critical of capitalism in recent years, with polling showing declining favorability toward capitalism in the United States and growing ideological polarization around the system.[127] The Reputation Era often felt like a revolt against capitalism, but that framing was superficial. What could be found deeper was a reckoning with its incentive architecture. Over five decades, incentive redesign and capital mobility had converged. Leverage shifted upward and distribution tilted.[128] Uneven ground did not automatically create injustice, but it significantly shaped perception. Most business leaders up to this time in history assumed reputation risk arose mostly from scandalous unethical events. In the Reputation Era, risk became a continuous ambient presence not because of a scandal, but because the ground people stood on became visibly uneven and societal consequences felt unresolved.

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[127] Nadeem, R. (2022, September 19). Modest Declines in Positive Views of 'Socialism' and 'Capitalism' in U.S. *Pew Research Center*. https://www.pewresearch.org/politics/2022/09/19/modest-declines-in-positive-views-of-socialism-and-capitalism-in-u-s/

[128] *Drivers of Declining Labor Share of Income*. (2017, April 12). IMF. https://www.imf.org/en/blogs/articles/2017/04/12/drivers-of-declining-labor-share-of-income

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Reputation risk moved from being episodic to a structural condition of the modern day business environment.

This erosion of legitimacy was not solely the result of external societal pressure or political polarization. It was the outcome of corporate structural limitations. While reputation was increasingly recognized as consequential to institutional legitimacy, it remained structurally siloed, underpowered, and disconnected from the core decision-making systems that ultimately shaped it. Communications, policy, HR, and legal teams generally lacked the unilateral power to reshape business models, incentive systems, or capital allocation decisions that drove the very perceptions they were asked to manage. As a result, many trust-building efforts, even the most well-intentioned, appeared reactive, fragmented, or performative. Some began and then stalled entirely. The 2025 European Parliament and Council decision to scale back key sustainability regulations, such as the Corporate Sustainability Due Diligence Directive, illustrated a familiar pattern. Implementation timelines were delayed and the number of companies covered was reduced under competitive pressure.[129] Delays were not simply the result of economic headwinds, they reflected the structural difficulty of internal transformation required to execute ambitious responsibility

[129] Directory, S. (n.d.). EU Rollback Cuts Mandatory Climate Transition Plans, Hitting Investor Data → ESG. *News → Sustainability Directory*. Retrieved February 14, 2026, from https://news.sustainability-directory.com/esg/eu-rollback-cuts-mandatory-climate-transition-plans-hitting-investor-data/

commitments. The gap between what corporations promised and what they could structurally deliver became, itself, another source of contestation.

This is the condition the modern institution inhabits. Legitimacy is no longer inherited or assumed. It must be continuously forged under pressure, inside fragmented information systems, amid persistent distrust, and across stakeholder expectations that shift faster than internal structures can accommodate. Reputation, in this environment, is not image management. It is the infrastructure of continued operability. The reputation operating system was built for an era of slower information, more stable institutions, finite sets of elite stakeholders, and a more centralized narrative authority. The reputation operating system was built for an era of slower information, more stable institutions, a finite set of elite stakeholders, and more centralized narrative authority. It is no longer capable of carrying the weight now placed upon it. Just as economic and information systems were redesigned, the reputation operating system must be rebuilt.

As power dynamics shifted, the Reputation Era took shape in a linear progression:

1. Power became highly visible.
2. Exposed asymmetric power introduced instability.
3. Instability became a foundation for power contestability.
4. Contestibility accelerated into delegitimizing scrutiny of power.

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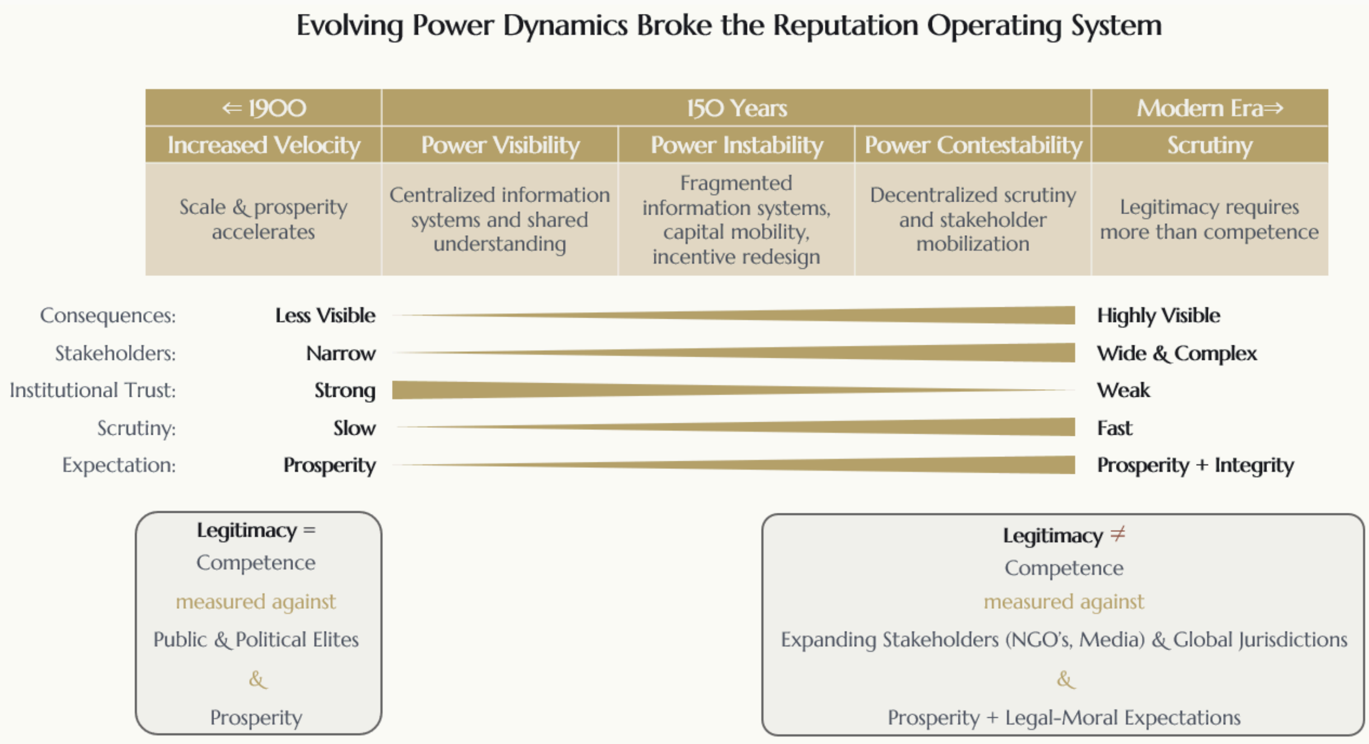

The state of this era is one of continuous scrutiny and skepticism. But the contest of legitimacy is not a formless, unstructured landscape. It organizes itself around specific domains, which provide recurring patterns through which stakeholders evaluate whether corporate power is being exercised responsibly. In the modern era, corporate legitimacy is now tested, challenged, and, at times, broken in four domains. The first is *Balance*: the question of whether corporate scale produces outcomes that are perceived as fair, whether prosperity is shared or concentrated, and whether the distribution of benefit and burden is sustainable. The second is *Influence*: the question of whether corporate power over markets, governance, and public discourse is exercised within boundaries stakeholders consider acceptable. The third is *Dignity*: the

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question of whether the people touched by corporate operations, employees, communities, and populations within supply chains, are treated with the respect and protection that modern norms demand. The fourth is *Shared Impact*: the question of whether corporate activity contributes to or degrades the common systems, environmental, democratic, and social, on which collective wellbeing depends.

These four domains are not abstract categories. They are the surfaces on which legitimacy is won or lost, the arenas where the contestation takes operational form. Together, they constitute the architecture of scrutiny that defines the Reputation Era. They function as constraint mechanisms, and they determine whether a corporation's license to operate endures or erodes.

Chapter 3: Contesting Corporate Legitimacy

Passage 8: Domains of Scrutiny

Summary Text (Not Included in Final Copy): In the Reputation Era, legitimacy is no longer a byproduct of competence but the result of ongoing judgment across domains where corporate power creates consequence. As firms have scaled, scrutiny has concentrated in four key areas: balance, influence, dignity, and shared impact. These domains reflect where institutional actions intersect most directly with stakeholder expectations, often across competing legal, social, and moral frameworks.

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Together, they form the structure through which reputation is evaluated and institutional legitimacy is continuously negotiated.

Reputation is now determined by how institutions are judged across domains where their power, influence, and actions create consequence. The result, in the Reputation Era, is one where legitimacy is increasingly tested across distinct domains of scrutiny. Across industries and issues, scrutiny tends to concentrate in four recurring domains where corporate behavior is interpreted and judged: balance, influence, dignity, and shared impact. These domains represent the primary arenas where a company's license to operate is either reinforced or strained, and where the conditions for long-term business sustainability are ultimately determined.

These domains of scrutiny were not always the primary lens through which corporations were judged. In earlier periods, corporate legitimacy was largely inferred from competence and the prosperity it produced. Economic contribution, growth, and employment provided a sufficient enough signal that an institution was operating in alignment with societal expectations. Before the Reputation Era, institutions could earn legitimacy primarily through prosperity; as long as they were perceived as creating value, they gained support and expanded. But as corporations scaled, and evolved, that condition changed.

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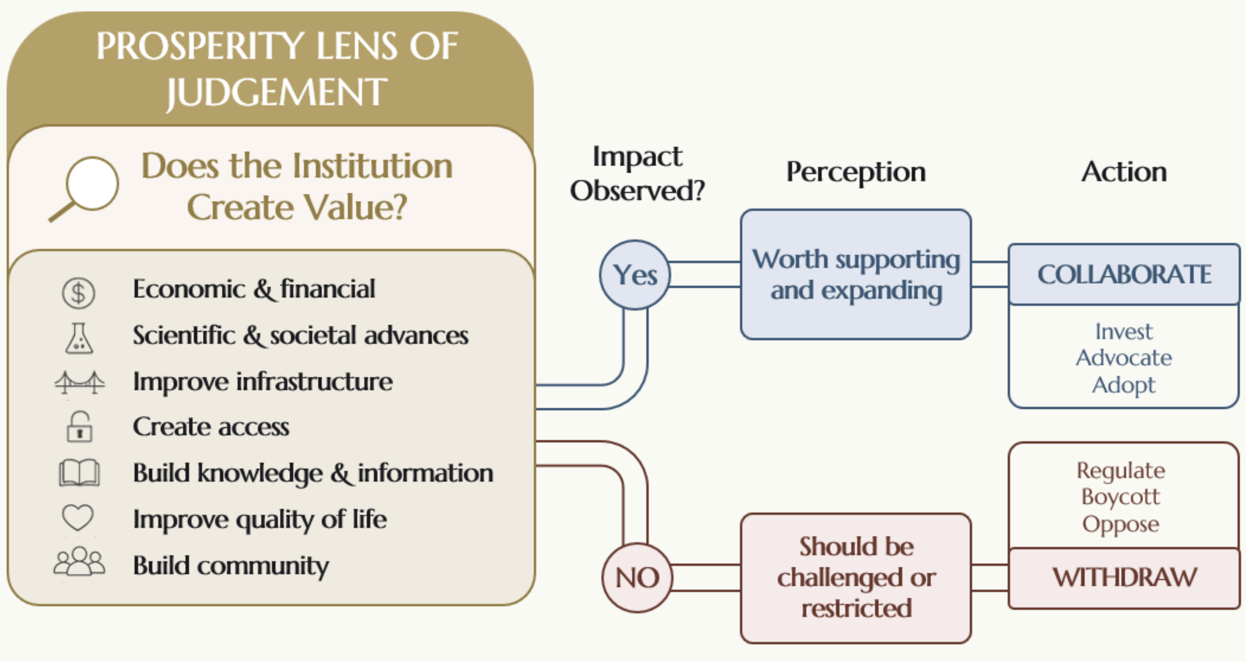

The expansion of corporate power extended the reach of business decisions beyond markets and into the systems that shape everyday life. Firms began to influence labor conditions, environmental systems, information flows, and the stability of communities. What was once largely contained within an economic frame came to produce social, political, and technological effects that were increasingly visible, attributable, and unevenly experienced. As impact expanded, so too did the stakeholder landscape. In the Reputation Era, corporations are evaluated simultaneously by employees, regulators, investors, media, and the public, often across multiple markets and jurisdictions. These stakeholders do not share a single standard of judgment. For some, scrutiny follows codified law and regulation. For others, it is shaped by more fluid social and moral expectations.

These overlapping legal and moral expectations have intensified as corporate capability has accelerated. Advances in technology, capital mobility, and global integration allow institutions to scale and operate at speeds that exceed the systems designed to govern them. The result is a persistent gap between what corporations are capable of doing and the frameworks available to evaluate whether those actions are acceptable. In that gap, a defining tension of the Reputation Era emerges. Corporations were built to optimize performance and scale, but must now satisfy a broader set of social and moral expectations they were not designed to satisfy. The systems that defined success inside the institution are no longer the same systems that determine legitimacy outside of it. For example, a corporation can prevail in a legal forum while losing acceptance with employees or the public. It can gain support from investors and suppliers while facing resistance from regulators and consumers.

The traditional reputation operating system broke.Models that once translated operational competence into broad legitimacy could no longer reliably convert capability into durable acceptance. As scale increased, so did the visibility and consequence of corporate behavior, and with it, the expansion of scrutiny into new domains. Scrutiny did not disperse evenly, it concentrated in specific areas where corporate power intersects most directly with its consequences. These are the points where tradeoffs become visible, where externalities surface, and where stakeholders experience the effects of institutional decisions most acutely.

Four domains of scrutiny emerged, reflecting these recurring points of consequence concentration. These domains are not independent. Pressure within one often cascades into others. Perceived imbalance can raise questions about influence. Concentrated influence can intensify scrutiny of shared impact. Failures in shared systems can quickly become questions of dignity. What begins as a localized issue can expand into a broader challenge to legitimacy. This is the structure of the reputation operating system in the modern era. Legitimacy can still be earned through prosperity, but remain contested, and renegotiated within domains of scrutiny. Understanding these domains is essential. They define where scrutiny concentrates, how corporate conduct is interpreted, and whether institutions retain their license to operate.

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The Four Domains of Scrutiny

		Judgement Lens	How Legitimacy Strains
Balance	Distribution of benefits, risks, and responsibilities	Equality, equity, fairness, proportionality, reciprocity	Legitimacy is compromised when stakeholders perceive misalignment, risk deflection, and a lack of shared gains.
Influence	Concentration of power to shape systems and outcomes	Control, access, gatekeeping, dependency, concentration, leverage	Legitimacy becomes contested when corporate power shapes access, direction, rules, and opportunity.
Dignity	Treatment of individuals and groups	Rights, agency, autonomy, respect, voice, exploitation	Legitimacy erodes when individuals are perceived as secondary to economic or operational goals.
Shared Impact	Externality effects on collective systems	Community impact, public well-being, environmental harm, quality of life	Legitimacy is strained when harm becomes visible, measurable, and attributable across shared systems.

Passage 9: Perception is Reality

Summary Text (Not Included in Final Copy): The question of balance emerges when stakeholders confront how the benefits and burdens of corporate activity are distributed. What appears as innovation and efficiency within the firm can be experienced as displacement or exclusion outside of it. In this gap, legitimacy is no longer earned through the production of prosperity alone, but through how the benefits and burdens of that prosperity are accessed, distributed, and shared.

Legitimacy is compromised when stakeholders perceive misalignment, risk deflection, and a lack of shared gains. When the behaviors, communications, or externalities associated with a company are perceived as uneven, unfair, or lacking reciprocity, stakeholders respond by constraining the institution's license to operate. Like the other three, the Balance domain of scrutiny can produce tangible consequences. Perceived violations can trigger boycotts, invite regulation, and prompt other restrictions that disrupt business operations. However, perceptions of balance can be easily contested and may be very difficult to quantify and defend. One of the most persistent and growing ideas in modern business is the belief that large corporations undermine the ability of smaller businesses to thrive and succeed. This argument reflects a recurring tension in how stakeholders interpret balance. It not only underpins anti-trust headwinds, but also serves as a powerful narrative used to mobilize public sentiment, serving as a powerful story to stir populist emotion, leveraged by politicians and activists to build momentum with their constituents.

The argument of imbalance within the systems that companies create feels authentic and believable as it can be easily rooted in observable shifts in the economic landscape; an issue lying in close proximity to increasing global wealth gaps.[130] To that end, the facts are undeniable, the expansion of large corporations has significantly reshaped local and global economic ecosystems. Through economies of scale,

[130] United Nations Conference on Trade and Development. (2024). *Inequality: Major trends, policy challenges and the need for global economic compact*. https://unctad.org/system/files/official-document/gds2024d1_en.pdf

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vertically integrated supply chains, platform dominance, and highly sophisticated logistics and data capabilities, large firms compete aggressively on price, speed, and convenience. These structural advantages allow them to deliver frictionless consumer experiences at costs and efficiencies that independent businesses often struggle to match. What appears to consumers as innovation and value can, over time, produce a competitive terrain defined by the rules, standards, and limitations set by larger players. Take for example, Walmart, which offers one of the most frequently, and aggressively, studied examples of small businesses displacement. Research by economist Emek Basker, from the University of Missouri, found that the opening of a Walmart store increased retail employment in a county initially, but also displaced workers at existing local retailers.[131] A later study by Artz and Stone (2012) found that Walmart entry was associated with declines in small retail establishments in rural Iowa counties, particularly in general merchandise categories.[132] Other research, including work by Panle Jia Barwick, Economics Department Chair at University of Wisconsin–Madison, authored "*What Happens When Wal-Mart Comes to Town"* which modeled how large "big-box" entry leads to the exit of small, less productive

[131] Basker, E. (2005). Job Creation or Destruction? Labor Market Effects of Wal-Mart Expansion. *The Review of Economics and Statistics*, *87*(1), 174–183.

[132] Stone, K. E., & Artz, G. M. (2012). Revisiting Wal-Mart's Impact on Iowa Small Town Retail: Twenty-Five Years Later. *Staff General Research Papers Archive, Staff General Research Papers Archive*, Article 35203. https://ideas.repec.org//p/isu/genres/35203.html

retailers who cannot compete on price due to scale disadvantages.[133] This is how imbalance becomes visible to stakeholders, not as a settled fact, but as a pattern inferred from uneven outcomes such as limited access to distribution, increased barriers to entry, and compressed margins for smaller firms. It also underscores that certain communities, and the small businesses within them, have undeniably felt squeezed.

This is where some issues that drive scrutiny within the balance domain can become convoluted. Because the evidence, in some cases, is far from one-sided. Looking at the other side of this issue, large companies also create massive supply chains that small businesses can plug into. The resources and support that large corporations offer enables small businesses to generate foot traffic, building a more flexible and dynamic infrastructure. DoorDash's 2024 US Economic Impact Report states that the platform supported more than $106 billion in economic activity and that local businesses generated over $40 billion in revenue on the platform in 2024, connecting small shops, restaurants, and merchants with customers they otherwise might not reach.[134]

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[133] Jia, P. (2008). What Happens When Wal-Mart Comes to Town: An Empirical Analysis of the Discount Retailing Industry. *Econometrica*, *76*(6), 1263–1316. https://doi.org/10.3982/ECTA6649

[134] *Measuring Our Impact: Unveiling the 2024 Economic Impact Report | DoorDash*. (n.d.). Retrieved February 14, 2026, from https://about.doordash.com/en-us/news/measuring-our-impact-unveiling-the-2024-economic-impact-report

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There is third party research that substantiates the claim, that large scale gig work platforms (including DoorDash, Grubhub, Uber Eats to name a few) increased total takeout sales for restaurants and have contributed to positive spillovers such as dine-in customer visits; further supporting the argument that large scale technology platforms can introduce new customers who then return to the restaurant more broadly.[135]

Yet many restaurant owners, political leaders, and media narratives counter this story, with a focus on compressed margins, loss of direct customer relationships, and dependence on platforms that control pricing and visibility.[136] This underscores a reputational challenge where both narratives, told across a range of different reputational stakeholders, can be simultaneously true. The truth that large corporations can support the small business ecosystem can be exemplified by increased access to entrepreneurial tools, particularly through digital ecosystems such as social media networks, online marketplaces, and content platforms like YouTube. These infrastructures lower traditional barriers to entry by giving individuals access to distribution, marketing tools, analytics, payment systems, and global audiences that

[135] Li, Z., & Wang, G. (2025). On-Demand Delivery Platforms and Restaurant Sales. *Management Science*, *71*(7), 5788–5804. https://doi.org/10.1287/mnsc.2021.01010

[136] Are DoorDash and Other Delivery Apps Hurting Restaurants? (n.d.). *Knowledge at Wharton*. Retrieved February 16, 2026, from https://knowledge.wharton.upenn.edu/article/are-doordash-and-other-delivery-apps-hurting-restaurants/

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would have once required substantial capital to build independently. Entire categories of work, from content creation and influencer marketing to app development, e-commerce storefronts, and creator-led brands, have emerged because large platforms supplied the technological backbone. According to *Entrepreneur*, YouTube helps small businesses build credibility and expand their customer base by giving them access to a vast global audience and powerful visual storytelling tools. By leveraging SEO, engaging content, and direct audience interaction, small businesses can increase brand awareness, drive conversions, and even generate new revenue streams at a fraction of the cost of traditional advertising that many small businesses cannot afford.[137] These examples counter the argument that while large businesses may have stifled some small businesses, there are several cases where small businesses thrived because larger ones built the ecosystems in which they operate. These cases demonstrate that the presence of a major corporation increases overall economic activity and can facilitate a wide range of benefits for smaller, independent business operators.

The jury, in truth, of this hotly debated balance domain of scrutiny issues, is one that remains without concrete conclusion. The relationship between large and small firms

[137] Yadav, S. (2023, July 3). YouTube Is the Tool You Need to Build Your Customer Base—And Your Credibility. Here's How. *Entrepreneur*. https://www.entrepreneur.com/growing-a-business/how-small-businesses-can-harness-the-power-of-youtube/453517

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is neither purely adversarial nor purely symbiotic. It is complex, contextual, and evolving. But here is where reputation enters the equation. We do not live solely in a world of empirical balance sheets and peer-reviewed data. We live in a much more complicated, dynamic and fast paced world of perception. And in that world, small businesses hold a powerful advantage, one that often poses significant reputational risk to large businesses. Recent survey data from the Pew Research Center illustrates this vividly. When Americans were asked whether various institutions have a positive effect on how things are going in the country, 86% said small businesses have a positive impact. Only 29% said the same about large corporations. This gap is not marginal; it is seismic. Across partisan lines, small businesses are viewed very favorably with 87% of Republicans and 88% of Democrats claiming small businesses contribute positively. Large corporations, by contrast, earn far weaker endorsement, with just 32% of Republicans and 26% of Democrats saying they have a positive effect.[138] These statistics remind us that the debate of harmful negative externalities imparted upon small businesses from larger corporations isn't a debate in the court of public opinion, here the verdict is nearly unanimous that larger companies are unable to deliver the positive impact that small business delivers.

[138] Nadeem, R. (2024, February 1). From Businesses and Banks to Colleges and Churches: Americans' Views of U.S. Institutions. *Pew Research Center*. https://www.pewresearch.org/politics/2024/02/01/from-businesses-and-banks-to-colleges-and-churches-americans-views-of-u-s-institutions/

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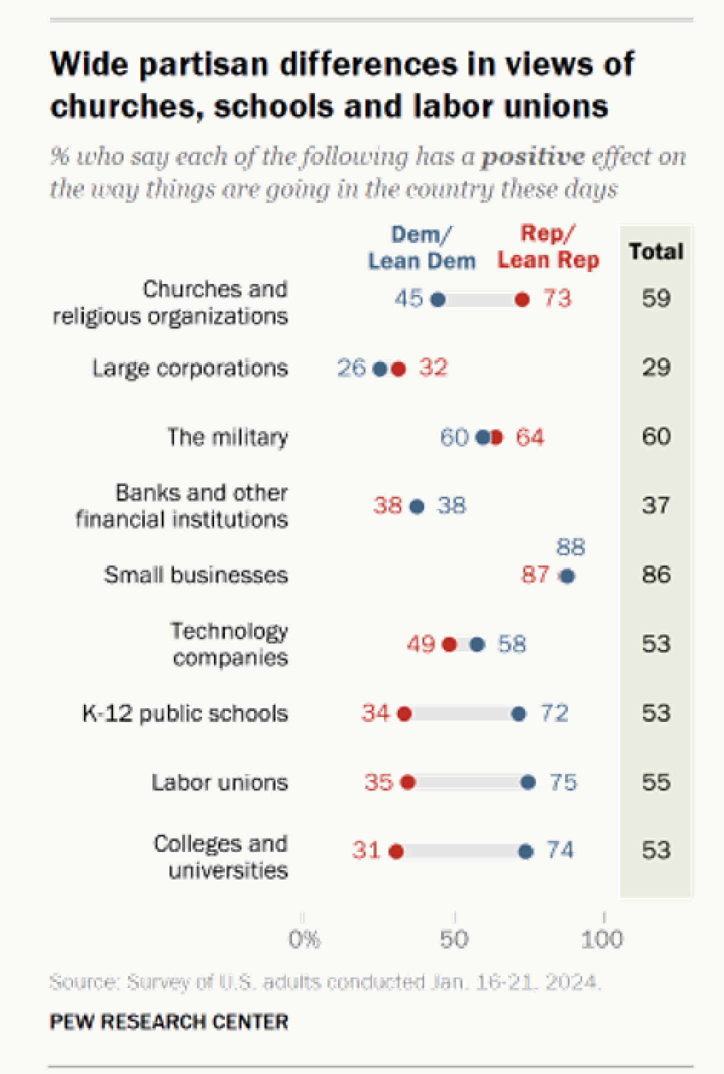

The numbers bring to life a key reputational theme, asymmetry. Small businesses are perceived as community-rooted, authentic, and vulnerable. They are reputationally protected by perceptions of closeness, vulnerability, struggle, ambition and other human conditions that resonate with people. Large corporations, from the outside perspective, are perceived as powerful, influential, and self-interested. Their scale, success, and reach invites scrutiny; which translates to suspicion. For reputation stewards, the key lesson here is that whether or not large corporations are systematically undermining small businesses becomes secondary to the conclusion, and fear, that they have the power to do so. This poses the question, "If a small business, through its localized, in community, personal relationship feels more emotionally human,[139] then does this mean a large globally scaled, with superiorly optimized competence, feels not only super-human in terms of its power and influence, but also sub-human in how it can connects with people emotionally?" This is the awkward tension between scale and scrutiny. Large scale global efficiency is now reframed from strength, to competence, to capability, to an imbalance that feels like dominance. Scale, reach, competency, and capability now become the tool kits by which corporations are perceived to be the creators of imbalance, which lends them vulnerable to perceptions of unfair business practices. The conclusion, in reputation, is that perceptions of imbalance do not need to be universally true to be consequential. They only need to be believed. This is how balance becomes a domain of scrutiny, not resolved by evidence alone, but shaped by how stakeholders interpret the distribution of gains, risks, and power within a system.

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[139] Gilboa, S., Seger-Guttmann, T., & Mimran, O. (2019). The unique role of relationship marketing in small businesses' customer experience. *Journal of Retailing and Consumer Services*, *51*, 152–164. https://doi.org/10.1016/j.jretconser.2019.06.004

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Passage 10: Buy it, Bury it, or Block It

Summary Text (Not Included in Final Copy): Legitimacy is earned not only through what institutions produce, but through how they exercise influence over the conditions of participation. The mechanisms covered include patents, acquisitions, digital marketplace platforms, and dark patterns that can shape access, competition, choice, and innovation while remaining legally defensible. These dynamics are intensified by a velocity gap in which corporate scale and speed outpace the systems designed to evaluate and oversee them. Scrutiny shifts accordingly, from what companies deliver to how they shape the systems in which others must participate.

If the Balance domain diagnoses how benefits and burdens are distributed, the Influence domain examines how power shapes those distributions. Legitimacy becomes contested when corporate power is leveraged to influence access, direction, and the conditions under which competition occurs. Where Balance asks, “Are outcomes fair?” Influence asks, “Who decides what is fair?” In this domain, scrutiny centers on signals of control, restricted access, gatekeeping, dependency, and concentration, which stakeholders often interpret as evidence that scale has translated into disproportionate leverage.

In this context, strategies that may be framed internally as protecting competitive advantage can be perceived externally as crossing into manipulation of the system itself. As corporations scale, so do the mechanisms used to defend their position, raising questions about whether influence is being used to compete within markets or to shape the conditions under which competition occurs.

Society has advanced as global corporations have driven innovation across healthcare, technology, and infrastructure. Yet their growing control over patents, intellectual property, and platform ecosystems is increasingly perceived as a structural barrier to new entrants. In this framing, innovation itself becomes a mechanism of influence, shaping who can participate in the market and under what conditions. The argument points to concentrated corporate power where innovation is perceived to stall, not because ideas are scarce, but because the pathways to market have been systematically narrowed.[140]

Efforts to manage this tension are not new. The patent system, dating back to the 15th century, was designed to incentivize invention by protecting creators while enabling broader economic progress. In early commercial centers like Venice, patents helped attract skilled artisans and supported the development of competitive advantage at

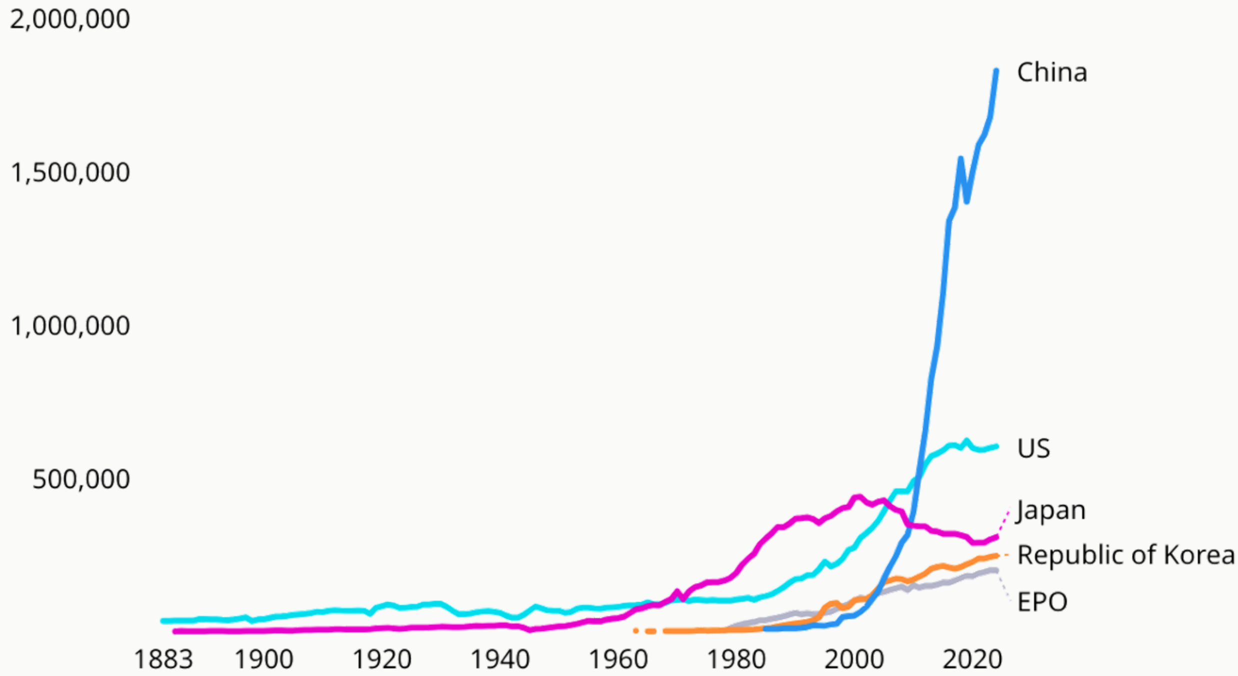
[140] Amini, S., Kumar, R., & Shome, D. (2024). Product market competition and corporate investment: An empirical analysis. *International Review of Economics & Finance*, *94*, 103405. https://doi.org/10.1016/j.iref.2024.103405

the state level.[141] In an ironic twist, that same system now faces scrutiny. Critics argue that patents are increasingly used to build self-reinforcing structures of control rather than to expand innovation. Because patent filings are publicly disclosed, patterns of accumulation become visible and open to interpretation. Rapid growth in filings has contributed to what is often described as a "patent thicket"[142], a dense web of protections that can function as a strategic moat. The question shifts from whether patents enable innovation to how they shape access to it.

[141] *Primary Sources on Copyright—Record Viewer*. (n.d.). Retrieved February 17, 2026, from https://copyrighthistory.org/cam/tools/request/showRecord.php?id=commentary_i_1474

[142] *World Intellectual Property Indicators 2025: Highlights - Patents highlights*. (n.d.). Retrieved February 16, 2026, from https://www.wipo.int/web-publications/world-intellectual-property-indicators-2025-highlights/en/patents-highlights.html

Trend in patent applications for the top five offices, 1883–2024



Source: World Intellectual Property Indicators 2025

Patent thickets represent one of the most sophisticated forms of this dynamic. Firms build layers of secondary protections around core innovations, creating barriers that are costly and time-consuming to navigate. This approach is particularly visible in the pharmaceutical industry[143], where breakthroughs in treatment coexist with persistent concerns around affordability and access. For potential competitors, entry becomes complex. Developing alternatives requires navigating overlapping protections, each

[143] Hall, B. H., & Helmers, C. (2024). Strategic Patenting, Patent Portfolio Races, and Patent Thickets. In B. H. Hall & C. Helmers (Eds.), *The Economics of Innovation and Intellectual Property* (p. 0). Oxford University Press. https://doi.org/10.1093/oso/9780197630914.003.0018

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carrying the risk of litigation. The cost of challenging these structures, often reaching millions per case, creates practical barriers that can limit competition.[144] This dynamic produces what economists describe as deadweight loss, where value is lost because market conditions, shaped by concentrated influence, prevent mutually beneficial outcomes. These effects are not abstract. Studies suggest that cost pressures contribute to real-world behaviors such as patients rationing or skipping medication.[145] The innovation exists, but the system governing access to it remains contested.

This interpretation does not go uncontested. Defenders argue that the cost and uncertainty of innovation require mechanisms that allow firms to recover investment. Without protection, the incentive to pursue high-risk breakthroughs may diminish. Patents, in this view, protect not only profit, but the willingness to pursue treatments that may fail.[146] This creates a persistent tension. Structures perceived as restricting access may also be the conditions that enable innovation. Legitimacy therefore depends not on one interpretation prevailing universally, but on how stakeholders assess the tradeoff between protection and access.

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[144] Kesselheim, A. S. (n.d.). *Improving competition to lower U.S. prescription drug costs*.

[145] PhD, A. N. (n.d.). *More Than Half of Americans Struggle to Afford Prescription Medications*. GoodRx. Retrieved February 17, 2026, from https://www.goodrx.com/healthcare-access/research/more-than-half-of-americans-struggle-to-afford-prescription-medications

[146] Amini, S., Kumar, R., & Shome, D. (2024). Product market competition and corporate investment: An empirical analysis. *International Review of Economics & Finance*, *94*, 103405. https://doi.org/10.1016/j.iref.2024.103405

Patent thickets are one expression of how influence creates dynamics that place companies under scrutiny. Another is the "killer acquisition," where a dominant firm acquires an emerging rival to neutralize a competitive threat. In some cases, the acquired product may be slowed, redirected, or deprioritized in ways that limit its ability to challenge the incumbent's core business.[147] While these strategies may appear rational internally, they are often interpreted externally as shaping the conditions of competition and narrowing the pathways through which innovation can emerge.

The FTC's antitrust suit alleged that Facebook acquired Instagram and WhatsApp as part of a "buy or bury" strategy to eliminate competitors and protect a monopoly in social networking.[148] The CEO, Mark Zuckerberg, disputed this characterization, stating that the acquisition reflected product strength rather than defensive intent.[149] Internal communications, including the statement, made by Mark Zuckerberg, that "Instagram can hurt us," intensified scrutiny by reinforcing the perception that the

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[147] Barnett, J. (2023, September 25). 'Killer Acquisitions' Reexamined: Economic Hyperbole in the Age of Populist Antitrust. *The Harvard Law School Forum on Corporate Governance*. https://corpgov.law.harvard.edu/2023/09/25/killer-acquisitions-reexamined-economic-hyperbole-in-the-age-of-populist-antitrust/

[148] *Facebook, Inc., FTC v. (FTC v. Meta Platforms, Inc.)*. (2020, December 9). Federal Trade Commission. https://www.ftc.gov/legal-library/browse/cases-proceedings/191-0134-facebook-inc-ftc-v-ftc-v-meta-platforms-inc

[149] Godoy, J. (2025, April 16). *5 Reveals From Zuckerberg's Meta Testimony*. Newsmax. https://www.newsmax.com/finance/streettalk/mark-zuckerberg-meta-antitrust/2025/04/16/id/1207127/

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platform was viewed as a competitive threat worth acquiring for defensive purposes.[150]

Despite these concerns, the case did not result in a monopoly ruling. U.S. District Judge James Boasberg found that the FTC failed to establish that Meta currently holds monopoly power in personal social networking.[151] The court emphasized the difficulty of proving harm in markets that have evolved significantly since the acquisitions, noting that changes in the competitive landscape complicated the FTC's claims.[152] This distinction highlights a broader structural gap. Legal systems evaluate harm through defined thresholds, while reputation is shaped by perception and broader social interpretation. As a result, legal outcomes do not necessarily restore or secure legitimacy. In some cases, they intensify scrutiny by reinforcing the perception that existing frameworks are not equipped to evaluate modern forms of influence. This gap is particularly visible in digital markets, where traditional benchmarks struggle to capture non-price harms such as reduced privacy, diminished future competition, or

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[150] Lee, T. B. (2020, July 29). *Zuckerberg wrote "Instagram can hurt us" days before acquisition*. Ars Technica. https://arstechnica.com/tech-policy/2020/07/zuck-email-instagram-deal-could-neutralize-a-potential-competitor/

[151] *Meta Prevails in FTC's Antitrust Case Challenging Instagram and WhatsApp Acquisitions*. (n.d.). Sullivan and Cromwell LLC. Retrieved February 18, 2026, from https://www.sullcrom.com/insights/memo/2025/December/Meta-Prevails-FTC-Monopolization-Case

[152] *FTC Loses Retroactive Merger Challenge as Court Concludes That Meta Is Not a Monopolist | Skadden, Arps, Slate, Meagher & Flom LLP*. (n.d.). Retrieved February 18, 2026, from https://www.skadden.com/insights/publications/2025/11/ftc-loses-retroactive-merger-challenge

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structural entrenchment.[153] This divergence reflects a deeper velocity mismatch. The speed at which corporations can scale, acquire, and reshape markets now exceeds the pace at which legal and regulatory systems can interpret and respond. Acquisition velocity, platform scaling velocity, and product iteration cycles operate in compressed timeframes, while governance systems remain dependent on slower processes of evidence, consensus, and enforcement. In this governance velocity gap, influence is not only exercised, but compounded before it can be meaningfully evaluated.

This gap moves from theory to visibility with the rise of the modern corporate platforms, such as Amazon, Google, and Apple. As these companies evolve from participants (creators of applications) in markets to the infrastructure of markets themselves (distribution channels of mobile applications), scrutiny shifts accordingly. This creates what regulators increasingly describe as the “referee and player” paradox.[154] When a company both operates in and sets the rules for the marketplace. Platforms gain structural, imbalanced, advantages that other participants cannot replicate. These advantages are reinforced by access to privileged data. Platform companies can observe how users behave, which features gain traction, and where value is emerging. That visibility allows them to identify and act on product

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[153] Makridis, C. A., & Thayer, J. (n.d.). *The Big Tech Antitrust Paradox: A Reevaluation of the Consumer Welfare Standard for Digital Markets*.
[154] Defolie, Ö. B. (2024, November 7). *Hybrid marketplaces: Acting as the referee and a player*. La Fonte. https://lafonte.eui.eu/hybrid-marketplaces-acting-as-the-referee-and-a-player

deployment opportunities before the broader market can respond, enabling forms of self-preferencing that shape outcomes at scale.[155]

As a result, influence increasingly shapes not only competition but the conditions under which entrepreneurs attempt to compete. Smaller firms now navigate not only market demand but a "Kill Zone", where success will trigger competitive responses from dominant platforms.[156] In these conditions, entrepreneurs report a narrowing window of time to capture value before platform replication ensures. This results in diminished innovation, through weakened entrance for new startups.

Previous examples demonstrated how influence can be perceived as shaping markets and competition, but influence extends beyond this, it can shape behavior itself. In the Reputation Era, marketplace environments may appear voluntary, yet the conditions under which users enter, remain, and exit are often structured in ways that guide them toward choices the company prefers. Consider the default settings that make unsubscription harder than enrollment, or the notification sequences designed to discourage opt-out, all designed to generate minor frictions that collectively shape behavior. This is called a dark pattern, strategies designed to structure choices where

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155 Klingler, D., Bokemeyer, J., Rocca, B. D., & Nunes, R. B. (n.d.). *AMAZON'S THEORY OF HARM*.
156 Kamepalli, S. K., Rajan, R., & Zingales, L. (2020). *Kill Zone* (Working Paper No. 27146). National Bureau of Economic Research. https://doi.org/10.3386/w27146

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certain behaviors are more likely than others, often by introducing friction, defaults, or ambiguity.[157] In these systems, influence is exercised not through restriction, but through the architecture of decision-making.

This dynamic has begun to surface in formal regulatory contexts. In 2023, the Federal Trade Commission brought a case against Amazon alleging that its Prime subscription flows were designed in ways that made cancellation more difficult than enrollment.[158] According to the complaint, users attempting to cancel were required to navigate a series of screens, repeated confirmations, and prompts that encouraged them to reconsider or retain their membership.[159] While each step, in isolation, may appear reasonable, the cumulative experience introduced friction that could delay or discourage exit. While the case has not reached a final judgment, a federal court

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[157] Leiser, M., & Santos, C. (2024). Dark Patterns, Enforcement, and the Emerging Digital Design Acquis: Manipulation beneath the Interface. *European Journal of Law and Technology*, *15*(1). https://ejlt.org/index.php/ejlt/article/view/990

[158] *FTC Takes Action Against Amazon for Enrolling Consumers in Amazon Prime Without Consent and Sabotaging Their Attempts to Cancel*. (2023, June 21). Federal Trade Commission. https://www.ftc.gov/news-events/news/press-releases/2023/06/ftc-takes-action-against-amazon-enrolling-consumers-amazon-prime-without-consent-sabotaging-their

[159] *Amazon Uses 'Dark Patterns' to Hinder Consumers Looking to Cancel Prime Membership, Class Action Says*. (2022, November 9). https://www.classaction.org/news/amazon-uses-dark-patterns-to-hinder-consumers-looking-to-cancel-prime-membership-class-action-says

allowed the claims to proceed, signaling that questions of interface design and user choice are no longer peripheral concerns.

This is the core of how influential behavior is judged. The question is no longer limited to whether users can technically make a choice, but whether that choice is meaningfully unconstrained. This provides another example of how influence manifests as a domain of scrutiny. Not through overt restriction, but through carefully designed architectures that induce, restrict, or block participation. In such conditions, legitimacy is earned less through compliance with the legal structures governing choice and access, and more through alignment with social and moral expectations for how choice and access should be experienced. Scrutiny of influence extends beyond control of markets; it also encompasses how corporations shape the conditions under which other actors can participate and operate.

This shift is now visible in how stakeholders evaluate corporate behavior more broadly. The Harvard Law School Forum on Corporate Governance highlights, from a Just Capital survey, a critical shift where stakeholders are increasingly evaluating corporate impact across broader societal and innovation outcomes, not simply legal compliance.[160] In earlier periods, corporations were primarily judged against legal constructs that evolved over decades, even centuries. Legal compliance signaled

[160] The Harvard Law School Forum on Corporate Governance

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legitimacy. Today, that presumption is weakening as governance systems are increasingly perceived as struggling to keep pace with the scale and complexity of corporate power. In this environment, corporate preservation strategies that raise barriers, shape participation, delay competition, or limit independent innovation become focal points of scrutiny, even when they fall within legal boundaries. What appears prudent inside the boardroom, as rational competitive defense, is frequently interpreted from outside as an exercise of influence over the conditions others must operate within.

Passage 11: Facing a Human Threshold

Summary Text (Not Included in Final Copy): The treatment of people has become a central basis on which corporate legitimacy is sustained or contested. Human rights frameworks transformed dignity into a structured system of scrutiny that now operates through supply chains and labor models. In the Reputation Era, failures in this domain do not remain isolated. They propagate across stakeholders and convert quickly into constraints on a firm's ability to operate.

The Dignity domain focuses on how institutions treat people and how that treatment shapes the judgments on which legitimacy depends. Unlike other domains, where scrutiny often centers on outcomes or scale, dignity is judged at the level of human experience. It asks whether individuals are treated as agents with rights and voice, or as inputs to be optimized. When that boundary is crossed, legitimacy erodes quickly, not because performance declines, but because the system is perceived to tolerate externalities that harm its human operators without remedy.

In the Reputation Era, dignity stretches beyond peripheral moral concerns. It has become a significant structure that sets the condition for business operability. The treatment of people now travels across systems, becoming measurable, attributable, and actionable through legal frameworks, stakeholder pressure, and institutional enforcement. As a result, failures in the dignity domain do not remain isolated. Potentially more so than scrutiny in other domains, perceived dignity shortfalls can be characterized by their rapid ability to propagate outward, converting into constraints on access, capital, labor, and business continuity.

This shift to an evolved and understood dignity domain was not an inevitable course through history. Its origin story ties closely to the emergence of a human-rights framework that emerged after a period of significant global failure. The catalyst that drove the ideology shift takes place between 1914 and 1945, a time of compounding violent shocks that include war, engineered famine, mass purge, and aerial terror across different sovereign states. A conservative estimate, from the table below, shows

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110 million casualties (deaths, wounded, prisoners, and missing), which is a rate of about 10,000 per day over a period of 31 years. The global geopolitical system, at the time, discovered that it was stuck in 'failure' mode. This conclusion was bolded and underscored when the United States dropped atomic bombs on Hiroshima and Nagasaki.[161] The resolution of World War II offered a grim reality that atrocity is no longer something that accumulates painfully over years, it is something that can be executed in minutes. From this point forward there would be the need for a new order, not one threaded in virtues of world peace, but one that could contain and restrict instability.

[161] *The Atomic Bombing of Hiroshima and Nagasaki, August 1945*. (2020, August 4). National Archives. https://www.archives.gov/news/topics/hiroshima-nagasaki-75

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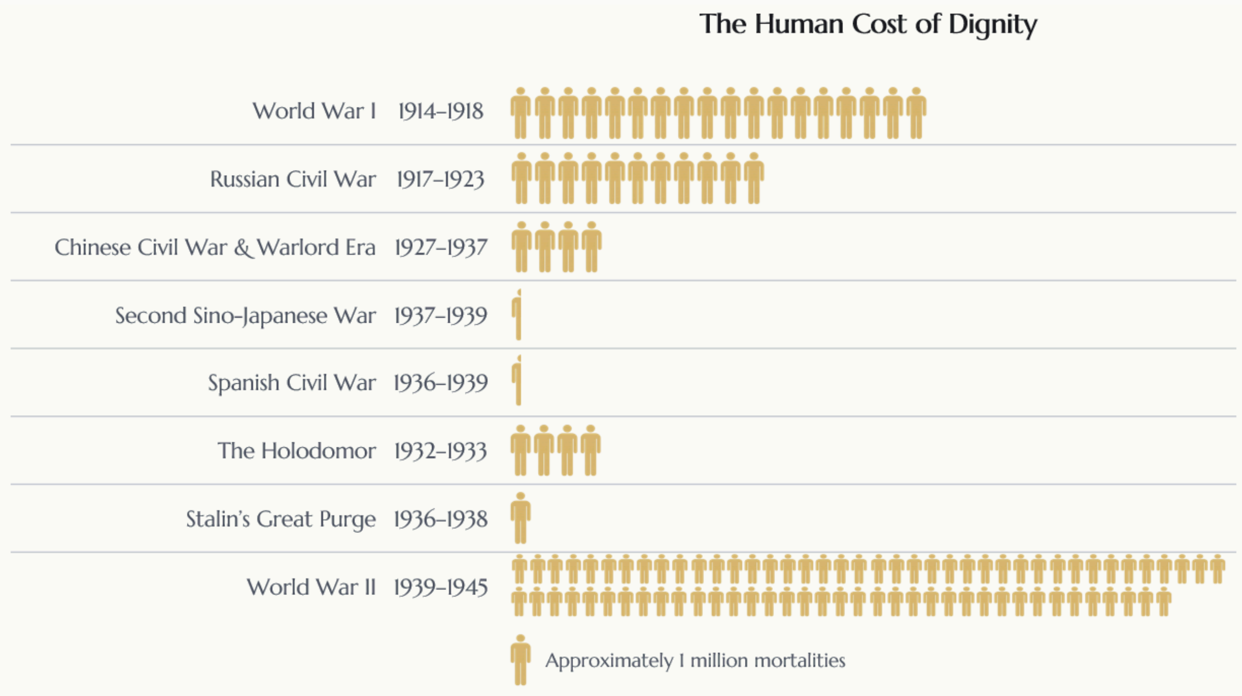

Sources in chronological order: [162] [163] [164] [165] [166] [167] [168] [169]

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[162] Syeda, S. (2017, November 10). *The Russian Civil War | Military History Matters*. https://www.military-history.org/cover-feature/the-russian-civil-war.htm

[163] *World War I - Casualties, Armistice, Legacy | Britannica*. (n.d.). Retrieved March 7, 2026, from https://www.britannica.com/event/World-War-I/Killed-wounded-and-missing

[164] *China's Democide and War*. (n.d.). Retrieved March 7, 2026, from https://www.hawaii.edu/powerkills/CHINA.CHAP1.HTM

[165] *Nanjing Massacre | History, Summary & Facts | Britannica*. (2026, January 23). https://www.britannica.com/event/Nanjing-Massacre

[166] *Spanish Civil War | Definition, Causes, Summary, & Facts | Britannica*. (2026, March 1). https://www.britannica.com/event/Spanish-Civil-War

[167] *Holodomor*. (n.d.). College of Liberal Arts. Retrieved March 7, 2026, from https://cla.umn.edu/chgs/holocaust-genocide-education/resource-guides/holodomor

[168] Ellman, M. (2002). Soviet Repression Statistics: Some Comments. *Europe-Asia Studies*, *54*(7), 1151–1172. https://doi.org/10.1080/0966813022000017177

[169] Roberts, C. (2021, March 5). *The Enduring Impact of World War II*. National Museum of the Pacific War. https://www.pacificwarmuseum.org/learn/articles/the-enduring-impact-of-world-war-ii

The postwar settlement was designed to prevent a return to catastrophic war by institutionalizing conflict prevention and collective security, so that crises could be contained before they escalated into shocks a system could not absorb[170]. That lesson became the foundation for a human-rights architecture built around constraints, standards, and accountability; purposefully designed to prevent widespread global failure. It eventually led to a broadly adopted code through the United Nations Charter which embedded the treatment of people into the logic of international stability. From this the Universal Declaration of Human Rights[171] established a shared baseline of non-negotiable expectations.[172] These frameworks did not eliminate abuse, but they changed its consequences. A system of standards and penalties became the basis for scrutinizing institutions within the dignity domain. Moving into the Reputation Era, dignity became a visible and widely understood framework across borders. It provided a shared language through which the legitimacy of nations and institutions could be contested when harm to people became evident.

This dignity domain had a significant impact on reshaping reputation through the late twentieth century. It not only established a moral and legal framework for evaluating

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[170] Nations, U. (n.d.). *Preamble*. United Nations. United Nations. Retrieved March 7, 2026, from https://www.un.org/en/about-us/un-charter/preamble

[171] Nations, U. (n.d.). *Preamble*. United Nations. United Nations. Retrieved March 7, 2026, from https://www.un.org/en/about-us/un-charter/preamble

[172] Nations, U. (n.d.). *Universal Declaration of Human Rights*. United Nations. United Nations. Retrieved March 7, 2026, from https://www.un.org/en/about-us/universal-declaration-of-human-rights

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institutional conduct, but also expanded the range of stakeholders whose judgments could influence reputation and legitimacy. Institutions could no longer rely on the acceptance of a narrow group of public elites, such as doctors, scientists, and politicians. Scrutiny in the dignity domain pushed institutions to manage relations across a broader and more distributed system of stakeholders, all of which were capable of translating perceived harm into consequence.[173] NGOs[174] and consumer backlash[175] makes perceived abuse visible and portable across jurisdictions. Investors incorporate controversy into risk pricing and capital allocation.[176] Employees and talent markets express preferences through participation and withdrawal.[177] Regulators[178] and courts[179] convert claims into enforceable processes and revised policies. Publicity, in this system, functioned less as commentary and more as pressure, raising the cost and compounding accountability pressure.

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173 *Tools for Atrocity Prevention*. (n.d.). Retrieved March 7, 2026, from https://preventiontools.ushmm.org/naming-and-shaming/

174 NGO OECD. (2018, January 31). *OECD Due Diligence Guidance for Responsible Business Conduct*. OECD Publishing. OECD. https://doi.org/10.1787/15f5f4b3-en

175 CONSUMER Journal of Marketing Advances. (n.d.). *Why Do Consumers Take Stands? A Review of Customer Boycotts*.

176 Bang, J., Ryu, D., & Webb, R. I. (2023). ESG controversy as a potential asset-pricing factor. *Finance Research Letters*, *58*, 104315. https://doi.org/10.1016/j.frl.2023.104315

177 *Uyghur Forced Labor Prevention Act | U.S. Customs and Border Protection*. (n.d.). Retrieved March 7, 2026, from https://www.cbp.gov/trade/forced-labor/UFLPA

178 (2018, January 31). *OECD Due Diligence Guidance for Responsible Business Conduct*. OECD Publishing. OECD. https://doi.org/10.1787/15f5f4b3-en

179 Office, U. S. G. A. (2025, September 8). *Economic Sanctions | U.S. GAO*. https://www.gao.gov/economic-sanctions

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For corporations, scrutiny within the dignity commonly enters through two primary operating surfaces which are the supply chain[180] and the labor model.[181] These are the points where institutional design intersects most directly with human experience, and where abstract communications and stated commitments are tested against perceived employee experience and lived conditions. In global supply chains, the mechanics of seeking efficient commercial incentives often move faster than protocols and procedures that ensure accountability. Corporations constantly face market pressures to reduce costs and compress timelines which leads to layers of subcontracting and highly distributed production processes across multiple tiers. This creates a condition for a supply chain that can "leak" into jurisdictions with weaker enforcement and fewer worker protections.[182] These market forces which push and stretch supply lines does not guarantee harm, but it creates an environment where harm becomes both more likely to occur and increasingly difficult to detect. When visibility is lost, the door opens to low wages, excessive hours, unsafe working environments, and exposure to forced or child labor. All of which emerge not only

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[180] *Corporate human rights due diligence – identifying and leveraging emerging practices*. (n.d.). OHCHR. Retrieved March 7, 2026, from https://www.ohchr.org/en/special-procedures/wg-business/corporate-human-rights-due-diligence-identifying-and-leveraging-emerging-practices

[181] *Non-standard forms of employment | International Labour Organization*. (2024, January 28). https://www.ilo.org/topics-and-sectors/non-standard-forms-employment

[182] Anner, M. (2020). Squeezing workers' rights in global supply chains: Purchasing practices in the Bangladesh garment export sector in comparative perspective. *Review of International Political Economy*, *27*(2), 320–347.

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from isolated misconduct, but also from systemic pressure embedded in procurement and production models. When stakeholders gain visibility into perceived supply chain harms, it triggers scrutiny that can translate into enforcement actions, procurement restrictions, and loss of market access. While supply chains present a pathway to scrutiny within the dignity domain, internal labor systems within the firm also present another arena for reputational risk. Another characteristic of the Reputation Era is the shift within labor models to increased amounts of contracting, gig work[183], and algorithmic management.[184] These systems offer flexibility and efficiency, but they have become contested as shifting economic risk onto workers while also maintaining centralized control over performance, pricing, and evaluation. Under these arrangements, stability declines, benefits narrow, and monitoring expands. Workers may retain formal autonomy, but they experience significantly reduced agency. Over time, these conditions can be interpreted as dignity failures, particularly when workers lack meaningful voice, recourse, or the ability to exit without penalty. The debate surrounding platform-based labor models illustrates this tension. What is framed as

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[183] *Platform workers and social protection: International developments*. (2023, June 6). International Social Security Association (ISSA). https://www.issa.int/analysis/platform-workers-and-social-protection-international-developments

[184] *Algorithmic management in the workplace | International Labour Organization*. (2024, July 23). https://www.ilo.org/algorithmic-management-workplace

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flexibility can also be perceived as a mechanism for retaining control while externalizing both risk and responsibility.[185]

In more severe cases, these dynamics extend beyond firms to entire international systems. Russia's invasion of Ukraine made this pattern visible at scale. Governments imposed financial restrictions and sanctions, while hundreds of global companies exited the market in response to rising legal and reputational risk.[186] [187] [188] These responses were not centrally coordinated, yet the language of dignity was equally understood and acted upon by nations and companies around the world. The speed of the response highlighted how a human rights framework, coming into increased visibility in the Reputation Era, would become a code that undermines any effort to legitimately continue business in Russia. As a result a majority of global firms reduced or exited operations to de-risk, mitigate, and prevent reputational erosion.[189] Once

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[185] *Uber BV and others (Appellants) v Aslam and others (Respondents)—UK Supreme Court*. (n.d.). Retrieved March 7, 2026, from https://supremecourt.uk/cases/uksc-2019-0029

[186] *Treasury Prohibits Transactions with Central Bank of Russia and Imposes Sanctions on Key Sources of Russia's Wealth*. (2025, December 23). U.S. Department of the Treasury. https://home.treasury.gov/news/press-releases/jy0612

[187] *Timeline—Packages of sanctions against Russia since February 2022*. (n.d.). Consilium. Retrieved March 7, 2026, from https://www.consilium.europa.eu/en/policies/sanctions-against-russia/timeline-packages-sanctions-since-february-2022/

[188] Kulish, H. (n.d.). More than 500 global companies have fully left Russia—KSE Institute. *Kyiv School of Economics*. Retrieved March 7, 2026, from https://kse.ua/about-the-school/news/more-than-500-global-companies-have-fully-left-russia-kse-institute/

[189] *Over 1,000 Companies Have Curtailed Operations in Russia—But Some Remain | Yale School of Management*. (n.d.). Retrieved March 7, 2026, from https://som.yale.edu/story/2022/over-1000-companies-have-curtailed-operations-russia-some-remain

violations are translated into sanctions, counterparty risk, and institutional restrictions, consequences propagate across networks because each participant must defend its own operability. This example makes a structural implication clear, when an institution faces significant constraint, as a result of weakened legitimacy, it has entered a state of reputational crisis.

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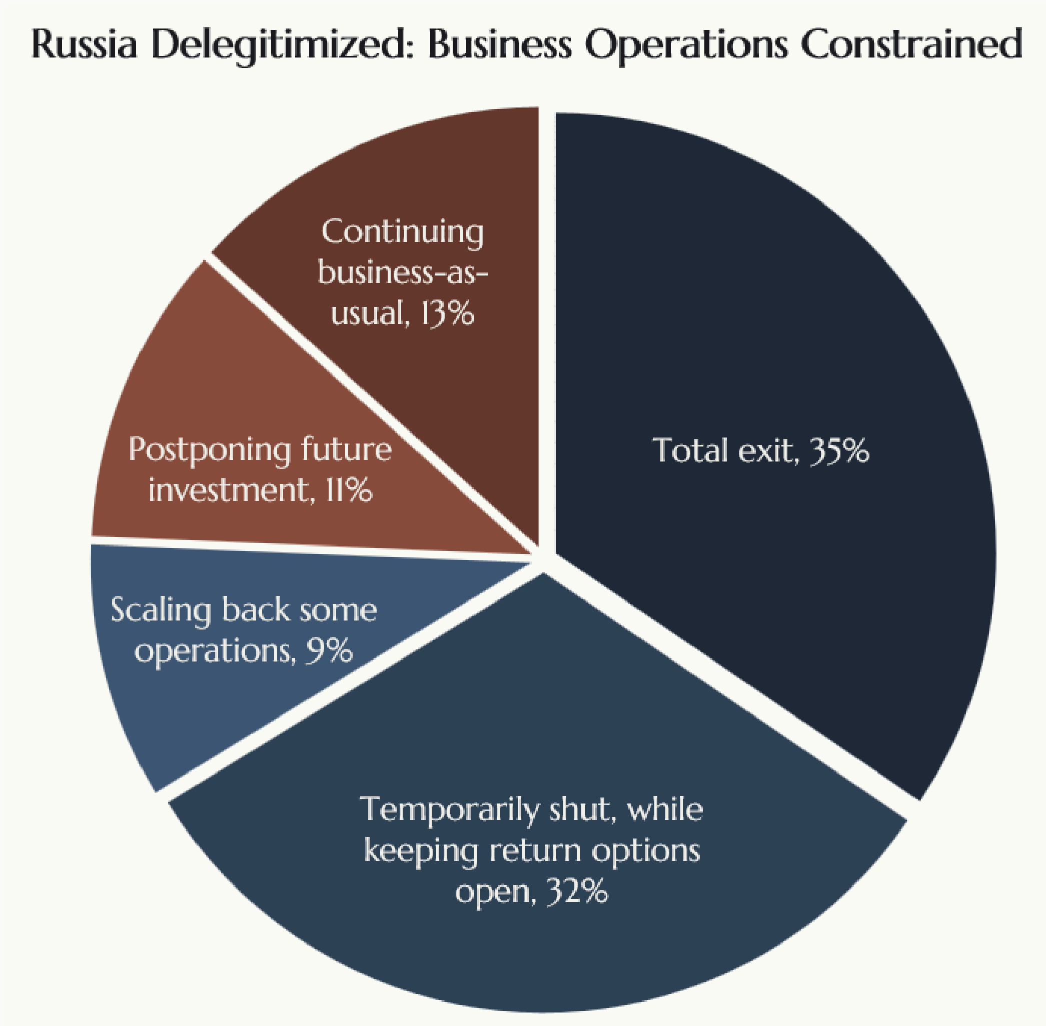

Source: Yale School of Management, January 2024 "*Over 1,000 Companies Have Curtailed Operations in Russia—But Some Remain*[190]"

A reputational crisis becomes legible to an institution when it faces constraint rings. These constraints not only help categorize the consequence of institutional

[190] *Over 1,000 Companies Have Curtailed Operations in Russia—But Some Remain | Yale School of Management*. (n.d.). Retrieved March 7, 2026, from https://som.yale.edu/story/2022/over-1000-companies-have-curtailed-operations-russia-some-remain

delegitimization, but they bring logical patterns to scenarios that can appear episodic or subjective. First, not every situation activates every constraint ring, and progression to the next is not always guaranteed. The pattern depends on severity, evidence, credibility, and the degree of stakeholder alignment. In most cases, scrutiny begins with a credibility shock. Stakeholders withdraw interpretive latitude and the burden of proof shifts. Messaging loses traction, trust decays, and verification becomes required through audits, disclosure, and third-party validation. From there, additional constraint rings may activate. Counterparties may tighten terms or exit to protect their own exposure. Legal thresholds may be crossed, triggering enforcement actions. Operational chokepoints can emerge, slowing or conditioning access to key systems such as permits, procurement, or borders. As legitimacy erodes, business continuity comes under pressure, forcing reconfiguration, asset changes, or withdrawal.

Inside the organization, prolonged scrutiny can produce an internal clampdown. Decision-making centralizes, approval layers increase, and the distinction between what is legal and what is acceptable becomes more pronounced. Dignity-related failures can trigger these constraint rings in different combinations. The table below illustrates how they manifested in real world scenarios.

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Crisis Inducing Constraint Rings

Constraint Ring	Case Study
CREDIBILITY SHOCK burden-of-proof shift	**Nike Supply-Chain Labor Allegations (1990s):** brand assurances stopped working, so the response had to shift toward monitoring, disclosure, and verification. (Nike later regained a "voice of the people" posture through culture-defining campaigns, including the 2018 "Dream Crazy" work fronted by Colin Kaepernick.)
COUNTERPARTY AVOIDANCE de-risking	**Apartheid-era South Africa divestment (1980s):** banks, investors, and multinationals tightened terms or exited. Chase Manhattan bank refused to roll over maturing South African debt, triggering a broader credit squeeze and signaling that normal financing could be withdrawn on legitimacy grounds.
ENFORCEMENT ACTIVATION penalties	**Chiquita Payments to Columbia Paramilitary Groups (US, 2001):** acknowledged paying the AUC, a group designated a U.S. Foreign Terrorist Organization. The result was DOJ enforcement, a guilty plea, and a $25 million criminal fine, turning security rationale into legal exposure.
OPERATIONAL RESTRICTIONS procurement and operational rules	**Uyghur Forced Labor Prevention Act (US, 2021):** Forced labor leads to shipments being detained or excluded at the border unless the importer provides "clear and convincing" evidence with end-to-end supply chain documentation and traceability to prove the absence of forced labor.
OPERATIONAL RECONFIGURATION continuity disrupted by redesign	**TotalEnergies (Myanmar post-2021 coup):** Withdrew a pipeline company after the 2021 coup and the deterioration of the human rights environment made continued participation untenable, forcing an exit that required unwinding positions, handing over operatorship, and costly operational reconfiguration.
INTERNAL CLAMPDOWN governance compression	**Rio Tinto Juukan Gorge (Australia, 2020):** Legal permits for expanded mining operations led to the destruction of Aboriginal rock shelters creating pressure on the board from investors and other stakeholders. CEO Jean-Sébastien Jacques stepped down and two senior executives also left.

While viewed through the lens of labor and supply chains, the same logic applies to customers when their safety is compromised. The Boeing 737 MAX failures, which led to 346 deaths[191], demonstrate how breakdowns in design, oversight, and accountability can move directly from internal oversight to external harm. In these moments, dignity surfaces as a measurable human toll. The key conclusion here remains, personal harm is a clear and emotionally connecting signal of a dignity failure. This is a domain where stakeholder accountability and human impact converge. When those elements align, institutions retain the right to operate, but when they do not, constraint is sure to follow.

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[191] TIME. (2020, September 16). *Scathing Congressional Report on Boeing 737 Max Crashes Finds Sweeping Failures*. TIME. https://time.com/5889376/boeing-737-max-house-report/

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Passage 12: Scale and Systematic Harm

Summary Text (Not Included in Final Copy): Shared impact emerges as corporate scale produces consequences across systems no single actor controls. What has changed is not the existence of these externalities, but their increasing visibility, measurement, and attribution, which make them legible and contestable. This creates a structural tension between systems optimized for efficiency and stakeholders demanding accountability for diffuse harm. In this environment, shared impact becomes a condition of operability, not a matter of narrative management.

As corporate systems expanded across borders, their effects began to extend beyond discrete transactions into shared systems that no single actor fully controls. This introduces a distinct domain of scrutiny, one centered not on fairness or control, but on shared impact. In this domain, the question is not whether a firm behaves fairly, but whether its operations produce consequences that accumulate across communities, ecosystems, and future time periods. These effects are diffuse, distributed across geographies and future time horizons. Historically, like other domains, shared impact has had challenges with measurement and attribution. For much of the industrial era, that diffusion allowed firms to scale while externalizing societal costs. What changes in the Reputation Era is not the existence of these

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externalities, but their increased visibility, measurement and attribution. As these improve, shared impacts become legible, and once legible, they become contestable.

Environmental exposure provides the clearest expression of this shift because it has progressed further than most shared impact issues along a path from near invisibility to named attribution. As production, sourcing, and logistics expand across jurisdictions, corporate scale becomes harder to observe as a single system.[192] Like dignity issues, shared impact externalities amplify with scale[193], and can be shuffled to regions, typically less developed nations, where guidelines and protections are fragmented and uneven.[194] The result is persistent asymmetry; and asymmetry, as covered in the balance domain, always invites scrutiny. This leaves corporations operating within integrated global systems, while accountability mechanisms remain local, delayed, and incomplete. Inside firms, this creates a different reputational risk, one shaped by narrative fatigue. Shared impact concerns remain in constant repetitive media cycles, framed with urgency and critique, but resolution and actionability is unclear. Reputation managers then view shared impact issues as a

[192] Gereffi, G., Humphrey, J., & Sturgeon, T. (2005). The Governance of Global Value Chains. Review of International Political Economy, 12(1), 78–104.

[193] The Economics of Welfare | Online Library of Liberty. (n.d.). Retrieved March 3, 2026, from https://oll.libertyfund.org/titles/pigou-the-economics-of-welfare

[194] Koenig-Archibugi, M. (2004). Transnational Corporations and Public Accountability. Government and Opposition, 39(2), 234–259.

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narrative cycle, instead of understanding it as a structural condition. That interpretation is misleading. Scrutiny of shared impact issues persist not because they are unresolved, but because it is embedded in the architecture of modern, significantly scaled, production systems. This means fatigue within the shared impact domain more commonly signals saturation, not resolution.

In the Reputation Era, shared impact exposure cannot be managed through narrative control alone. When sustainability claims are perceived as symbolic rather than operational, trust erodes and backlash risk increases.[195] Communications may still influence perception at the margins, but they do not resolve the underlying systems constraint. Increasingly, like the dignity domain, shared impact scrutiny, such as environmental performance, serves as a condition of continued business operations. It shapes whether firms can build, permit, insure, finance, recruit, and sustain market access under expanding scrutiny.[196] Public debate often assigns shared impact issues in a moral tone[197], but the mechanisms are more structural than ideological. Issues like

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[195] Khandai, S., Zupic, I., Kohli, H. S., Kataria, S., Yadav, R., & Mathew, J. (2025). Greenwashing and its consequences: The role of skepticism, brand embarrassment, and brand hate in shaping purchase intentions. Quality & Quantity, 59(4), 3723–3749. https://doi.org/10.1007/s11135-025-02132-8

[196] Moeremans, B., & Dooms, M. (2025). Social license to operate: Factors determining social acceptance among local port community stakeholders. Maritime Economics & Logistics, 27(1), 183–210. https://doi.org/10.1057/s41278-024-00297-x

[197] Huang, J., Yang, J. Z., & Chu, H. (2022). Framing Climate Change Impacts as Moral Violations: The Pathway of Perceived Message Credibility. International Journal of Environmental Research and Public Health, 19(9), 5210. https://doi.org/10.3390/ijerph19095210

environmental degradation persist because the systems required to manage it remain fragmented across supply chains, jurisdictions, and accountability regimes.[198] From this perspective, environmental risk is not an anomaly. It is a byproduct of scale operating within incomplete coordination systems.

The tension becomes more visible when viewed through consumption. Corporations compete by delivering lower prices, greater convenience, higher consistency, and faster fulfillment. Consumers respond predictably to these attributes, and the resulting system produces a form of prosperity built on production optimization, not mitigation of shared impact.[199] This leaves consumer prosperity financed through environmental externalization which remains largely invisible at the point of use. More directly, consumers rarely connect the effects of packaging, emissions-intensive logistics, extraction practices, and end-of-life waste at the moment of purchase.[200] For years, these externalities remained abstract because they were dispersed, difficult to quantify, and loosely connected to specific operating decisions. That condition is

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[198] Kellner, E., Petrovics, D., & Huitema, D. (2024). Polycentric Climate Governance: The State, Local Action, Democratic Preferences, and Power—Emerging Insights and a Research Agenda. Global Environmental Politics, 24(3), 24–47. https://doi.org/10.1162/glep_a_00753

[199] Shoppers prioritize price and convenience over sustainability, says McKinsey. (n.d.). Packaging Europe. Retrieved March 3, 2026, from https://packagingeurope.com/news/shoppers-prioritize-price-and convenience-over-sustainability-says-mckinsey/12913.article

[200] Winterich, K. P., Reczek, R. W., & Makov, T. (2024). How lack of knowledge on emissions and psychological biases deter consumers from taking effective action to mitigate climate change. Journal of the Academy of Marketing Science, 52(5), 1475–1494. https://doi.org/10.1007/s11747-023-00981-z

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now reversing as advances in measurement, traceability, and data access make previously invisible impacts more legible.

This shift introduces a structural contradiction that sits at the center of modern environmental pressure. Stakeholders increasingly demand visible environmental responsibility while remaining habituated to an experience economy built on convenience and cost efficiency. The contradiction becomes most visible when firms attempt to change. This is the experience externality paradox, which captures contradictions among consumers who call for corporations to reduce their shared impact, while expecting their experience with products to remain unchanged. Efforts to reduce environmental harm often introduce trade-offs that are immediately felt by the consumer. Products become more expensive, packaging changes, or convenience declines. Starbucks encountered this directly in South Korea when it replaced plastic straws with paper alternatives. The change reduced environmental impact, but customers complained that the straws degraded quickly and diminished the drinking experience.[201] What appeared as a straightforward sustainability improvement became a perceived decline in product quality. The result is not a resolution of reputational pressure, but a relocation of it. The same system that

[201] Customer complaints drive Starbucks Korea to introduce plant-based plastic straws | Stars and Stripes. (n.d.). Retrieved March 3, 2026, from https://www.stripes.com/theaters/asia_pacific/2025-06-26/starbucks korea-bioplastic-drink-straws-18247115.html

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rewards efficiency and convenience creates resistance to the adjustments required to reduce systematic harm.

But environmental exposure is not governed by consumer preference alone. Other stakeholders operate on different timelines and different expectations. Regulators impose requirements, communities mobilize resistance, and investors incorporate environmental risk into capital allocation decisions. Together, these actors create a structural stakeholder wedge in which consumer demand may pull the business forward while its permission to operate is simultaneously contested. This dynamic becomes visible when local environmental issues cascade across stakeholder groups and expand into broader legitimacy contests. Sharon Lavigne, a St. James Parish community leader and founder of RISE St. James, provides an example of grassroots amplification. She became nationally visible for opposing Formosa Plastics' proposed Sunshine Project in Louisiana's petrochemical corridor known as Cancer Alley. Her stance revealed how scrutiny within the Shared Impact domain can move from community opposition into national coalition-building, litigation, and regulatory intervention, transforming local exposure into a significant system-wide constraint on legitimacy.[202]

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[202] Louisiana Court Ruling Reverses Lower Court Decision and Upholds Air Permits for Formosa Plastics' Massive Petrochemical Complex in Cancer Alley. (n.d.). Earthjustice. Retrieved March 4, 2026, from https://earthjustice.org/press/2024/louisiana-court-ruling-reverses-lower-court-decision-and-upholds-air permits-for-formosa-plastics-massive-petrochemical-complex-in-cancer-alley

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The Reputation Era reflects a structural change in how impact is seen, measured, and traced across shared systems. Take a breakthrough visibility moment for environmental harm in 1969, when the Cuyahoga River caught fire[203]. an event so extreme that it forced industrial pollution into public consciousness. That same year, the Santa Barbara oil spill brought offshore extraction risks into full view.[204] By 1970, an estimated 20 million Americans participated in the first Earth Day[205], marking a shift from isolated concern to mass mobilization. Visibility changed the conversation, but visibility alone could not foster scrutiny of systemic break points. Measurement would be an important scrutiny catalyst. Ironically, early forms of measurement predated mass visibility. In 1896, Svante Arrhenius quantified the warming influence of atmospheric carbon dioxide.[206] Decades later this finding would serve as an early foundation for understanding shared impact. Over time, coming into the Reputation Era, measurement capacity and accuracy expanded, allowing environmental degradation to be tracked, compared, and regulated across systems.

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[203] Blakemore, E. (2019, April 22). The Shocking River Fire That Fueled the Creation of the EPA. HISTORY. https://www.history.com/articles/epa-earth-day-cleveland-cuyahoga-river-fire-clean-water-act

[204] Santa Barbara Well blowout; Santa Barbara, California | IncidentNews | NOAA. (n.d.). Retrieved March 4, 2026, from https://incidentnews.noaa.gov/incident/6206

[205] Today in History—April 22. (n.d.). [Web page]. Library of Congress, Washington, D.C. 20540 USA. Retrieved March 4, 2026, from https://www.loc.gov/item/today-in-history/april-22/

[206] Arrhenius, S. (n.d.). On the Influence of Carbonic Acid in the Air upon the Temperature of the Ground.

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However, the most significant catalyst to generate scrutiny is attribution. Modern era technologies such as satellite monitoring have begun to convert environmental impact from abstract data into observable, time-stamped events that are tied to identifiable operators. NASA's Earth Observatory has published time-lapse imagery showing deforestation across the Amazon[207], compressing decades of degradation into a visual sequence that requires little interpretation. What once demanded technical explanation becomes immediately legible. The same pattern appears in emissions tracking. Organizations like Carbon Mapper detect methane releases at the facility level and publish them through public data systems, allowing observers to link emissions directly to specific operators.[208] Advances in technologies that measure and attribute shared impact scrutiny has created a shift where generalized accusation becomes verifiable evidence in the Reputation Era. Consider the Earthworks and Gas Leaks in early 2026, which used publicly available Carbon Mapper flyovers to flag "super-emitter" events in the Appalachian Basin.[209] With this the Financial Times

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[207] Tracking Amazon Deforestation from Above—NASA Science. (2019, December 20). https://science.nasa.gov/earth/natural-disasters/wildfires/tracking-amazon-deforestation-from-above 145988/

[208] Carbon Mapper CEO Riley Duren Named to Grist 50. (n.d.). Retrieved March 4, 2026, from https://carbonmapper.org/articles/duren-grist-50-2025

[209] Wasser, J. (2026, February 10). News to Know: We Caught #MethanePollution From Space. Here's Why It Matters. Earthworks. https://earthworks.org/blog/news-to-know-we-caught-methanepollution-from-space-heres-why-it-matters/

verified and named operators such as EQT Corp, Expand Energy, and Berkshire Hathaway Energy in their media coverage.[210]

Tracking Amazon Deforestation from Above[211]

A historical time lapse video that shows deforestation of the Amazon throughout the Reputation Era.

While facts increasingly secure and ground shared impact harms, the emotional dimension of this domain further hardens constraints on legitimacy. Understanding the shape and magnitude of deforestation impact can be difficult to understand, feeling distant or abstract. But communications that focus on shared impact across an entire species make the scrutiny emotionally charged and easily connected to dignity violations. Emotional effects popularized the Tapanuli orangutan, which was confined

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[210] Big US gas producers are methane super emitters, environmental groups' data shows. (2026, January 23). One News Page. https://www.onenewspage.com/n/Markets/1ztdom4a7c/Big-US-gas-producers-are-methane-super-emitters.htm

[211] *Tracking Amazon Deforestation from Above—NASA Science*. (2019, December 20). https://science.nasa.gov/earth/natural-disasters/wildfires/tracking-amazon-deforestation-from-above-145988/

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to a shrinking region in Sumatra.[212] When incremental environmental pressure compressed their survival margins, their existence became threatened.[213] Emotions override the need to understand a complex ecological system. A once abstract narrative quickly becomes quickly legible as harm through a visible reduction in shared operating space for living systems.

Shared system constraint also becomes clearer when viewed through finite limitation. Annie Leonard, executive director of Greenpeace USA, captured this directly when she observed that "you cannot run a linear system on a finite planet indefinitely".[214] This statement reframes the issue from one of moral positioning to one of operational feasibility. Environmental exposure is not simply a question of whether firms should act. It is a question of whether existing models of global scale can continue to function within finite resource systems. As environmental measurement improves and the limits of shared environmental resources become more visible and understood, scrutiny shifts from narrative concern to operating constraint.

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[212] New orangutan species described in Indonesia | IUCN. (2017, November 7). https://iucn.org/news/species/201711/new-orangutan-species-described-indonesia

[213] Dickie, G. (2025, December 9). It's the world's rarest ape. Now a billion-dollar dig for gold threatens its future. The Guardian. https://www.theguardian.com/environment/2025/dec/09/tapanuli-orangutan-ape indonesia-sumatra-martabe-gold-mine-aoe

[214] Rayner, C. S. (2010, April 5). The Story Of Stuff. Foreign Policy Association. https://fpa.org/the-story-of stuff-2/

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This shift becomes more visible when distant future concerns suddenly materialize in present day systems. Insurance markets provide a clear example. In regions exposed to increasing climate volatility, insurers have raised premiums, restricted coverage, or exited markets altogether, forcing more risk onto public systems or individuals.[215] What was once treated as a distant environmental issue becomes a direct affordability constraint for business and consumers alike. Extreme weather events serve as a source of ignition. For example as hurricane losses mount, private insurers raise rates, tighten coverage, or withdraw, displacing policy holders. A 2022 Florida law accelerated this shift, forcing policyholders to leave Citizens, Florida's insurer of last resort, if a private insurer offers coverage within 20% of its premium.[216] This explains why scrutiny in the shared impact domain can feel like it is both consistently fatigued, while also being urgent and immediate.

Despite increased visibility, measurement, and attribution, progress remains uneven. The limiting factor is not awareness, but coordination. Environmental systems operate across borders, while governance remains fragmented.[217] Corporate incentives are

[215] Milman, O., Witherspoon, A., & Witherspoon, O. M. with graphics by A. (2024, December 5). How climate risks are driving up insurance premiums around the US – visualized. The Guardian. https://www.theguardian.com/environment/2024/dec/05/climate-crisis-insurance-premiums
[216] Milman, O., Witherspoon, A., & Witherspoon, O. M. with graphics by A. (2024, December 5). How climate risks are driving up insurance premiums around the US – visualized. The Guardian. https://www.theguardian.com/environment/2024/dec/05/climate-crisis-insurance-premiums

[217] Sands, P. (Ed.). (2003). The environment and international society: Issues, concepts and definitions. In Principles of International Environmental Law (2nd ed., pp. 3–24). Cambridge University Press. https://doi.org/10.1017/CBO9780511813511.004

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shaped by financial expectations and execution capacity.[218] Measurement frameworks continue to evolve, particularly in complex areas such as value chain emissions.[219] [220] At the same time, information environments are contested, with competing narratives of environmental impact intentionally introducing doubt and delay.[221] Perceived credibility gaps further complicate progress. As corporations make sustainability claims that are excessive or exceed operational reality, which is called greenwashing, trust erodes and the burden of proof rises for all institutions in the system.[222] These dynamics only further slow alignment, invite skepticism, and rationalize delay.

And yet, within this system, corporate scale itself can also function as a coordinated solution mechanism. Large corporations possess the ability to influence supplier behavior, set standards, and aggregate demand in ways that smaller actors cannot.

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[218] Sangiorgi, F., Dow, J., & Han, J. (2024, August 13). The short-termism trap: Catering to informed investors with limited horizons. The Harvard Law School Forum on Corporate Governance. https://corpgov.law.harvard.edu/2024/08/13/the-short-termism-trap-catering-to-informed-investors-with limited-horizons/

[219] Corporate Value Chain (Scope 3) Standard | GHG Protocol. (n.d.). Retrieved March 4, 2026, from https://ghgprotocol.org/corporate-value-chain-scope-3-standard

[220] By. (2025, October 29). Supply chain sustainability: Top ways firms track Scope 3 emissions | MIT Sloan. https://mitsloan.mit.edu/ideas-made-to-matter/supply-chain-sustainability-top-ways-firms-track-scope-3 emissions

[221] NATO: Kremlin-backed actors' disinformation seeks to derail green…. (2024, July 12). Energy & Climate Intelligence Unit. https://eciu.net/media/press-releases/2024/nato-kremlin-backed-actors-disinformation seeks-to-derail-green-investment-comment

[222] SEC.gov | SEC Charges Advisory Firm WisdomTree with Failing to Adhere to Its Own Investment Criteria For ESG-Marketed Funds. (n.d.). Retrieved March 3, 2026, from https://www.sec.gov/newsroom/press releases/2024-173

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Apple's supplier commitments to renewable energy demonstrate how procurement power can reshape energy use across a global value chain.[223] Walmart's Project Gigaton illustrates how retail scale can drive emissions reduction across suppliers.[224] These examples do not fully resolve a complex systematic problem, but they reveal a structural duality. The same scale that amplifies externalities can also be used to coordinate their reduction.

For the reputation strategist, the implication is direct. Environmental exposure is not temporary and it is not peripheral. It is a standing condition of operating in systems where shared impacts are becoming visible, measurable, and attributable. As these capabilities improve, the connection between the negative externalities of scale and the ability to contest legitimacy strengthens. Taken together, the domains of scrutiny define the conditions under which corporations are evaluated. Fairness shapes perceptions of equity. Control shapes perceptions of power. Shared impact determines how externalities are judged across systems. Dignity defines how people

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[223] Segal, M. (2024, April 18). 95% of Apple's Supply Chain Commits to 100% Renewable Energy Use by 2030. ESG Today. https://www.esgtoday.com/95-of-apples-supply-chain-commits-to-100-renewable-energy-use by-2030/

[224] McLaughlin, K., President, E. V., Officer, C. S., & Foundation, W. P. of the W. (n.d.). Walmart Suppliers Lead the Charge, Help Deliver Project Gigaton Goal More Than Six Years Early. Retrieved March 4, 2026, from https://corporate.walmart.com/news/2024/02/21/walmart-suppliers-lead-the-charge-help-deliver-project gigaton-goal-more-than-six-years-early

are treated within those systems. These domains do not operate in isolation. They form a coupled system of scrutiny, where pressure rarely remains contained within a single domain. A perceived imbalance in how value is distributed can quickly raise questions about who holds influence and how that influence is exercised. Once influence is scrutinized, outcomes that may have once appeared incidental begin to be interpreted as having a greater shared impact. As those impacts become more visible and attributable, they often resolve into questions of dignity, where abstract harm is translated into lived experience. This is how reputational pressure scales in the modern environment, not through isolated failures, but through interconnected strain. And as scrutiny compounds, legitimacy becomes more difficult to sustain.

Commonly, in the Reputation Era, institutions recognize that they are being evaluated in tighter frames. They often administer actions that they believe will satisfy one issue, without recognizing the interconnected nature where domains can intensify pressure in other arenas. Over time, a lack of communications and behaviors to address these interconnected domains translate into further business constraints. Depending on the severity of the constraint it will trigger a reputational crisis. Reputation managers in the modern era should recognize that the ability to operate, expand, and maintain stakeholder alignment is becoming increasingly conditional and contested. In the

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Reputation Era, legitimacy is never fully secure. It is continuously negotiated across domains of scrutiny that are structurally interconnected; and this is why reputation is increasingly harder to build than it is to lose.

The Key Conclusion of the Reputation Era: Reputation Needs Infrastructure

The Reputation Era is defined by a structural contradiction that cannot be resolved through reactive communications alone. Corporations are engineered for scale, designed to optimize, expand, and deliver prosperity at great velocity. They were not designed to anticipate, measure, or manage the full spectrum of consequences that this scale can produce. Yet that is now what society demands, and when these demands remain unmet delegitimizing scrutiny follows.

This contradiction that stakeholders place upon corporations is not new to the modern era. What is new is negative externalities becoming visible, measurable, and attributable in real time. For most of corporate history, the lag between action and consequence was long enough to obscure causality and leave legitimacy largely uncontested. Supply chains were opaque, environmental harm was abstract, and labor exploitation felt distant. Globally interconnected systems radically changed distance in the accountability equation, leaving externalities diffused across borders and jurisdictions. While modern era technologies, such as satellite imagery tracking deforestation and emissions, make harm instantly visible across continents. Attribution, in the Reputation Era, is increasingly precise and becoming easier to assign. This leaves corporations in the modern era caught between global impact, in terms of both prosperity and consequence, and a widening global consciousness.

The Reputation Era has compromised the communications function of the business. For decades, corporations learned to navigate scrutiny through public relations, namely media engagement. The right message at the right moment could contain a crisis, reframe a narrative, defend a position. That playbook assumed a sizable interval of time between action and understanding, between knowledge and judgment. Today time, like distance, is compressed. The public does not wait for explanations. Narratives form while decisions are being finalized and judgment arrives before context. The organization is asked to answer for consequences that stakeholders have already rendered emotionally settled.

A fundamental asymmetry emerges, business strategy moves at a layered multi-functioned corporate speed while scrutiny moves in a highly fragmented, rapid velocity information speed. The organization attempts to think forward while the stakeholder environment is judging backwards. In this condition, reputation struggles to be built through statements alone. Protecting reputation through narrative management becomes a continuous, and costly, treadmill exercise. At the same time reputation cannot be stabilized through simple legal compliance. Reputation, in the modern era, can only be defended upstream, through decisions and incentives that anticipate how power will be interpreted and that make organizations trustworthy at scale before it can be tested. Put simply, reputation must be architected into how the company operates, the incentives it creates, and the values that guide it behaviors. Reputation must migrate from the margins of business life to the center of corporate operability. It must be understood as a system, not an aesthetic annual rank list. It must be integrated throughout the business, not delegated to the communications and legal functions. It must be unlocked as the most valuable strategy that a business cannot afford to omit, not confused as a tactical brand asset. Reputation must be understood as the infrastructure through which legitimacy is earned and sustained, enabling the business to protect and expand its license to operate.

One of the greatest challenges for modern corporations is that reputation has been viewed as "soft". Categorized as either consumer sentiment, brand equity, public perception, something a company could shape through the right campaign at the right moment. That conception remains the primary lens through which organizations attempt to manage it. Another contradiction emerges, the environment corporations now operate treats reputation as an operational gating mechanism. A condition that determines whether capital clears, whether talent stays, whether regulators accelerate, whether permits arrive, whether supply chains remain intact, whether communities consent, and whether the firm can maintain its license to operate at all. This is the structural shift where seven conditions that define the Reputation Era emerge, shown in the STIGMAS model.

	Before the Reputation Era	Reputation Era
Stakeholders	Narrow (government, public elites)	Broad, heterogeneous, global
Trust	Competence delivers legitimacy	Competence alone no longer delivers legitimacy
Information	Centralized, shared reality	Decentralized, continuous, unfiltered
Governance	Legal compliance	Hybrid legal-moral frameworks
Mediation	Institutions acted as referees	Distrust ambient, weak credibility, no arbiters
Attribution	Harms dispersed, opaque, unseen	Measurable, timestamped, labeled
Speed	Scale faster than scrutiny	Information faster than alignment

In this environment, competence alone is no longer sufficient. A company can be operationally excellent and reputationally failing at the same time. That divergence is an architectural feature of modern legitimacy. Institutions face a balancing act where they must deliver performance while also demonstrating integrity, fairness, and accountability across domains of scrutiny that were never part of the original corporate mandate. This creates a structural growth-responsibility paradox in which the incentives that drive corporate behavior; such as optimization, scale, and shareholder return, are often at odds with the integrity increasingly required to sustain legitimacy.

Corporations often respond to this paradox with three different business strategies. Some lean into what has worked through history up into the modern era. They lean in and accelerate their scale, betting that speed will outpace scrutiny long enough to entrench power before governance can respond. This strategy has proven that it works remarkably well, until it doesn't, the reputational debt continues to load as an invisible line item on the balance sheet until it becomes collected at a crisis point later in time. Some will deploy purpose driven strategies by leaning into emotional signaling. In many cases they over-correct which leads to performative communications that drive signals such as statements about values, commitments to sustainability, and expanded diversity initiatives to name a few. The majority of which lack behavioral coherence, leaving stakeholders unsatisfied and often deeps skepticism when the gap between promise and practice becomes visible. While others deploy a strategic pause. They either directly or indirectly attempt paralysis, reducing perceived reputation risk through caution, only to discover that inaction is itself still an action, one that is interpreted by stakeholders as either cowardice or complicity.

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None of these approaches resolve the underlying structural contradiction. The problem is not that stakeholders are increasingly holding corporations to standards that exceed legal constructs, holding businesses to a hybrid legal-moral accountability threshold. The problem is that corporations were not intended to be institutions of morality, that is not their primary purpose. This validates why corporate structures struggle to effectively implement an integrity infrastructure within business operations that can meet the expectations of its stakeholders. This is the defining insight of the Reputation Era. Not that corporations have become evil, they're not. Not that capitalism has failed, it hasn't. But that the incentive architecture of modern business was built to reward performance, but it was never recalibrated to integrate multi-stakeholder accountability at the same scale or speed. In other words, the expectations of stakeholders broadened, from the ability of what companies could do, to the integrity of how it was perceived to be doing it.

The Reputation Era proves to be a time of revelation for the modern day corporate executive. But its deepest revelation is an underlying tension that emerged before the idea of a corporation was even conceived, to the first moment where humans first learned to cooperate. This is because reputation, in its most fundamental form, is not a business condition, it is a human condition. It is the mechanism through which societies have always determined who deserves trust, who merits collaboration, and

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who can be granted power. That mechanism is built on integrity. And integrity is more than a corporate values statement, it's a survival trait.

The sections that follow examine what reputation actually is and what it is not. They dismantle the persistent confusion between brand and reputation, a mistake that costs organizations billions in misdirected investment and only increases the hidden risks the reputation often carries. Reputation will be tracked back to its origins as a human coordination system, one rooted as a necessity of identifying trustworthy actors in uncertain environments. It unveils the critical truth that many organizations have yet to internalize, that reputation is not something corporations can build, manage, or control. Instead, reputation is the infrastructure that corporations must become. Strategists must decouple the idea that reputation is just a tool, a communications discipline, or a brand asset. They must embrace it as the accumulated judgment of whether an institution merits the trust required to operate at scale. And that judgment, in the end, hinges on a single question that humans have been asking for millions of years.

"Does this actor possess the integrity required to effectively wield the power they have been granted?"

For corporations to survive in the Reputation Era the answer to that question is no longer optional.

Starting with the Pieces of How Reputation Actually Works

"Does this actor possess the integrity required to effectively wield the power they have been granted?"

What may surprise most institutional leaders is that this is not a question of the modern era. Nor is it one unique to the corporate world. This question is one of the oldest questions humans have ever asked of themselves and others. Long before written law, markets, or formal institutions, people relied on observable signals to judge whether others were predictable, reliable, and safe to collaborate with. The ability to interpret these signals did more than improve individual survival. It enabled cooperation at increasingly larger scales, laying the foundation for families, tribes, markets, governments, and eventually civilization itself. These integrity judgments were integral to determining who would be welcomed, trusted, followed, punished, or excluded. Overtime these judgments would form moral standards for social interactions, eventually hardening into laws and governance institutions to ensure stability, predictability, and reliability. Reputation would emerge from this process, not as an abstract perception, but as a practical system for determining the legitimacy of people and institutions in society. Those that maintained a positive reputation would

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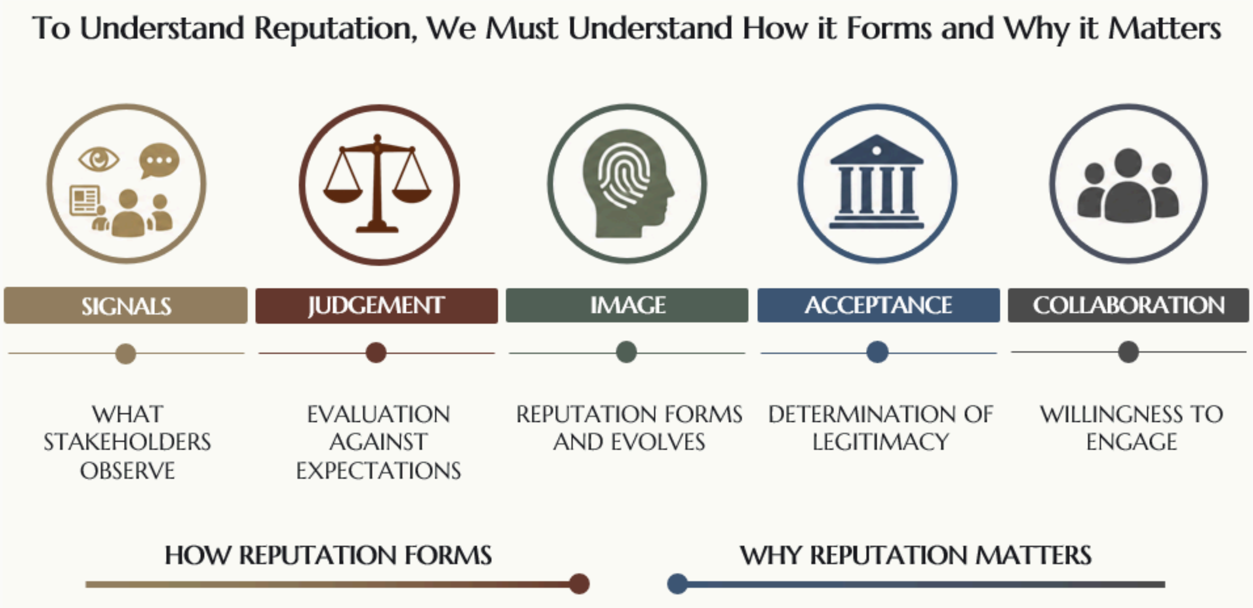
earn acceptance and collaboration, while those that did not would have their legitimacy revoked leading to constraints and withdrawal.



Although the contexts have changed dramatically, the underlying mechanism has not. Modern institutions are evaluated through the same fundamental process that once governed cooperation between individuals. Only the scale has changed. The next three chapters reconstruct the reputation operating system from its foundations. They begin with the moral codes and reciprocal expectations that made collaboration possible, then examine how signals are compressed into durable judgments before separating reputation from the brand systems with which it later became intertwined. The architecture ultimately becomes more sophisticated than this initial model suggests, but its central logic is remarkably simple.

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Chapter 4: How Reputation Forged Civilization

Passage 13: Predictable and Reliable, Not Good and Bad

Summary Text (Not Included in Final Copy): In Reputational risk does not arise solely from visible harm or operational failure. Moral systems evolved not as philosophical abstractions but as practical infrastructure to solve the defection problem and enable collaboration at scale. When societies grew beyond direct observation, integrity emerged as the mechanism that makes moral expectations legible and enforceable through signals of predictability and reliability. The same trust structures that enabled civilization also created opportunities for sophisticated exploitation, forcing groups to develop cheater detection and formalized punishment systems. Understanding reputation requires recognizing that moral judgment compresses a functional assessment of whether an actor is safe to collaborate with, predictable in their conduct, and reliable under pressure.

Questioning whether someone possesses the integrity to manage the power in their remit is not only one of the first mechanics that defines what is meant to be human. It is a core factor in Darwinian evolution[225]. Whether an institution merits the trust it

[225] Trivers, R. L. (1971). The Evolution of Reciprocal Altruism. *The Quarterly Review of Biology*, *46*(1), 35–57.

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needs to operate sustainably at scale can only be answered by examining one deeper layer, the architecture upon which institutional judgment itself is built. For reputation to emerge it will take more than declarations of intent or carefully managed communications. It will emerge when lived experience shows a consistent alignment of accountable behaviors that match with stakeholder expectations. Integrity flows from this alignment, just below the surface of an institution's reputation. Like the foundation beneath a cathedral's stone, it is a foundation that showcases predictability and reliability. Humans constantly seek integrity, as predictability and reliability reduce risk and incentivize collaboration.[226] It enables trust in power structures, for as long as tribes to complex societies have existed.[227] The judgment and evaluation of integrity has taken a moral approach, which enabled coordination mechanisms, evolved over millennia to solve the fundamental problem that has always faced human groups.[228]

Moral systems exist in every civilization, operating less like a philosophical abstraction and more like an evolutionary operating system for collective coordination.[229] Morality is deeper than a simple assessment of good and bad because, at its core,

[226] Luhmann, N., & Poggi, G. (2005). *Trust and power: Two works* (Faks. d. Ausg., Chichester [u.a.],Wiley, 1979). UMI Books on Demand.

[227] Fukuyama, F., & Fukuyama, F. (2011). *The origins of political order: From prehuman times to the French Revolution* (1st ed). Farrar, Straus and Giroux.

[228] Alexander, R. D. (1987). *The biology of moral systems*. A. de Gruyter.

[229] Brown, D. E. (1991). *Human universals* (2. [print.]). McGraw-Hill.

morality evolved as a coordination mechanism for human survival.[230] "Good" and "bad" are simple surface terms that express a much deeper and complex system.[231] Beneath these terms sits a much more functional architecture concerned with predictability, reliability, trust, obligation, conduct, and social order.

Early human societies, tens of thousands of years ago, faced a fundamental problem. Small groups depended on hunting, protection, child-rearing, and food distribution. Survival required stable collaboration, yet individual incentives constantly pushed toward opportunism.[232] The same systems that built cooperation were also vulnerable to free riders.[233] A hunter could hoard meat, extract more than their share, or abandon the group in times of need. Groups that successfully maintained reciprocal collaboration were more likely to endure and prosper than those unable to control defection.[234] Moral codes were not invented by philosophers. They emerged across early human communities as a practical solution to the defection problem and the

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[230] Henrich, J. P. (2016). *The secret of our success: How culture is driving human evolution, domesticating our species, and making us smarter*. Princeton University Press.

[231] Sauer, H. (2024). *The invention of good and evil: A world history of morality* (J. Heinrich, Trans.). Oxford University Press.

[232] Nowak, M. A. (2006). *Evolutionary dynamics: Exploring the equations of life*. Belknap Press of Harvard University Press.

[233] Ostrom, E. (1990). *Governing the commons: The evolution of institutions for collective action*. Cambridge University Press.

[234] Bowles, S., & Gintis, H. (2011). *A cooperative species: Human reciprocity and its evolution*. Princeton University Press.

necessity of reciprocal trust.[235] Moral codes evolved further because humans with strong moral norms outcompeted those without them. The evolutionary embedding of moral behavior became one of the defining characteristics separating surviving from extinct societies.[236]

Moral systems function as operational signaling mechanisms. Honesty, fairness, care, accountability, and commitment signal that another person is predictable and reliable, which makes long-term collaboration possible even when immediate self-interest would incentivize defection.[237] Behaviors that increased reciprocity became labeled as "good" because they improved the group's capacity to function and survive.[238] Behaviors that introduced danger, unpredictability, or exploitation became labeled as "bad" because they threatened collective survival.[239] The function and purpose of morals came first, the labels came later. When people call someone or an institution

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[235] Waal, F. B. M. de. (2009). *Good Natured: The Origins of Right and Wrong in Humans and Other Animals*. Harvard University Press.

[236] Richerson, P. J., & Boyd, R. (2010). *Not By Genes Alone: How Culture Transformed Human Evolution*. University of Chicago Press.

[237] Zehavi, A., & Zahavi, A. (1997). *The handicap principle: A missing piece of Darwin's puzzle*. Oxford University Press.

[238] *Is it good to cooperate? Testing the theory of morality-as-cooperation in 60 societies*. (n.d.). Retrieved July 1, 2026, from https://www.anthro.ox.ac.uk/publication/813226/ora-hyrax

[239] Boehm, C. (1999). *Hierarchy in the forest: The evolution of egalitarian behavior*. Harvard University Press.

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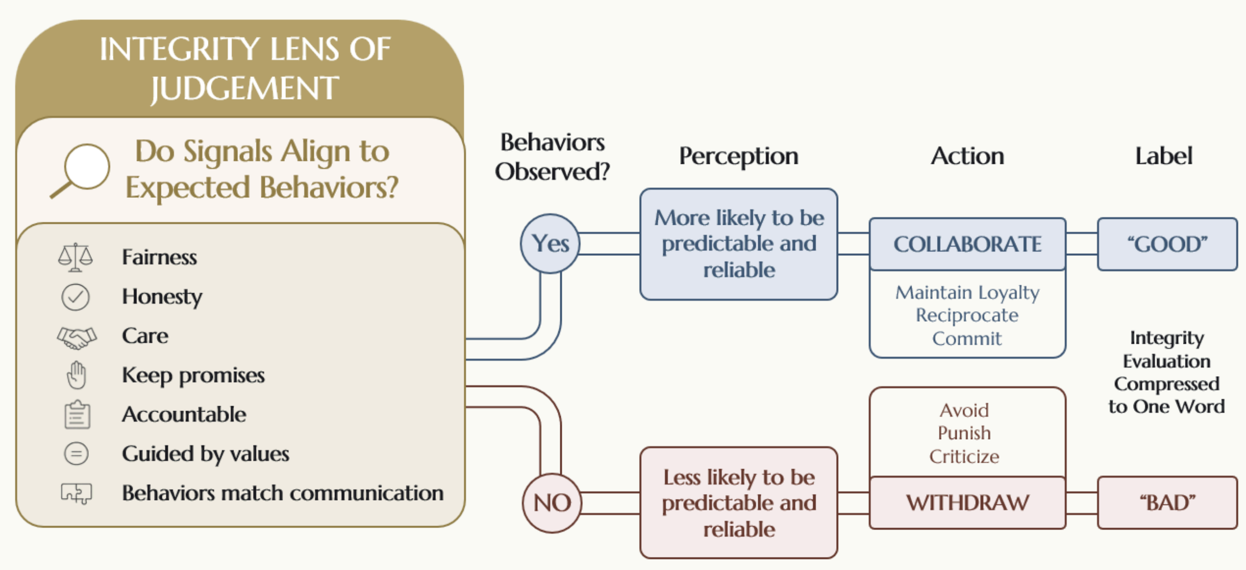
"good" or "bad," they are compressing social signals into a single judgment about whether that actor is safe to collaborate with.



Moral codes reduce uncertainty by establishing shared expectations about acceptable conduct.[240] When individuals know how others are likely to act, the risk of collaborating with them becomes less costly.[241] As trust increases, the risk of betrayal decreases. Predictability allows faster decision-making and more efficient coordination. Under pressure, especially during scarcity or conflict, this predictability becomes essential. A group confident its members will uphold obligations in challenging times coordinates faster and more effectively. A group derailed by

[240] North, D. C. (1990). *Institutions, institutional change, and economic performance*. Cambridge University Press.

[241] Williamson, O. E. (1987). *The economic institutions of capitalism: Firms, markets, relational contracting* (1. Free Press paperback edition). Macmillan.

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internal distrust moves toward safeguarding, withholding intentions, and waiting for others to act first.[242] When groups faced instability in their social systems, it only further entrenched the importance of instilling moral codes to secure collective, collaborative action to ensure survival.[243]

Large-scale civilizations would only become possible when moral expectations extended beyond kinship (bloodline) networks.[244] Shared ethical frameworks, such as religious systems and cultural norms, allowed strangers to collaborate in trade, governance, and social organization.[245] A merchant in Baghdad could conduct business with a merchant in Venice because both operated within shared moral and commercial norms that transcended geography and blood relations. Moral alignment reduced friction between strangers and stabilized expectations across distance. But this expansion of moral systems revealed a fundamental constraint. Direct observation of moral behavior works in small groups where everyone knows everyone else, which

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[242] Covey, S. M. R., & Merrill, R. R. (2008). *The speed of trust: The one thing that changes everything* (paperback ed). Free Press.

[243] Greif, A. (2006). *Institutions and the path to the modern economy: Lessons from medieval trade*. Cambridge University Press.

[244] Henrich, J. (2020). *The weirdest people in the world: How the west became psychologically peculiar and particularly prosperous* (First edition). Farrar, Straus and Giroux.

[245] Weber, M., & Weber, M. (2011). *The Protestant ethic and the spirit of capitalism: The revised 1920 edition* (S. Kalberg, Trans.). Oxford University Press.

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makes reliability and predictability highly visible.[246] But as societies scaled beyond the natural limits of what a person could observe, something fundamental had to change. The moral systems that governed fifty people could not govern five hundred. The systems created to ensure stability at five hundred could not work for five thousand. What was one established from direct observation had to be created by something else. That something else is integrity, a mechanism that relies on heuristics to make morality legible and enforceable at scale.

But scaling moral systems to encompass strangers and distance also created new vulnerabilities. When observation becomes impossible, so does detection of cheating.[247] Moral systems solved the collaboration problem, but they simultaneously created the possibility of exploitation at a scale that previously did not exist. Evolutionary game theorists identified this tension through a thought experiment called the Prisoner's Dilemma.[248] Game theory emerged in the mid-twentieth century as a mathematical framework for understanding strategic interaction, how individuals

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[246] Dunbar, R. I. M. (1992). Neocortex size as a constraint on group size in primates. *Journal of Human Evolution*, *22*(6), 469–493. https://doi.org/10.1016/0047-2484(92)90081-J

[247] Nowak, M. A., & Sigmund, K. (1998). Evolution of indirect reciprocity by image scoring. *Nature*, *393*(6685), 573–577. https://doi.org/10.1038/31225

[248] Axelrod, R., & Hamilton, W. D. (1981). The Evolution of Cooperation. *Science*, *211*(4489), 1390–1396. https://doi.org/10.1126/science.7466396

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make decisions when their outcomes depend not just on their own choices but on the choices of others.[249] The Prisoner's Dilemma became one of the earliest and most fundamental models in this field because it captures a paradox that appears everywhere cooperation is required.[250] Two hunters are better off hunting together than alone. But each hunter has an incentive to take the kill and flee, leaving the other empty-handed. If both defect, both suffer. If one cooperates while the other defects, the defector thrives and the cooperator starves. Yet groups that developed strong norms against defection and harsh punishments for cheaters survived and expanded.

Once humans established collaborative environments through reciprocal obligation, they also created opportunities for individuals to benefit from the cooperative system without fully contributing to it.[251] A person could gain the protection of the tribe without taking equal risks, consume shared resources without proportional sacrifice, or signal loyalty while acting opportunistically in private. In this sense, the morality

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[249] Von Neumann, J., & Morgenstern, O. (1990). *Theory of games and economic behavior* (6. paperback print). Princeton Univ. Press.

[250] Nowak, M. A. (2006). Five Rules for the Evolution of Cooperation. *Science*, *314*(5805), 1560–1563. https://doi.org/10.1126/science.1133755

[251] Olson, M. (2003). *The logic of collective action: Public goods and the theory of groups* (21. printing). Harvard Univ. Press.

code system that produced stability also produced cheating as an unintended byproduct. The same trust structures enabling humans to advance civilization also created incentives to manipulate trust for personal advantage.

To prevent total collapse humans would develop a strong sense for cheater detection and rules that would be enforced against them once detected.[252] Humans evolved sophisticated cognitive capacities for remembering who cooperated and who deceived, enabling them to make better decisions about future cooperation.[253] To protect others in the group they should share these stories, this is why humans have a deep connection with gossiping, sharing stories of "good" and "bad".[254] Human groups evolved a sophisticated capacity for punishing defectors.[255] Informal punishment mechanisms emerged first where they would be excluded from hunts, denied resource access, and shamed through public stories of their defection.[256] Over time, as

[252] Cosmides, L., & Tooby, J. (1992). Cognitive adaptations for social exchange. In J. H. Barkow, L. Cosmides, & J. Tooby (Eds.), *The adapted mind: Evolutionary psychology and the generation of culture* (pp. 163–228). Oxford University Press.
[253] McCabe, K. A., Rigdon, M. L., & Smith, V. L. (2003). Positive reciprocity and intentions in trust games. *Journal of Economic Behavior & Organization*, *52*(2), 267–275. https://doi.org/10.1016/S0167-2681(03)00003-9

[254] Dunbar, R. I. M. (1998). *Grooming, gossip, and the evolution of language* (1st Harvard University Press paperback ed). Harvard University Press.

[255] Boyd, R., Gintis, H., Bowles, S., & Richerson, P. J. (2003). The evolution of altruistic punishment. *Proceedings of the National Academy of Sciences*, *100*(6), 3531–3535. https://doi.org/10.1073/pnas.0630443100

[256] Ellickson, R. C. (2009). *Order Without Law: How Neighbors Settle Disputes*. Harvard University Press.

groups scaled beyond kinship networks, informal punishment became unreliable. Anthropologist Robin Dunbar argued that the human brain can maintain approximately 150 stable social relationships, a cognitive limit that constrained how people monitored one another's behavior through repeated interaction.[257] Beyond that threshold, direct observation became increasingly impractical, forcing societies to rely on indirect signals, reputation, and shared norms. A person shamed in one village could simply move to another. But even within a village of 150, informal mechanisms began to strain. So groups formalized their enforcement systems. Punishment became codified into ritual, religious doctrine, and eventually written law.[258] Morality became the language that justified punishment while also internalizing obligation. Shame, guilt, admiration, and honor became emotional enforcement mechanisms that often preceded any institutional system.

Establishing and enforcing a code did more than create social stability, it created evolving emotional triggers. The Scottish moral philosopher Adam Smith grasped this problem in the eighteenth century. Smith argued that moral codes persist because humans possess an innate capacity for sympathy, an ability to imaginatively inhabit

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[257] Dunbar, R. I. M. (1998). The social brain hypothesis. *Evolutionary Anthropology: Issues, News, and Reviews*, *6*(5), 178–190. https://doi.org/10.1002/(SICI)1520-6505(1998)6:5%253C178::AID-EVAN5%253E3.0.CO;2-8

[258] Berman, H. J. (1983). *Law and revolution: The formation of the Western legal tradition*. Harvard university press.

another's situation and feel what they feel.[259] We behave the way we do partly out of fear of letting others down, of failing to meet the expectations we imagine they hold for us. Through this mechanism of sympathy and social fear, abstract social expectations become internal imperatives. When humans sense a moral violation it triggers genuine emotional distress, not mere rational calculation.

This reinforces moral frameworks as a deeply rooted human emotional system. Moral judgment is often driven by rapid emotional processes, making moral emotions powerful enforcement mechanisms.[260] Feelings of shame, guilt, indignation, admiration, and empathy arose because they reinforced collaborative norms quickly, especially under stress.[261] These emotions played a key role in turning abstract social expectations into internal rule frameworks, making moral codes feel natural rather than arbitrary. Over time, these informal emotional systems became formalized into written law, religious doctrine, and cultural practice. Societies emotional signals and institutional backing ensured society maintained stability at scale.[262]

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[259] Smith, A. (with Hanley, R. P., Sen, A., & Hanley, R.). (2010). *The Theory of Moral Sentiments* (250th ed). Penguin Publishing Group.

[260] Haidt, J. (2001). The emotional dog and its rational tail: A social intuitionist approach to moral judgment. *Psychological Review*, *108*(4), 814–834. https://doi.org/10.1037/0033-295X.108.4.814

[261] Tangney, J., Stuewig, J., & Mashek, D. (2007). Moral Emotions and Moral Behavior. *Annual Review of Psychology*, *58*, 345–372. https://doi.org/10.1146/annurev.psych.56.091103.070145

[262] Durkheim, É., & Fields, K. E. (1995). *The elementary forms of religious life*. The Free Press.

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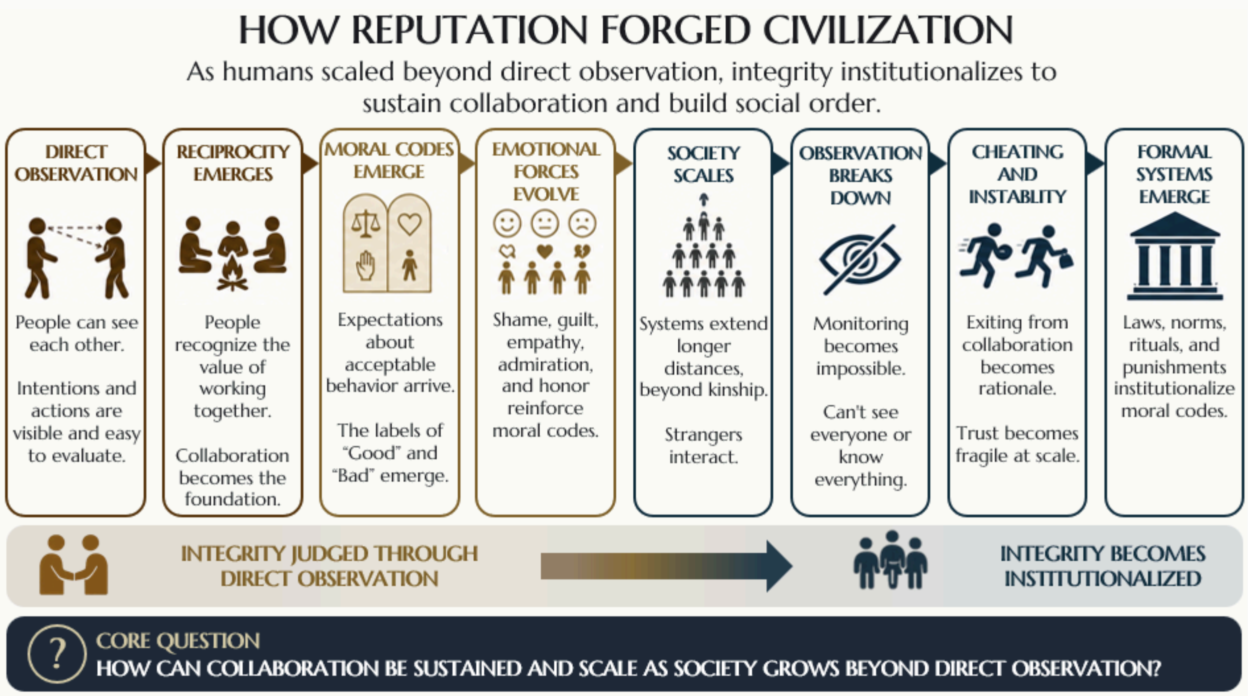

Passage 14: The Second Corridor of Reputational Risk

Summary Text (Not Included in Final Copy): Reputational risk, commonly seen as sporadic, circumstantial, and reactive, always follows a clear pattern. Drawing on Jonathan Haidt's research into five universal moral foundations, care, fairness, loyalty, authority, and sanctity, we see how moral expectations have driven institutional change throughout history. From the Magna Carta's shift toward accountable authority to child labor laws reflecting expanded care, institutions have repeatedly faced delegitimization when they failed to adapt to evolving moral interpretation. Modern reputation operates along two distinct corridors. One is triggered by exposure of consequences such as data breaches, supply chain harms, and

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environmental damage. The other is triggered by perception of moral violation, regardless of measurable harm.

As societies formalized their moral enforcement systems, a question emerged. What moral dimensions actually drove human judgment across different cultures and contexts? If morality was universal enough to enable cooperation across strangers, it must have been built on foundations that transcended geography and history. Psychologist Jonathan Haidt and colleagues developed Moral Foundations Theory, which proposes that humans evaluate moral behavior through a set of evolved psychological foundations that appear across cultures. His analysis showed that care, fairness, loyalty, authority, and sanctity appear in vastly different cultures despite differences in geography, history, and belief systems.[263] These foundations represent the underlying cipher of moral judgment itself.

The care moral foundation concerns harm and compassion. It reflects the moral expectation that suffering should be reduced and vulnerability protected. The fairness moral foundation concerns proportionality and justice. It reflects the expectation that resources, punishment, and opportunity are distributed according to consistent principles. The loyalty moral foundation concerns obligation to the group and the

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[263] Graham, J., Haidt, J., Koleva, S., Motyl, M., Iyer, R., Wojcik, S. P., & Ditto, P. H. (2013). Moral Foundations Theory. In *Advances in Experimental Social Psychology* (Vol. 47, pp. 55–130). Elsevier. https://doi.org/10.1016/B978-0-12-407236-7.00002-4

expectation that members prioritize collective interests and maintain solidarity, especially during conflict or hardship. This foundation naturally produces in-group and out-group dynamics. The authority moral foundation concerns hierarchy and respect for legitimate power. It reflects the moral expectation that leadership is deserved and that order requires deference to those who have earned it. The sanctity moral foundation concerns purity and the transcendent. It reflects the moral expectation that certain things, ranging from places to principles to artifacts to human creation itself, are sacred and should be protected from desecration or contamination.[264]

These moral foundations are useful for understanding how moral frameworks served as a catalyst for major societal shifts throughout history. Pivotal transformations in societal structure typically occurred at points in time where dominant moral expectations reached a breaking threshold, which forced existing systems to adapt.[265] This established morality as a driving force for identifying societal strain and coordinating the institutional structures required to resolve it. History shows this societal pattern taking place repeatedly across all five moral foundations.

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[264] Haidt, J. (Ed.). (2013). *The righteous mind: Why good people are divided by politics and religion* (1. Vintage books ed). Vintage Books.

[265] Kuhn, T. S. (1996). *The structure of scientific revolutions* (3rd ed). University of Chicago Press.

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The authority foundation governs how legitimacy is conferred and maintained. Early systems justified power through divine right or inherited privilege.[266] Rulers claimed authority because God ordained it or because bloodline determined fitness.[267] But as societies scaled and information traveled, moral expectations began to shift. Subjects questioned if the ruler held obligations to society. The moral foundation moved from "authority is inherent" to "authority is accountable." This shift did not happen overnight. It accumulated through centuries of tension, revolt, and renegotiation. But when it reached critical mass, it restructured political systems. Councils emerged to constrain power and charters established obligations.[268] Constitutions codified the principle that authority must justify itself to those it governs. The transition from divine right to accountable rule was a transition in the moral interpretation of what authority means. Institutions that resisted this shift faced delegitimization and collapse.

England in 1215 reveals this threshold moment. King John asserted broad royal authority grounded in hereditary succession and divine sanction.[269] His decisions need not be justified to anyone. But barons and subjects had begun to interpret his

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[266] Weber, M., Roth, G., & Wittich, C. (1978). *Economy and society: An outline of interpretive sociology*. University of California Press.

[267] Filmer, R., & Sommerville, J. P. (1991). *Patriarcha and other writings*. Cambridge University Press.

[268] Holt, J. C. (1992). *Magna Carta* (2nd ed). Cambridge University Press.

[269] Carpenter, D. (2015). *Magna Carta*. Penguin Books.

authority differently. They demanded reciprocal accountability, arguing that power carried obligations to those governed. When King John refused to adapt to this moral shift, he faced a revolt.[270] The resulting Magna Carta codified the new moral interpretation of what legitimate authority required. It asserted that even monarchs were subject to law, that leaders could be held accountable, and that certain protections applied to all subjects.[271] The document was modest in immediate effect. Most clauses were ignored or repealed.[272] But it marked the formal recognition that the moral interpretation of authority had shifted irreversibly. Over subsequent centuries, that moral expectation continued to accumulate and reshape institutions. Constitutional systems emerged and due process protections were established.[273] The principle that legitimate power must justify itself to those it governs became embedded in governance structures across the Western world. The Magna Carta did not cause this transformation. It was the institutional acknowledgment that a moral transformation had already occurred and could no longer be resisted.

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[270] Warren, W. L. (1978). *King John*. Univ. of California Press.

[271] Hughes, A. (2018, May 9). Holding Power Accountable: Magna Carta, Parliament, and the Origins of Representative Congress. *Constituting America*. https://constitutingamerica.org/holding-power-accountable-magna-carta-parliament-origins-representative-congress-guest-essayist-scot-faulkner/

[272] Turner, R. V. (2003). *Magna Carta: Through the ages* (1st ed). Pearson/Longman.

[273] Dicey, A. V. (1982). *Introduction to the study of the law of the constitution*. Liberty/Classics.

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But authority is only one dimension through which moral expectations drove institutional change. Loyalty operates differently, with a deeper bond that holds communities together. Early human groups were small and local, so trust operated through direct relationships. But loyalty through religious systems enabled trust to large-scale collaboration. Christianity and Islam institutionalized shared moral codes that extended trust beyond immediate communities.[274] Concepts like honesty, charity, and obligation to others created behavioral consistency across vast geographies.[275] A Christian merchant in Constantinople could trust a Christian merchant in Rome because both operated within the same moral framework. A Muslim trader in Cairo could collaborate with a Muslim trader in Baghdad through shared principles. These systems allowed strangers to cooperate within shared narratives, supporting trade, governance, and social order across empires. Loyalty is a highly portable moral code. It moves from "loyalty to my tribe" to "loyalty to my faith community" to eventually "loyalty to my nation." Each expansion enabled by a moral framework that could scale beyond direct observation.

But loyalty can scale beyond faith as well. The Hanseatic League, a network of merchant guilds spanning Northern Europe from the 12th to 17th centuries,

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[274] Stark, R. (2011). *The triumph of Christianity: How the Jesus movement became the world's largest religion*. HarperOne.

[275] Siedentop, L. (2014). *Inventing the individual: The origins of Western liberalism*. Belknap Press of Harvard University Press.

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demonstrated how institutional loyalty could replace kinship entirely.[276] Merchants from Lübeck, Novgorod, Bergen, and London came from different languages, religions, and regions.[277] Despite the lack of shared physical community, they operated within the same codes of conduct, standardized weights and measures, and mutual obligations.[278] A merchant from one city could conduct business with a merchant from another because both swore loyalty to the League's moral framework. They trusted each other not because they shared blood or faith, but because they shared membership in an institution.

Yet institutional loyalty alone cannot sustain collaboration at scale. Institutions require more than reciprocal obligation among members. Ensuring predictability and reliability requires proportionality, constraints on exploitation, and protections for those with the least power within the system. This is where the moral foundation of fairness enters, which focuses on proportionality and justice. For centuries, economic systems normalized child labor because it was profitable and because those with power benefited from the exploitation.[279] Factory owners extracted labor from

[276] Dollinger, P. (1970). *The German Hansa*. Macmillan.

[277] Ogilvie, S. C. (2011). *Institutions and European Trade: Merchant Guilds, 1000-1800*. Cambridge University Press.

[278] Landa, J. T. (2014). A theory of the ethnically homogeneous middleman group: An institutional alternative to contract law (with an Afterword). In *Handbook of East Asian Entrepreneurship*. Routledge.

[279] Cunningham, H. (2014). *Children and Childhood in Western Society Since 1500* (0 ed.). Routledge. https://doi.org/10.4324/9781315835495

children for minimal cost.[280] The system was stable because it served entrenched interests, but as societies became wealthier and more interconnected people increasingly viewed children not as economic contributors first, but as vulnerable individuals deserving protection, education, and development. Reformers, journalists, religious leaders, and labor advocates helped reshape public perception by exposing the physical harm and harsh conditions children faced in factories.[281] Over time, the moral interpretation of legitimate economic behavior changed. What had once been viewed as economically necessary increasingly became seen as socially unacceptable and incompatible with modern ideas of progress and human rights. When the moral expectation reached a threshold, political action and regulation followed. Nations began passing child labor laws in the late nineteenth and early twentieth centuries.[282] Children gained the right to education, protection from dangerous work, and limits on labor hours. The moral foundation of fairness had shifted leaving institutions that resisted in a state of backlash and delegitimization that threatened their ability to operate.

But the moral expectation of fairness extended beyond workplace protection. For centuries, political and economic systems denied women full participation in

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280 Humphries, J. (2011). *Childhood and child labour and the British industrial revolution* (Reprint). Cambridge Univ. Press.

281

282 Hindman, H. D. (2002). *Child labor: An American history*. M.E. Sharpe.

governance, property ownership, and economic participation.[283] As societies modernized and education became more widespread, women increasingly demanded recognition of their capacity for civic participation and economic autonomy.[284] Suffragette movements, writings, and organized resistance exposed the contradiction between democratic principles, which evolved from authority-based morals, and systemic exclusion.[285] Women were citizens, workers, and property holders in everything but law and institutional practice. The gap between stated principles and lived reality became impossible to ignore. Reformers and activists exposed the irrationality of denying half the population participation in governance and economic life. Over time, the moral interpretation of legitimate political and economic systems evolved. Nations restructured their political and economic systems. Women gained voting rights, property rights, and workplace protections.[286] The foundation of fairness had shifted again, and institutions that jeopardized equal treatment of employees would quickly come under paralyzing scrutiny.

But equal treatment and proportional distribution does not directly address suffering itself. While fairness asks whether resources are distributed justly, care asks whether

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[283] Kerber, L. K. (1998). *No constitutional right to be ladies: Women and the obligations of citizenship* (1st ed). Hill and Wang.

[284] DuBois, E. C. (2020). *Suffrage: Women's long battle for the vote*. Simon & Schuster.

[285] Offen, K. M. (2000). *European feminisms, 1700-1950: A political history*. Stanford University Press.

[286] Cott, N. F. (1987). *The grounding of modern feminism*. Yale University Press.

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institutions are protecting people from harm. It asks whether suffering is reduced, especially when suffering is profitable. Many institutional systems historically prioritized efficiency and profit over preventing avoidable suffering. Workplace dangers and hazardous conditions were accepted as the cost of production. But as industrial manufacturing intensified and preventable deaths mounted, moral concern for human suffering began to formalize.[287] The Triangle Shirtwaist Factory Fire of 1911 killed 146 workers, mostly young women, trapped in a burning building because owners had locked the exits to prevent theft.[288] The moral outrage was immediate and visceral. Public demand for accountability forced institutions to adapt and workplace safety regulations emerged.[289] It reinforced the need for fire codes and factory inspections as mandatory safeguards. Institutions that resisted worker protections faced friction with employees, boycotts, and potential legal consequences. The care moral foundation transformed business operations, introducing constraints that prioritized the reduction of suffering even when those constraints reduced profit.

But the moral expectation of care extended beyond human suffering. In the early nineteenth century, Martin's Act (1822) became the first major legislation protecting

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287 Rosner, D., & Markowitz, G. E. (Eds.). (1987). *Dying for work: Workers' safety and health in twentieth-century America*. Indiana University Press.

288 Von Drehle, D. (2003). *Triangle: The fire that changed America* (1st ed). Atlantic Monthly Press.

289 Fishback, P. V. M., & Kantor, S. E. (2000). *A prelude to the welfare state: The origins of workers' compensation*. University of Chicago Press.

animals from cruelty. At the time, this was radical. A moral foundation expanded beyond the human body, human creation, and human systems. Reformers argued that suffering itself, not the species experiencing it, was what mattered morally. If institutions could be compelled to prevent human suffering, they could equally be compelled to prevent animal suffering. If cruelty was wrong when inflicted on people, it was equally wrong when inflicted on creatures capable of pain. Over time, this moral logic accumulated, which lead to laws which protected animals from deliberate cruelty. Animal welfare standards in agriculture, protections in research, restrictions on entertainment using animals all reflected a foundation that had shifted to include non-human suffering. The expansion of the care moral foundation transformed what societies considered their moral obligation, introducing constraints that prioritized the reduction of suffering across species boundaries, even when those constraints were inconvenient or costly.

The care moral foundation addresses suffering itself, but not everything people hold as morally contestable is rooted in the prevention of harm. Some things matter because they are deemed inviolable, beyond instrumental use, worthy of protection for their own sake. Sanctity is a moral concern of purity and the sacred. It arose when early human societies confronted constant threats from disease, contamination, and environmental uncertainty.[290] As a result many cultures developed moral systems

[290] Douglas, M. (2005). *Purity and danger: An analysis of concept of pollution and taboo*. Routledge.

centered around purity and pollution which governed food preparation, body cleanliness, waste handling, and other rituals.[291] Dietary restrictions reduced exposure to contaminated meat and burial rituals contained disease.[292] Long before the germ theory of disease existed societies had encoded behaviors that protect into moral language, which made sanctity-based morals emotionally powerful.[293] People would follow sacred rules even when rational logic proved to contradict the emotional verdict.

Over time, these ideas expanded beyond physical cleanliness into broader concepts of moral purity. Societies developed taboos against corruption, betrayal, and violation of sacred principles. Museums in colonizing empires often claimed artifacts that held a deeper spiritual or historical meaning.[294] These sacred artifacts from indigenous and colonized peoples came under scrutiny. Repatriation movements emerged from the foundation of the sanctity moral foundation, forcing institutions to return what was

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[291] Boyer, P. (2001). *Religion explained: The evolutionary origins of religious thought.* Basic Books.

[292] Harris, M. (1998). *Good to eat: Riddles of food and culture*. Waveland Press.

[293] Deacon, T. W. (1998). *The Symbolic Species: The Co-Evolution of Language and the Brain* (1st ed). W. W. Norton & Company, Incorporated.

[294] Hicks, D. (2021). *The Brutish Museums: The Benin bronzes, colonial violence and cultural restitution* (Paperback edition). Pluto Press.

sacred, regardless of institutional or financial cost.[295] Within sanctity violations institutions could face profound delegitimization, even in cases where there is no measurable harm.

The moral expectation of sanctity extends beyond symbolism to abundant natural world resources. Take for example indigenous communities that view water as sacred, not as a commodity.[296] When corporations polluted waterways or extracted water for profit, moral outrage erupted through sanctity-based moral violation.[297] It wasn't a moral care for the environment, it was a violation of the sacred. Sanctity morals create rules and moral frameworks that differ by culture. Consider the Ganges River in India which was formally declared a living entity with legal rights because of its sacred status to Hindu communities.[298] Or the Te Awa Tupuranga Act that granted legal personhood to rivers in New Zealand.[299] These legal shifts meant institutions could no longer treat water as mere property or resource. The expansion of Sanctity

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[295] Cuno, J. (Ed.). (2011). *Who owns antiquity? Museums and the battle over our ancient heritage*. Princeton University Press.

[296] Kimmerer, R. W. (2013). *Braiding sweetgrass* (First edition). Milkweed Editions.

[297] Feinberg, M., & Willer, R. (2013). The Moral Roots of Environmental Attitudes. *Psychological Science*, *24*(1), 56–62. https://doi.org/10.1177/0956797612449177

[298] yalepress. (2019, April 25). Of Holy Rivers and Human Rights: Protecting the Ganges by Law. *Yale University Press*. https://yalebooks.yale.edu/2019/04/25/of-holy-rivers-and-human-rights-protecting-the-ganges-by-law/

[299] *Te Awa Tupua (Whanganui River Claims Settlement) Act 2017*. (n.d.). New Zealand Legislation. Retrieved July 3, 2026, from https://www.legislation.govt.nz

transformed how societies governed their relationship with the natural world, introducing constraints that prioritized the protection of what was sacred over what was profitable.

Up to this point, reputational risk has been anchored around scale and scrutiny. As companies grow, they create blind or hidden consequences. When visibility arrives and attribution occurs, institutions face delegitimizing scrutiny, which often triggers reputational crisis. The modern reputation environment is largely shaped by the exposure of externalities that were once distant, invisible, or absorbed elsewhere. However, consequence born from scale and scrutiny is not the only source of reputational risk. Reputational strain emerges along two distinct corridors. The first is chronic, accumulating through externalities like environmental damage, labor violations, data breaches, and supply chain harms, to name a few. These are failures of consequence management. The second is sporadic, triggered not by measurable harm but by perceived moral violation. Damage to reputation does not require an environmental disaster or a labor dispute. It requires only the interpretation that an institution has violated a moral expectation across care, fairness, loyalty, authority, or sanctity.

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This distinction matters because institutions often misread their reputation as reactive or unpredictable. In fact, reputation couldn't be anything further from chaotic and unpredictable. Reputation is a system of moral interpretation that translates institutional signals into judgments of alignment (good) or breach (bad). When signals align with stakeholder moral frameworks, collaboration strengthens. When signals breach those frameworks, distancing and punishment follow. The reputation operating system itself is highly consistent and tightly bound; but the interpretation across stakeholders, cultures, and periods of time diverges.

The velocity gaps of recent centuries made consequences of institutional scale visible, triggering a new world for institutions, the Reputation Era. But visibility of consequential harm and negative externalities is only half the story. Companies are now judged by not only on what they do, but also by the signals stakeholders pick up from stories and other observable indicators. In a fragmented information environment, a signal can be read through multiple moral foundations simultaneously. What signals loyalty to one group may signal betrayal to another. What appears fair to one stakeholder may appear as a sanctity violation to another.

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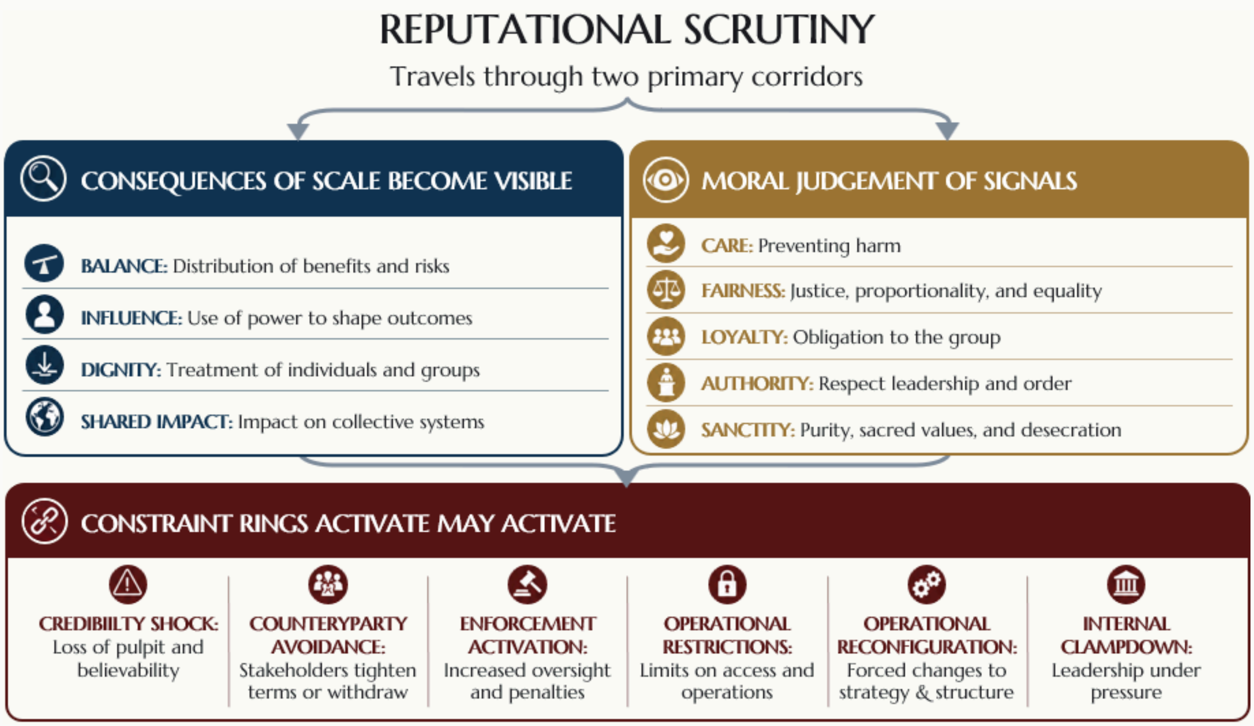
This interpretive fragmentation means reputational risk now travels down two corridors. The first corridor is scrutiny born from exposure, when consequences of scale become visible and are attributed to the institution. The second is scrutiny born from signal interpretation, when stakeholders perceive moral misalignment, regardless of whether measurable consequential harm exists. All threats to institutional legitimacy travel down one of these two paths. Understanding which corridor a reputation risk is originating from is the difference between responding with accountability for perceived consequences or managing behaviors that were misaligned to stakeholder expectations.



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Passage 15: Judging Institutions Through Ancient Human Codes

Summary Text (Not Included in Final Copy): Institutions increasingly face legitimacy strain when stakeholder perceptions of moral misalignment emerge faster than the institution can adapt, a gap between moral expectation and institutional capability. Across five moral domains (Loyalty, Fairness, Care, Authority, and Sanctity), institutions can execute sound business decisions yet trigger delegitimization by violating deep expectations about predictability, proportionality, vulnerability protection, democratic constraint, and human dignity. Integrity is the condition in which an institution's behavior, incentives, governance, and stated values remain sufficiently aligned that stakeholders perceive it as reliable and worthy of trust. When this alignment fractures, stakeholders grant no benefit of the doubt; legitimacy collapses not because of messaging failure but because the institution has signaled through repeated action that its interests and stated commitments have diverged.

Understanding institutional backlash that originates from a lack of moral alignment requires looking beyond modern institutions to the evolutionary foundations of collaboration. Long before the modern day corporation, political, or legal systems existed, human survival depended on the ability to evaluate cooperative predictability and reliability in others.[300] While institutions could evolve in remarkable speeds over the period of centuries, the timeline of human collaboration long predates the first Roman university.[301] This means that humans are instinctively ingrained to interpret signals of the world through moral lenses.[302] It serves as the means of identifying who would reciprocate, who might exploit, and who posed risk to collective stability. As a result people have a keen sense for detecting moral heuristics that signal fairness, harm, betrayal, corruption, abuse of power, loyalty, reciprocity, and accountability.[303] What most modern institutions fail to recognize is that they are the new entrant to an ancient system of moral codes, a condition they must operate within for their own survival.

As a result, institutions are not judged purely through rational performance metrics. They are also morally interpreted. It also means that a company does not need to commit overt wrongdoing for its legitimacy to come under pressure. Instead this stakeholder pressure can evolve as institutional behavior appears to become less reliable and predictable. These judgments to assess a company's integrity often occur

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[300] Tomasello, M. (2016). *A natural history of human morality*. Harvard university press.

[301] Rüegg, W. (2004). *A history of the university in Europe*. Cambridge University Press.

[302] Greene, J. D. (2014). *Moral tribes: Emotion, reason, and the gap between us and them*. Atlantic books.

[303] Mercier, H., & Sperber, D. (2017). *The enigma of reason*. Harvard University Press.

instinctively and emotionally. This helps explain why modern reputation volatility extends far beyond operational performance or legal compliance. Institutions increasingly operate inside systems where public legitimacy is shaped not only by the prosperity they create, but also by whether stakeholders perceive corporate behavior as aligned with deeply embedded expectations. With this lens, ethics becomes less a question of kindness or virtue alone and more a mechanism of societal operability. Reputation functions as the interpretive layer through which stakeholders determine whether an institution is worthy of collaboration.

Institutions operating in the modern reputation environment face a particular vulnerability. They can execute sound business decisions, maintain legal compliance, and generate shareholder returns, yet still face intense scrutiny if stakeholders perceive moral misalignment. The problem is not that institutions are doing illegal things. The problem is that moral expectations operate faster than institutional adaptation. A company can be structurally sound and reputationally destabilized simultaneously. This happens because stakeholders interpret institutional behavior through moral lenses that evolved over millennia, while institutions themselves often operate through economic and legal frameworks designed over decades.[304] The

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[304] Hodgson, G. M. (2004). *The Evolution of Institutional Economics: Agency, Structure, and Darwinism in American Institutionalism* (1st ed). Routledge.

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speed mismatch creates openings for moral violation to emerge even when no law is broken and no harm is measurable in traditional terms. When an institution's decision appears to violate deep moral expectations about loyalty, fairness, or reciprocal obligation, scrutiny follows regardless of economic rationale.

Layoffs themselves create friction along the loyalty-based moral foundation. When executed without respect for reciprocal obligation, they can rapidly destabilize institutional legitimacy. Consider the acquisition of Twitter on October 27, 2022, within days Elon Musk initiated mass layoffs affecting approximately half the company's workforce.[305] The layoffs began on November 1, with approximately 3,700 of 7,500 employees terminated or locked out of company systems without the 60-day advance notice required by federal and California WARN Acts.[306] [307] Employees were instructed to stay home on Friday and wait for an email notification

[305] Dang, S. (2022, November 5). Twitter says 50% of staff laid off, moves to reassure on content moderation. *Reuters*. https://www.reuters.com/technology/twitter-exec-says-50-employees-lost-jobs-following-acquisition-2022-11-04/

[306] Wiessner, D., & Wiessner, D. (2022, November 6). Explainer: Will Twitter layoffs violate U.S. law? *Reuters*. https://www.reuters.com/legal/will-twitter-layoffs-violate-us-law-2022-11-04/

[307] Law, N. (2022, November 7). California Layoffs Without Notice Can Lead to Legal Trouble. *Orange County Employment Lawyers Blog*. https://www.orangecountyemploymentlawyersblog.com/california-layoffs-without-notice-can-lead-to-legal-trouble/

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about their employment status.[308] Some learned their fate by being locked out of their email and Slack accounts before receiving formal termination letters.[309] Days before the layoffs began, Musk had carried a kitchen sink through the Twitter headquarters doors as a visual pun on the phrase "let that sink in."[310] The moment was meant as humor, a signal that dramatic change was coming. But reputationally and culturally, the image became much larger than a joke. The sink would be remembered not as a witty introduction to transformation but as a symbol of loyalty disregarded to the people who had built the company.

The loyalty-based violation emerged not from the layoffs themselves, as corporate downsizing is economically defensible and often necessary. The violation was instead the mechanism of execution and the signal it sent about management's commitment to reciprocal obligation. Musk later tweeted that "everyone exited was offered three

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[308] Raquel Maria Dillon. (2022, November 4). Twitter layoffs begin, sparking a lawsuit and backlash. *NPR*. https://www.npr.org/2022/11/04/1134263184/twitter-layoffs-elon-musk

[309] Duffy, K. (n.d.). *Twitter staff tweeted their experiences of being locked out of company Slack and email accounts the evening before mass layoffs were due to be announced*. Business Insider. Retrieved July 6, 2026, from https://www.businessinsider.com/twitter-staff-locked-out-slack-email-before-layoffs-elon-musk-2022-11

[310] Edmonds, L. (n.d.). *Elon Musk comes clean about the sink in his viral Twitter takeover pic*. Business Insider. Retrieved May 20, 2026, from https://www.businessinsider.com/elon-musk-viral-video-carrying-sink-twitter-hq-2025-11

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months of severance, which is 50% more than legally required," [311] framing the layoffs as economically generous. Yet the mechanism violated deeper expectations about how institutions treat people during structural change. Without advance warning, any opportunity to plan, and a lack of personal communication the message was decoded as morally unsettling. Employment lawyers called the approach "inhumane," while others noted that Musk's strategy, though legally aggressive, created a paper trail that exposed his broader indifference to labor law compliance across his companies.[312]

[311] Elon Musk [@elonmusk]. (n.d.). *Regarding Twitter's reduction in force, unfortunately there is no choice when the company is losing over $4M/day. Everyone exited was offered 3 months of severance, which is 50% more than legally required.* [Tweet]. Twitter. Retrieved July 6, 2026, from https://x.com/elonmusk/status/1588671155766194176

[312] *Elon Musk's Twitter Moves Spark Legal Headaches*. (n.d.). Retrieved July 6, 2026, from https://www.hollywoodreporter.com/business/business-news/elon-musk-twitter-layoffs-lawsuits-1235258453/

The reputational consequence followed predictably from this loyalty breach. Remaining Twitter employees faced an immediate choice. Stay with an organization that had just demonstrated it would terminate half its workforce without notice, or leave voluntarily. When loyalty fractures most will choose to exit if they can, in this case hundreds of Twitter employees choose to leave a firm that they felt violated reciprocal loyalty.[313] This pattern appears consistently across institutional settings. A Harvard Business Review study found that workforce reductions of just 1 percent trigger a 31 percent increase in voluntary turnover in the following year.[314] The institution had signaled that loyalty was not reciprocal, that employees held no protected status during organizational change. For those remaining, the message becomes clear, the institution carries no protective value. An institution's commitment to its people at a difficult crossroad becomes the metric by which stakeholders evaluate whether that institution deserves their continued collaboration.

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[313] *Hundreds of Twitter Workers Quit as Musk Demands Loyalty—The New York Times*. (n.d.). Retrieved July 6, 2026, from https://www.nytimes.com/2022/11/18/business/dealbook/twitter-employees-quit-musk.html?eafs_enabled=false

[314] Trevor, C., & Nyberg, A. (2008). Keeping Your Headcount When All About You Are Losing Theirs: Downsizing, Voluntary Turnover Rates, and The Moderating Role of HR Practices. *Academy of Management Journal*, *51*, 259–276. https://doi.org/10.5465/AMJ.2008.31767250

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Unlike the loyalty breach that emerges from mechanism and signal, Fairness violations operate on a different principle. A company can follow supply and demand curves perfectly, comply with every relevant law, and still register as deeply unfair in the court of public perception. Surge pricing demonstrates this distinction with particular clarity. When demand rises and prices rise accordingly, the economics are sound. Yet stakeholders evaluate pricing not through economic rationality alone but through moral intuitions about proportionality, vulnerability, and whether the institution is exploiting circumstances that people cannot escape.[315] The gap between business rationale and moral interpretation is where fairness violations live. An institution can be economically correct and morally illegitimate at the same moment.

Wendy's discovered this in February 2024 when the CEO, Kirk Tanner, announced during an earnings call that the company would invest in digital menu boards capable of "dynamic pricing and day-part offerings" beginning as early as 2025.[316] The announcement was meant for investors, framed as operational capability and revenue optimization. Instead, within hours, national headlines declared that Wendy's would

[315] Thaler, R. H. (2016). *Misbehaving: The making of behavioral economics* (First published as a Norton paperback). W.W. Norton & Company.

[316] Transcribing, M. F. (2024, February 15). *Wendy's (WEN) Q4 2023 Earnings Call Transcript*. The Motley Fool. https://www.fool.com/earnings/call-transcripts/2024/02/15/wendys-wen-q4-2023-earnings-call-transcript/

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introduce surge pricing.[317] Social media erupted with #BoycottWendys trending across platforms.[318] Competitors saw an opportunity and immediately weaponized the moment. Burger King launched a "No urge to surge" promotion.[319] The moral interpretation had crystallized instantly. Customers understood the announcement as permission to charge them more during peak hours when they were hungry and had fewer choices. Wendy's rushed to clarify that it never intended to raise prices at peak demand, only to lower prices during slow traffic.[320] The company issued a damage control statement, announced a monthlong $1 burger deal, and attempted to reframe dynamic pricing as merely a digital tool for menu flexibility.[321] The reality of the case was that Wendy's had never actually tested surge pricing,[322] never charged a single customer more, yet the mere possibility that it might exploit scarcity triggered an

[317] CBS Evening News. (2024, February 27). *Wendy's to introduce surge pricing in 2025* [Video recording]. https://www.youtube.com/watch?v=2ieYfVHe3X0

[318] Astvansh, V. (2024, March 14). *Wendy's 'surge pricing' mess looks like a case study in stakeholder conflict*. The Conversation. https://doi.org/10.64628/AAI.jyvgvcjvq

[319] *"No urge to surge": Burger King offers free Whoppers after Wendy's "dynamic pricing" announcement | Business | kake.com*. (n.d.). Retrieved July 6, 2026, from https://www.kake.com/news/business/no-urge-to-surge-burger-king-offers-free-whoppers-after-wendys-dynamic-pricing-announcement/article_8df1fc3e-0efe-5302-b385-e5f4d9016e93.html

[320] *Wendy's Clarifies It Will Not Be Implimenting 'Surge Pricing.'* (n.d.). Retrieved July 6, 2026, from https://www.today.com/food/restaurants/wendys-surge-pricing-rcna140601

[321] *Wendy's is selling $1 burgers after "dynamic pricing" madness*. (n.d.). Retrieved July 6, 2026, from https://nypost.com/2024/03/05/lifestyle/wendys-is-selling-1-burgers-after-dynamic-pricing-madness/

[322] Joe Hernandez. (2024, February 28). No, Wendy's says it isn't planning to introduce surge pricing. *NPR*. https://www.npr.org/2024/02/28/1234412431/wendys-dynamic-surge-pricing

emotional fairness morality breach that delegitimized the business and took months to recover.

Wendy's to introduce surge pricing in 2025[323]

A news clip video covering Wendy's potential dynamic surge pricing strategy.

Delta Air Lines pursued a similar strategy but with a crucial difference. Rather than announcing plans publicly, the company quietly deployed AI-based pricing technology that adjusted fares based on what the algorithm estimated each individual customer would willingly pay.[324] This pricing model leveraged behavioral and market data to estimate a passenger's willingness to pay, allowing fares to shift dynamically at scale.[325] The system continued expanding even after public scrutiny intensified, reflecting a

[323] *Wendy's is selling $1 burgers after "dynamic pricing" madness*. (n.d.). Retrieved July 6, 2026, from https://nypost.com/2024/03/05/lifestyle/wendys-is-selling-1-burgers-after-dynamic-pricing-madness/

[324] AOL. (2025, July 22). *Delta plans to use AI in ticket pricing draws fire from US lawmakers—AOL*. AOL.Com. https://www.aol.com/news/us-senators-raise-alarm-delta-213141643.html

[325] Hill, K. M. (n.d.). *Your next airline ticket could be priced by AI | CU Boulder Today | University of Colorado Boulder*. Retrieved July 6, 2026, from https://www.colorado.edu/today/2025/08/20/your-next-airline-ticket-could-be-priced-ai

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broader institutional push toward AI-assisted optimization across the airline industry.[326] Consumer advocates and lawmakers responded swiftly once the practice entered public debate. Democratic Senator Ruben Gallego called it "predatory pricing," accusing Delta of using AI to "find your pain point" and "squeeze you for every penny."[327] Two Senators, Edward Markey and Richard Blumenthal, sent letters warning ten U.S. airlines.[328] Consumer experts explained that while no law explicitly prohibited the practice, the fairness of pricing was in question.[329] If two people buying the same seat paid different prices based solely on the system's prediction of their willingness to pay, that relationship violates the ability for the company to claim it treats customers fairly.

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[326] Shepardson, D. (2025, August 1). Delta Air assures US lawmakers it will not personalize fares using AI. *Reuters*. https://www.reuters.com/business/delta-air-assures-us-lawmakers-it-will-not-personalize-fares-using-ai-2025-08-01/

[327] ICYMI: Gallego, Colleagues Demand Answers from Delta CEO as Company Moves Toward AI Pricing Model to Set Airfares. (n.d.). *Senator Ruben Gallego*. Retrieved July 6, 2026, from https://www.gallego.senate.gov/news/press-releases/icymi-gallego-colleagues-demand-answers-from-delta-ceo-as-company-moves-toward-ai-pricing-model-to-set-airfares/

[328] *Senators Urge Airlines to Scrap Expiration Dates on Flight Credit*. (2021, May 10). Newsweek. https://www.newsweek.com/senators-urge-airlines-scrap-expiration-dates-flight-credit-offer-cash-refunds-1590055

[329] Ivanova, I. (n.d.). *Delta moves toward eliminating set prices in favor of AI that determines how much you personally will pay for a ticket*. Fortune. Retrieved July 6, 2026, from https://fortune.com/2025/07/16/delta-moves-toward-eliminating-set-prices-in-favor-of-ai-that-determines-how-much-you-personally-will-pay-for-a-ticket/

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Care as a moral foundation operates at a different register from loyalty or fairness. A care-based moral violation does not emerge from broken reciprocity or proportionality. It emerges when an institution's actions, or inactions, enable preventable suffering among vulnerable populations. Care is the most visceral of the moral foundations because it is rooted in the fundamental human capacity to recognize suffering and feel an obligation to reduce it. When institutions are perceived as amplifying suffering, especially suffering of vulnerable groups of people, the violation registers not as a policy disagreement but as a moral breach. Panic buying can provide a gateway to institutional delegitimization. Consider the COVID-19 induced panic buying of toilet paper in 2020.[330] The shortage itself was an accident of supply chain dynamics, but the price spikes that followed were not.[331] Choices to extract maximum revenue from scarcity while vulnerable populations lacked access to basic sanitation.[332]

[330] *Panic-buying toilet paper tied to trauma of COVID pandemic, experts say – The Virginian-Pilot*. (n.d.). Retrieved July 6, 2026, from https://www.pilotonline.com/2024/10/05/panic-buying-toilet-paper-tied-to-trauma-of-covid-pandemic-experts-say/

[331] *Price-Gouging During COVID-19: How $40 Toilet Paper Could Lead to a Stronger Law | Hartford HealthCare | CT*. (n.d.). Retrieved July 6, 2026, from https://hartfordhealthcare.org/about-us/news-press/news-detail?articleId=30912&publicid=395

[332] David, J., Visvalingam, S., & Norberg, M. M. (2021). Why did all the toilet paper disappear? Distinguishing between panic buying and hoarding during COVID-19. *Psychiatry Research*, *303*, 114062. https://doi.org/10.1016/j.psychres.2021.114062

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Toilet paper prices spiked an average of 30 percent worldwide, with some retailers experiencing increases exceeding 100 percent.[333] Those who arrived early at stores with cash or access to online platforms secured supplies. Those who arrived late, who lacked transportation, who had limited income, went without. The mechanism follows rational economic principles, but the emotions it triggered were deep because toilet paper is not a luxury good. People see it as a necessity for basic human health and dignity, leaving vulnerable populations unable to meet their most fundamental sanitation needs. The violation also triggered a sense of cheating as secondary market resellers, price gouging, and the visible hoarding captured on social media.[334] Low-income families, older adults, immunocompromised individuals, and those without reliable internet access or transportation often faced greater difficulty accessing essential goods and healthcare during the shortages.[335] As shortages endured the care-base morality violations multiplied as armed robberies occurred in Hong Kong when knife-wielding men stole hundreds of rolls from a delivery truck.[336]

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[333] *The Boom in Demand for Toilet Paper in 2020 | Understand Market Dynamics—Act Now*. (n.d.). Marshall Education. Retrieved July 6, 2026, from https://www.marshalledu.com/boomintoiletpaper

[334] $10 toilet paper? Coronavirus gouging complaints surge in US. (n.d.). *WHYY*. Retrieved July 6, 2026, from https://whyy.org/articles/10-toilet-paper-coronavirus-gouging-complaints-surge-in-us/

[335] *Coronavirus May Disproportionately Hurt the Poor—And That's Bad for Everyone*. (n.d.). Retrieved July 6, 2026, from https://time.com/5800930/how-coronavirus-will-hurt-the-poor/

[336] *Coronavirus: Armed robbers steal hundreds of toilet rolls in Hong Kong*. (2020, February 17). https://www.bbc.com/news/world-asia-china-51527043

With supermarket shelves stripped bare, people fought in stores.[337] The institutional choice to treat toilet paper as a commodity subject to market pricing during a health emergency, not a human right, triggered outrage not because stakeholders misunderstood economics but because they recognized that basic human dignity had been subordinated to revenue extraction.

Coronavirus stockpiling: Australian police charge 2 women over toilet paper feud [338]

Viral social media clip video showcasing heightened anxiety created by panic buying.

[337] Al Arabiya English. (2020, March 9). *Coronavirus stockpiling: Australian police charge 2 women over toilet paper feud* [Video recording]. https://www.youtube.com/watch?v=0W0GqHg52zY

[338] *Coronavirus: Armed robbers steal hundreds of toilet rolls in Hong Kong*. (2020, February 17). https://www.bbc.com/news/world-asia-china-51527043

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Care-based violations emerge when institutions enable or do nothing to prevent harm among the vulnerable, but authority-based moral violations operate through concerns of power and jurisdiction. Authority violations lean into where influence is centered, the duty of those in subordinate positions within the group, and an evaluation of how power is leveraged as an obligation to those they govern. Authority violations typically emerge when accountability is circumvented, which undermines obligations to others in the group. The pharmaceutical industry's response to drug price negotiation reform provides an example of power that can be exposed to potential delegitimization through the authority-based moral domain. Americans continue to face rising prescription drug costs, which has led to patients rationing insulin.[339] In some cases essential medications have become financially inaccessible, which has crystallized public concerns into clear political demand.[340] Eighty-three percent of Americans support allowing Medicare to negotiate drug prices. That support exists across party lines, with ninety-five percent of Democrats supporting it and seventy-one percent of Republicans.[341] The democratic signal is unambiguous, yet

[339] Herkert, D., Vijayakumar, P., Luo, J., Schwartz, J. I., Rabin, T. L., DeFilippo, E., & Lipska, K. J. (2019). Cost-Related Insulin Underuse Among Patients With Diabetes. *JAMA Internal Medicine*, *179*(1), 112–114. https://doi.org/10.1001/jamainternmed.2018.5008

[340] House, T. W. (2026, May 18). Fact Sheet: President Donald J. Trump Announces Expansion of TrumpRx.gov to Bring Americans Transparency and Choice on Everyday Medicines. *The White House*. https://www.whitehouse.gov/fact-sheets/2026/05/fact-sheet-president-donald-j-trump-announces-expansion-of-trumprx-gov-to-bring-americans-transparency-and-choice-on-everyday-medicines/

[341] kffmellishas. (2021, October 12). The Public Weighs In On Medicare Drug Negotiations. *KFF*. https://www.kff.org/health-costs/public-weighs-in-on-medicare-drug-negotiations/

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the pharmaceutical industry responds not by conceding to public preference but by deploying institutional power to resist it.

In 2022, a total of $4.1 billion dollars were spent lobbying Congress and other federal agencies.[342] The pharmaceutical and health industry ranked as the highest in lobbying spend at $380 million, outspending every other industry sector.[343] The majority of this spending targeted the Inflation Reduction Act, legislation that would allow Medicare to negotiate prices on certain prescription drugs, cap out-of-pocket spending for beneficiaries, and address insulin costs.[344] This scale of this effort was among the greatest efforts ever taken to lobby Congress and federal industries. Yet despite the resources deployed, the pharmaceutical industry lost and the bill passed. The Authority violation in this case was not the outcome, it was the relationship between money and governance. Pharmaceutical companies and their political action committees made campaign contributions to numerous lawmakers who later opposed Medicare drug price negotiation legislation. For many observers, the close timing of

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342 *Lobbying Data Summary*. (n.d.). OpenSecrets. Retrieved May 21, 2026, from https://www.opensecrets.org/federal-lobbying

343 *Industries*. (n.d.). OpenSecrets. Retrieved May 21, 2026, from https://www.opensecrets.org/federal-lobbying/industries?cycle=2022

344 *Inflation Reduction Act and Drug Prices | Commonwealth Fund*. (2022, August 15). https://doi.org/10.26099/M8AY-4J69

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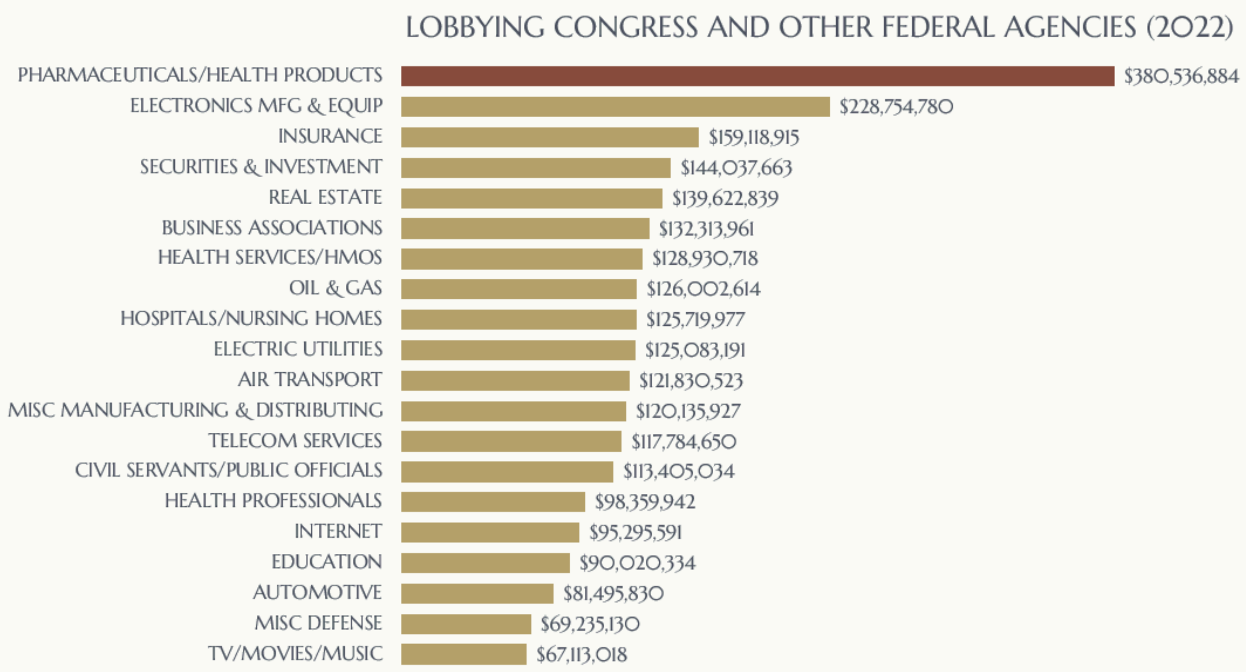
campaign contributions and legislative opposition created the appearance of a transactional relationship.[345] For many stakeholders, that relationship between financial influence and legislative position was itself an authority-based violation, regardless of the final vote.



Lobbying Data Summary. (n.d.). OpenSecrets. Retrieved May 21, 2026, from https://www.opensecrets.org/federal-lobbying

This authority-based violation only deepens. After the legislation passed, rather than accept democratic defeat, the pharmaceutical industry shifted strategy to post-passage lobbying targeting regulatory implementation. After Congress enacted

345 Dunleavy, K. (2021, October 26). *Democrats opposed to drug price reform are among those who received the most in donations from the pharma industry: Report | Fierce Pharma.* https://www.fiercepharma.com/pharma/democrats-opposed-to-drug-price-reform-are-among-those-who-have-received-most-donations-from

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Medicare drug price negotiations, the industry continued its efforts through extensive lobbying campaigns, including 545 unique lobbyist-client relationships in 2025 aimed at weakening the program's negotiation authority. More than 90 percent of those relationships sought to weaken, narrow, or delay the new negotiation authority. Opposition outnumbered support by a ratio of 20 to one.[346] The pattern revealed institutional logic acting to circumvent democratic outcomes through regulatory and legislative pathways. Stakeholders interpret it as an institution using leverage and complexity to work around rather than accept the democratic will. When institutional power is deployed persistently in service profit over democratic governance, the company risks having its own authoritative voice and influence delegitimized.

While authority-based violations concentrated on the legitimacy of institutional power, sanctity-based violations revolve around the intangible, symbolic, and sometimes spiritual. Sanctity is about what people hold sacred, inviolable, and protected from instrumental use. It asks whether certain things, innate or ethereal, can be protected for its own sake, as opposed to being exploited to earn a profit. The rise of generative AI in creative industries triggered sanctity-based violations across multiple domains because AI systems fundamentally reframe creativity from a sacred

[346] Hundreds of Lobbyists Hired to Undermine Drug Price Negotiations. (2019, April 9). *Public Citizen*. https://www.citizen.org/article/hundreds-of-lobbyists-hired-to-undermine-drug-price-negotiations/

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human capacity into a replicable algorithmic process. In May 2023, approximately 11,500 members of the Writers Guild of America went on strike after studios refused to bargain over artificial intelligence protections.[347] The strike lasted five months through a record heat wave.[348] Writers picketed not over compensation alone but over what one described as an existential threat to their craft. One writer recalled, "It's scary. We were watching in real time how it was starting to generate ideas, storylines, and scenes."[349] The studios' refusal to even bargain signaled something larger than a negotiating position, it signaled that AI generated copy of human creativity was acceptable. The sanctity-based moral violation was not in the technology itself. It was in the institutional refusal to acknowledge that human authorship held any special status worth protecting.

What emerged from the five month strike was not primarily a technical victory but a moral affirmation. Writers had named something essential about their work that

[347] Press, T. A. (2023, May 3). *What do striking Hollywood writers want? A look at demands*. AP News. https://apnews.com/article/wga-writers-strike-demands-d403f5b4666f20e2ce3e379bcaef5f2a

[348] *Extreme Heat Halts WGA, SAG-AFTRA Pickets In Some LA Locations | Vanity Fair*. (n.d.). Retrieved July 6, 2026, from https://www.vanityfair.com/hollywood/2023/08/extreme-heat-writers-actors-strike-pickets-canceled?srsltid=AfmBOoo9VVokk6y6Kx2qA3hvXh2GplWww3qWfBIFvcen19Dhn-MCP3qn

[349] *Hollywood writers went on strike to protect their livelihoods from generative AI. Their remarkable victory matters for all workers. | Brookings*. (n.d.). Retrieved July 6, 2026, from https://www.brookings.edu/articles/hollywood-writers-went-on-strike-to-protect-their-livelihoods-from-generative-ai-their-remarkable-victory-matters-for-all-workers/

studios initially refused to recognize. They were fighting not for higher wages or better benefits, they were fighting for the principle that human creativity is sacred, that the act of writing stories, shaping culture, generating original ideas is a human capacity that should not be rendered algorithmically. Actor Bryan Cranston positioned AI as "literally dehumanizing the workforce," adding that "It's not good for society. It's not good for our environment. It's not good for working-class families."[350] The studios' initial refusal to bargain over AI had sent a signal that was morally devastating. The interpreted signal was that a human creative spark was just code that machines could begin to replace. The strike was an act of resistance against that reduction.

The Drake deepfake case illustrated a sanctity-based violation in a more intimate manner. In April 2023, an anonymous TikTok user named Ghostwriter released a song titled "Heart on My Sleeve" featuring AI generated vocals that perfectly mimicked Drake and The Weeknd.[351] Neither artist authorized the song nor had they even

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[350] *In Hollywood writers' battle against AI, humans win (for now)*. (2023, September 27). AP News. https://apnews.com/article/hollywood-ai-strike-wga-artificial-intelligence-39ab72582c3a15f77510c9c30a45ffc8

[351] *AI-generated song imitating Drake yanked from streaming services*. (2023, April 19). Tech Xplore. https://techxplore.com/news/2023-04-ai-generated-song-imitating-drake-yanked.html

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created it.[352] Yet the track amassed over 250,000 Spotify streams and 10 million TikTok views within two weeks before being removed from platforms.[353] The violation was more than copyright, it was identity theft. Drake's voice, his singular and irreplaceable vocal frequency, had been stolen and repurposed. The identity of a human being had been commodified into code. Drake called it "the final straw AI.".[354] The phrase captured the sanctity violation. That violation of self, of the artist's singular identity, registered differently than economic competition or copyright infringement, it registered as desecration.

[352] Snapes, L. (2023, April 18). AI song featuring fake Drake and Weeknd vocals pulled from streaming services. *The Guardian*. https://www.theguardian.com/music/2023/apr/18/ai-song-featuring-fake-drake-and-weeknd-vocals-pulled-from-streaming-services

[353] Snapes, L. (2023, April 18). AI song featuring fake Drake and Weeknd vocals pulled from streaming services. *The Guardian*. https://www.theguardian.com/music/2023/apr/18/ai-song-featuring-fake-drake-and-weeknd-vocals-pulled-from-streaming-services

[354] *AI-generated Drake and The Weeknd song goes viral*. (2023, April 17). https://www.bbc.com/news/entertainment-arts-65298834

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Signals that Weakened Institutional Integrity

	Primary Moral Foundation	Why Stakeholders Perceived a Moral Violation
Twitter (X) Layoffs	Loyalty	Reciprocal obligation and commitment to employees appeared to be quickly and unexpectedly abandoned.
Wendy's Dynamic Pricing	Fairness	The possibility of charging more during peak periods was interpreted as exploitation rather than value creation.
Delta AI Pricing	Fairness	Individualized pricing challenged expectations of equal treatment and proportionality.
COVID Toilet Paper Shortages	Care	Profit maximization during a public health crisis challenged vulnerable populations.
Pharmaceutical Lobbying	Authority	Institutional influence appeared to circumvent democratic expectations and public accountability.
Writers Guild of America (AI)	Sanctity	Human creativity was reduced to an algorithmic commodity.
Drake AI Deepfake	Sanctity	A person's unique identity and creative expression were appropriated without consent.

These case studies serve as a reminder that reputational risk emerges along two distinct corridors, each threatening to delegitimize companies in the the Reputation Era. The first corridor is scrutiny born from exposure, when consequences of institutional scale become visible and are attributed to the organization. Societal harms such as supply chain labor violations, market controls, and environmental disasters, to name a few, were once invisible, either because the world was blind to them, or because they were intentionally hidden. In the Reputation Era modern technologies and information systems have rendered them visible. The second corridor is scrutiny born from signal interpretation, when stakeholders perceive moral misalignment regardless of whether or not measurable harm exists. In these cases, a company need never charge surge pricing to face delegitimization just for planning to do so. In this corridor stakeholders can trigger defection if the perception of cheating and betrayal arrives first.

This distinction matters because it explains an institutional blind spot that defines the modern reputation environment. Companies tend to execute decisions through incentive and legal frameworks, assessing profitable execution "within the rules of the game", per Milton Friedman's shareholder primacy guidelines.[355] Stakeholders, by contrast, evaluate the decisions of institutions through moral heuristics evolved over millennia to solve for group coordination and stability at scale. When direct observation is impossible and institutions grow beyond what any single person can understand intimately, moral heuristics become a substitute for direct knowledge. It serves as a conduit that stakeholders use to determine whether an institution is safe to collaborate with, predictable in its conduct, and reliable under pressure. This structural mismatch creates blind spots where institutions believe they are operating soundly while stakeholders are perceiving moral violation. An institution's efficiency meets questions of fairness. Legal compliance is decoded through the lens of loyalty

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[355] Friedman, M. (2007). The Social Responsibility of Business Is to Increase Its Profits. In W. C. Zimmerli, M. Holzinger, & K. Richter (Eds.), *Corporate Ethics and Corporate Governance* (pp. 173–178). Springer. https://doi.org/10.1007/978-3-540-70818-6_14

and reciprocal obligation. The institution cannot always see what the stakeholder perceives because they are reasoning through different frameworks entirely.

It is critical that institutional leaders understand that morality is not primarily about good versus bad. One of the keys to unlocking reputation is to understand morality as a reciprocal operational system of collaboration that scales or retracts. Humans naturally seek stability, especially when threats to that stability become visible. They reward signals of predictability and reliability with collaboration and trust. Conversely, when they perceive cheating, exploitation, or broken reciprocity, they defect. They withdraw collaboration and attempt to undermine the systems they feel threaten stability and sustainability. This pattern existed thousands of years ago in small hunting bands where survival depended on cooperation and where defection could mean death. Today it exists in the same form, operating through the same ancient heuristics, now directed at institutions instead of individuals. The reason morality carries such weight now is the same reason it carried weight then. Because morality is a judgement system that serves as a means of coordinating collaboration.

The net evaluation of whether stakeholders collaborate is the measure of an institution's integrity; a marker of perceived reliability and predictability. When stakeholders observe alignment across behavior, incentives, governance, and stated values, they perceive the institution as reliable and predictable, even under pressure. They can sense that the organization's interests and commitments have remained consistently integrated over time. But stakeholders are also hard-wired for detecting cheating as well, quickly identifying say-do gaps. Which happens when they perceive fragmentation between what the organization says it values and what it actually prioritizes, when incentive structures diverge from stated purpose, when governance systems fail to constrain abuse of power, stakeholders' defect and collaboration withdraws. This is why modern institutions fail when reputation is anchored in messaging alone. The focus on communications alone cannot fully account for how stakeholders assess reputation through the lens of incentive structures, governance capacity, behavioral coherence, and the relationship between stated values and demonstrated priorities.

Modern reputational crises are better understood when they are decoded as perceived moral violations because this framework reflects a system humans have relied upon not only for judgment, but to forge civilization. When layoffs happen without notice, stakeholders read a violation of loyalty and reciprocal obligation. When pricing strategies exploit scarcity and vulnerability, stakeholders read a violation of fairness and care. When institutional power works around democratic will, stakeholders read a violation of legitimate authority. When human creativity is reduced to an algorithmic process, and when sacred things are rendered instrumental, stakeholders read a violation of sanctity. None of these are processed as isolated operational incidents. All are read as signals about whether the institution remains worthy of the collaborative trust it requires to operate at scale. This is how stakeholders morally decode institutional legitimacy. This is the baseline mechanism through which reputation functions as an operating system that either enables or constrains an institution's ability to sustain permission to exist.

This means that unlike a branding campaign, reputation wasn't invented. It did not derive from philosophy or business school academics as a solution for the modern business era. Reputation is a systems infrastructure that has been used for millennia to decide who deserves collaboration, especially when under pressure. It is morally coded, not to judge "good" or "bad", but to create a system where signals are translated into an evaluation of integrity, inferring that someone, or something, is predictable and reliable. When integrity is strong, the response triggers collaboration, when it is weak the likelihood of defection increases.

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This reinforces an untold truth about the Reputation Era. It is a period of time where institutions are no longer judged solely by performance or competence, but by whether stakeholders perceive alignment between communications, behavior, and values assessed against a company's power and obligations. As a company's perceived sense of power and obligation increases, the gap between behaviors, communications and values must narrow or the organization risks being delegitimized. The modern reputational crisis is therefore not simply a communications problem. Reputation is a judgement system that grants acceptance or withdraws engagement. A morals-based system, driven by ancient human instincts, which has collided with technologically and economically accelerated systems of visibility and interpretation. The Reputation Era does not force institutions to display kindness, virtue, or "goodness", what it forces is a structural reconciliation that businesses must shape and align the business to broader, integrity-based, stakeholder expectations.

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- Narrative is the earliest human reputation system, where shared stories (gossip)

Passage 16: Spilling the Tea

Summary Text (Not Included in Final Copy): For most of human history, the consequences of reputational compression were naturally constrained. Gossip moved at the speed of conversation. Stories traveled slowly. Labels spread through communities measured in hundreds or thousands of people. Today, the same psychological architecture operates across networks connecting billions. The mechanism did not change. The scale and velocity did. A reputational judgment that once remained local can now become global within hours. This is one reason modern reputation systems appear increasingly unstable. Human cognition evolved for village-sized information environments, not algorithmically amplified ones.

In small communities, reciprocation was a practical necessity. Advancing, and surviving, depended on knowing who could be relied upon and who posed a threat.[356] Most of which was determined by understanding who violated the norms that held groups together. Direct observation was the primary way of obtaining this

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[356] Sahlins, M. (1995). *Stone age economics* (9. [pr.]). Aldine de Gruyter.

knowledge.[357] As communities expanded, direct observation became insufficient. No individual could reliably monitor how everyone adhered to the norms that held the group together.[358] This created the need to assess if someone could be trusted to do the right thing, even if you could not personally validate their reliability and predictability.

Assessing integrity was difficult and uncertain. To reduce uncertainty people relied on gossipping as a tool to derisk collaboration.[359] As a result, the most valued and viral gossip focused on character assessment. It informed others about who was selfish, treacherous, reckless, loyal, or generous creating reputational intelligence. When it was learned that another had cheated in a trade, violated a promise, or acted violently that knowledge itself became the incentive to retell it, so it could protect the group. In many communities, failing to share information about untrustworthy behavior could be interpreted as disloyal or irresponsible.[360] Conversely, sharing gossip

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357 Boehm, C. (2001). *Hierarchy in the forest: The evolution of egalitarian behavior* (1. Harvard Univ. Press paperback ed). Harvard Univ. Press.

358 Henrich, J. P. (2016). *The secret of our success: How culture is driving human evolution, domesticating our species, and making us smarter*. Princeton university press.

359 Dunbar, R. I. M. (1998). *Grooming, gossip, and the evolution of language* (1st Harvard University Press paperback ed). Harvard University Press.

360 Axelrod, R. M. (2006). *The evolution of cooperation* (Rev. ed). Basic Books.

boosted someone's social value.[361] This made gossip a self-reinforcing construct, a low cost, high velocity, information system which enables groups to monitor behavior and maintain collaboration.

A loss of character through gossip had significant consequences that typically focused on exclusion.[362] The threat of becoming the subject of gossip created powerful incentive structures to conform to social norms and codes.[363] Conformity became rational not because of written law, but because the cost of reputation damage was immediate with material impact, often long before the rules arrived. In this sense reputation has always served as a structure of governance, regulating how groups collaborated before formal institutions existed.

As societies expanded, gossip alone became insufficient, but the underlying function it served would remain the same. Trade gradually extended beyond towns into regions and nations, while institutions accumulated power and became increasingly distant

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[361] Hippel, W. von. (2022). *The social leap: The new evolutionary science of who we are, where we come from, and what makes us happy* (First Harper wave paperback [edition]). Harper Wave, an imprint of HarperCollinsPublishers.

[362] Tomasello, M. (2009). *Why we cooperate*. MIT Press.

[363] Boehm, C. (2012). *Moral origins: The evolution of virtue, altruism, and shame*. Basic Books.

from direct observation and accountability.[364] In response, gossip transformed into structured narratives capable of traveling across distance. Distance didn't mean that people stopped talking, instead they made sure character narratives could be told and retold through story. For stories to travel efficiently, however, they could not remain fully intact. Every retelling favored simplicity over completeness. Context, motive, and nuance were gradually discarded until complex realities became compressed into memorable symbols.[365] Because listeners had little time for nuance, stories naturally evolved toward headlines, labels, heuristics, and identity cues. This is how stories transform through symbolic compression. This symbolic compression is what made reputation portable, allowing it to spread far beyond firsthand observation. When stories became compressed into labels, they became easier to remember, easier to repeat, and more likely to capture attention. Stories that failed to produce memorable symbolic shorthand were less likely to be retold and ultimately did not survive.

[364] Polanyi, K., Stiglitz, J. E., & Block, F. L. (2010). *The great transformation: The political and economic origins of our time* (2. Beacon paperback ed., [reprinted]). Beacon Press.

[365] Heath, C., & Heath, D. (2007). *Made to stick: Why some ideas survive and others die* (1st ed). Random House.

As a result, orality, and communication more broadly, naturally favors efficiency. Sticky phrases were found to be useful labels because they reduced identity into symbols. Not only did they travel faster, but they reinforced the most important points of a long-form narrative. While President Trump offers modern day examples of how labels enable a quick evaluation of identity through his use of “Sleepy Joe Biden”, “Crooked Hillary”,[366] and “Fake News”[367] the use of labels in orality is as ancient as the origin of gossip itself. Consider “swift-footed Achilles”, someone doesn't need to read Homers story, *The Iliad*, to know that Achilles is a nimble person. These compressed communications formats work because they reduce identity into portable, highly memorable, symbols. Repeated epithets such as "swift-footed Achilles" helped oral transmission by making characters easier to remember and recognize.[368] The brain remembers these labels not as careful accurate assessments but as emotional, symbolic anchors.[369]

[366] Dusso, A., & Perkins, S. (2024). Crooked Hillary and Sleepy Joe: Name-calling’s backfire effect on candidate evaluations. *Journal of Elections, Public Opinion and Parties*, *34*(2), 298–318. https://doi.org/10.1080/17457289.2023.2168677

[367] *Everything Trump has called “FAKE NEWS.”* (n.d.). Retrieved July 7, 2026, from https://www.axios.com/2017/12/15/everything-trump-has-called-fake-news-1513303959

[368] Lord, A. B., Mitchell, S. A., & Nagy, G. (2000). *The singer of tales* (2nd ed). Harvard University Press.

[369] Kahneman, D. (2013). *Thinking, fast and slow*. Anchor Canada.

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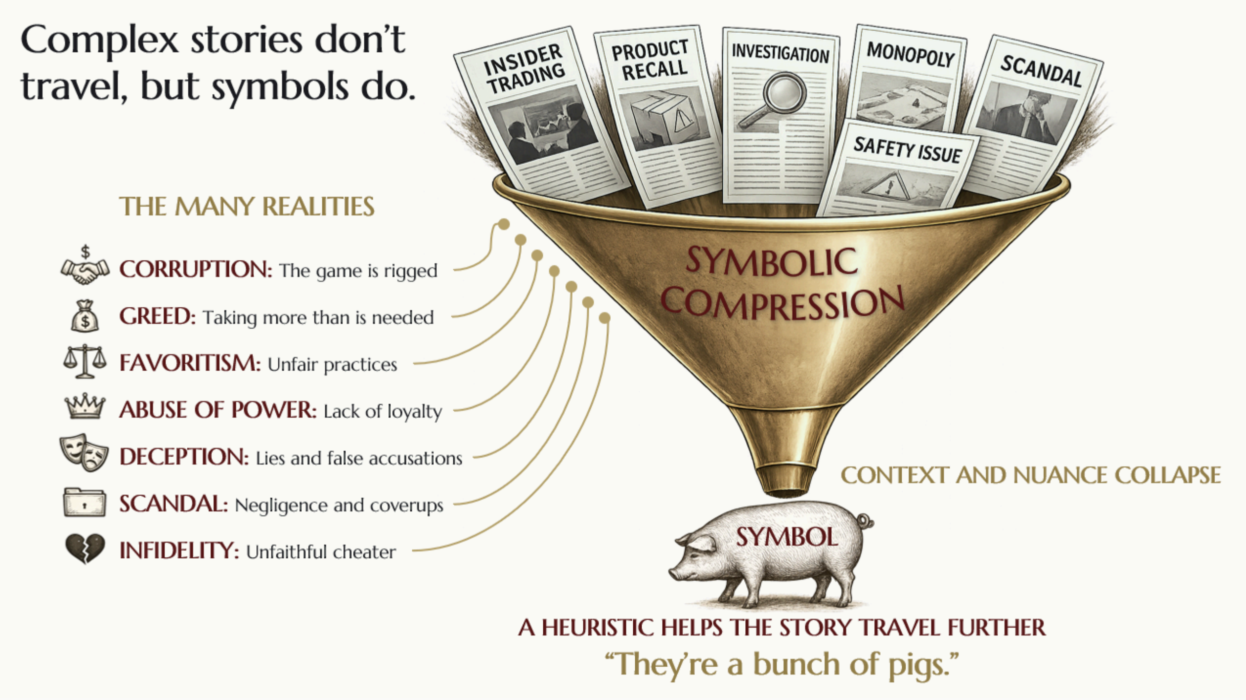

While the label helps stories go viral, there is a considerable tradeoff. What survives as a quick signal of reputation is rarely the full story, people only get the compressed version. The label "Terrible" association with Ivan gives us the emotional cue, someone that should be feared, avoided, and certainly isn't one that would be thought of as predictable and reliable. Those that hear the label Ivan the Terrible quickly interpret an overall evaluation of his reputation. What is lost, and unknown to many, is how Ivan earned that label. He ruled Russia, expanding his power through brutal means, marked by paranoia and rage.[370] He created the Oprichnina, a terror apparatus that was loyal only to him, with the intended purpose of spreading fear throughout Russia.[371] In the

[370] Madariaga, I. de. (2005). *Ivan the Terrible: First tsar of Russia*. Yale University Press.

[371] Perrie, M. (Ed.). (2015). *From early Rus' to 1689*. Cambridge Univ. Press.

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sack of Novgorod in 1570, his forces massacred thousands.[372] His brutality knew no boundary striking his own son in anger, then holding the body as life drained out of it.[373] Ivan the Terrible's reputation is understood as an emotional symbol. But the nuance of his political calculations, the external pressures he faced, the logic of his decisions, all of it discarded as additional context to a label easily understood.

In modern times, the pattern is identical. Enron did not collapse because of a complex failure in energy markets and accounting standards.[374] It became a label for "corporate greed".[375] Tylenol's tamper proof packaging earned it the label of "safety", one that set industry standards.[376] Trader Joe's quickly becomes understood as "friendly, quirky, quality," less so than deploying robust supply chains and an employee-centric labor model.[377] These reputations have traveled through millions of consumer, academic,

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[372] Hosking, G. A. (1997). *Russia: People and empire, 1552-1917*. Harvard University Press.

[373] Halperin, C. J. (2019). *Ivan the Terrible: Free to reward & free to punish*. University of Pittsburgh Press.

[374] *A Chronology of Enron's Woes—WSJ*. (n.d.). Retrieved July 7, 2026, from https://www.wsj.com/articles/SB1026823806899605320?eafs_enabled=false

[375] *Enron's Run Tripped by Arrogance, Greed*. (2002, January 27). Los Angeles Times. https://www.latimes.com/archives/la-xpm-2002-jan-27-mn-25002-story.html

[376] Dabo, M. (2023, August 2). How the Tylenol Murders forever changed product packaging. *Packaging Gateway*. https://www.packaging-gateway.com/comment/tylenol-murders-forever-product-packaging/

[377] Clifford, C. (2020, March 9). *From chatty employees to $5 wine: How Trader Joe's turns customers into fanatics*. CNBC. https://www.cnbc.com/2020/03/09/psychology-behind-how-trader-joes-became-a-favorite-grocery-store.html

and regulator conversations, but the full architecture of their story is much less well known. What remains is the compressed, emotionally resonant version that the brain can hold and retransmit. Reputation travels through stories, but it often survives as labels.

Compression is not a flaw in human communication, it is an adaptive feature that ensures information transmits across groups.[378] Wired into human nature is the unconscious trimming of detail, accuracy, and precision when sharing information.[379] Society depends on communications that are optimized for transmissibility, even if less accurate. When information travels further, the group has a greater chance for survival, and what triggers emotion travels farthest.[380] While a factual statement, however accurate, is more likely to die off faster than one that has emotional stakes.

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[378] Tomasello, M. (2008). *Origins of human communication*. MIT Press.

[379] Bartlett, F. C. (1995). *Remembering: A study in experimental and social psychology*. Cambridge University Press.

[380] Peters, K., Kashima, Y., & Clark, A. (2009). Talking about others: Emotionality and the dissemination of social information. *European Journal of Social Psychology*, *39*(2), 207–222. https://doi.org/10.1002/ejsp.523

Emotional cues often arrive before deliberate reasoning has time to engage because the brain processes threat, loyalty, betrayal, triumph, shame, power, and injustice before it processes neutral, more rationally detailed, information.[381] This prioritization is also not a bug in communication and cognition, it is another ancient survival mechanism. In environments where missing danger could be lethal, the ability to quickly assess threat mattered more than the ability to carefully evaluate evidence.[382] The brain evolved to notice what triggers emotion first, and to ask questions later, if later ever comes. This makes fear, anger, disgust common emotional reactions that happen fast, often subconsciously.[383] It has the capacity to bypass the rational mind and move straight to behavior.

This speed creates a fundamental asymmetry in reputation formation. People often make reputational judgments with nothing more than a quick image, a facial expression, a tone of voice, or just a few seconds of video.[384] These fragments are

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[381] Damasio, A. R. (1994). *Descartes' error: Emotion, reason, and the human brain*. Putnam.

[382] LeDoux, J. E. (1998). *The Emotional Brain: The Mysterious Underpinnings of Emotional Life*. Simon & Schuster.

[383] Öhman, A., & Mineka, S. (2001). Fears, phobias, and preparedness: Toward an evolved module of fear and fear learning. *Psychological Review*, *108*(3), 483–522. https://doi.org/10.1037/0033-295X.108.3.483

[384] Gladwell, M. (2007). *Blink: The power of thinking without thinking* (1st Back Bay trade pbk. ed). Back Bay Books.

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processed through fast emotional systems that evolved to quickly assess whether someone is trustworthy, dangerous, competent, or aligned with your interests. Psychologists call this phenomenon thin slicing, the tendency to form rapid, durable judgments from minimal information.[385] By the time deliberate reasoning engages fully, the emotional categorization has already formed and begun to anchor how subsequent evidence is interpreted. Once established, it is highly sticky. Quick emotional judgments seek evidence after the category has been committed to, and contradicting evidence struggles against the frame already set.[386] This means that once a label has been placed, it resists reclassification. This explains why reputation, once tarnished, is difficult to rebuild, often consuming a great deal of time and resources.

A challenge arises in how information systems exploit this judgement architecture. The media optimizes emotional fragments over the full context of the story.[387] It focuses on the image, the headline, or the out-of-context quote, knowing that the initial judgment will stick, and that later evidence, no matter how substantial, will

[385] Ambady, N., & Rosenthal, R. (1993). Half a minute: Predicting teacher evaluations from thin slices of nonverbal behavior and physical attractiveness. *Journal of Personality and Social Psychology*, *64*(3), 431–441. https://doi.org/10.1037/0022-3514.64.3.431

[386] Nickerson, R. S. (1998). Confirmation Bias: A Ubiquitous Phenomenon in Many Guises. *Review of General Psychology*, *2*(2), 175–220. https://doi.org/10.1037/1089-2680.2.2.175

[387] Wu, T. (2017). *The attention merchants: The epic scramble to get inside our heads* (First edition). Alfred A. Knopf.

struggle against the category already formed. A viral video of an executive's momentary anger becomes "arrogant CEO." A news headline about a customer confrontation becomes "abusive airline." A political statement taken out of context becomes "corrupt politician." The interpretation of the signal happens not through careful analysis but through emotional reaction. This is why reputation can both shift in moments but also take years to change the label.

Few forms of information are more socially powerful than negative narratives.[388] One reason is evolutionary asymmetry. Throughout history, the cost of ignoring potential danger often exceeded the cost of overreacting to a false alarm.[389] A person who dismissed warnings about someone perceived as violent, deceptive, disloyal, or dangerous to the group risked severe social, economic, or even physical consequences. By contrast, someone who overreacted to a rumor typically risked embarrassment, damaged credibility, or wasted energy.

Over time, this imbalance conditioned people to treat negative social information as especially salient. Human attention is generally more sensitive to potential threats

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[388] Aronson, E. (2004). *The social animal* (9. ed). Worth Publ.

[389] Haselton, M., & Buss, D. (2000). Error management theory: A new perspective on biases in cross-sex mind reading. *Journal of Personality and Social Psychology*, *78*, 81–91. https://doi.org/10.1037//0022-3514.78.1.81

than to positive or neutral signals because risk avoidance often carried greater survival value than opportunity seeking. Decades later, behavioral economist Daniel Kahneman and his collaborator Amos Tversky formalized a version of this tendency through the concept of loss aversion.[390] In repeated experiments, people consistently reacted more strongly to potential losses than to equivalent gains. For many participants, the pain of losing $100 felt psychologically greater than the satisfaction of gaining the same amount. In some cases, individuals even chose smaller guaranteed gains over larger probabilistic rewards simply to avoid the possibility of loss or uncertainty.

This asymmetry helps explain why communities became more responsive to warnings about danger than to confirmations of stability. Negative stories tend to spread with greater urgency, emotional intensity, and social persistence because they activate systems of social risk detection that humans are predisposed to prioritize.[391] In reputational systems, that tendency carries enormous implications. A single allegation of deception, corruption, disloyalty, or harm can outweigh years of stable behavior because people instinctively give greater weight to information associated with

[390] Kahneman, D., & Tversky, A. (1979). Prospect Theory: An Analysis of Decision under Risk. *Econometrica*, *47*(2), 263. https://doi.org/10.2307/1914185

[391] Tierney, J., & Baumeister, R. F. (2019). *The power of bad: How the negativity effect rules us and how we can rule it*. Penguin Press.

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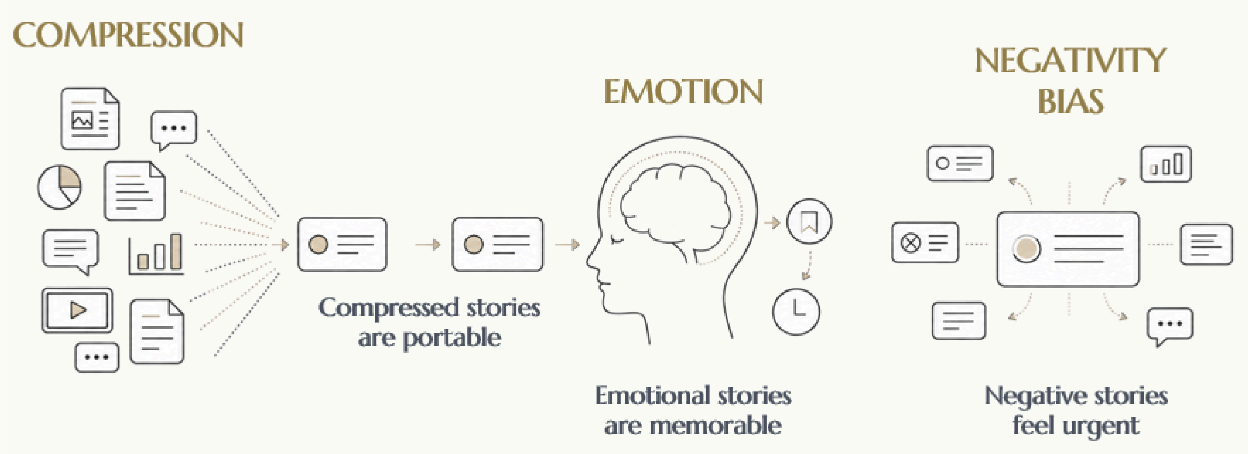
potential danger. It also explains why a single trust failure outweighs signals that build perceptions of integrity, because the cost of misplacing trust feels greater than the benefit of identifying who is the most predictable and reliable.

This creates an asymmetry in how information travels. A warning about who cheated, who stole, who betrayed, who hurt someone spreads because it carries perceived survival value. A story about who is trustworthy or kind still holds value, but is not seen as urgent. That is why outrage, scandal, fear, and moral violation travel faster through gossip, media, and social networks than positive stories typically do. Negative information nearly always wins the information footrace.



This ancient survival mechanism, this negativity bias, did not disappear when humans invented writing, mass media, or global markets. It remained embedded in how reputation forms in the information ecosystem. And in the Reputation Era these systems have been amplified significantly. Social platforms did not introduce negativity bias, they industrialized it. These systems reward engagement, and engagement is strongest when content triggers emotion.[392] Algorithms amplified an ancient human condition allowing negative, less accurate, information to travel faster and further than it could have decades ago.[393]

All of this explains a persistent institutional misunderstanding of reputation. The compression, the emotion, the negativity asymmetry all point to the same conclusion that reputation lives and travels through narrative, shaped by the very mechanisms of how humans communicate and form judgments. While this is true, it is also an optical illusion. This view of reputation as narrative, traveling through compressed emotional signals, often leaves institutions with a tendency to treat it as a "communications problem", less so a dedicated business function or an infrastructure that ensures an institution earns the acceptance it needs to operate and grow.

This misleading truth has led to the inevitable and persistent mistake. The assumption most arrive to, is that by controlling the story, one can control reputation. Crafting the right message, deploying it through the right channels, and repeating it with

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[392] Fisher, M. (2022). *The chaos machine: The inside story of how social media rewired our minds and our world* (First edition). Little, Brown and Company.

[393] Vosoughi, S., Roy, D., & Aral, S. (2018). The spread of true and false news online. *Science*, *359*(6380), 1146–1151. https://doi.org/10.1126/science.aap9559

enough frequency and polish, can shape an institution's "symbolic compression" label. It misses something fundamental, reputation does not begin with stories alone. Stories give signals a voice, making them portable, memorable, and easier to transmit, but they do not create reputation on their own. Before reputation can form, stakeholders first observe and interpret a broader set of signals. Those signals do include the story itself, but they also involve other observable indicators such as behaviors and the decisions institutions make. Those signals are then interpreted through stakeholder expectations, producing judgments that ultimately shape reputation. This leaves reputation management focused on alignment, not only with stakeholder expectations, but with the conduct of the institutions itself. When stakeholders perceive a gap between what an institution says and what it does, a say-do gap emerges. That gap weakens perceptions of integrity and ultimately damages reputation. This is why attempts to primarily manage reputation through claims, promises, messaging and stories meant to shape a narrative often result in reputational damage instead of gains.

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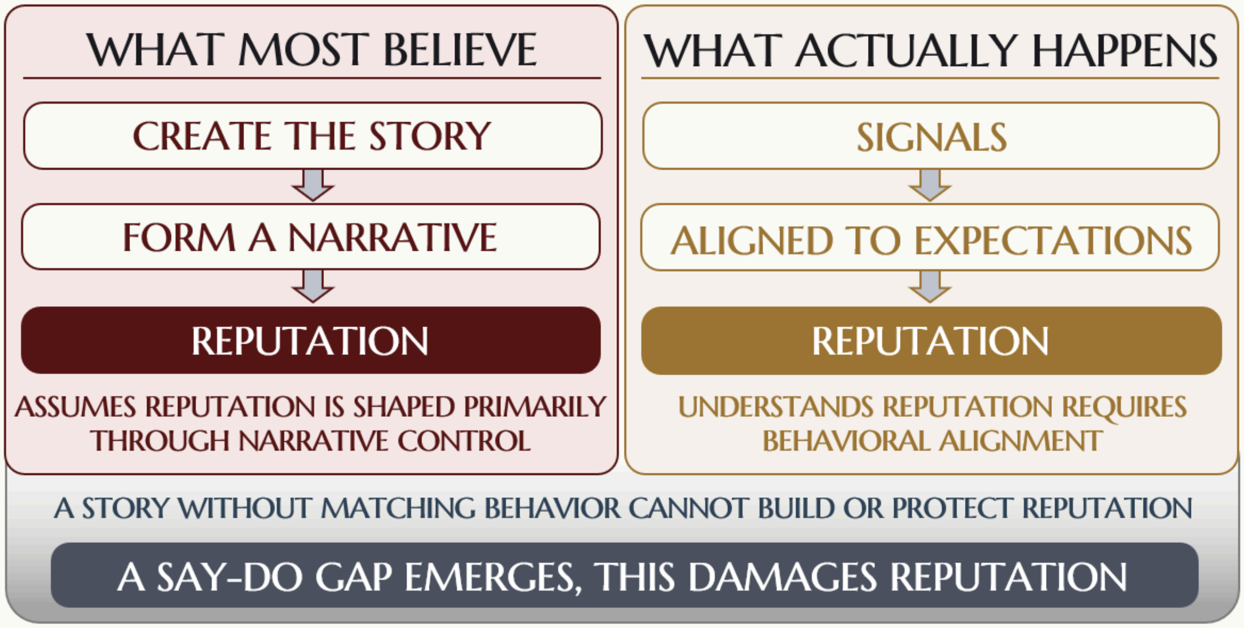

This misunderstanding leads to a deeper problem, which is attempting to treat reputational challenges primarily with communications strategies. The challenge with this approach, in the modern era, is that there is no centralized control over narrative. In earlier decades, stories about institutions were mediated through a small number of news outlets such as ABC, NBC, and CBS that helped provide control of what the story was.[394] But that world no longer exists, with stories scattered across thousands of networks and platforms.[395] They form in social media, in employee communications, in customer reviews, in activist networks, in industry forums, in regulatory filings, in court

[394] Starr, P. (2006). *The creation of the media: Political origins of modern communications* (Paperback ed., [Nachdr.]). Basic Books.

[395] Benkler, Y., Faris, R., & Roberts, H. (2018). *Network propaganda: Manipulation, disinformation, and radicalization in American politics*. Oxford University Press. https://doi.org/10.1093/oso/9780190923624.001.0001

documents, in leaked conversations. There is no centralized point of control to manage stories through anymore. There are only fragments, pieces, interpretations, all circulating simultaneously.

It is no longer possible to manage reputation solely through the communications function. Instead reputation will need to be embedded proactively, ahead of the narrative fragmentation and stakeholder scrutiny. This requires establishing an infrastructure which produces the signals that build perceptions of integrity early and consistently. It means creating signals that convey alignment, trustworthiness, and good faith to mitigate societal consequences and stakeholder misalignment. This transitions reputation from a concept anchored in story to a system that can produce a pattern of signals which reinforce perceived integrity. These integrity perceptions have become operationally consequential in ways it was not in earlier eras. In small communities, integrity was judged through direct observation and gossip. But in the modern reputation era, the evaluation of integrity is derived from a pattern of observable indicators, continuously, across multiple dimensions, visible to multiple stakeholders simultaneously. Stories, left on their own, will always struggle to build reputation. In the Reputation Era only a consistent pattern of integrity-driven signals can provide the emotional resonance needed for an institution to earn a positive reputation label.

Passage 17: Compression & Interpretation

Summary Text (Not Included in Final Copy): Reputation continues to operate on ancient gossip logic, even at institutional scale. As systems expanded beyond direct observation, institutions needed new ways to signal integrity to stakeholders who could no longer verify behavior firsthand. Integrity heuristics emerged to fill this gap, translating complex reality into signals, certifications, and commitments that enabled distant evaluation. ESG formalized this approach, making hidden risks more legible and tying legitimacy to what could not be directly seen. But as ESG scaled, the mechanism strained. Scope expanded, compliance standardized, and signals became entangled in political interpretation. The result was not the failure of integrity, but the weakening of the signaling system itself. Integrity heuristics cannot be scaled like competence. Yet the underlying dynamic remains. Moral expectations translate into governance. When institutions fail to signal integrity credibly, those expectations

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re-emerge as external constraints, imposed through rules rather than maintained through self-governance.

Earning this label in the Reputation Era is a complicated endeavor, for a number of reasons. First, this is a time period where institutions must find a way to manage their reputation in a fast-moving, fragmented, and decentralized information system. Another challenge in the modern era is the distance and size of the institutions, a knowledge gap exists where decision makers cannot have a full understanding of how the business is operating across all jurisdictions with all of its stakeholders.[396] What emerges is a three-fold alignment problem that significantly impacts how well a company can build and protect its reputation. It requires understanding the needs and expectations of stakeholders, then navigating far-flung siloed business functions to move the organization towards these expectations while trying to communicate in a highly skeptical, low credibility institutional environment. This underscores the importance of an integrity heuristic, as more than just a signal but as a simplified way to coordinate and align in a highly complex reputation ecosystem.

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[396] March, J. G., Simon, H. A., & Guetzkow, H. S. (with Graduate School of Industrial Administration). (1958). *Organizations*. Wiley [u.a.].

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These integrity heuristics stand in for direct observation, which is no longer possible in today's environment. They become recognizable signals embedded in public narratives, reinforced by institutions, and often validated through formal certifications or standards. Integrity heuristics come in a wide range of formats, each delivering different messages and morally coded signals. Some are commitments to internal stakeholders, while others serve to build relationships with communities. They show up as signals of fairness, balance, and dignity which are delivered through business policies and practices such as diversity metrics, ISO standards, and Fair Trade certifications. An institution can signal alignment of how it uses its authority and influence through ethics policies, ESG reports, and other governance structures. While other signals show a concern for shared societal impact and loyalty through cause alignment such as environmental LEED certifications, net-zero commitments, and scope 3 emissions disclosure. All of these signals exist to fill a gap, because the scale of modern institutions has exceedingly challenged internal institutional alignment and direct observable moral evaluation.

But integrity heuristics emerged for a more urgent reason than coordinating a labyrinth of internal business functions and enhancing stakeholder perceptions. A reason why these signals emerged was because institutions recognized that integrity judgements also functioned as an early warning system. When an institution prioritized integrity in how it operated it would be more likely to monitor worker treatment, mitigate environmental impact, and adopt quality governance procedures. Not because it was aiming to perform virtue or "kindness", but because it was developing the capacity to detect emerging risks that might otherwise remain invisible until they erupted.[397] Conversely, when companies operated without integrity as part of the strategic infrastructure, they accumulated hidden costs that never appeared on quarterly reports but festered in supply chains, factory conditions, environmental degradation, and governance blind spots. Costs that often followed a consistent long-tail pattern until it erupted suddenly, delegitimizing the business and sending it towards crisis. This is what makes prioritizing integrity a foundation for organizational adaptability; enabling it to continuously realign behavior with evolving stakeholder expectations before those expectations harden into reputational scrutiny, governance demands, or regulation.

[397] Crane, A. (Ed.). (2009). *The Oxford handbook of corporate social responsibility* (Reprint). Oxford Univ. Press.

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Many times reputational crises are a product of hindsight, warnings that were present when the case would be reviewed after the point of failure. While each eruption seems unexpected or sudden, each reveals that had these institutions prioritized integrity as part of their reputation infrastructure, these risks would have been more likely to surface earlier and, in most cases, be mitigated or contained. Each of the following examples illustrate the point that integrity heuristics builds an infrastructure that derisks the business. A 1984 gas leak at Union Carbide that killed thousands in Bhopal, India.[398] The 2001 Enron bankruptcy filing which revealed that creative

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[398] *The World's Deadliest Industrial Disaster Exposed 500,000 People to Toxic Gas and Claimed Thousands of Lives*. (n.d.). Retrieved July 7, 2026, from https://www.smithsonianmag.com/smart-news/the-worlds-deadliest-industrial-disaster-exposed-500000-people-to-toxic-gas-and-claimed-thousands-of-lives-180985434/

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financial engineering was not a substitute for governance integrity.[399] Decades of lawsuits filed against Johns Manville for knowingly continuing its use of asbestos as communities bore the cost.[400] Chisso dumped mercury into Minamata Bay, Japan which poisoned communities for generations and created a health outbreak in 1956 that led to decades of lawsuits.[401] In each case, the institution appeared financially successful. But underneath, the company was accruing a legitimacy debt that would be paid in lawsuits, regulatory intervention, activist pressure, consumer backlash, talent exodus, and corporate collapse.

This recognition shifted how institutions thought about signals judged through the lens of integrity, because they were valued as a means of ensuring business continuity.[402] An institution that monitored labor practices was detecting exploitation before it became a reputational crisis and legal liability. An institution that measured

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[399] Catanach, A. H., & Rhoades, S. C. (2003). Enron: A Financial Reporting Failure? *SSRN Electronic Journal*. https://doi.org/10.2139/ssrn.418920

[400] Berkowitz, B. (2012, May 11). Special Report: The long, lethal shadow of asbestos. *Reuters*. https://www.reuters.com/article/world/special-report-the-long-lethal-shadow-of-asbestos-idUSBRE84A0JA/

[401] *More than 60 years on, Japan's mercury-poison victims fight to be heard | Reuters*. (n.d.). Retrieved July 7, 2026, from https://www.reuters.com/article/world/more-than-60-years-on-japans-mercury-poison-victims-fight-to-be-heard-idUSKCN1BV32Q/

[402] *Enterprise risk management. Volume 3: Executive summary*. (2017). Association of International Certified Professional Accountants.

environmental impact was identifying risks before regulation locked in massive compliance costs. An institution that maintained governance oversight was catching corruption and financial risk before they metastasized. This is how focusing on signals that build perceptions of integrity supports reputation and reinforces institutional legitimacy, which mitigates reputation risk before it becomes a downstream "communications problem". It creates a broader infrastructure, culture and system of adaptation before a weakened reputation leads to operational constraints and regulation.

The finding that integrity heuristics could serve as a system that both derisks the business and builds license to operate isn't new, it is a concept that was understood long before the Reputation Era. In the 1900s, George Eastman at Kodak built a welfare program with paid sick leave, accident insurance, pensions, dental care, and recreation facilities.[403] George didn't do this because a law required it, he recognized that showing care for employees created an alignment with the workforce that resulted in predictable, reliable, and stable resources that his business needed. There was no special name for this kind of business practice. It wasn't heralded in an economic impact report, stated as an attempt to drive purpose into its operations,

[403] Brayer, E. (1996). *George Eastman: A biography*. Johns Hopkins University Press.

and the term ESG wasn't even thought of. None of this drove the strategy, what the business saw was the value of integrity as an infrastructure for growing and protecting the business. Some could say Kodak was pulling a play from an existing playbook that the Quaker family introduced, just decades earlier, in Bournville, England.[404] The integrity heuristic that Cadbury's would signal came from building housing, with community gardens, and providing schools for workers.[405] They even provided employees with medical care. They did it because they believed it was right and that signal was powerful. When stakeholders saw what Cadbury did, they knew they were witnessing a story of institutional character.

Prioritizing integrity into the infrastructure of how an institution operates not only makes a business agile, adapting to pressure before scrutiny forms, but it can also enable a first mover opportunity that creates a competitive advantage. Starbucks did not take a stand on ethical supply chains until it saw pressure mounting in the 1990s.[406] By the 2000s it was taking proactive steps to address coffee farming

[404] Cadbury, D. (2011). *Chocolate wars: From Cadbury to Kraft - 200 years of sweet success and bitter rivalry*. HarperPress.

[405] Griffin, E. (n.d.). *Cadbury built a city for workers—Then gave it to them*. Retrieved July 7, 2026, from https://www.elysian.press/p/cadbury-built-a-city-for-workers

[406] Clark, T. (2007). *Starbucked: A double tall tale of caffeine, commerce, and culture* (1. ed). Little, Brown.

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economics, rather than trying to circumvent it.[407] They got certified for fair trade and made sustainability a core part of how they operated, demonstrating that integrity heuristics could be profitable, authentic, and integrated into consumer branding all at the same time.[408] These companies have something in common, they all operated from the assumption that integrity was infrastructure, then embedded in how the business functioned. They did not use messaging as a persuasion tool, they understood that behaviors that signaled integrity heuristics portrayed character that aligned with stakeholders.

All of this, from morals, to gossiping, to stories, to labels and integrity heuristics leads to the understanding that managing signals that build perceptions of integrity derisks the business and permits sustained business operations. All of this came before the term ESG arrived. Environmental, Social, Governance (ESG) is a framework companies use to measure and report on their non-financial performance to manage risk, show stakeholder accountability, and demonstrate regulatory engagement.[409] The term arrived in the early 2000s as a way to systematize what institutions had been doing

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[407] *Partner Profile: Starbucks*. (n.d.). Retrieved July 7, 2026, from https://www.sustaincoffee.org/partners/starbucks

[408] Starbucks Coffee Company. (2005). *Striking a balance: Corporate social responsibility fiscal 2004 annual report*. Starbucks Coffee Company.

[409] Simonek, C. (2021). *Certificate in ESG investing curriculum* (Edition 3). CFA Institute.

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unsystematically for over a century.[410] Three letters that compressed the entire logic of integrity infrastructure into something measurable, codified, reportable, and comparable. For a moment, this was a genuine breakthrough because ESG created a common language that could validate the importance of integrity heuristics as a business driver. By making integrity legible to capital markets investors could not only evaluate whether a company was managing hidden risks, but further defend an investment as more predictable and reliable than other investments. Ironically, ESG was seen as a framework that would revolutionize business by validating what Kodak, Cadbury, and Starbucks (and other companies) had already discovered previously, which is that integrity should be prioritized as a business infrastructure imperative. This visionary direction for this new ESG framework did not result as planned.

A significant win for ESG was that it would correctly be seen as a tool that could justify infrastructure and investment so business could gain acceptance and grow. Because it could be measured, tracked, and linked to business results, it was seen as something worthy of continued investment.[411] But the shortcoming of ESG frameworks

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[410] United Nations Global Compact. (2004). *Who cares wins: Connecting financial markets to a changing world*. United Nations Global Compact. https://documents1.worldbank.org/curated/en/280911488968799581/pdf/113237-WP-WhoCaresWins-2004.pdf

[411] *Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility*. (n.d.). Retrieved July 7, 2026, from

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became immediately apparent when they were used less to uncover expectations of stakeholder and more so to drive performative signals that they wanted stakeholders to perceive about the business. Because signals that produced perceptions of integrity had proved it could make other companies more resilient and more profitable, it would be natural to assume that vast efforts to scale integrity heuristics would lead to increased financial and operational performance. Theoretically, this is true, but when a system designed to derisk the business becomes a catch-all for every conceivable corporate value signal, then the system itself loses authenticity and becomes a potential risk to the business.

What undermined ESG was scope creep, an expansion of meaning that caused confusion and sparked tension. For the letter "E", environment originated as ensuring the company maintained environmental responsibility, but eventually the letter "E" got stuck on climate change debates, which forced it to pivot to lesser understood, confusing, eco-terms such as biodiversity, deforestation, and net-zero.[412] For the letter "S", social responsibility expanded from broader labor practices to specific racial justice, gender equity, LGBTQ+, and other groups which brought political contention

https://hbr.org/2006/12/strategy-and-society-the-link-between-competitive-advantage-and-corporate-social-responsibility

[412] Yergin, D. (2020). *The new map: Energy, climate, and the clash of nations*. Penguin Press.

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with it.[413] For the letter "G", governance expanded from board composition and independence to include reviews of executive compensation, shareholder rights, and political donations.[414] ESG, which was originally meant to validate the value of integrity as an infrastructure, but in the end its definition became so vast that it managed to lose meaning and get caught in a political debate. In just decades since its conception, the ESG framework became obscure, contested, and troubled.

While ESG may have brought some clarity to the value of integrity heuristics, what was made entirely clear was that when signals are perceived to be mandatory they lose authenticity. An integrity heuristic works best when it reflects genuine choice and demonstrates a commitment beyond what is formally required. The moment ESG becomes a compliance requirement, a box to check, a procedure to follow, its signal fades. The tragedy was compounded by politicization, losing ground with both sides simultaneously. As ESG expanded to include racial justice and gender equity as a mechanism of fairness, it hit a key moral foundation which is also where political ideological differences of what fairness means reside. Conservatives quickly saw ESG as woke activism, attacking it with another short emotionally charged label "Go woke, go

[413] Michael Copley. (2022, September 12). How ESG investing got tangled up in America's culture wars. *NPR*. https://www.npr.org/2022/09/12/1121976216/esg-explained

[414] OECD. (2023). *G20/OECD PRINCIPLES OF CORPORATE GOVERNANCE 2023*. OECD.

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broke."[415] Progressives on the other hand saw it as performative gestures, attacking it with a different label "purposewashing."[416] Centuries of signaling integrity heuristics to align behaviors to stakeholder expectations, derisk the business, and promote business growth had been transformed into two short decades where ESG transformed from a neutral risk management framework into a symbol of ideological struggle that managed to lose both sides of the aisle. Vivek Ramaswamy, CEO of Strive Asset Management, argued that asset managers were using ESG to push ideological objectives beyond corporate mandate.[417] By the early 2020s, ESG was viewed by many as torn and fractured. The breakdown of the ESG framework stemmed from a catastrophic combination of scope creep, performative behaviors, check boxes that undermined authenticity, and a lack of alignment to stakeholder expectations.

Unfortunately, the mechanisms that would have sustained integrity as infrastructure broke under the weight of ESG's continued expansion. This breakdown occurred just

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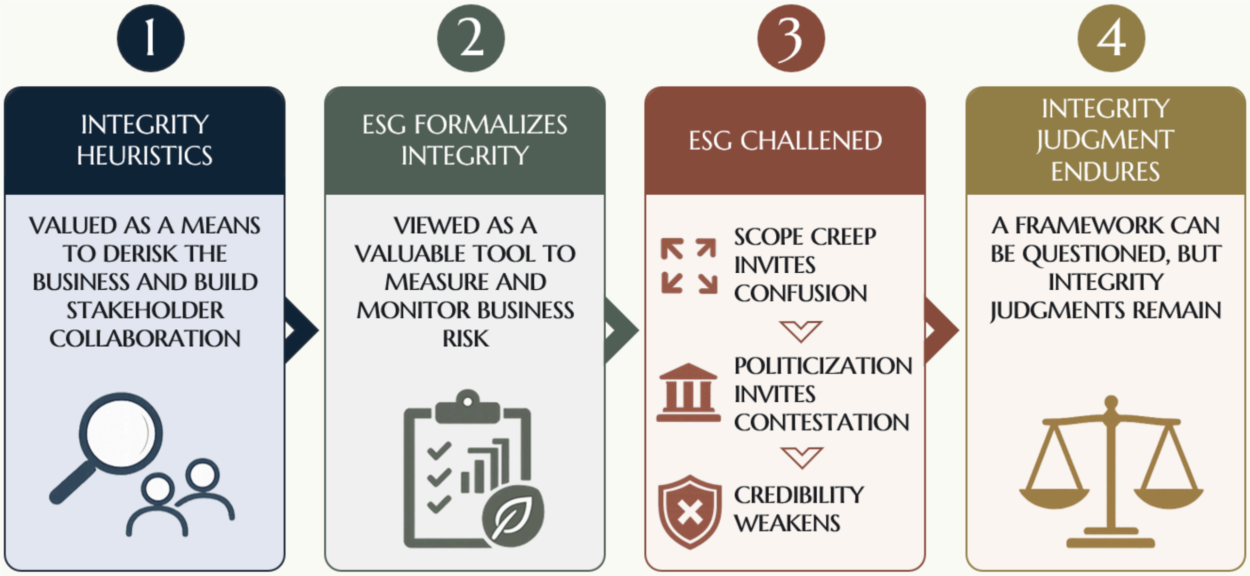
[415] *If US companies "go woke", do they really go broke?* (n.d.). Retrieved July 7, 2026, from https://www.bbc.com/news/world-us-canada-65918155

[416] Stopping "ESG washing" and demanding that responsible investment does what it says. (n.d.). *Inclusive Development International*. Retrieved July 7, 2026, from https://www.inclusivedevelopment.net/policy-advocacy/stopesgwashing/

[417] *Can Vivek Ramaswamy take down ESG?* (n.d.). Retrieved July 7, 2026, from https://www.ft.com/content/17c929b6-ed49-46f1-9c04-e3de50b4bda0?syn-25a6b1a6=1&utm_source=chatgpt.com

as the Reputation Era was demanding more from institutions than ever before. As organizations grew in scale and influence, stakeholders increasingly expected them not only to create prosperity, but also to mitigate the broader societal consequences of that scale. Instead, the governance architecture fractured. The pressure to demonstrate alignment only intensified, but the credibility to deliver it eroded further.



The examples of how institutional behaviors signal integrity heuristics reveal something crucial. Integrity itself, as a judgment stakeholders make when evaluating institutions, never disappeared. Instead, the systems intended to reinforce behaviors associated with integrity were mispurposed, misinterpreted, or misread. Beneath this lies a deeper truth that integrity remains a lens through which stakeholders evaluate whether institutional behavior aligns with evolving moral expectations. These judgements and expectations function as early warnings, revealing where stakeholder demands will harden into formal rules. For institutions, these expectations are not just an operational infrastructure, they are a map. They show where business practices should be adapted before the rules arrive.

In the end, the breakdown of ESG, and the debate about wokeness leading to brokenness, is technically irrelevant. All that broke down was the acronym, the language, the framework. But the system that ESG was supposed to formalize was not invented by ESG. It was not born in the early 2000s. It is far older, based on ancient moral expectations. Expectations that have historically translated into governance. This has always been how societies establish the rules and guidelines that govern institutions. And this system does not stop because it was “washed out” or burned by political polarization. It continues as it always has, and always will. The institutions that prioritize integrity proactively maintain optionality and adaptability. The institutions that fail to develop integrity-driven signals will find that the rules arrived anyway. But now they arrive as constraints, not choices. And they are delivered through forced mandates, not through independent self-governance.

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Passage 18: Smoke Before the Fire

Summary Text (Not Included in Final Copy): Moral expectations harden into formal rules through a pattern as old as civilization. Harm becomes visible, perception shifts, moral consensus forms, and law arrives to formalize what society has already decided. Institutions that broke their integrity infrastructure accelerated this cycle by removing the informal mechanisms that allowed self-governance, leaving only formal regulation as recourse. But institutions that maintain integrity infrastructure strategically avoid constraint rings, shape norms before codification, and eliminate reactive costs by aligning proactively. Most importantly, reputation functions as a leading indicator of what regulation will eventually require, allowing institutions that read their reputational standing carefully to anticipate the future and maintain optionality, while those that ignore it are surprised by rules that were visible all along.

The pattern of morally coded societal signals coming before the rules arrived has been consistent since ancient times. In order for formal governance to emerge, societies would align on informal norms which outlined “good” and “bad” behaviors.[418]

[418] Bowles, S. (2016). *The moral economy: Why good incentives are no substitute for good citizens*. Yale University Press.

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These expectations are primarily based on reciprocity, ensuring groups are cohesive and collaborative. Over time people knew what was expected of them from others because the group enforced those expectations through social pressures that either elevated or eroded someone's reputation. As societies became more complex, direct observation was lost and not all disputes could not be resolved through social pressure alone. In these cases, not all cheating could be detected or quantified. Harm would be debated or denied. As a result, stakeholder pressure would galvanize into something more formal, something that could adjudicate when observation failed and mandate accountability when a damaged reputation was not enough.

A consistent pattern emerged, stakeholder pressures to enforce expectations on institutions and group dynamics commonly preceded formal legal systems.[419] Modern day courtrooms, judges, and written codes were not invented from scratch. They were formalized from social norms that were evolving informally. Consider The Code of Ur-Nammu, one of the oldest discovered legal codes, which emerged in ancient Mesopotamia around 2100 BCE.[420] It codified the fairness moral foundation to

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[419] Berman, H. J., & Berman, H. J. (1995). *The formation of the western legal tradition* (8. pr). Harvard Univ. Press.

[420] Roth, M. T., Hoffner, H. A., & Michalowski, P. (Eds.). (2009). *Law collections from Mesopotamia and Asia Minor* (2. ed., [Nachdruck]). Scholars Press.

provide guidelines of dispute resolution that societies had already been forming and practicing informally for centuries. The code simply formalized the system by creating designated officials and procedures for adjudication. It took the moral intuitions that held small communities together and institutionalized them into formal law. Like the integrity heuristic that came long before ESG frameworks, the moral foundations that shape expectations always come before the rules arrive.

This same pattern repeats in the modern era, but compressed. From ancient times through the industrial era, institutional evolution moved slowly. The lag between informal norms and formal laws could stretch across generations. Today, that lag has collapsed.[421] Moral expectations now harden into regulations in years, not decades. Visibility accelerated alongside the speed of information. As a result the consequences of corporate scale and behavioral misalignment are now hyper-visible. Stakeholder perception shifts happen faster in the Reputation Era than at any point in history. The result is a feedback loop where faster visibility drives faster stakeholder expectations formation, which then drives faster demand for formalized standards.

[421] McNeill, J. R., & Engelke, P. (2014). *The great acceleration: An environmental history of the anthropocene since 1945*. The Belknap Press of Harvard University Press.

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The Love Canal disaster demonstrates how visibility of societal consequences translates to hardened regulations.[422] In the 1940s and 1950s, Hooker Chemical Company dumped roughly 21,000 tons of chemical waste into an abandoned canal site in Niagara Falls, New York.[423] The company covered the site and sold the land for development.[424] Over time, homes and a school were built nearby. Buried toxic chemicals began leaking into the surrounding community which triggered widespread public fear of health risks and contamination.

When harm becomes visible, what follows is moral judgement and scrutiny. The public recognized that industrial companies were hiding the consequences of their decisions, externalizing costs onto communities. They observed a company operating outside the bounds of accountability and self governance. Once that realization became understood, the risk asymmetry became undeniable, and the violation of moral expectations for care triggered public demands. What happens next is inevitable, the rules arrived. Stakeholders demanded that communities should not be built on top of

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422 U S Environmental Protection Agency. (2025). *ENVIRONMENTAL MONITORING AT LOVE CANAL*. HUTSON STREET PRESS.

423 *Love Canal: A Brief History—SUNY Geneseo*. (n.d.). Retrieved July 7, 2026, from https://www.geneseo.edu/history/love_canal_history/

424 Love Canal. (n.d.). *Levin Center for Oversight and Democracy*. Retrieved July 7, 2026, from https://levin-center.org/what-is-oversight/portraits/love-canal/

toxic waste, that environmental damage should not be hidden, and that polluters should bear the cost and liability of cleanup.[425]

Moral violations typically trigger emotional discontent, then informal shared expectations, which then galvanize later as formal laws. Stakeholder pressure, in this case residents, placed demands onto the government act. Environmental advocates argued for protection which hardened into standards to reduce the shared impact on communities. That standard eventually formalized into the creation and expansion of the Environmental Protection Agency and the passage of the Superfund law in 1980,[426] which gave the federal government authority to clean up hazardous waste sites and hold polluters financially accountable. Before the rules arrived, in this case a Federal agency, there were moral expectations paving the argument for formalized codes that protected the environment and communities.

The rules arrive in many shapes and forms, not just environmental regulations. This same sequence, moral expectations before rule setting, also appears in workplace

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[425] US EPA, O. (n.d.). *LOVE CANAL Site Profile* [Overviews and Factsheets]. Retrieved July 7, 2026, from https://cumulis.epa.gov/supercpad/SiteProfiles/index.cfm?fuseaction=second.cleanup&id=0201290

[426] US EPA, O. (2015, September 9). *Superfund: CERCLA Overview* [Overviews and Factsheets]. https://www.epa.gov/superfund/superfund-cercla-overview

safety. By the 1960s, companies frequently claimed to maintain safety, but not all could be verified as authentic. Before the establishment of OSHA, (Occupational Safety and Health Administration) only 38 states had workplace safety programs in place, and many were limited in scope and enforcement.[427] The patchwork created loopholes, while also creating complexity that made it difficult for companies to ensure they were fully compliant. Companies could satisfy safety codes in one state while operating outside codes in another. When the Farmington coal mine disaster killed 78 miners and made national news, the failing patchwork standards became immediately visible.[428] The public interpreted the ineffective patchwork as lax standards where companies could sacrifice worker safety to prioritize profits. Human impact, a loss of dignity, was just the cost of business.

Moral expectation reinforced the formation of new rules where workers should not die preventable deaths, that companies should be held accountable for hazardous conditions, and workplace safety should not depend on geography. National consensus hardened which led to the creation of OSHA and workplace safety

[427] secure_admin. (2023, March 6). The Evolution of OSHA: A Brief History of Workplace Safety in the United States. *OSHA Online Center*. https://blog.oshaonlinecenter.com/the-evolution-of-osha-a-brief-history-of-workplace-safety-in-the-united-states/

[428] *Federal Coal Mine and Safety Act of 1969*. (n.d.). Mine Health and Safety Administration. Retrieved July 7, 2026, from https://www.msha.gov/federal-coal-mine-and-safety-act-1969

regulations that set mandatory standards and gave workers legal recourse.[429] Yet again, moral guidelines formed first, before the rules arrived.

A recent example provides the same conclusion. The Cambridge Analytica scandal revealed that personal data could be harvested, repurposed, and deployed at scale without meaningful user awareness or consent.[430] The asymmetry had always existed. Companies had always collected data. But the scale and sophistication had remained largely invisible to users. Once the breach became public, the understanding of how personal data could be weaponized at scale for political manipulation became legible. The realization that people no longer had no control over their own information became undeniable.

Pressure accumulated to create rules which mandated that users should have agency over their own data and that institutions should be held accountable for how they use personal information. In Europe, these expectations galvanized into laws faster

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[429] ADMINISTRATION, O. S. A. (2012). *OCCUPATIONAL SAFETY AND HEALTH ACT OF 1970*. EISENBRAUNS.

[430] *FTC Imposes $5 Billion Penalty and Sweeping New Privacy Restrictions on Facebook*. (2019, July 24). Federal Trade Commission. https://www.ftc.gov/news-events/news/press-releases/2019/07/ftc-imposes-5-billion-penalty-sweeping-new-privacy-restrictions-facebook

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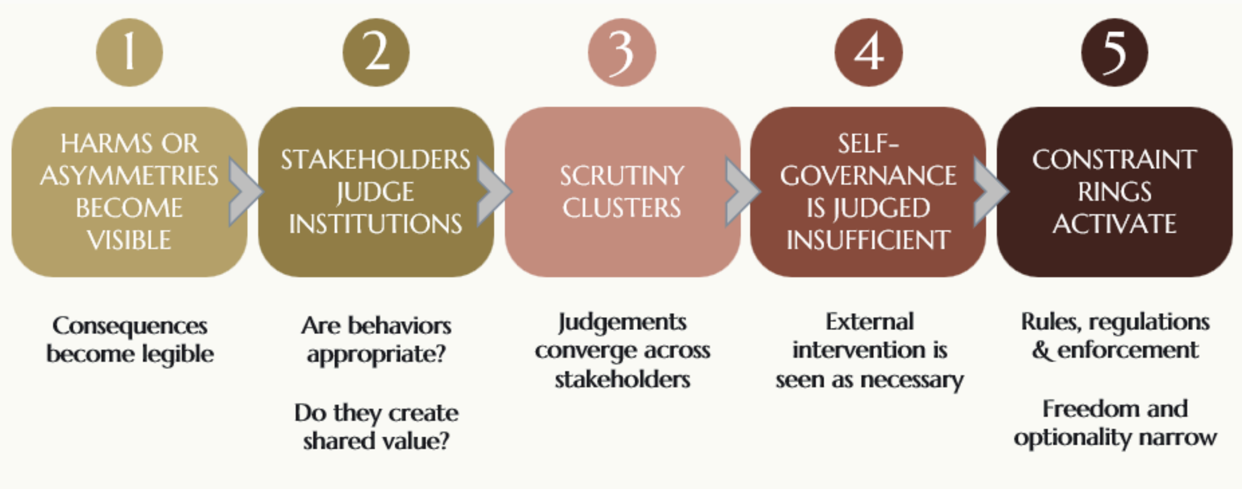
because they aligned with existing norms that treated privacy as an extension of human dignity. The scandal validated growing public demands for stronger data privacy protections, making the implementation of the General Data Protection Regulation (GDPR) in 2018 appear both timely and necessary.[431] The GDPR codified expectations through consent requirements, user rights to access and delete data, portability, and enforceable penalties. It represented an attempt to rebalance a relationship where asymmetry had become too visible to sustain.



These examples reinforce that moral expectations formalize what society has already decided should no longer be tolerated. This matters because institutions that have not integrated integrity into their infrastructure expose the business to the risk of being delegitimized. When informal accountability through self-governance fails,

[431] *Legal framework of EU data protection—European Commission*. (n.d.). Retrieved July 7, 2026, from https://commission.europa.eu/law/law-topic/data-protection/legal-framework-eu-data-protection_en

companies are no longer seen as predictable and reliable which reduces stakeholder trust and collaboration. The credibility of these institutions becomes diminished, no longer viewed as capable to self-govern their own operations, leading to pressure for regulation and laws to arrive. It arrives as a perceived necessity to maintain the stability that is needed for collaboration to exist.

Here is where the contested arguments against ESG have misled the leaders of modern day institutions. This fracturing of ESG has been interpreted as a sign that integrity mattered less, that stakeholder expectations have dampened or gone away. The reality is that the moral expectations about what institutions should do, what risks they should manage, what stakeholders they should consider, have been present throughout history and they are not disappearing simply because ESG fractured. These moral expectations are doing what they have always done since The Code of Ur-Nammu, they are only gathering force. This governing force will do as it has always done, it will formalize into regulation regardless of whether institutions are ready. The companies that maintained their integrity infrastructure voluntarily installed adaptability into their business models. The companies that broke the signal, that ignored the informal mechanisms of accountability, will discover that formal law arrives on a schedule they do not control and in forms they did not negotiate.

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When moral expectations harden into formal rules, and informal accountability gives way to regulatory constraint, the institutions that preserve the greatest freedom are those that align before pressure converges. This should not be confused as just a matter of ethics, it is about understanding stakeholder expectations and staying ahead of them before the rules arrive. This approach presents three distinct strategic advantages to recognizing the signals that shape perceptions of integrity early and embedding the behaviors they reward into organizational practice.

The first advantage to instituting an infrastructure of integrity is to avoid constraint rings that reduce a company's license to operate. These constraint rings, covered in *Chapter 3: The Externality Reckoning*, form when scrutiny accumulates leading institutions into increasing layers of regulatory, activist, and market pressure. Each new constraint narrows the space in which the institution can operate, often bringing new rules that reduce operations. Organizations that act early reduce the likelihood of layered constraints on the business. Instead of reacting to escalating pressure across regulators, activists, and markets, they maintain degrees of freedom by aligning before scrutiny can even emerge. Essentially these companies learn how to adapt before being forced to, and by adapting before pressure arrives they avoid the pileup

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of constraints, costs, and risks that institutions face when they wait for the rules to arrive.

Microsoft provides a clear example. In the early 2000s, the company faced intense antitrust scrutiny, with regulators challenging its competitive practices.[432] The company internalized a structural lesson from that experience, understanding that waiting for regulators to define acceptable behavior reduces strategic flexibility. In the following decade, as data privacy concerns intensified across markets and societies, the company moved ahead of peers. Rather than waiting for regulation to arrive, Microsoft began aligning with stricter standards and supporting emerging regulatory frameworks.[433] When the General Data Protection Regulation was introduced, Microsoft did not fight it or scramble to comply at the last moment. The company extended its principles globally proactively. Stephen Cobb, senior security researcher at ESET, commended Microsoft "not only for its recent announcement on GDPR compliance, but also for providing a pretty good slate of GDPR education and compliance resources for its customers." A global data privacy officer at Intralinks also

[432] *U.S. v. Microsoft Corp., 253 F.3d 34 (D.C. Cir. 2001)*. (n.d.). Justia Law. Retrieved July 7, 2026, from https://law.justia.com/cases/federal/appellate-courts/F3/253/34/576095/

[433] New resources from Microsoft to support customer privacy and cloud compliance. (2016, April 7). *Microsoft On the Issues*. https://blogs.microsoft.com/on-the-issues/2016/04/07/new-resources-microsoft-support-customer-privacy-cloud-compliance/

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noted "Microsoft is smart to be proactive on this, and hopefully, they are setting an example for smaller businesses."[434] This positioned Microsoft as moving with regulation as opposed as trying to sprint around it. By moving early, Microsoft maintained maneuverability. The business was not surprised or shocked by imposed regulatory constraints because it had already proactively integrated them.

The second advantage is norm-setting as pre-regulatory leverage. Operating ahead of emerging expectations allows institutions to shape what good looks like before it is formalized into law. When standards eventually codify, they often reflect practices already in place by early movers. In this case adaptation serves as a strategic advantage and companies that moved late find themselves playing by rules guided by their competitors. Apple demonstrated this logic with privacy. The company moved early to position privacy as a core product feature, introducing practices like on-device processing and explicit user consent controls well ahead of broader regulatory pressure.[435] Over time, many of these privacy expectations became central

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[434] *Microsoft commits to GDPR compliance in the cloud by 2018 deadline | TechTarget*. (n.d.). Search Security. Retrieved July 7, 2026, from https://www.techtarget.com/searchsecurity/news/450413572/Microsoft-commits-to-GDPR-compliance-in-the-cloud-by-2018-deadline

[435] Krämer, J. (2025). *Balancing Privacy and Platform Power in the Mobile Ecosystem: The Case of Apple's App Tracking Transparency* (SSRN Scholarly Paper No. 5187264). Social Science Research Network. https://doi.org/10.2139/ssrn.5187264

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to regulatory frameworks like the General Data Protection Regulation. Policies that gave users clear consent, data minimization, and user control were not forced on Apple by regulation, they were part of Apple's strategy.[436] This made the company a forward-looking privacy-centered trend setter for the entire industry. When regulations arrived that codified these principles, Apple was not disrupted, they were operating ahead of requirements.

The third advantage is the elimination of reactive cost and reputational repair cycles. Late alignment is expensive on two fronts. First, there is the financial cost of rapid operational overhaul under pressure. Second, there is the reputational cost of trust erosion and the long-term process of rebuilding credibility. Early integration avoids both, reducing the need for compressed transformation and years of costly reputation repair.

BP's experience with the Deepwater Horizon oil spill illustrates this cost. The disaster exposed a gap between BP's operational practices and rising expectations around

[436] Kollnig, K., Shuba, A., Van Kleek, M., Binns, R., & Shadbolt, N. (2022). Goodbye Tracking? Impact of iOS App Tracking Transparency and Privacy Labels. *2022 ACM Conference on Fairness Accountability and Transparency*, 508–520. https://doi.org/10.1145/3531146.3533116

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environmental risk management in high-risk extraction. Investigations revealed that the disaster was not a single failure but the result of accumulated risk decisions, misinterpreted warning signals, and fragmented oversight across the system.[437] BP faced more than 60 billion dollars in fines, cleanup costs, and settlements.[438] The company had to overhaul safety systems and governance structures while under intense scrutiny from regulators, communities, and investors.[439] But the financial cost was only part of the burden. Rebuilding the company's reputation took more than a decade of aligned behaviors and communications to rebuild stakeholder trust. What might have been a gradual evolution of practices became a compressed transformation, paired with a prolonged reputational repair cycle. The company lost optionality and the ability to shape its own evolution. It was forced to adapt on a schedule defined by crisis rather than on a schedule of its own choosing.

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[437] United States (Ed.). (2011). *Deep water: The Gulf oil disaster and the future of offshore drilling: report to the President*. National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling : For sale by the Supt. of Docs., U.S. G.P.O.

[438] *BP Deepwater Horizon costs balloon to $65 billion | Reuters*. (n.d.). Retrieved July 7, 2026, from https://www.reuters.com/article/world/bp-deepwater-horizon-costs-balloon-to-65-billion-idUSKBN1F50O5/

[439] *Deepwater Horizon Ten Years Later: Reviewing agency and regulatory reforms – Environmental and Energy Law Program*. (n.d.). Retrieved July 7, 2026, from https://eelp.law.harvard.edu/deepwater-horizon-ten-years-later-reviewing-agency-and-regulatory-reforms/

These three advantages are interconnected. Institutions that embed integrity into their infrastructure avoid constraint rings, preserve degrees of freedom, and adapt to emerging stakeholder expectations before they are codified into formal rules. They help define what "good" looks like, and when that standard becomes law, they are already operating within it. Institutions that align proactively avoid the massive costs of reactive repair. They do not face the compressed transformation or the prolonged credibility rebuilding that institutions in crisis face.

But there is a deeper strategic implication. Institutions that maintain an integrity focused infrastructure, signal trustworthiness through consistent commitment, demonstrate alignment between what they claim and what they do, and they avoid something more fundamental. They avoid giving regulators and activists a reason to intervene. Rules are often a product of visible harm or moral asymmetry, it is these conditions that trigger expectations for regulations. Operating within stakeholder expectations slows the timing and need for formal laws to arrive.

This reinforces a central theme of the Reputation Era: reputation is not a trailing indicator to be managed after a crisis. It is a leading indicator of future business conditions. What ultimately reaches the courts, regulators, or legislatures almost always appears first as reputational scrutiny. The controversies that damage reputation, the institutional behaviors stakeholders begin to question, and the asymmetries revealed across stakeholder networks are early warnings of the expectations that will eventually harden into governance and formal rules. Institutions that pay attention to reputation are, in effect, paying attention to the future. They are watching moral expectations evolve in real time, long before they are codified into law.

This layers on the crucial insight from the previous chapter. Moral expectations become rules, following visible harm and moral consensus. This means that institutions investing in their reputational standing do not have to wait for regulators to arrive and tell them what the future holds. They can read it in the controversies they face, in the questions stakeholders ask, in the expectations that are forming in networks they operate within. Reputation serves as a system through which moral expectations first become legible, giving institutions the ability to see regulations coming before they are written.

The institutions that maintain a proactive integrity infrastructure do this systematically. They are not just companies that are waiting for rules to arrive and scrambling to comply. They are companies that are reading their own reputation as a predictive signal. They are noticing what stakeholders question. They are anticipating what will eventually be codified. They are helping shape the direction of emerging expectations because they are paying attention to where moral consensus is forming. When those rules arrive, they arrive not as surprise constraints but as formalization of practices the institution has already adopted because it saw them coming through the lens of its own reputational standing. The companies that wait, fail to signal integrity-driven behaviors, they hollow out their accountability mechanisms and they discover that they have surrendered optionality to forces they no longer control. These companies will find that they were steering towards delegitimizing scrutiny long before the rules arrived.

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Chapter 6: Separate Strategy for Separate Signals

Quote Text (Placed on the section break page): *"If you can sell a hat for one dollar you can sell it for two dollars if you stamp it with your name and make the public feel that your name stands for something.." — Andrew Carnegie at the Stevens Institute of Technology Graduation Commencement.*

Passage 19: The Rise of Brand

Summary Text (Not Included in Final Copy): Brand and reputation emerged to solve fundamentally different problems. Reputation developed as a social mechanism for allocating trust, cooperation, authority, and credibility, while brand emerged as a commercial mechanism for identifying products, signaling quality, and influencing choice across expanding markets. Over time, brand evolved from a simple mark of origin into a fully institutionalized management discipline supported by legal protections, executive ownership, academic scholarship, measurement systems, valuation methodologies, and professional infrastructure. Reputation, by contrast, remained diffuse, fragmented, and difficult to define, measure, and manage despite its growing strategic importance. As branding expanded into new domains and became the dominant framework for managing external perception, organizations increasingly used brand tools to address reputational challenges, creating the modern conflation between brand and reputation that persists today.

Reputation is more than a prediction of the rules to come. It is the mechanism through which legitimacy, institutional acceptance, and trust are derived. Throughout history, reputation evolved not as a business strategy, but as a societal infrastructure that enabled reciprocation among people who needed to decide who could be trusted, who would honor commitments, and who deserved continued collaboration. As the previous chapters have shown, reputation solved a fundamental human problem long before it became associated with corporations or a communications function. It emerged as a system for interpreting signals, reinforcing group cohesion, and allowing societies to coordinate around shared expectations.

Viewed through this lens, one conclusion becomes unavoidable. Reputation is fundamentally different from the way it is commonly understood in modern business. Yet despite its origins as a social coordination system, reputation has become deeply intertwined with another concept that evolved for an entirely different purpose: brand. Today the two are frequently treated as interchangeable.[440] Executives speak of building a "brand reputation,"[441] communication teams are often tasked with

[440] Knowles, R. E. and J. (2008, January 1). *Don't Confuse Reputation With Brand*. MIT Sloan Management Review. https://sloanreview.mit.edu/article/dont-confuse-reputation-with-brand/

[441] *Building Brand Reputation Through Strategic Communications: A Beginner's Guide | Public Relations Society of America*. (n.d.). Retrieved July 8, 2026, from

managing both under the same function,[442] and many organizations rely on branding frameworks to solve reputational problems.[443] The “brand reputation” confusion tracks all the way to the top of institutional leadership. According to the BoatHouse Report, 71% of CEOs view their company brand and their reputation as the same thing.[444] This conflation has done more than create semantic confusion. It has narrowed reputation into a communications exercise, obscuring its much broader role in preserving legitimacy, maintaining institutional freedom, and helping organizations anticipate the moral expectations that eventually become tomorrow's rules.

To understand why this confusion exists, we have to look backward. Reputation and brand did not emerge together, nor were they created to solve the same problem. They arose centuries apart, under different conditions, to address fundamentally different human needs. Their histories followed separate paths before gradually converging in the modern era. Understanding those distinct origins is essential

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https://jobs.prsa.org/career-resources/finding-talent-10/building-brand-reputation-through-strategic-communications-a-beginners-guide-371

[442] What is Brand Reputation? Definition & Management Tips. (n.d.). *Simpplr*. Retrieved July 8, 2026, from https://www.simpplr.com/glossary/brand-reputation/

[443] Hawkins, E. (2024, May 16). *Apple, Bumble apologize for marketing missteps*. Axios. https://www.axios.com/2024/05/16/apple-bumble-apologize-ads

[444] *Boathouse's 3rd Annual CEO Study on Marketing and the CMO*. (n.d.). Boathouse. Retrieved July 8, 2026, from https://www.boathouseinc.com/insights/ceo-study-on-marketing-and-the-cmo

because the differences between them explain why organizations so often reach for the wrong tools when facing reputational challenges.

Brand came much later in history, with its own unique evolution. Unlike reputation, which evolved as a natural societal mechanism, brand was intentionally created to solve a range of different commercial problems. This is a core difference between the two, one is a social construct, the other a tool. Brand, in a sense, is a *"technology"* that solves marketplace trade problems.

BRAND	REPUTATION
Deliberately managed	Emerged socially
Establishes an offering	Evaluates conduct
Enables choice	Enables collaboration
Based on marketplace signals	Based on shared expectations
Can be owned and protected	Cannot be owned

Understanding this distinction is not just important, it is consequential. Reputation is a societal norms-based collaboration problem, while brand is a framework designed to drive choice. When organizations confuse the two, they often manage reputation with the wrong tools, inviting scrutiny that ultimately erodes institutional legitimacy.

To understand how most modern institutions came to conflate the two, we must first understand where each originated. Their histories reveal that reputation and brand emerged to solve fundamentally different problems and evolved along separate paths. Yet those same histories also explain why their meanings gradually converged, making it almost inevitable that they would become confused in the modern era.

The origin of brand begins as a simple mark. The purpose was straightforward, meant to identify ownership and origin. The canonical brand story begins with its use by herders to mark, or "brand", their cattle[445]. As livestock domestication spread, ownership marks emerged as a practical way to distinguish animals within expanding herds. By at least 2700 BC, branding was already being used for this purpose.[446] By 1300 BC Egyptians expanded the use case of brand, marking wine amphorae with a seal so people could understand the vineyard, the quality, and the year of the production.[447] Brand had beyond a symbol of ownership, to a label that provided people with context. Over centuries, it would evolve commercially, to sustain trade

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[445] Moore, K., & Reid, S. (2008). The Birth of Brand: 4000 Years of Branding History. *Bus History*, *4*. https://doi.org/10.1080/00076790802106299

[446] Stamp, J. (n.d.). *Decoding the Range: The Secret Language of Cattle Branding*. Smithsonian Magazine. Retrieved July 8, 2026, from https://www.smithsonianmag.com/arts-culture/decoding-the-range-the-secret-language-of-cattle-branding-45246620/

[447] Carvajal, G. (2024, January 7). How Ancient Egyptians Invented Wine Labels. *La Brújula Verde*. https://www.labrujulaverde.com/en/2024/01/how-ancient-egyptians-invented-wine-labels/

and build connected marketplaces. By the medieval times production in Europe would face a velocity gap, where products were being sold further away from its point of origin.[448] Blacksmiths needed to provide a symbol that could authenticate the quality of their work to people that would have little to no information about what they were purchasing.[449] The blacksmith's brand signaled that this product came from a known maker so buyers could form evaluation and product expectations. This moved the importance of brand beyond simple informational context to non-verbal cues of performance assessment and product recall.

Brand found itself becoming a multi-function tool that could serve multiple purposes. Its next use case would be in formalizing marketplace rules and governance. By the thirteenth century, identifying marks had become sufficiently important that guilds and municipal authorities increasingly regulated their use.[450] In 1266, King Henry III of England issued the Assize of Bread and Ale, requiring bakers to mark their loaves with unique symbols so regulators could trace them.[451] Bread was a staple that society

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448 Braudel, F. (1992). *Civilization and capitalism, 15th-18th century*. University of California Press.

449 *The Cambridge economic history of Europe. 3: Economic organization and policies in the middle ages* (Repr). (1979). Cambridge Univ. Pr.

450 Blair, J., & Ramsay, N. (Eds.). (1991). *English medieval industries: Craftsmen, techniques, products*. Hambledon Press.

451 Ross, A. S. C. (1956). The Assize of Bread. *The Economic History Review*, *9*(2), 332. https://doi.org/10.2307/2591750

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needed, so poor quality and fraud could significantly affect the health of entire populations. By requiring brands, the crown could hold individual bakers accountable for the goods bearing their symbol. Brand evolved again, as legal instruments of regulatory enforcement. This trend expanded, in medieval Florence, metalworkers kept formal registers of brands to ensure a product came from an authorized, trained craftsman.[452] This protected buyers from counterfeit or inferior work, while also protecting the guild from being imitated by unaffiliated smiths. Brands, throughout their history, had proven to be a transformational technology that would ensure marketplaces could grow within standardized, enforceable codes.

The mobility velocity gap, which is the physical distance that trade could span, would only intensify through the industrial era. Scale and speed made production possible across vast distances in a matter of weeks rather than several months.[453] Verification of product quality through word of mouth couldn't keep up. A factory in Manchester, England could produce thousands of items destined for customers in London, Berlin, or Boston that had never experienced, or witnessed, the product being used. When the product arrived, the brand on the product would serve as more than a legal

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[452] Epstein, S. (1991). *Wage labor & guilds in medieval Europe*. University of North Carolina Press.

[453] Mokyr, J. (1990). *The lever of riches: Technological creativity and economic progress*. Oxford University Press.

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construct, it would be a signal that could influence consumer choice. In response companies started investing in brands, as valuable assets that could influence sales.[454]

Brands had arrived as powerful symbols that carried associations and stories of quality, origin, and esteem. With the influence and importance of brands on the rise it was quickly recognized that this marketing tool would require legal protection. By the arrival of the twentieth century brands, also known as marks, had officially become a "trademark" which required institutionalization.[455] The Paris Convention in 1883 created the first international trademark treaty, a moment that would set the stage for brand to become a business practice, an academic topic, and a measurable asset. The greatest transformation for brand was still to take place.[456]

The twentieth century revolutionized and modernized thousands of years of using a brand to stabilize trade and drive choice in the marketplace. This time period would be the "New Dawn" era, a time where brand would take the step to become a vital,

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454 Lopes, T. da S. (Ed.). (2013). *Trademarks, brands and competitiveness* (1. issued in paperback). Routledge.

455 Schechter, F. I. (1999). *The historical foundations of the law relating to trade-marks*. Lawbook Exchange.

456 WIPO.*Guide to the application of the Paris Convention for the Protection of Industrial Property, as revised at Stockholm in 1967, by Professor G.H. C. Bodenhausen*. (n.d.).

virtually mandatory, business strategy. In 1903, a booklet called *The Value of Advertised Trademarks*, written by Ben B. Hampton Co. Advertising Agents made the observation that captured the attention of business leaders, marketers, and salespeople.[457] The finding was that a branded stamp on products could double sales prices, commanding a premium over an unmarked choice in the marketplace. This quickly caught the attention of business leaders, not just because it was profitable, but because the impact of brand could be quantified and measured. As a rule of thumb in business, when something can be quantified, it can be valued and if it has value it gets infrastructure, such as budgets, reporting, and roles.

Unsurprisingly it only took decades for brand to gain that infrastructure. It started in 1931, originating at Procter and Gamble, when Neil McElroy issued a memo that formalized the role of the brand man.[458] Each major product would have a dedicated manager responsible for studying sales, advertising history, competitor weaknesses, and creating marketing plans from this analysis.[459] The brand man was accountable for building marketplace competencies that enhanced business performance. While this is

[457] Ben B. Hampton Co. (n.d.). (1903) *The Value of Advertised Trademarks*.

[458] Daye, D. D. (2009, June 12). Great Moments In Branding: Neil McElroy Memo. *Branding Strategy Insider*. https://brandingstrategyinsider.com/2009/06/great-moments-in-branding-neil-mcelroy-memo/

[459] Low, G. S., & Fullerton, R. A. (1994). Brands, Brand Management, and the Brand Manager System: A Critical-Historical Evaluation. *Journal of Marketing Research*, *31*(2), 173. https://doi.org/10.2307/3152192

a commonplace practice in the modern era, it was revolutionary for its time. What it meant was that brand was more than a marketing tactic, it was a strategy with dedicated ownership within the business. This meant more than just staff and funded budgets, it meant companies were creating a dedicated business infrastructure around the concept of branding.

That infrastructure would expand naturally and rapidly. Brand management, taught through marketing principles would sprout in the 1930s academics from the same place that Neil McElroy heralded from, Harvard University.[460] The transition from business practice to academic discipline followed in the 1950s, when the ideas behind modern branding began appearing in publications such as the Harvard Business Review, helping establish branding as a legitimate field of academic inquiry.[461] In the same decade brand philosophy would be coined in terms such as "Marketing Mix" by Harvard professor Neil Borden.[462] By the 1960s, brand management had become an established managerial practice and an increasingly important subject of academic

[460] Jones, D. G. B., & Tadajewski, M. (Eds.). (2016). *The Routledge companion to marketing history*. Routledge, Taylor & Francis Group.

[461] *Brands, Consumers, Symbols, & Research Brands, consumers, symbols, & research*. (1999). SAGE Publications, Inc. https://doi.org/10.4135/9781452231372

[462] *Borden, N.H. (1964) The Concept of the Marketing Mix. Journal of Advertising Research, 4, 2-7. - References—Scientific Research Publishing*. (n.d.). Retrieved July 8, 2026, from https://www.scirp.org/reference/referencespapers?referenceid=2699440

research and business education.[463] Later, in 1967 Philip Kotler published the first edition of his textbook *Marketing Management: Analysis, Planning, and Control,* which would become a staple of the MBA program.[464] Kotler would establish the definition of brand as a name, term, sign, symbol, or design used to identify and differentiate a product offering.[465] Among most academics it was often framed as a seller's promise to deliver a certain bundle of features, benefits, and services.[466] A leading conclusion in the field was that without brand products would become commodities, where price dominates consumer choice.[467] This meant that brand not only drove choice in the marketplace, but it justified price margins and prevented products from becoming commoditized.

But what secured brand as a legitimate business practice wasn't the textbooks and case studies, it was business consultants and valuation modeling. Advertising and marketing agencies arrived with measurement frameworks and activation strategies

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[463] Bastos, W., & Levy, S. J. (2012). A history of the concept of branding: Practice and theory. *Journal of Historical Research in Marketing*, *4*(3), 347–368. https://doi.org/10.1108/17557501211252934

[464] Kotler, P. (1972). *Marketing management; analysis, planning, and control* (2d ed). Prentice-Hall.

[465] Kotler, P. (1991). *Marketing management: Analysis, planning, implementation, and control* (7th ed). Prentice-Hall.

[466] Aaker, D. A. (1991). *Managing brand equity: Capitalizing on the value of a brand name*. Free Press ; Maxwell Macmillan Canada ; Maxwell Macmillan International.

[467] *Marketing Success Through Differentiation—Of Anything*. (n.d.). Retrieved July 8, 2026, from https://hbr.org/1980/01/marketing-success-through-differentiation-of-anything

that gave brand both scientific and creative spirit. It started with Interbrand, founded in 1974 by a former Dunlop corporate planning executive, John Murphy, who introduced a model for testing and developing product names.[468] In less than two decades brand advanced to revolutionize corporate finance, proving that it could be quantified as a multi-million dollar asset on balance sheets.[469] For the first time, brand could be assigned a monetary value using a standardized methodology.[470] Interbrand's methodology would forever link brand to corporate value. With the success, a swath of consultancies followed. Kantar developed the BrandZ database, and a unified measurement system (MDS: Meaningful, Different, and Salient) which quantified awareness, preference, and equity and validated them as predictors of performance.[471] Landor, Wolff Olins, Siegel+Gale, and Prophet, just to name a few, built entire firms focused on brand strategy.[472] The brand consultancy industry legitimized brand strategy through standardized deliverables, audits, identity systems, scorecards, databases, and valuations.

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468 Murphy, J. M. (Ed.). (1989). *Brand valuation: Establishing a true and fair view*. Hutchinson Business Books.

469 Parr, R. L., & Smith, G. V. (2017). *Intellectual property. Supplement 2017: 2017 Cumulative supplement / Russel L. Parr, Gordon V. Smith* (Fourth edition). Wiley.

470 Smith, T. (1992). *Accounting for growth: Stripping the camouflage from company accounts*. Century Business.

471 Kantar developed the BrandZ database, and a unified measurement system (MDS: Meaningful, Different, and Salient) which quantified awareness, preference, and equity and validated them as predictors of performance.

472 Moor, L. (2007). *The rise of brands*. Berg.

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These standards offered a self-reinforcing system where academics and consultancies provided frameworks that translated brands to business value, which further galvanized boardroom support for continued brand infrastructure investment. Because a brand could be valued like a financial asset, it arrived as something legible, discussed in the language executives easily understood. The rationale and case for brand infrastructure was made easy by a calculated return on investment brand initiatives. By the 1990s, brand valuation had moved further into corporate finance and accounting. Under standards such as IFRS IAS 38, acquired brands could be recognized as identifiable intangible assets when the relevant accounting criteria were met.[473] This gave brand something reputation lacked, which is a formal pathway through which certain brand assets could be valued, recorded, transferred, and examined through established financial practices. Brand was no longer only a marketing concept; it had become a commercially legible asset.

[473] *IFRS - IAS 38 Intangible Assets*. (n.d.). Retrieved July 8, 2026, from https://www.ifrs.org/issued-standards/list-of-standards/ias-38-intangible-assets/

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With such a wide range of strategic uses, businesses needed executive-level leadership to steward and protect their brand assets. Roughly six decades after the emergence of the brand man, the title of Chief Brand Officer (CBO) began to take hold across industries.[474] Organizations increasingly recognized that brand required dedicated leadership, with one notable example being the appointment of Charlotte Jones,

[474] *Chief Brand Officer: Job Description, Salary & CBO Vs CMO.* (2026, March 18). https://strategicpete.com/blog/what-does-a-chief-brand-officer-cbo-do/

daughter of Dallas Cowboys owner Jerry Jones, as Chief Brand Officer in 2013.[475] In that role, she oversaw the team's visual identity, stadium experience, merchandising, and broader brand strategy. The emergence of the Chief Brand Officer represented more than the addition of another C-suite title. It marked the institutionalization of brand as a distinct business function, supported by specialized teams responsible for marketing, strategy, creative development, measurement, and brand portfolio management.

Entering the modern era institutions had developed brand infrastructure that was fully equipped to solve a variety of business problems, and it worked quite well, almost too well. With use cases continuing to expand, the definition of brand did as it always did, it continued to widen. What began as a simple mark of origin had evolved into product brands, corporate brands, employer brands, and even brands for places. Cities began nation branding initiatives. Countries appointed branding agencies to shape their global identity.[476] Personal branding became common in the digital age.[477] Every

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[475] *Dallas Cowboys | Official Site of the Dallas Cowboys*. (n.d.). Retrieved July 8, 2026, from https://www.dallascowboys.com/team/front-office-roster/charlotte-jones

[476] Anholt, S. (2007). *Competitive identity: The new brand management for nations, cities and regions*. Palgrave Macmillan.

[477] Shepherd, I. D. H. (2005). From Cattle and Coke to Charlie: Meeting the Challenge of Self Marketing and Personal Branding. *Journal of Marketing Management*, *21*(5–6), 589–606. https://doi.org/10.1362/0267257054307381

entity that needed to be noticed and chosen began thinking of itself as a brand. Branding logic spread into domains far beyond consumer products. Now brands were created for universities, hospitals, and political movements just to name a few. The concept of brand was becoming a catch-all framework for any kind of identity and perception management. The momentum of brand expansion would quietly pose a significant threat to the legitimacy of businesses in the Reputation Era.

As the popularity and importance of brand surged on, an irony emerged. Brand became an ubiquitous, highly institutionalized, practice while also becoming difficult to contain and increasingly harder to define at the same time. The irony lands, the success of brand management also created its own brand problem. A history of continually expanding into new domains meant organizations were accustomed to applying branding logic to everything from corporate identity, to employer appeal, to social purpose. The term brand started to mean different things to different people, and even academic scholars could no longer agree on what brand actually was anymore.[478] David Aaker would define the term brand as a set of associations linked to a name and symbol that create equity through loyalty, awareness, and perceived

[478] De Chernatony, L., & Dall'Olmo Riley, F. (1998). Defining A "Brand": Beyond The Literature With Experts' Interpretations. *Journal of Marketing Management*, *14*(5), 417–443. https://doi.org/10.1362/026725798784867798

quality.[479] While Kevin Keller defined brand as a perceptual entity residing in consumers' minds, where brand equity emerges from brand knowledge and differential consumer response.[480] Another perspective, from Jean-Noël Kapferer, defined brand as a name with the power to influence, a shared desirable and exclusive idea that is embodied in products and services.[481] Each scholar was describing something similar, while also giving it a different lens.

This definitional sprawl reflected a deeper problem. As brand frameworks expanded beyond product marketing into corporate brands, employer brands, purpose-driven positioning, and stakeholder engagement, the concept absorbed increasingly broader responsibilities. Brand came to encompass not only differentiation and preference, but also values, culture, authenticity, trust, accountability, and social responsibility. In doing so, it began to occupy territory that more naturally belonged to reputation. This expansion was not the result of branding overreach so much as the absence of an alternative. Reputation never achieved the same institutional maturity as brand. It

479 Aaker, D. A. (1996). *Building strong brands*. The Free Press.

480 Keller, K. L. (1993). Conceptualizing, Measuring, and Managing Customer-Based Brand Equity. *Journal of Marketing*, *57*(1), 1–22. https://doi.org/10.1177/002224299305700101

481 Kapferer, J.-N. (2012). *The new strategic brand management: Advanced insights and strategic thinking* (5th ed). Kogan Page.

lacked a widely accepted definition,[482] a dedicated business function, a coherent valuation model, and a unified academic tradition. In that vacuum, organizations naturally turned to brand frameworks to solve problems that were fundamentally about stakeholder alignment and social acceptance.

As threats to institutional legitimacy arrived, institutions naturally saw brand as the appropriate pathway to a solution. This pattern reflects what behavioral scientists Gabrielle Adams and her colleagues at the University of Virginia identified in their 2021 Nature paper, *People Systematically Overlook Subtractive Changes.*[483] In a series of experiments, participants were asked to improve objects, puzzles, and systems that could be enhanced either by adding something or by removing something. Consistently, participants defaulted to additive solutions. In one experiment, individuals were shown a Lego structure with an unstable roof supported by a single block that seemed awkwardly placed and unnecessary. Even when participants were told that there would be a financial penalty to add legos to the structure, the majority of participants still decided that the best way to stabilize the structure was to

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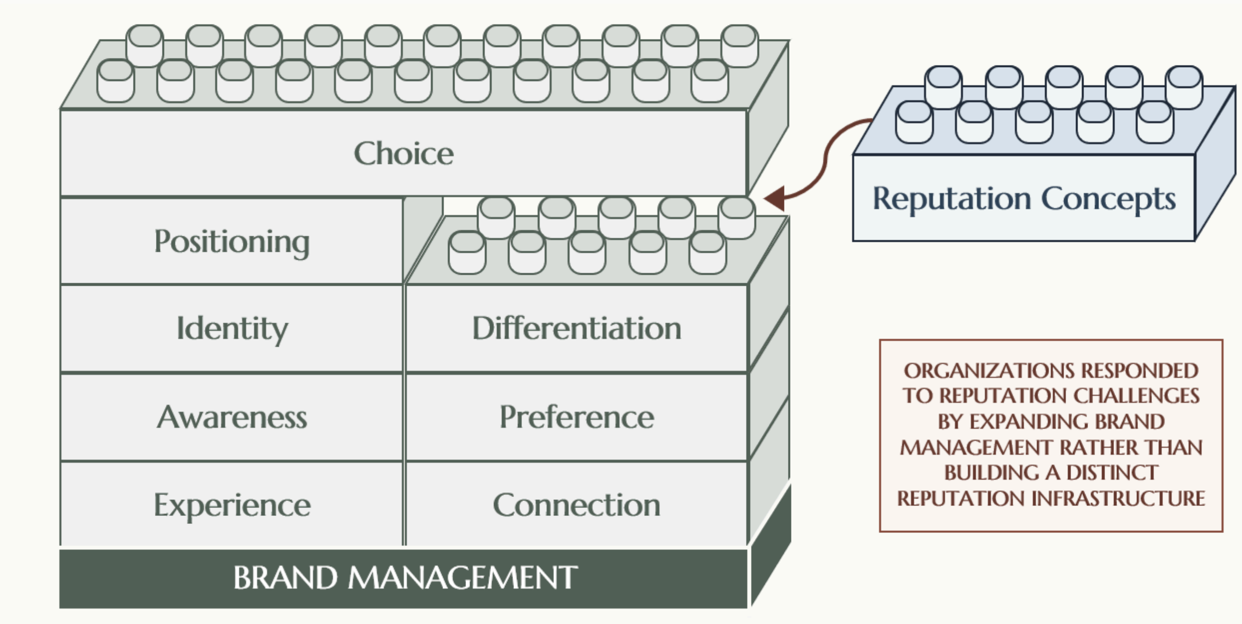
[482] Brønn, P. S., & Buhmann, A. (2018). Chapter 4: Building and Managing Reputation: Current Debates and Future Directions. In *At the Forefront, Looking Ahead* (pp. 59–72). Universitetsforlaget. https://doi.org/10.18261/9788215031583-2018-05

[483] Adams, G., Converse, B., Hales, A., & Klotz, L. (2021). People systematically overlook subtractive changes. *Nature*, *592*, 258–261. https://doi.org/10.1038/s41586-021-03380-y

add more blocks rather than simply removing just one piece.[484] The evolution of brand and reputation resembles what these behavioral scientists have observed. As reputation-related challenges escalated through the Reputation Era, organizations largely responded by adding new perceptions and stakeholder expectations to existing brand frameworks. The more obvious subtractive solution, to remove reputation concepts from the brand structure and develop a distinct infrastructure was rarely considered.



Aside from the inferred additive bias, four other factors offer explanations as to why reputation has yet to fully emerge as its own discipline, with its own infrastructure.

[484] Why people forget that less is often more. (n.d.). *The Economist*. Retrieved July 21, 2026, from https://www.economist.com/science-and-technology/2021/04/14/why-people-forget-that-less-is-often-more

First, is that aspects of managing reputation were formed pre-emptively, before it was more properly understood. From adhering to regulatory codes, to managing public perception, to building relationships with investors, these functions were already siloed within the business before reputation, in its entirety, was conceived. The second reason is that brand management had become highly matured, understood, and bought in as an industry imperative that could deliver measurable results quickly and reliably. This made the inclination to handle reputational challenges through a brand framework both natural and alluring. A third explanation is the legal and financial infrastructure surrounding brand. Brand identifiers can be formally protected through trademark law, and brand assets can be licensed, transferred, bought, sold, and financially valued.[485] In certain circumstances, particularly when acquired through a business combination, brands can also receive formal accounting recognition as intangible assets. Reputation has no comparable ownership structure. It may create or destroy enormous economic value, but it remains an externally formed stakeholder judgment that an institution cannot directly own, trademark, or transfer. The last contributing factor is the definitional timing. Brand has always been an innovative tool to solve a business problem first, with the definition coming later. And even then, the definition had become accustomed to changing and expanding to fit the business cases at that point in time. For these reasons the concept of brand as a business

[485] Lev, B. (2001). *Intangibles: Management, measurement, and reporting*. Brookings Institution Press.

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solution, a marketplace tool, and a definition naturally adapted, evolved, and arrived before reputation did.

The implication of brand arriving first only further complicated reputation's ability to establish itself. By the time organizations began confronting reputation as a strategic challenge, brand was already deeply entrenched, complete with its own language, executive leadership, measurement systems, consultants, and academic foundations. Reputation, by contrast, remained institutionally homeless, scattered across multiple functions, concepts, and disciplines. Public relations, corporate communications, investor relations, corporate social responsibility (CSR), environmental sustainability, human resources, legal, and compliance each managed a piece of reputation, but no function owned it in its entirety.[486] This fragmentation was not incidental. It was structural. Building a true reputation function would require authority that crossed organizational silos, unified incompatible metrics, coordinated multiple stakeholder groups, and aligned resources across competing budgets. Few organizations were designed to do that.

[486] Eccles, R. G., Newquist, S. C., & Schatz, R. (2007, February 1). Reputation and Its Risks. *Harvard Business Review*. https://hbr.org/2007/02/reputation-and-its-risks

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It would not always be a conscious decision to subvert reputation in favor of expanding brand infrastructure. Executives became accustomed to the rapid nature of implementing and extracting the benefits of brand engagements. A successful brand campaign could show measurable outcomes in quarters, where reputation could not easily provide similar proof in comparable timeframes.[487] Brand frameworks would naturally be more desirable because they held a track record of delivering quickly and reliably while reputation asks business executives for patience and resource intensive systems-based thinking beyond quarterly cycles.

Another significant advantage brand held over reputation was its formal infrastructure of protection, ownership, and valuation. Trademarks gave organizations enforceable rights over brand identifiers, while licensing, acquisitions, and valuation methodologies allowed brands to be treated as transferable commercial assets.[488] Reputation, by contrast, remained an assessment held by stakeholders. It could influence enterprise value, regulatory treatment, and institutional freedom, but it could not be directly owned, transferred, or protected in the same manner as a trademark.[489] Without

[487] Du, R. Y., Joo, M., & Wilbur, K. C. (2018). *Advertising and Brand Attitudes: Evidence from 575 Brands over Five Years* (arXiv:1810.07783). arXiv. https://doi.org/10.48550/arXiv.1810.07783

[488] Landes, W. M., & Posner, R. A. (2003). *The economic structure of intellectual property law*. Harvard University Press.

[489] Richardson, J. G. (Ed.). (1986). *Handbook of theory and research for the sociology of education*. Greenwood Press.

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comparable valuation standards, accounting recognition, or ownership rights, reputation was more difficult for organizations to isolate, govern, fund, and defend as an independent management discipline.

Brand gained momentum and coalesced into a more centralized academic and practitioner understanding through the twentieth century, which gave it *gravitational force* making it a default framework for evaluating institutional identity. As brand gained traction and momentum, reputation was doing the opposite, scholars simply could not agree on what reputation was.[490] Charles Fombrum, who later founded the Reputation Institute, would define it as collective assessment relative to competitors.[491] But other views on reputation persisted. The diffusion of definitions and points of view led Mike Barnett to conclude in his paper *The Definitional Landscape* that reputation was being defined in contradictory ways, trying to be awareness, assessment, and an asset simultaneously.[492] Lacking a unified definition, reputation would struggle to establish itself as a separate philosophy from brand, further leaving it conceptually homeless.

[490] Chun, R. (2005). Corporate reputation: Meaning and measurement. *International Journal of Management Reviews*, *7*(2), 91–109. https://doi.org/10.1111/j.1468-2370.2005.00109.x

[491] Fombrun, C., Gardberg, N., & Sever, J. (2013). The Reputation QuotientSM: A Multi-stakeholder Measure of Corporate Reputation. *Journal of Brand Management*, *7*. https://doi.org/10.1057/bm.2000.10

[492] Barnett, M. L., Jermier, J. M., & Lafferty, B. A. (2006). Corporate Reputation: The Definitional Landscape. *Corporate Reputation Review*, *9*(1), 26–38. https://doi.org/10.1057/palgrave.crr.1550012

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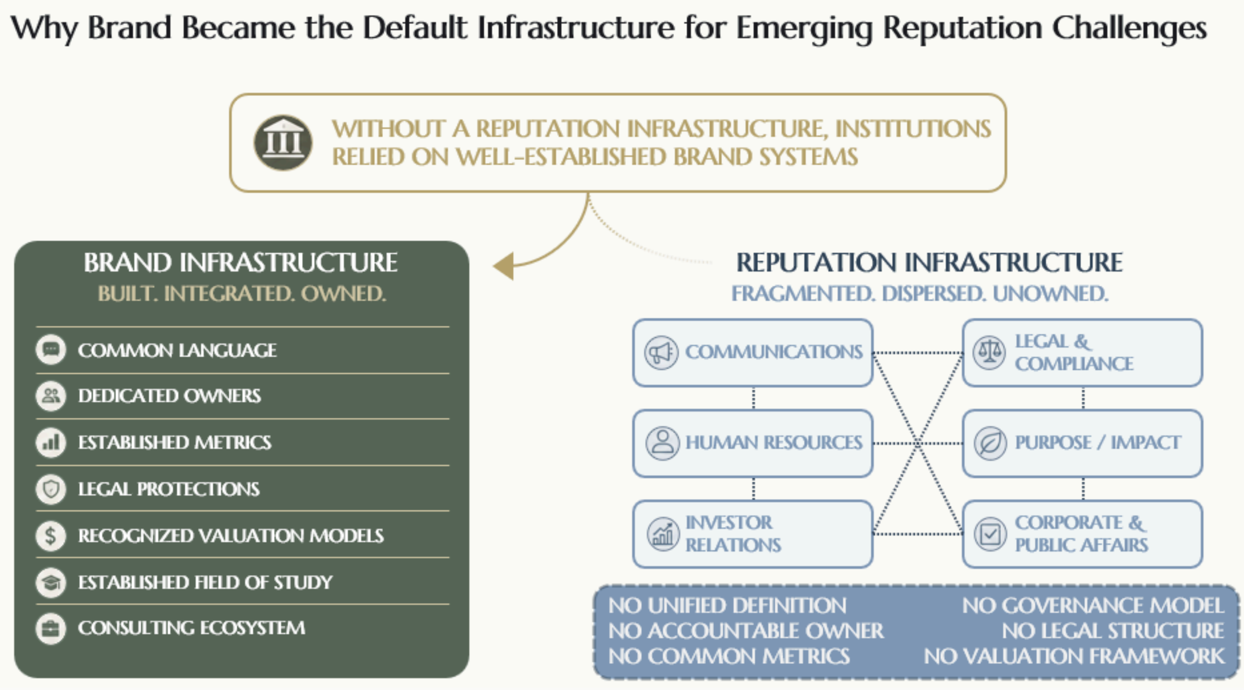

The result was almost inevitable. Organizations managed reputation through the only framework they knew, the only one they could define, defend, measure, and own. Reputation was reduced to messaging, public relations, and brand promises, while corporate social responsibility, environmental sustainability, and purpose became extensions of the broader brand narrative. As expectations evolved, authenticity, trust, and values were incorporated into established brand scorecards, further blurring the distinction between the two. When reputational challenges emerged, organizations responded with brand campaigns or reactive communications rather than addressing the underlying institutional dynamics. The confusion between brand and reputation was sometimes intentional, often convenient, but most frequently the product of an intellectual and organizational vacuum. The consequences were significant.

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Organizations increasingly promoted values that were not consistently reflected in their behavior. These say-do gaps weakened credibility, invited greater scrutiny, and eroded institutional legitimacy. The more stakeholders perceived inconsistency between what organizations claimed and what they did, the more difficult collaboration became.

Passage 20: Permission and Preference

Summary Text (Not Included in Final Copy): Brand and reputation solve fundamentally different problems, yet organizations have conflated them for a century. Brand was designed to drive choice in markets through differentiation, positioning, and consumer appeal. Reputation, by contrast, is the mechanism through which institutions earn legitimacy and stakeholder acceptance. Legitimacy is granted externally based on stakeholder judgment of an institution's prosperity and integrity, and it cannot be manufactured or owned. Once reputation is understood as the primary driver of legitimacy, it becomes clear that brand and reputation require separate infrastructure, distinct strategies, and independent purposes.

The conflation of brand and reputation has been costly not only for reputation, but for brand as well. First, it obscured a discipline that had once been comparatively well understood, making the meaning of brand increasingly ambiguous in the modern era. Brand stretched to beyond choice, preference, differentiation, meaning, experience, connection to encompass values, culture, authenticity, trust, accountability, social purpose, employee engagement, and legitimacy all at once. Under that weight, the concept began to lose its precision. The underlying discipline was not merely broadened; it became conceptually muddled. The second cost was that reputation remained less understood and less distinct. Without a clear definition or strategic purpose, business leaders had difficulty seeing how reputation could address business challenges beyond communications and perception management. Conflation obscured a simpler understanding of reputation, that it is a collective judgment that stakeholders form when they evaluate institutional behavior and communications against their expectations.

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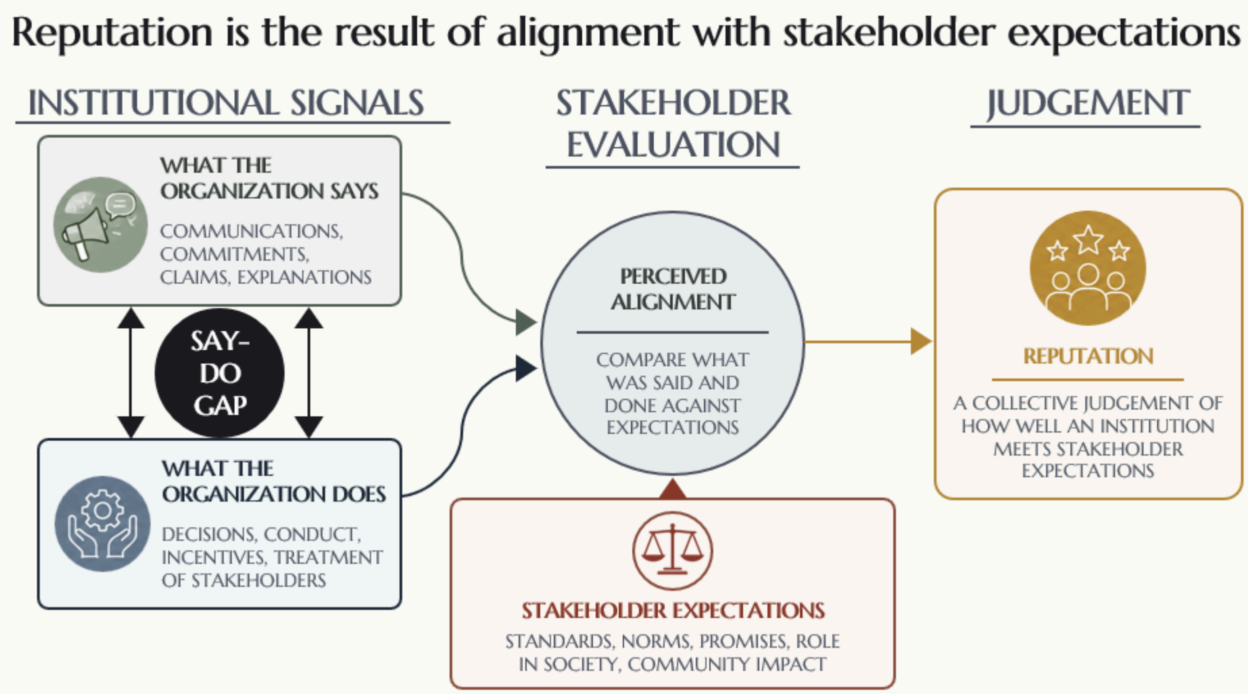

As brand and reputation became increasingly conflated, the discussion shifted toward identifying the difference between the two. Lost in that process was a more fundamental question, "What problem does reputation solve?". Overlooking that question, meant the relationship between reputation and legitimacy gradually disappeared from both academic thought and business practice.[493] Without that connection, organizations struggled to develop a coherent theory of reputation because it was never presented as a distinct business solution. As a result, reputation became something to influence rather than something to build. Meanwhile, as

[493] Deephouse, D. L., & Carter, S. M. (2004). *An Examination of Differences Between Organizational Legitimacy and Organizational Reputation* (SSRN Scholarly Paper No. 2268774). Social Science Research Network. https://papers.ssrn.com/abstract=2268774

corporations became increasingly sophisticated in their ability to manage brands, they also became increasingly dependent on reputation without fully understanding the role it was playing.

The argument that follows is simple. Reputation solves a problem that brand cannot durably solve on its own. Brand primarily influences the marketplace, while reputation aligns with stakeholders to support and sustain legitimacy. Once that distinction is understood, reputation can finally be seen not as an extension of brand, but as the infrastructure that enables institutions to secure stakeholder collaboration, withstand scrutiny, and preserve their license to operate.

Simply put, legitimacy is the condition that allows an institution to be accepted as appropriate, valuable, and entitled to grow and expand. It connects reputation to outcomes that directly affect institutional freedom, regulatory tolerance, access to resources, and the willingness of stakeholders to collaborate with the institution. Organizational theorist Mark Suchman defines legitimacy as "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions."[494] It

[494] Suchman, M. C. (1995). Managing Legitimacy: Strategic and Institutional Approaches. *The Academy of Management Review*, *20*(3), 571–610. https://doi.org/10.2307/258788

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is this emphasis of deemed acceptance that is important, because it means that legitimacy does not reside in claims, instead it is granted, or revoked, through judgment.

This judgement primarily flows through the lenses of desirability, prosperity, and integrity. Desirability is an assessment of whether an institution, product, or experience is attractive, meaningful, and worthy of choice. Prosperity assesses if the institution creates sufficient value for stakeholders and society to justify its reason for being. While integrity examines behavior, determining if they are appropriate and aligned with stakeholder expectations. These lenses can be, at times, interconnected, but each perform a different function, with a different conclusion. Commonly the lens of desirability drives brand strength, influencing choice in the marketplace. The prosperity and integrity lens primarily shape reputation by influencing whether an institution is considered beneficial, reliable, and predictable. Together, these three lenses contribute to the determination of institutional acceptance.

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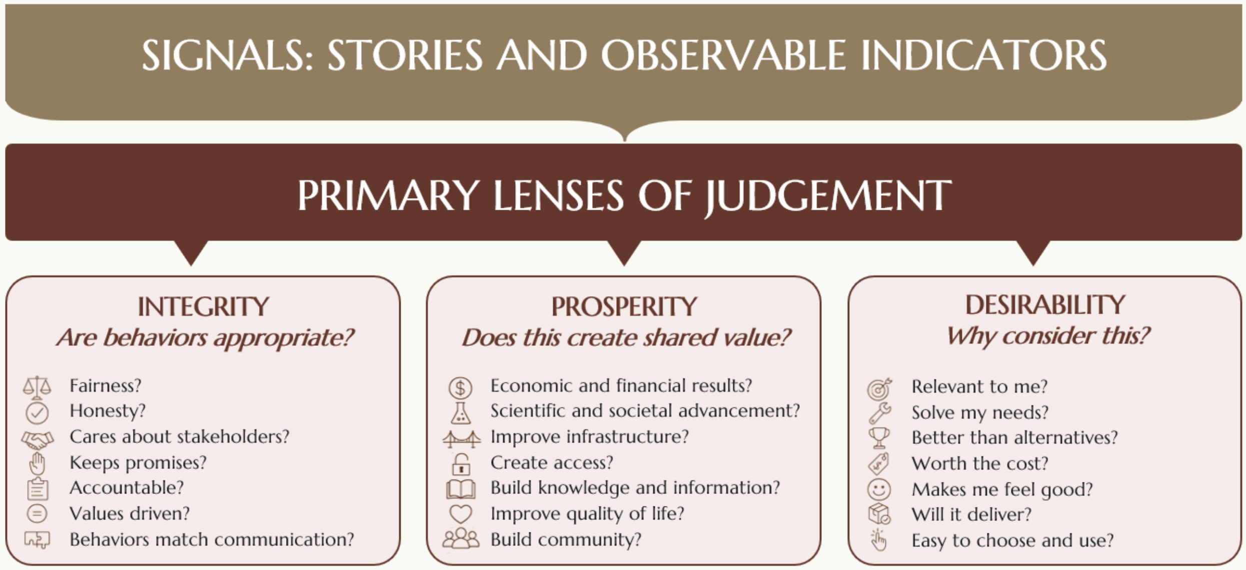

As the research of Mark Suchman illustrates, legitimacy is formed through three different constructs. The first construct, pragmatic legitimacy, is best understood by institutional leaders. This pragmatic legitimacy asks whether an institution creates enough value for stakeholders to justify its continued existence. Judgement within the Prosperity and Desirability lenses plays a significant role in determining if an institution is granted pragmatic legitimacy. The second legitimacy construct is moral legitimacy, which asks whether the institution behaves in ways stakeholders consider proper and acceptable. Integrity is the principal foundation by which institutions are granted moral legitimacy. Over time, sustained pragmatic and moral legitimacy can contribute to cognitive legitimacy, as an institution becomes increasingly familiar, comprehensible, and taken for granted.. This is a more durable condition in which the institution's role becomes broadly accepted and stakeholders no longer continually

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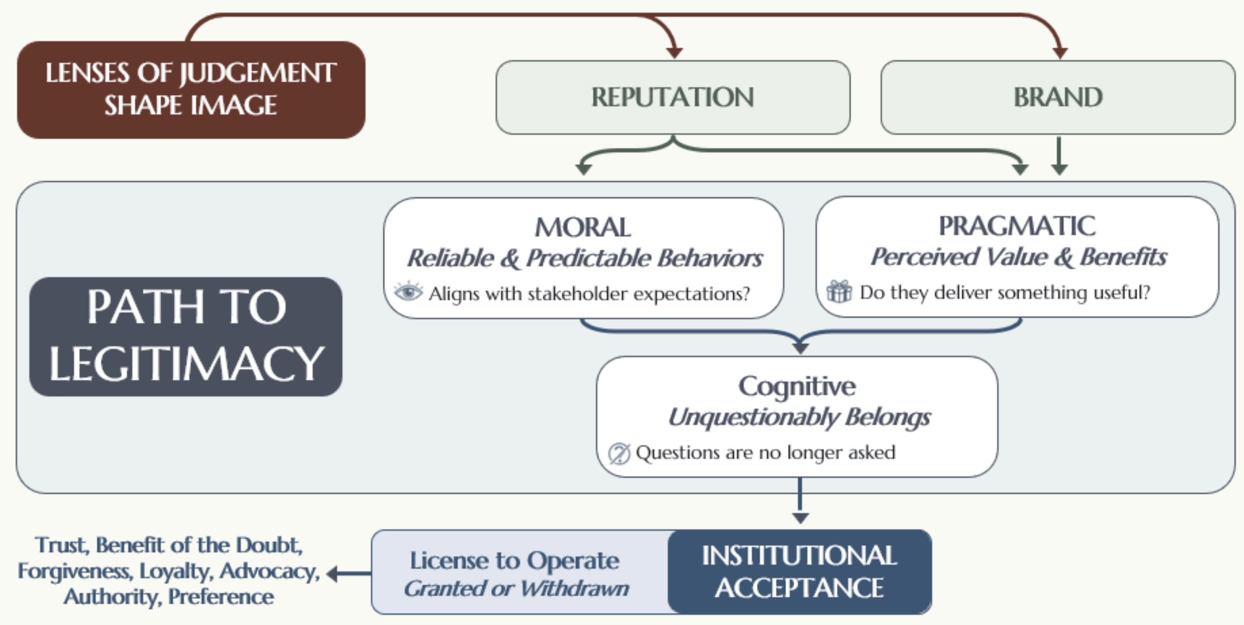
question whether it deserves to exist. As institutions continue to accumulate legitimacy they are granted license to operate which enables trust, loyalty, authority, and other outcomes that strengthen the influence and resilience of the institution.



This clarifies two important features of reputation. First, reputation is the outcome of stakeholder judgments, evaluating how well the institution's behaviors align with stakeholder expectations. Second, reputation is a primary mechanism through which an institution earns legitimacy. Put simply, reputation exists to secure stakeholder acceptance across a diverse, and often conflicting, sets of expectations. This is where confusion often arises. Stakeholder acceptance can also become a powerful source of differentiation and preference. Companies such as Patagonia,[495] Ben & Jerry's,[496] and Unilever[497] have demonstrated that efforts to operate in environmentally sustainable and socially responsible ways can strengthen reputation, through integrity judgement, while simultaneously reinforcing desirability. While reputation may, oftentimes, influence brand outcomes, it should be understood that this is not its primary function. Its primary function is to establish legitimacy.

The complication is not that brand has no relationship to legitimacy. It is that brand desirability can produce enough pragmatic acceptance to make institutions believe legitimacy has been secured more broadly. Strong brands create desirability by signaling meaning, differentiating products, and emotionally connecting with consumers.[498] Quality, prestige, convenience, safety, affordability, and engagement all

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[495] Moscato, D. (2016). The Brand Behind the Activism: Patagonia's DamNation Campaign and the Evolution of Corporate Social Responsibility. *Case Studies in Strategic Communication*, *Volume 5*, 99–116.

[496] Fadlalla Satti, L., Huang, T., Mansour, S., Rosly, A., & Prabhu, T. (2025). *Title: Social Activism in Ben & Jerry's Practice*.

[497] Iglesias, O., Mingione, M., Ind, N., & Markovic, S. (2023). How to build a conscientious corporate brand together with business partners: A case study of Unilever. *Industrial Marketing Management*, *109*, 1–13. https://doi.org/10.1016/j.indmarman.2022.12.008

[498] *Impact of Branding on Consumer Behaviour: How Brands Shape Purchase Decisions*. (n.d.). Retrieved July 8, 2026, from https://confetti.design/blog/impact-of-branding-on-consumer-behaviour

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contribute to that desirability.[499] Over time, repeated positive experiences reinforce loyalty and advocacy.[500] Because desirable brands encourage continued engagement, they can sustain stakeholder acceptance even as broader reputational alignment begins to weaken. This creates a common false positive, where continued preference in the market is mistaken for durable legitimacy. Strong brands may delay or obscure the consequences of reputational decline, but desirability alone cannot indefinitely compensate for weaknesses in prosperity or integrity.

This explains why many institutions in the modern era still believe that it can maintain enough institutional acceptance through strong brand delivery. Take for example TikTok, a company that has endured several points of reputational criticism which challenges its license to operate in the United States.[501] The platform has been contested in several ways by several different stakeholders. The two largest points of scrutiny include issues of fairness, which argues that there was unequal market access

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[499] How Brands Create an Emotional Connection with Their Customers. (2022, March 30). *Brandingmag*. https://www.brandingmag.com/daniel-todaro/how-brands-create-an-emotional-connection-with-their-customers/

[500] Afzalbisheh, K. (2026). *Brand Loyalty and Emotional Attachment: How Trust and Familiarity Shape Consumer Actions* (SSRN Scholarly Paper No. 6576278). Social Science Research Network. https://papers.ssrn.com/abstract=6576278

[501] sarahg. (2023, November 12). *Tiktok: The Good, the Bad, and the Controversial*. https://hcpl.net/blogs/post/tiktok-the-good-the-bad-and-the-controversial

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between China and the U.S., and the issue of care, with concerns of data collection that leads to user harm and a threat to democracy itself.[502] The reputational challenges were significant, prolonging for years, but TikTok maintained its acceptance primarily through its ability to deliver an experience considered by many to be superior in the marketplace.[503] TikTok's superior brand was positioned as creating prosperity, through its creator economy and cultural impact.[504] What loomed in the distance for TikTok eventually arrived. Because TikTok could not adjust corporate behaviors to match the expectation of stakeholders, the rules arrived anyway, despite its superior brand position. The TikTok example showcases how pragmatic legitimacy, as the primary source of acceptance, does not alleviate reputational risks and it leaves institutions vulnerable despite continued brand success.

The limits of brand-driven acceptance became visible on January 22, 2026, when ByteDance was forced to sell TikTok's U.S. operations to Oracle.[505] The sale addressed

502 *Is TikTok really a danger to the West?* (n.d.). Retrieved July 8, 2026, from https://www.bbc.com/news/technology-64797355

503 *Audience, Algorithm And Virality: Why TikTok Will Continue To Shape Culture In 2021*. (n.d.). Retrieved July 8, 2026, from https://www.forbes.com/sites/michellegreenwald/2021/04/01/audience-algorithm-and-virality-why-tiktok-will-continue-to-shape-culture-in-2021/

504 The Guide to the TikTok Creator Economy. (n.d.). *Adverteyes*. Retrieved July 8, 2026, from https://adverteyes.ai/resource/the-guide-to-the-tiktok-creator-economy/

505 Montgomery, B. (2026, February 1). Why TikTok's first week of American ownership was a disaster. *The Guardian*. https://www.theguardian.com/technology/2026/feb/01/tiktok-first-week

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an important regulatory concern, but it did not erase years of accumulated reputational debt. Shortly afterward, a winter storm disrupted Oracle's data infrastructure, degrading the user experience that had become central to TikTok's appeal.[506] Videos failed to post, engagement collapsed, and many creators received no views.[507] Under ordinary circumstances, stakeholders might have interpreted the disruption as a temporary technical failure. Instead, because TikTok had already accumulated years of legitimacy challenges, the outage was immediately viewed through a lens of suspicion. That suspicion intensified following the death of Alex Pretti during an encounter with ICE agents.[508] As videos about the incident failed to circulate on TikTok while appearing across competing platforms, users increasingly concluded that the company was suppressing politically sensitive content.[509] Whether the disruption resulted from technical failures or intentional censorship quickly became secondary. The absence of reputational goodwill meant TikTok received little

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[506] Singh, K., & Singh, K. (2026, January 28). Oracle says data center outage causing issues faced by US TikTok users. *Reuters*. https://www.reuters.com/business/energy/oracle-says-outage-data-center-causes-issues-faced-by-us-tiktok-users-2026-01-28/

[507] *Is TikTok down? Why videos may have low views*. (2026, March 3). Newsweek. https://www.newsweek.com/is-tiktok-down-why-videos-may-have-low-views-11614684

[508] *TikTok accused of censoring Minneapolis ICE shooting, blocking word "Epstein."* (2026, January 27). https://nypost.com/2026/01/27/business/tiktok-accused-of-censoring-minneapolis-ice-shooting-blocking-word-epstein/

[509] *TikTok accused of silencing posts on ICE shooting*. (n.d.). Retrieved July 8, 2026, from https://thehill.com/opinion/lindseys-lens/5708656-tiktok-silencing-ice-videos/

benefit of the doubt. Public figures including California State Senator Scott Wiener, musician Billie Eilish, and comedian Meg Stalter accused TikTok of censoring anti-ICE content[510]. Major media outlets, including The New York Times, CNN, The Washington Post, Variety, and The Independent, amplified the controversy by asking a simple but consequential question: Is TikTok censoring anti-ICE content?

The episode illustrates the relationship between brand, reputation, and legitimacy. TikTok's highly desirable product had sustained pragmatic legitimacy for years, despite persistent reputational challenges. But once the platform failed to deliver its core experience, accumulated questions about its integrity quickly resurfaced. Brand desirability had delayed the consequences of weakening legitimacy. It could not ultimately prevent them. TikTok provides just one example of why pragmatic legitimacy can be easily misunderstood as the primary conduit for building institutional acceptance. Because it can be successfully "gamed" through a strong brand it can lead to complacency or dissonance, providing assurance that a strong brand is the primary solution for ensuring institutional acceptance. This creates a

[510] Murray, C. (n.d.). *TikTok Users—From Academics To Billie Eilish—Complain Of Censorship Of Anti-ICE Videos*. Forbes. Retrieved July 8, 2026, from https://www.forbes.com/sites/conormurray/2026/01/26/are-new-owners-censoring-tiktok-top-democrats-influencers-celebrities-raising-concerns/

propensity for the second construct, moral legitimacy, to be both unaddressed and unexplored by most institutions.[511]

Moral legitimacy grants acceptance when stakeholders perceive an organization's actions as aligned with widely held values and norms about appropriate conduct.[512] Unlike pragmatic legitimacy, which asks whether an institution creates value, moral legitimacy asks whether it behaves with integrity. Stakeholders are not simply evaluating outcomes. They are judging whether the institution is reliable, predictable, and acts in ways that are considered appropriate. Different stakeholder groups apply this judgment through different lenses. Regulators emphasize compliance with legal frameworks while considering broader societal expectations. Employees often evaluate organizations through moral concerns such as care, fairness, and respect. Investors look beyond financial performance, searching for signals of integrity that reveal risks not yet reflected on the balance sheet. Communities, customers, and advocacy groups each apply their own expectations based on the relationship they have with the institution. Integrity, therefore, is not merely a matter of ethics. It is the

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[511] Aldrich, H. E., & Fiol, C. M. (1994). Fools Rush in? The Institutional Context of Industry Creation. *The Academy of Management Review*, *19*(4), 645–670. https://doi.org/10.2307/258740

[512] Breakey, H., Wood, G., & Sampford, C. (2025). Understanding and defining the social license to operate: Social acceptance, local values, overall moral legitimacy, and ‘moral authority.’ *Resources Policy*, *102*, 105488. https://doi.org/10.1016/j.resourpol.2025.105488

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perception that an institution can be relied upon to behave consistently within the moral and legal expectations of its stakeholders. Organizations earn moral legitimacy when stakeholders believe that consistency exists. They lose it when actions become unpredictable, inconsistent, or misaligned with those expectations.

The acquisition of Twitter, now known as X, provides a useful case study in how rapidly changing behaviors can challenge moral legitimacy.[513] The transition in leadership disrupted many stakeholders' expectations regarding fairness, consistency, transparency, and appropriate corporate governance. While some viewed the changes as necessary to restore free expression and improve organizational efficiency, others interpreted them as departures from established norms. The result was not universal condemnation, but increased contestation over what behaviors were considered appropriate. Large-scale layoffs conducted over a compressed period were widely perceived by many stakeholders as abrupt and lacking sufficient regard for employee stability.[514] At the same time, significant changes to content moderation policies,

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[513] *Elon Musk Completes $44 Billion Deal to Own Twitter—The New York Times*. (n.d.). Retrieved July 8, 2026, from https://www.nytimes.com/2022/10/27/technology/elon-musk-twitter-deal-complete.html?eafs_enabled=false

[514] Rushe, D., Oladipo, G., Bhuiyan, J., Milmo, D., & Middleton, J. (2022, November 5). Twitter slashes nearly half its workforce as Musk admits 'massive drop' in revenue. *The Guardian*. https://www.theguardian.com/technology/2022/nov/04/twitter-layoffs-elon-musk-revenue-drop

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including the reinstatement of high-profile accounts such as Donald Trump, led many to question whether executive authority was being exercised in a predictable and consistent manner.[515] Regardless of whether these decisions were ultimately viewed as beneficial or harmful, they altered stakeholder perceptions of the institution's integrity. In doing so, they weakened moral legitimacy among important stakeholder groups by increasing uncertainty about how the platform would behave in the future.

As expectations became less predictable, segments of the user base reduced activity or disengaged. Independent estimates suggest that U.S. daily active users declined by roughly 20 to 25 percent in the period following the acquisition.[516] This shift was not universal, but it was directionally meaningful in one of the platform's most commercially important markets. Advertiser response followed a similar pattern. In the two years surrounding the acquisition, advertising revenue declined from approximately $4.5 billion to roughly $2.2 billion.[517] The contraction reflected a

[515] S, h, a, n, n, o, n, B, o, n, & d. (2022, November 19). Elon Musk allows Donald Trump back on Twitter. *NPR*. https://www.npr.org/2022/11/19/1131351535/elon-musk-allows-donald-trump-back-on-twitter

[516] Hern, A., & editor, A. H. U. technology. (2024, March 26). Twitter usage in US 'fallen by a fifth' since Elon Musk's takeover. *The Guardian*. https://www.theguardian.com/technology/2024/mar/26/twitter-usage-in-us-fallen-by-a-fifth-since-elon-musks-takeover

[517] Clark, T. (n.d.). *X's ad business is still half of its pre-Musk size—But it might be turning a corner*. Retrieved July 8, 2026, from https://www.thecurrent.com/marketing/x-linda-yaccarino-ad-business-elon-musk-size-marketing-strategy

broader reassessment of platform stability, brand safety, and governance. Unlike the TikTok examples, the performance and operational capacity of X remained largely intact, but perceived alignment with stakeholder expectations weakened. In this context, reputation did not deteriorate because the platform faced functional challenges. It deteriorated because the system responsible for signaling consistency, fairness, and accountability came under strain. This example illustrates a broader principle. When moral legitimacy is contested, even in the presence of continued utility, institutional acceptance can narrow. Reputation, in this sense, is not a layer on top of performance. It is a condition for its continued acceptance.

This pattern is not confined to a single company or moment. It reflects a broader progression in how institutions are judged in the Reputation Era. When moral legitimacy weakens, it does more than invite immediate scrutiny. It interrupts the longer journey toward the most durable form of acceptance, cognitive legitimacy.[518] Cognitive legitimacy can emerge when sustained acceptance, familiarity, and institutional embeddedness make an organization's role increasingly taken for granted. At this stage, stakeholders no longer continually evaluate whether an

[518] *Zimmerman, M.A. and Zeitz, G.J. (2002) Beyond Survival Achieving New Venture Growth by Building Legitimacy. Academy of Management Review, 27, 414-431. - References—Scientific Research Publishing*. (n.d.). Retrieved July 8, 2026, from https://www.scirp.org/reference/referencespapers?referenceid=2072825

organization deserves to exist. Its role becomes taken for granted. Questions of acceptability fade because the institution has earned something far more valuable than public approval. It has earned the benefit of the doubt.

This is reputational equity. Unlike brand equity, which increases preference, reputational equity increases resilience. It allows organizations to absorb mistakes, withstand scrutiny, and recover from setbacks that might otherwise threaten their license to operate. This is the business solution that reputation provides. Through the consistent delivery of prosperity and integrity, reputation accumulates legitimacy until acceptance becomes durable rather than conditional. That is the strategic value of reputation, creating an institutional asset that brand alone, on its own, cannot create.

Cognitive legitimacy should not be confused with invincibility. It endures only as long as stakeholders lack a compelling reason to reassess the institution. When significant societal consequences emerge or perceived moral violations occur, organizations become visible again. Corporate image fractures, cognitive legitimacy erodes, and stakeholders return to evaluating the institution through pragmatic and moral legitimacy. This is the defining tension of the Reputation Era. Cognitive legitimacy is eroding faster than institutions can rebuild it. As the societal consequences of corporate scale become more visible, scrutiny intensifies and stakeholder skepticism grows. Fragmented information ecosystems make shared narratives about prosperity and institutional benevolence increasingly difficult to sustain. Even capitalism itself, once largely taken for granted, now faces renewed questions about its legitimacy.[519] As a result, institutions are once again required to answer fundamental questions. Why should you exist? What are your incentives? Who benefits? Who bears the costs? What are you hiding? The Reputation Era has returned modern institutions to a continual process of pragmatic and moral evaluation.

Tracing the path from legitimacy to reputation reveals a critical distinction. Reputation is not positioning. It is an external judgment of whether institutional behaviors align with stakeholder expectations of prosperity and integrity. Brand, by contrast, is a tool for choice. It solves marketplace problems through differentiation and preference. Reputation solves a fundamentally different problem. It answers the question of whether an institution deserves acceptance. Once this distinction becomes clear, both concepts become stronger. Brand management can focus on creating marketplace influence rather than carrying the burden of sustaining institutional

[519] Milanović, B. (2021). *Capitalism, alone: The future of the system that rules the world* (First Harvard University Press paperback edition). The Belknap Press of Harvard University Press.

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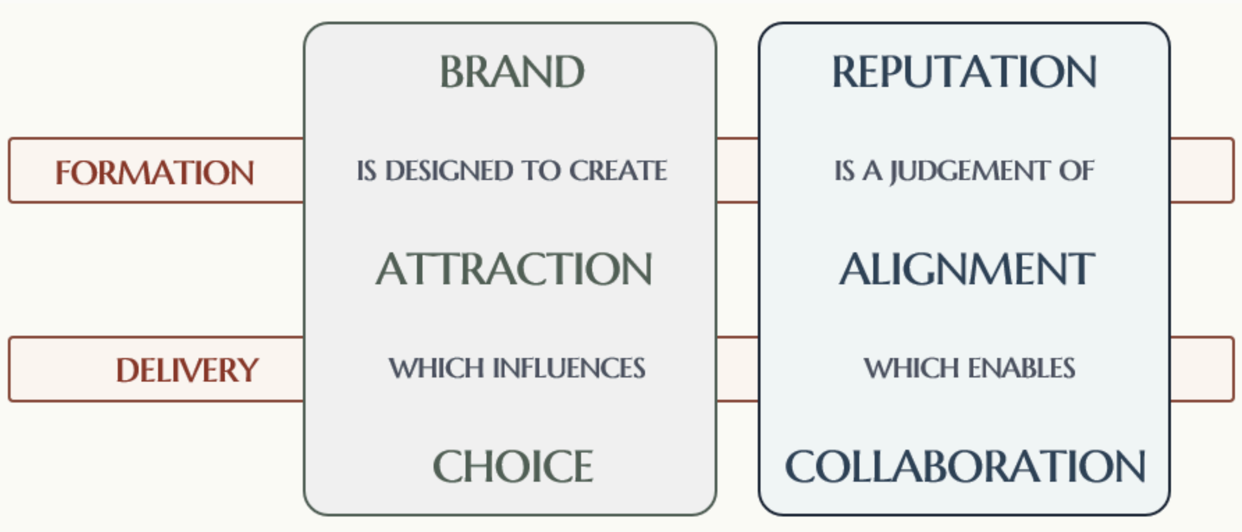
legitimacy. Reputation, freed from brand's conceptual shadow, can emerge as a discipline in its own right, supported by its own infrastructure, measurement, and strategic purpose. Its role is to secure and sustain cognitive legitimacy by maintaining acceptance across both pragmatic and moral dimensions. Legitimacy therefore becomes the measure of reputational equity.[520] It is the institutional asset that provides resilience, earns the benefit of the doubt, and ultimately grants an organization permission to operate.



The separation of reputation from brand matters because institutions can no longer rely on brand desirability alone. As the societal consequences of corporate scale become increasingly visible, scrutiny forms more quickly and stakeholder expectations

[520] Knowles, J. (n.d.). *Confusing reputation & brand*. LinkedIn. Retrieved July 8, 2026, from https://www.linkedin.com/pulse/confusing-reputation-brand-jonathan-knowles/

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are becoming harder to satisfy. Success in the Reputation Era depends on earning moral legitimacy, reducing reputational debt, and steadily building collaborative equity. Institutions that understand this will be better equipped to answer difficult questions about incentives, governance, and consequences with accountability and integrity rather than marketing claims. They will earn the benefit of the doubt when uncertainty arises and strengthen the legitimacy that sustains their license to operate. Those that fail to do so will face escalating scrutiny and cascading legitimacy challenges. The institutions that thrive in the Reputation Era will not be those with the strongest brands. They will be those with the strongest reputational alignment. That is the business case for reputation as an independent institutional strategy.

Passage 21: Clarity, Not Consensus

Summary Text (Not Included in Final Copy): Separating brand from reputation is not an academic exercise but a practical necessity. Brand is a system designed to create choice through differentiation and preference, while reputation is a system of collaboration earned through stakeholder judgment of alignment and legitimacy. Without recognizing reputation as an independent construct with its own infrastructure, metrics, and strategy, organizations will continue treating it as a reactive communications function rather than a proactive system for preventing legitimacy challenges before they emerge.

While there is a definitive case for separating brand and reputation, in the end, it may be something of a fool's errand. This chapter presents multiple reasons why the two became conflated long before the Reputation Era. Realistically, the debate over what precisely defines each will likely persist without concrete unified resolution, for the foreseeable future anyway. As business needs, stakeholder expectations, technology, and broader societal systems continue to evolve so too will brand and reputation thinking. Another reason why a perfectly clean distinction between the two may remain elusive is because they share a good deal in common. They both influence trust, they rely on promises and expectations, and they translate perceptions into key business outcomes. Even deeper, at the core of their common ground, is their intangible nature, existing in people's minds.

This overlap is durable. Separating the two requires more than a new definition; it requires rethinking the assumptions that have connected them for decades.

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This means that a path for conflation and perceived equivalence will remain as a continual challenge for institutional leaders. The understanding that brand and reputation solve uniquely different problems may never gain full consensus from industry leaders and academics, but it will, at the least, provide the clarity that each concept needs to sustain its own infrastructure. Brand should be viewed as a tool that helps institutions create meaning, differentiation, and preference.[521] While reputation should be viewed as helping institutions earn legitimacy and collaboration.[522] The outcomes of each offer a distinction that creates clarity, even if the pathways to achieving these outcomes remain deeply interconnected, contested by different points of view, and far from a groundswell of consensus.

It is not only their common ground that complicates matters, but also the intrinsic relationship between them. A strong reputation can make a brand more attractive by increasing stakeholder confidence and trust. Likewise, a strong brand can reinforce reputation by helping an organization create products and

[521] Keller, K. L. (2013). *Strategic brand management: Building, measuring, and managing brand equity* (4th ed). Pearson.

[522] *Toward a Theory of Social Judgments of Organizations: The Case of Legitimacy, Reputation, and Status | Request PDF*. (n.d.). Retrieved July 9, 2026, from https://www.researchgate.net/publication/283763907_Toward_a_Theory_of_Social_Judgments_of_Organizations_The_Case_of_Legitimacy_Reputation_and_Status

experiences that generate prosperity. Each has the capacity to strengthen the other. Yet this relationship should not be mistaken for equivalence. Brand and reputation do not move in lockstep. A company with a strong brand is not guaranteed to have a strong reputation, nor does a strong reputation ensure marketplace success. Rather, the two exist in a reciprocal relationship. Strength in one can reinforce the other, while weakness in one can leave the other increasingly vulnerable.

While brand and reputation share several points of commonality, the signals they provide are fundamentally different. Each informs a different strategic question, solves a different business problem, and therefore deserves its own management approach. The distinction becomes clearest when each concept is understood by the role it serves. Brand management influences choice through differentiation, recognition, identity, and preference.[523] It shapes how an institution is understood in the marketplace and why stakeholders choose one offering over another. Reputation, by contrast, governs judgment. It reflects how stakeholders evaluate an institution's integrity by observing its behaviors,

[523] Ebrahim, R., Ghoneim, A., Irani, Z., & Fan, Y. (2016). A brand preference and repurchase intention model: The role of consumer experience. *Journal of Marketing Management*, *32*(13–14), 1230–1259. https://doi.org/10.1080/0267257X.2016.1150322

communications, incentives, governance, and societal outcomes.[524] Where brand seeks to generate attraction, reputation seeks to secure stakeholder alignment. The two complement one another, but they should not be managed as though they are the same discipline.

To provide a more practical way of distinguishing the two concepts, brand can be understood as a system of tools designed to influence choice through five primary mechanisms. It differentiates offerings from competitors, creating distinctive space in the marketplace.[525] It shapes choice by influencing preference, consideration, purchase intention, and loyalty.[526] It builds recognition through awareness, salience, and top-of-mind recall, making the brand easier to retrieve when alternatives are evaluated.[527] It constructs consumer and product identity, creating emotional and symbolic connections that extend beyond

[524] Lock, I., & Jacobs, S. (2025). Drivers of Reputation and Legitimacy of a Highly Visible Public Sector Organization: Surveying Citizens' Perceptions. *Corporate Reputation Review*. https://doi.org/10.1057/s41299-025-00230-9

[525] Ries, A., & Trout, J. (2001). *Positioning: The battle for your mind* (20. anniversary ed). McGraw-Hill.

[526] H, G. (2024). The Power of Perception: How Branding Shapes Consumer Behavior. *Shanlax International Journal of Management*, *11*, 135–141. https://doi.org/10.34293/management.v11iS1-Mar.8069

[527] Sharp, B. M. (with Ehrenberg-Bass institute for marketing science). (2010). *How brands grow: What marketers don't know*. Oxford university press.

functional benefits.[528] Finally, it reinforces those associations through experiences expressed visually, verbally, and sensorially, making the brand memorable and meaningful.[529]

These five mechanisms operate as an integrated system. Brand management intentionally designs and coordinates each, continually adapting positioning, messaging, identity, and experience to changing market conditions and consumer preferences. Crucially, each of these mechanisms produces measurable outcomes. Differentiation can be tracked, preference quantified, awareness monitored, identity tested, and experience evaluated. Because these mechanisms could be measured, brand became institutionalized early.[530] Legal protections, accounting standards, trademarks, visual identity systems, licensing, and dedicated marketing functions gave brand the institutional infrastructure needed to evolve from an intangible concept into a recognized business discipline. Reputation lacks this foundation. It's missing a common vocabulary,

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528 Fournier, S. (1998). Consumers and Their Brands: Developing Relationship Theory in Consumer Research. *Journal of Consumer Research*, *24*(4), 343–353. https://doi.org/10.1086/209515

529 Holt, D. B. (2009). *How brands become icons: The principles of cultural branding* (Repr). Harvard Business School Press.

530 *How Modern is Modern Marketing? Marketing's Evolution and the Myth of the "Production Era"—Ronald A. Fullerton, 1988*. (n.d.). Retrieved July 9, 2026, from https://journals.sagepub.com/doi/10.1177/002224298805200109

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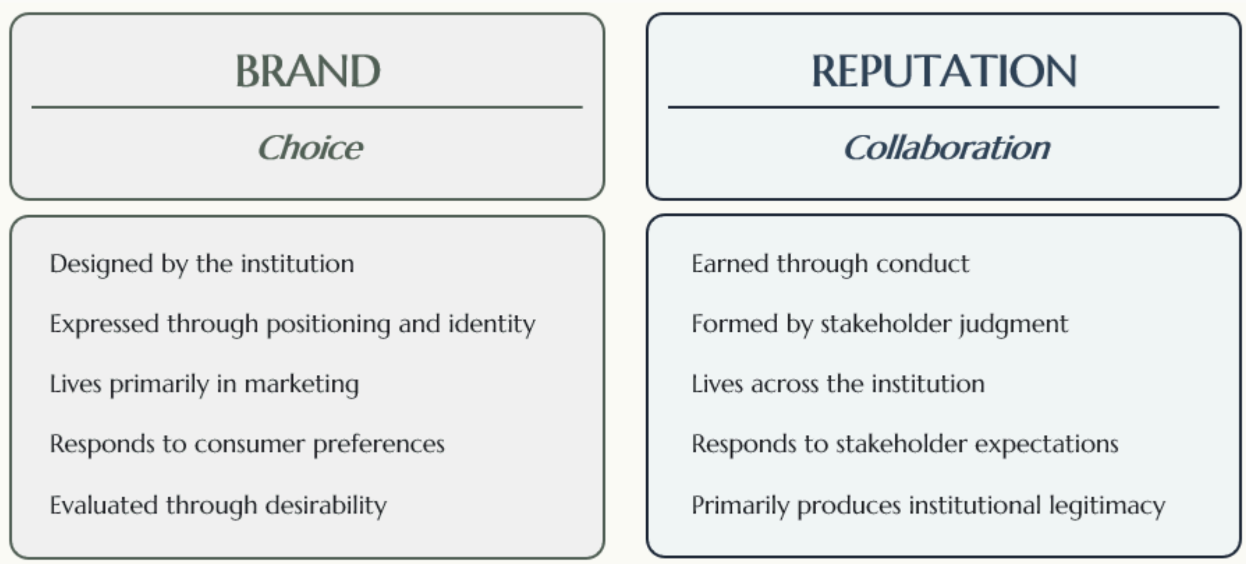
standardized metrics, formal governance, and organizational authority.[531] As a result, brand became the dominant framework for managing institutional perception, while reputation conceptually fragmented and organizationally orphaned.



To provide similar clarity, reputation should be understood as a system of collaboration. Unlike brand, it cannot be designed, claimed, or owned by the institution itself. It is earned through stakeholder judgment[532] and serves as the primary mechanism through which legitimacy is granted[533]. Reputational

[531] Wartick, S. (2002). Measuring Corporate Reputation. *Business & Society*, *41*, 371–392. https://doi.org/10.1177/0007650302238774

[532] Fombrun, C. J. (2008). *Reputation: Realizing value from the corporate image* (Nachdr.). Harvard Business School Press.

[533] Dhrubo, A. M. (2026). The Moral Authority of the Firm: Rethinking Organizational Legitimacy Beyond Profit and Compliance. *Philosophy of Management*. https://doi.org/10.1007/s40926-026-00382-6

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judgments emerge gradually as stakeholders observe patterns of behavior and assess whether an institution's decisions, conduct, communications, incentives, and governance consistently align with their expectations. Because those judgments extend beyond consumers to employees, regulators, investors, communities, policymakers, and other stakeholders, reputation exists across the entire enterprise rather than within a single function. This makes reputation inherently more complex, slower to influence, and difficult to standardize because stakeholder expectations vary across industries, business models, geographies, and stakeholder groups.

Brand and reputation are not the same thing, and these images illustrate the distinction in its simplest form. Brand cuts through a noisy marketplace by creating attraction, relevance, and choice. It is like an outfit, cosmetics, or a prestige car. It helps something stand out. Reputation operates differently. It is built through aligned expectations and consistent patterns of behavior to sustain legitimacy.[534] It is less concerned with appearance than with predictability, reliability, and expectation alignment. It answers a different question entirely, "Will this person do what they promise they will do?" A personal brand may generate success on a dating app, but

[534] Directory, S. (n.d.). *Institutional Legitimacy Crisis → Term*. Climate → Sustainability Directory. Retrieved July 9, 2026, from https://climate.sustainability-directory.com/term/institutional-legitimacy-crisis/

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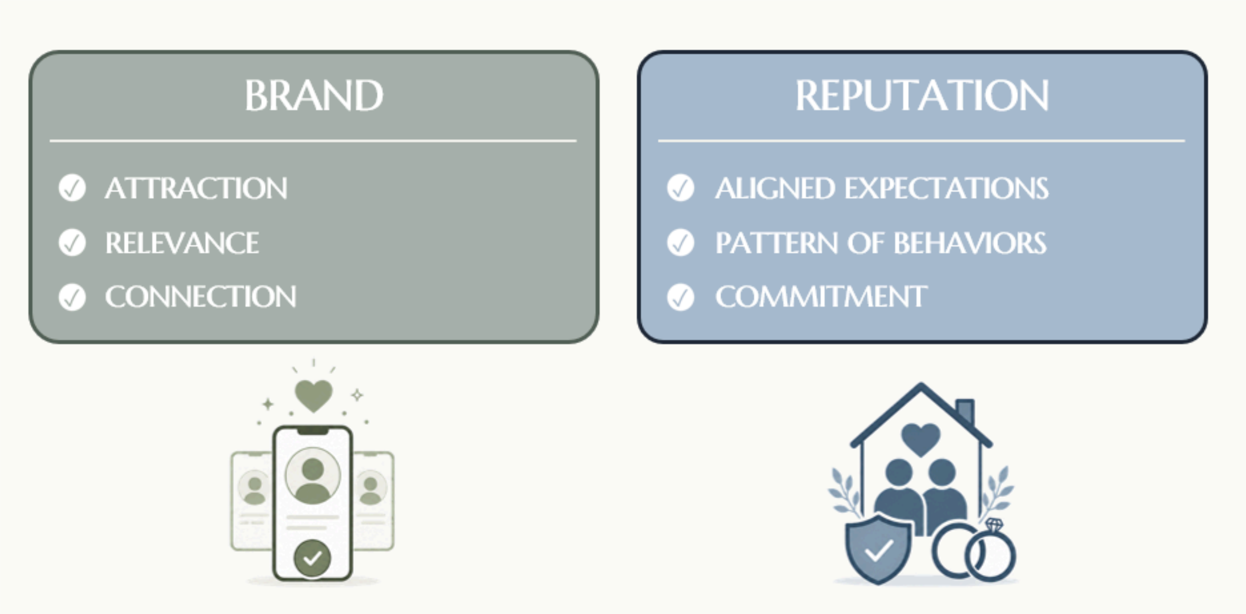
long after attraction has done its job, it is the reputation that earns the cognitive legitimacy required for a lifetime commitment. Simply put, a weak brand may make it harder to get a date, but a weak reputation is usually why the relationship ends.



While these illustrations intentionally oversimplify the distinction, the reality is that brand and reputation remain deeply interconnected. That interconnectedness helps explain why reputation measurement has remained both contested and confused. As reputation emerged as a formal discipline decades after brand management, it naturally inherited many of brand's concepts, assumptions, and measurement approaches. This legacy is still visible today. Many widely used reputation frameworks evaluate dimensions such as innovation, product quality, financial performance, momentum, and leadership.[535] While these measures provide valuable insight into how stakeholders perceive an institution, they also reflect the long-standing conflation of reputation with brand and organizational performance. From Top 100 reputation rankings to syndicated customer datasets and executive scorecards, many measurement systems continue to evaluate legitimacy, brand strength, and business performance simultaneously.[536] The result is a reputation construct that often measures several different phenomena all at once, making it difficult to distinguish stakeholder acceptance from marketplace preference or organizational success.

This is where viewing reputation as the determinant of legitimacy brings both conceptual clarity and a practical foundation for measurement. Rather than asking whether stakeholders prefer an institution relative to its competitors, it asks whether stakeholders believe the institution continues to operate in ways that align with their expectations. The question shifts from choice to acceptance. That shift changes how reputation should be measured. Instead of

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[535] Sarjana, S., & Khayati, N. (2017, January 1). *The Role of Reputation For Achieving Competitive Advantage*. https://doi.org/10.2991/icbmr-17.2017.30

[536] Brown, B., & Perry, S. (1994). REMOVING THE FINANCIAL PERFORMANCE HALO FROM FORTUNE'S "MOST ADMIRED" COMPANIES. *Academy of Management Journal*, *37*. https://oamonitor.ireland.openaire.eu/rfo/sfi_rfo/search/publication?pid=10.2307%2F256676

comparing marketplace performance against competitors, executives should measure the distance between stakeholder expectations and institutional behavior. Success is no longer defined by outperforming rivals, but by closing stakeholder alignment gaps. This distinction allows both disciplines to focus on the problems they are designed to solve. Brand measurement evaluates attention, differentiation, and preference relative to competitors. Reputation measurement evaluates stakeholder alignment, legitimacy, and the institution's capacity to sustain collaboration. Reduced to a single word, brand is choice. Reputation is collaboration.

The distinction between choice and collaboration may appear subtle, but its consequences are significant. For much of the twentieth century, organizations could rely on brand-led strategies because pragmatic legitimacy granted through brand delivery was often sufficient. Strong products, economic growth, innovation, employment, and shareholder returns generally secured stakeholder acceptance, or at least kept reputation risk minimized. Legitimacy faced less sustained public contestation largely because the societal consequences of corporate scale remained largely out of view. In that environment, the overlap between brand and reputation was manageable. This no longer works in the Reputation Era, a time where highly

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consequential events, such as the 2008 financial crisis, arrive with clear visibility and comprehension. It leads to institutions being judged on more than just what they produce, to include how they operate, who benefits, who bears the costs, and whether their conduct remains aligned with evolving social expectations. These questions cannot be answered through positioning, messaging, or preference-building alone, they can only be answered through reputational efforts that build collaboration.

This is why the continued conflation of brand and reputation has become increasingly costly. When legitimacy challenges emerge, organizations often respond with the tools they know best, brand campaigns, messaging, narratives, and demonstrations of product competence. Yet legitimacy cannot be communicated into existence. It is earned through continual behavioral alignment against stakeholder expectations. When institutions attempt to solve stakeholder judgment problems with marketplace tools designed to influence choice, they often widen the gap between what they promise and what stakeholders experience. In doing so, they create the very conditions that weaken their own legitimacy.

Separating brand from reputation is therefore not an academic exercise or merely a definitional debate. It is a practical necessity for institutions seeking to earn societal acceptance and sustain collaboration. Reputation must be recognized as an independent discipline because it solves a fundamentally different business challenge. Without that distinction, it cannot justify dedicated infrastructure, measurement, strategy, or organizational authority. Until then, reputation will remain a reactive function, activated after crises emerge rather than designed to prevent them. It will continue to be treated primarily as a communications activity, managed through narratives, stakeholder messaging, and performative signals instead of systems that identify and close stakeholder expectation gaps before they become legitimacy challenges.

This limitation becomes increasingly consequential as the defining conditions of the Reputation Era intensify. Corporate consequences are becoming more visible, while stakeholder expectations continue to shift alongside changing markets, politics, and social norms. Perceived moral violations spread rapidly through fragmented information ecosystems. In this environment, reputation can no longer be treated as a communications outcome or a byproduct of brand strength. It must be understood as a management system for securing legitimacy and sustaining collaboration.

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Institutions that recognize this shift will be better positioned to prevent legitimacy challenges before they become reputational crises, adapting business practices before the rules arrive. Those that do not will find themselves responding to an endless cycle of legitimacy challenges with tools that were never designed to solve them.

Bringing the Reputation Architecture Together

Corporations were built. Brands were designed. Institutions were created. Predating all these inventions, long before they were conceived, lies reputation. Reputation is not a new concept. What is new is our understanding of its underlying mechanics and how consequential they have become in the Reputation Era. Expanding corporate power, technological acceleration, fragmented information systems, and rising stakeholder expectations have made institutional behavior more visible, more interpretable, and more vulnerable to scrutiny. A human mechanism originally used to assess predictability, reliability, and the conditions for collaboration now operates at institutional scale, shaping whether organizations are accepted, resisted, trusted, constrained, or rejected.

The system always begins with signals. Institutions are evaluated through their actions, consequences, stories, symbols, leadership decisions, and observable patterns of conduct. These signals are messy. They rarely arrive complete or in orderly form. They travel through gossip, media, advocacy, lived experience, cultural narratives, and increasingly fragmented and polarized information environments. To travel, complex stories are compressed into symbols, heuristics, and labels that form durable impressions. Individual signals may fade, but repeated patterns of behavior shape an institution's image.

Signals, however, carry no stable meaning without interpretation. Stakeholders rely on three recurring lenses of judgment to determine how they will evaluate and engage with an institution: Integrity, Prosperity, and Desirability. Integrity asks whether conduct is predictable, reliable, and aligned with moral expectations. Prosperity asks whether the institution creates value and contributes to broader well-being. Desirability asks whether it offers something people want, prefer, or identify with. These lenses are distinct but not fully sealed from one another. Their boundaries are semi-permeable, and the same signal may influence more than one form of judgment. The purpose of the Reputation Architecture is not to produce perfect consensus, but to create enough clarity to distinguish the mechanisms through which the reputation operating system works.

As judgments accumulate, they form and continually reshape institutional images. Although often confused, brand and reputation are not interchangeable. They are separate mental constructs shaped primarily by different signals and evaluated through different criteria. Brand is most closely tied to desirability and choice. Reputation is more closely tied to integrity, prosperity, and the willingness to collaborate. The two can reinforce one another, weaken one another, and occasionally overlap, but consolidating them within a single strategy or organizational infrastructure obscures the distinct problem each is meant to solve.

Once an image is established in a stakeholder's mind, consequences follow. Those images directly influence the legitimacy granted to the institution. Stronger and more coherent images can support moral, pragmatic, and cognitive legitimacy, while weaker, fractured, contradictory, or inconsistent images can produce skepticism, resistance, and withdrawal. Legitimacy is therefore not an abstract endorsement. It is the mechanism through which institutions are granted permission to belong, operate, influence, and endure. In a polarized environment, that acceptance is neither automatic nor permanent. It must be continually renewed through signals that remain coherent with stakeholder expectations.

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The Reputation Architecture that follows brings these mechanisms into a single system. Signals are judged. Judgments form images. Images shape legitimacy. Legitimacy produces institutional acceptance. Acceptance enables collaboration. From that collaboration flow two outcomes institutions value but cannot manufacture directly: resilience and influence. As legitimacy is continually earned, institutions may also receive trust, forgiveness, loyalty, advocacy, authority, preference, and the benefit of the doubt. The full Reputation Architecture is more complex than any single sequence can capture, but its central logic is clear. Reputation is not an isolated perception or communications outcome. It is the system through which institutional conduct is interpreted and converted into the collaboration required to operate at scale.

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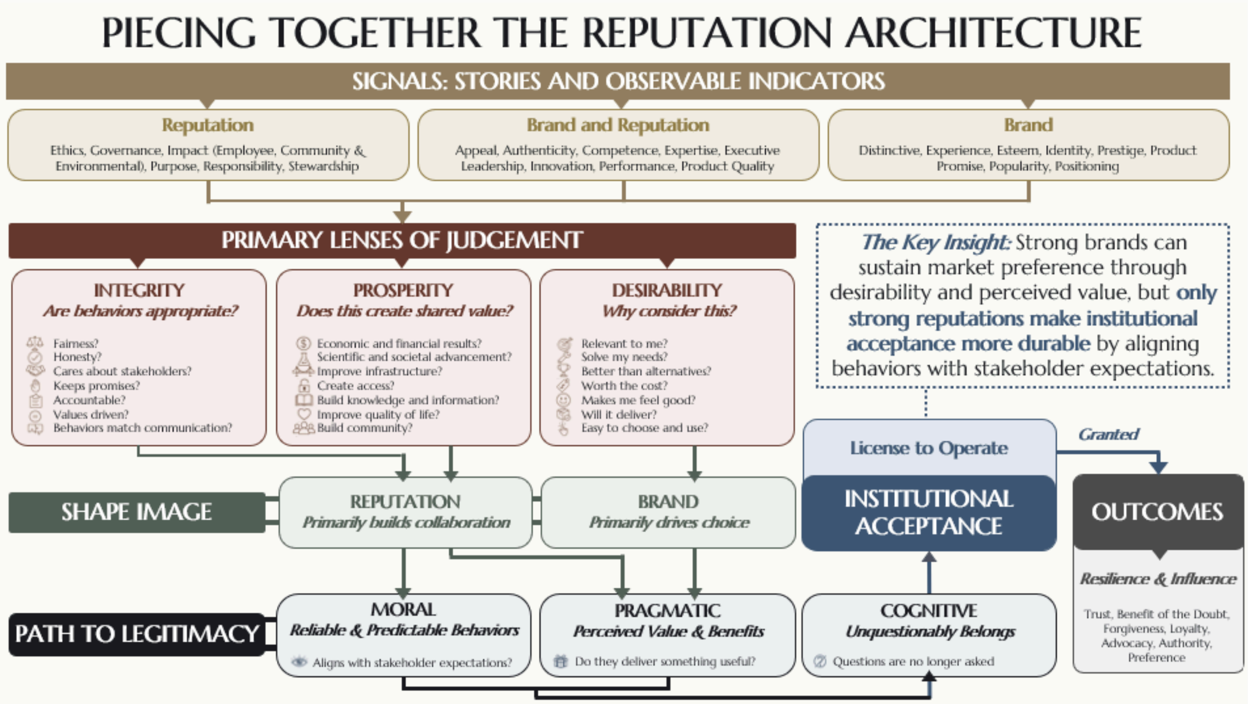

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Chapter 7: Coding Organizational Behavior

- The solution is to embed core values into organizational infrastructure. Values function as operational code. They shape incentive structures, hiring criteria, capital allocation, supplier relationships, and product development timelines. When values are architectural, they constrain behavior without requiring central oversight.
- This only works when values translate into operational strategy. Stated values that don't shape actual decisions are performance theater.
- When companies genuinely live their values, it builds employee pride, attracts aligned customers, and creates competitive advantage. But this only holds if behavior matches commitment.
- The say-do gap emerges when stakeholder groups hold conflicting interpretations of what those values mean. An organization embeds one interpretation into a decision, only to discover another stakeholder group rejects it entirely. This is a values collision.
- To prevent collisions, map your stated values against explicit stakeholder expectations before embedding them into operational decisions. Understand

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where expectations diverge, then choose deliberately which interpretation will govern your behavior and communicate that choice transparently.

- Companies learned to be customer-centric to survive, so that's the stakeholder they focus on the most. This logic creates blind spots that will lose employees, supply chain partners, and eventually sales too.
- The reputation ecosystem has three distinct stakeholder groups. It includes internal (employees, supply chain partners) who shape operational resilience, external (customers, communities) who determine market access, and institutional (regulators, media, NGOs) who define accountability standards and trigger legitimacy contests.
- The stakeholder ecosystem doesn't work linearly. One stakeholder's response influences others, aligning other stakeholders around an issue. Voice creates a multiplier effect. A news story triggers activist backlash, which drives employee action, which prompts regulatory response.
- The solution isn't to please everyone. Prioritize the friction points that exist most commonly across stakeholder and product the most risk. Set strategies, act on them, listen, and reprioritize. It's continuous relationship management.
- The solution is most effective when it is balanced. Over-index on employees and the environment and you jeopardize relations with shareholders (ex. Paul Polman, Former CEO Unilever). Over-index on profit and you invite fines, regulation, and boycotts.

- Reputation outcomes are difficult to isolate on a balance sheet, but they exist and can be measured. Most corporations struggle because everything must be quantified, and reputation doesn't calibrate with quarterly metrics or daily stock returns.
- Reputation produces two distinct outcomes. Resilience is the ability to absorb pressure. When scrutiny arises, a shield of goodwill dampens the blow. Influence is the ability to build collaboration. It attracts talent, creates credibility with regulators and media, and shapes how narratives form.
- Most organizations don't understand reputation's value until it's under threat. By then, reputation lives in reactive crisis control through messaging and containment.
- The solution is to build internal stakeholder buy-in on reputation's benefits before scrutiny becomes delegitimization. Early investment creates a reciprocal cycle where risk declines, upside expands, and outcomes become quantifiable. But this takes years, not quarters.
- When reputation is genuinely embedded into how the organization operates, the cycle strengthens. Budget gets maintained. Infrastructure gets protected. The investment justifies itself.

Chapter 10: The Reputation Risk Audit

- While reputational crises appear chaotic, most reputation risk is systematic. It emerges along visible fault lines where external pressures intersect with internal vulnerabilities. It's baked into business models. Tech companies face data/privacy exposure. Pharma faces access/affordability exposure. Industrials face environmental degradation. Fashion faces labor exploitation.
- Incentive systems reward growth over foresight. Crises are factored as costs of doing business. Companies push ahead of governance gaps. As consequences become visible, pressure to regulate multiplies.
- The solution is to audit your business model for reputation risk. Not monitoring what customers say, but understanding and anticipating regulatory pressure.
- Integrate NGOs, think tanks, and research organizations as third-party auditors. They have distance from your incentive systems. They derisk the business at its weakest points and build credibility through independent scrutiny.
- Paul Polman (former Unilever CEO) would say “It takes courage”. But companies see transparency at vulnerable points as risk. The real risk is hiring consultants to quietly fix problems or conceal findings. That's damage control. It defers and amplifies delegitimizing crises.

- Advocacy is one of the most effective ways for companies to bring their values to life. But companies are paralyzed. They say "If we speak up, we get attacked. If we're silent, we look complicit. If we pick a side, we alienate half our stakeholders. Everything's been purpose-washed anyway, so why bother?"
- Advocacy doesn't fail because volume is wrong. It fails from lack of consistency and behavioral alignment. Companies over-index on words, under-index on patterns of commitment.
- The solution is authentic advocacy. It emerges when organizational decisions consistently reflect stated values. Not messaging about values. Decisions that embody them.
- Authentic advocacy removes paralysis. It matters less if an action offends someone. It matters that it's consistent. This consistency builds reputation in ways messaging never can.
- Authentic advocacy also prevents chasing trending issues. When you're tied to consistent values, you don't get pulled into misalignment and backlash.

- For a hundred years, companies have treated reputation as a communications problem. Companies hire brilliant people to manage messaging, spin narratives, and control stories. But this is not enough to endure the Reputation Era.
- At the same time, reputation has also been viewed as everyone's job and no one's job at the same time. It lives in communications, but comms can't make strategy decisions. It lives in legal, but legal only handles compliance, not proactive risk mitigation. It lives in operations, but operations optimizes for short-run efficiency, not long-term resilience.
- The fragmented, siloed nature of corporations means that a decision made in one function cannot carry a holistic understanding of how it impacts the reputation of the company.
- Reputation is often left with the communications function, but these teams do not have jurisdiction on corporate behavior.
- Companies need a Chief Reputation Officer or a Reputation Committee. The mandate is to ensure alignment between strategy, values, and stakeholders.
- The emergence of stakeholder capitalism signals this is likely how the Reputation Era will end. Those that wait until stakeholder governance is codified into law will be forced to restructure reactively. A dedicated reputation function of the business is not a prediction, it's a preemption.

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Closing Remark

- We are not the makers of history. We are made by history. And if there's one thing this book has tried to show, it's that the future we're heading toward is already visible in the patterns of the past. Reputation in many ways has become a governance requirement and the future shows that it will only continue to do so in greater acceleration. Stakeholder capitalism will codify what we've been arguing throughout these pages, that corporate power and corporate accountability are inseparable. The only question is whether companies anticipate that shift or react to it. The forces that have shaped our morals, society, and our businesses are irreversible. The timeline is compressing and history never waits for consensus. It simply arrives. The choice isn't whether reputation becomes central to how you operate. The choice is whether you architect it deliberately, or whether it gets architected for you. The result will be a matter of your own legitimacy.

Notes for Practitioners (Book Appendix)

Reputation Realities

- Despite its ancient roots in human collaboration, corporate reputation remains underdeveloped, with organizations relying on brand systems that measure performance rather than integrity.

- Because reputation is slow to build, fast to break, and costly to repair, it operates as an asymmetric system where risk accumulates faster than trust can.
- Reputation is inherently fragmented, shaped by tribal stakeholder dynamics, industry contexts, and differing expectations that prevent a single, unified perception.
- Measurement systems often fail by over-indexing on ability, reinforcing comfortable narratives while avoiding deeper assessments of integrity and misalignment.
- Reputational risk is structural, embedded in business models and industry practices that must be dealt with proactively rather than treated as damage control within the communication function.
- Reputation exists in tension with short-term financial incentives, requiring organizations to balance performance and integrity within shifting boundaries of stakeholder expectation.

Reputation Paradoxes

- For a hundred years, we've treated reputation as a communications problem. We hire brilliant people to manage messaging, spin narratives, control stories. And they've been remarkably good at it. But we've reached the limit of what messaging can fix.

- For a hundred years, reputation has been everyone's job and no one's job. It lives in communications, but comms can't make strategy decisions. It lives in legal, but legal only handles compliance, not legitimacy. It lives in HR, but HR optimizes for retention, not stakeholder trust. It lives in operations, but operations optimizes for efficiency, not consequence management.
- No one is accountable for the integrated reputation system. No one is asking whether a capital allocation decision will trigger institutional scrutiny. No one is checking whether a supply chain shift aligns with stated values. No one is mapping whether a new market entry creates predictable backlash.
- Communications can coordinate reputation. But only if there's something real to communicate. If the behavior isn't there, no messaging will save you. And if the behavior is there, you don't need much messaging at all.
- Reputation is often conflated with, and matched, to stock market performance.
- Reputation is not a deterministic signal that perfectly predicts behavior, but a probabilistic force shaped by competing constraints, incentives, and human bias.
- Stakeholders routinely act in ways that contradict their stated beliefs, not out of hypocrisy, but because decisions are made under constraints such as cost, access, urgency, and cognitive load.

- This creates persistent disconnects between perception and behavior, where weak reputation does not always prevent engagement, and strong reputation does not always guarantee it.
- Structural forces such as market dominance, limited choice, and institutional dependencies can override reputational judgment, creating engagement driven by necessity rather than trust.
- Reputation signals often lag behind behavior, where actions can indicate recovery or decline before stakeholder perception fully adjusts.