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Scandal Risk Methods

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INTRODUCTION

This thesis investigates the role of corporate scandals within political risk analysis, a topic that has been traditionally overlooked in favor of macroeconomic instability, regulatory uncertainty, and geopolitical threats. The choice of this research stems from the increasing relevance of reputational crises in shaping corporate vulnerability, particularly in an era where public perception, media narratives, and digital activism have gained unprecedented influence. While political risk analysis has historically focused on tangible and measurable risks, this study argues that scandals, often driven by intangible social and psychological dynamics, should be recognized as a critical component of political risk.

The research is structured around the hypothesis that scandals do not arise solely from corporate misconduct but are actively constructed through framing processes involving media, regulatory bodies, social control agents, and public sentiment. It further hypothesizes that the persistence and severity of a scandal depend on the alignment of these actors in shaping a dominant narrative. Additionally, the study explores how corporate political strategies, such as lobbying, corporate social responsibility (CSR), and crisis communication, can mitigate reputational damage, but only to a limited extent when confronted with a deeply embedded scandal narrative.

To support these hypotheses, the research follows a three-step analytical approach. First, it examines the concept of reputational risk as a preliminary framework, highlighting its growing importance in corporate strategy and political risk management. Second, it delves into the available literature on scandals, drawing from sociological, political, economic, and media studies to trace the interdisciplinary nature of the phenomenon. Scandals emerge as a fascinating subject of study that combines sociology, media analysis, psychology, political science, reputational risk management, and economics, all of which highlight the decisive role of public impressions. Third, the study investigates the transformation of social control agents in the digital age, demonstrating how technological advancements have expanded their scope beyond traditional institutions to include social media platforms, decentralized activism, and collective public perception: factors that are difficult to quantify and often neglected in political risk assessments.

Methodologically, the research employs a comparative case study approach, analyzing three corporate scandals: Nike’s labor exploitation controversy, Boeing’s 737 MAX crisis, and Chiquita’s paramilitary financing case. The study combines qualitative content analysis of media narratives, stakeholder reactions, and regulatory responses with theoretical insights from political risk analysis, crisis management, and media framing theory. This interdisciplinary approach allows for a more comprehensive understanding of how scandals evolve, persist, and influence corporate and political landscapes.

By bridging the gap between political risk and reputational risk, this thesis argues that political risk analysis must evolve to incorporate the mechanisms through which scandals develop and sustain themselves. The findings emphasize that corporate exposure to political risk is no longer confined to regulatory changes and economic instability but extends to the unpredictable domain of public perception. This research ultimately suggests that political risk analysts must adopt a more interdisciplinary approach, integrating elements of media studies, behavioral economics, and crisis management to effectively assess and mitigate the reputational dimensions of political risk in a rapidly evolving global landscape.

POLITICAL RISK: A BRIEF INTRODUCTION

Political risk is a concept that has gained significant attention in the field of international business and economics since WW2. It is indeed a modern discipline and as stated by Sottilotta (2012) several institutions "political risk firms" have developed their specific methodologies to evaluate it even if is still a "fuzzy concept" since it is difficult to "keep pace with the fast-changing dynamics of the internationalization of trade and investment"(C. Sottilotta 2012). In simple terms, political risk as referred to in the definition provided by McKellar is "the probability that political actions or events will affect economic outcomes, thereby creating potential harm to a business operation" (McKellar 2010). The "political" factor indeed develops an additional layer of complexity to the "traditional forms of risk", such as natural disasters or economic risks like inflation (McKellar 2010). Political risk follows up on characteristics of what commonly we refer to as the concept of "risk" merging an additional unit of risk given by the various political environments in which it arises (Bremmer e Keat 2010).

Historically, political risk has been associated primarily with foreign direct investment (FDI) in developing countries and emerging economies, where the political environment is often less stable(C. Sottilotta 2012) (Otto 2023). The first generation of political risk analysts was preoccupied primarily with investment disputes emanating from the so-called 'economic nationalism'—the typical trend of developing countries to confiscate or expropriate foreign property in the name of public interest(C. Sottilotta 2012). However, the scope of political risk has broadened considerably in the globalized economy, encompassing risks in both developing and industrialized countries by incorporating the so-called "regulatory risk" term (Otto 2023). Politics can "change the rules of the game" (Otto 2023) either in well-developed countries or in the most unstable ones and this could lead to several more or less sustainable consequences for MNE(S). When there "is a shift in relative bargaining power from the firm to the government, MNE(S) venture possible expropriations, nationalizations, or unilateral modifications of the agreed conditions(Jiménez, Luis-Rico, e Benito-Osorio 2014) but as Sottilotta explain citing Howell (Dziuda e Howell 2020)"country risk is of larger scale", "involving a wider array of risk, both financial and operational"(C. Sottilotta 2012). Nowadays the question of what constitutes political risk is even more complex, a complexity that seems to do nothing but increase. The end of the Cold War has led to a more crowded and uncertain geopolitical environment: "Today's landscape is much more crowded and uncertain—filled with rising states, declining states, failed states, rogue states, and non-state actors like terrorist groups and cyber criminals"(«Preparing for Political Risk When You Don't Know Where It Will Come From» 2018). Political risks today come from a wide array of actors beyond just governments. "*A great deal of the political risk within and across countries now comes from other players: individuals wielding cell phones, local officials issuing city ordinances, terrorists detonating truck bombs, UN officials administering sanctions, and many more*"(«Preparing for Political Risk When You Don't Know Where It Will Come From» 2018). This complexity makes it difficult for companies to navigate international markets, as the traditional lines between adversaries and allies are blurred.

In sum political risk is a component of country risk, as the latter being defined as *the ability and willingness of a country to service its financial obligations* (McAleer e Hoti 2004). However it should be noted that "country risk" today commonly refers to a wider array of risks not only financial in nature but of operational nature. *Country risk is of a larger scale, incorporating economic and financial characteristics of the system, along with the political and social, in the same effort to forecast situations in which foreign investors will find problems in specific national environments* (Dziuda e Howell 2020).

POLITICAL RISK FATHERS

The discipline of political risk is deeply rooted in the theories of realism and geopolitics, developed and enriched over time by numerous scholars. These pioneers laid the groundwork for understanding the dynamics of power, international politics, and systemic uncertainty in today's globalized world. The founding figures of political risk are emblematic individuals who, beyond shaping the history of the discipline, have been and continue to be active participants in the international landscape, contributing in part to the very decisions they have analyzed, and which have shaped aspects of the complex international political and economic system.

Among these figures, **Hans Morgenthau** is arguably the foremost precursor of political risk analysis. He is regarded as one of the foundational figures of modern political realism, and his seminal work, *Politics Among Nations* (1948), laid the philosophical foundations for the realist perspective. This perspective asserts that international relations are governed by power politics within an essentially anarchic global system («Hans Morgenthau | Realist Theory, International Relations, Political Theory | Britannica» 2024). Morgenthau's world is composed of nation-states that exist within a multipolar reality, where ideological motivations are absent, and the sole driving force behind international actors' actions is the struggle for power. Consequently, nation-states are the primary unit of analysis in modern geopolitical risk, and their behavior can be predicted and assessed once their national interests are understood. For Morgenthau, national interest derives from the unique historical, political, and cultural substratum of each state(Williams e Morgenthau 2007).

Beyond his scholarly contributions, Morgenthau worked for the U.S. Department of Defense under Presidents Kennedy and Johnson. However, he was at odds with prevailing policies, particularly concerning the Vietnam War. As a geopolitical risk advisor, he was acutely aware of the complexity of international relations during the Cold War, where local conflicts could rapidly escalate into superpower confrontations. His skepticism regarding a world government solution stemmed from his belief that existing international structures were incapable of adequately managing political risks and inter-state competition, particularly in an era dominated by nuclear weapons (Williams & Morgenthau, 2007)

Among figures who have influenced the course of international relations and contributed to the creation of a distinct realist doctrine, **Henry Kissinger** stands as arguably the most important and well-known. Beyond being a brilliant analyst and diplomat, Kissinger founded Kissinger Associates, which marked the advent of the "rock star analyst" era (Hulsman 2018)His firm, co-founded with a former National Security Adviser, a Secretary of State, and a Treasury Secretary, represents a unique case of a political risk analysis agency not as an external actor but as an entity deeply embedded within governments and political circles worldwide. However, despite its off-the-record operations—which led to Kissinger’s resignation as chairman of the National Commission on Terrorism after 9/11—and strong global networks, Kissinger Associates faces inherent challenges. As a highly embedded establishment firm, it has been criticized for operating too closely with the global elite it was meant to analyze impartially. This proximity, according to Hulsman, blurred the boundaries between objective analysis and influence, compromising its ability to recognize shifts or failings within the very elite it was part of. Another challenge is that the firm’s foundation is tied to Kissinger’s notoriety and name recognition, raising questions about its ability to sustain itself in the face of generational transition.

In contrast to Kissinger, **Ian Bremmer** is perceived as a more academically oriented figure, arguably the most influential in the development of modern political risk analysis. He is credited with applying political science rigorously to the study of political risk in emerging markets, where, especially in Asia, “politics matter at least as much as economics for market outcomes” (Grundleger e Creehan 2012). His concept of the "J Curve" explains how political instability often increases as authoritarian regimes open up (Hulsman 2018). Additionally, Bremmer’s idea of a "G-Zero world," a world without a clear global hegemon, has become an influential framework for understanding geopolitical risks in an era lacking clear leadership. Events such as 9/11 and the global financial crisis indicate a period of power rebalancing, in which the U.S. remains the global leader while being challenged by emerging powers, particularly China (Grundleger & Creehan, 2012).

Bremmer’s contemporary focus on "resilience" and "consolidation" of political and economic systems underscores his argument regarding the U.S.'s unique and unmatched competitive advantages (Grundleger & Creehan, 2012). His work has significantly shaped the modern political risk industry by integrating academic analysis with practical consultancy for corporations and governments. His insights on the instability of emerging markets and shifts in global political power have left a lasting impact on how political risk is understood today (Hulsman, 2018).

George Friedman, founder of Stratfor and later Geopolitical Futures, has played a significant role in broadening the reach of political risk analysis. Often seen as a "shadow CIA," Stratfor is renowned for its geopolitical analysis, particularly its focus on military intelligence and strategic forecasting. Unlike Bremmer, Friedman emphasizes history, geopolitics, and long-term forecasting as central to political risk analysis. His work, particularly through Stratfor, focuses on open-source intelligence and the study of historical and geographical patterns to predict political risks. Friedman's book *The Next 100 Years* (2009) reflects his belief in the power of systemic historical trends for forecasting future geopolitical developments. His work challenges traditional predictions by arguing that contemporary stability is an illusion, as history demonstrates that periods of lasting political stability are rare. According to Friedman, the future is inherently uncertain, shaped by latent conflicts between major powers, both current and emerging (Palacio 2009).

Kenneth Waltz is widely regarded as one of the most influential scholars in international relations and a key architect of neorealism, or structural realism. His *Theory of International Politics* (1979) asserts that the international system's structure, rather than the internal characteristics of individual states, determines state behavior. He emphasizes that international anarchy—the absence of a central authority—creates a persistent environment of uncertainty and risk (Schouten, P. 2011).Waltz's argument that nuclear deterrence prevents large-scale wars between nuclear-armed states underscores the stability induced by power balancing. He also connects interdependence with globalization, noting that states differ in their degrees of economic and military dependence (Schouten, P. 2011). Political risk analysts employing Waltz's framework must focus on shifts in global power distribution rather than solely on domestic policies.

Though not a modern political risk theorist, **Edward Gibbon's** historical analyses in *The Decline and Fall of the Roman Empire* offer crucial insights into internal vulnerabilities as precursors to the collapse of great powers. Gibbon's work demonstrates that empires do not fall solely due to external threats but often due to internal weaknesses such as corruption, decadence, and the inability to adapt to change. These lessons remain relevant for political risk analysts, who must evaluate both external and internal threats to national stability (Hulsman, 2018).

Finally, while not an individual scholar, **The Economist Intelligence Unit** (EIU) has significantly influenced the field of political risk assessment. Founded in 1946 as a subsidiary of *The Economist*, it is one of the oldest and most respected political risk firms. The EIU specializes in forecasting, economic research, and risk analysis, assisting businesses, financial institutions, and governments in navigating global political shifts.

The EIU operates with a distinctive corporate and anonymous approach, prioritizing the protection of its analysts' anonymity rather than fostering public-facing figures. Its business model, which integrates both subscription-based and client-specific services, has set a benchmark for the broader political risk industry. With 24 offices worldwide and a team of 130 full-time analysts, the EIU is particularly renowned for its expertise in Asian markets. A fundamental aspect of the EIU's value lies in its commitment to intellectual independence. By maintaining a clear detachment from clients' internal politics, the firm provides unbiased geopolitical analysis, free from the influence of specific policy agendas. This neutrality ensures that the EIU remains an indispensable resource for business leaders seeking objective insights into global political and economic trends (Hulsman, 2018).

RISK SCENARIOS

Post-block global politics and international tensions

International tensions are perhaps the most pervasive form of political risk, perceived at least prior to the Ukrainian and Israeli-Palestinian conflicts as a resolved issue—at least within the European sphere—has increasingly emerged as a main security concern and as a main discussed topic into the western political arena. Since the collapse of the Soviet Union and the ongoing processes of African and Asian decolonization. As McKellar (2010) defines them, international tensions are "fundamentally strategic in nature, often rooted in territorial [and thus geopolitical] disputes". These tensions manifest in various forms of "economic frictions," fueled by and often originating from differences in "ideological nationality" (McKellar 2010). Moreover, such differences are frequently perceived through moral, cultural, and historical lenses, which, during the nation-building process, elevate certain attributes as defining characteristics of national identity while suppressing others. This process reflects the internal struggles typical of state formation, as argued in "Della impossibilità della nazione europea".(«DELL'IMPOSSIBILITÀ DELLA NAZIONE EUROPEA» 2019)

While such aspects may remain dormant within a nation, they become pronounced and contentious in interstate relations, giving rise to "enduring mistrust." As McKellar suggests, this mistrust can also "simply be a matter of putting one country's self-interest over another's" (McKellar 2010). In any case, international tensions often impact global trade and the free movement of people. Notable examples include the U.S. trade embargo on Cuba, which historically made it difficult or impossible for individuals with Cuban visas to enter the United States, and the trade embargoes imposed by certain Arab states on Israel. For instance, Libya still requires "anti-Israeli" certification for imported goods and maintains a permanent ban on Israeli passports.

In such cases, national identity lies at the heart of the conflict. However, national identity is not always strictly tied to the legal ownership or control of a company within a particular nation. Instead, it is often shaped by ideology and historical ties to a specific nation state , as noted by Pauly and Reich (1997). This is particularly relevant in the context of multinational enterprises (MNEs), which theoretically integrate various national identities but, in practice, often prioritize their country of origin.

In the literature on political risk, the corporate nationality of a company is considered a critical variable influencing risk factors, even when operating in stable state or regional environments (C. E. Sottilotta 2016).

National Disputes and the Impact on Global Supply Chains

National disputes can sometimes encompass entire supply chains, which have become increasingly efficient and cost-effective for companies of all sizes over the years. However, as Rice and Zegart (2018) note, “longer linear global supply chains leave companies more vulnerable to disruptions in faraway places.” This vulnerability is further exacerbated by the current historical moment—post-Cold War and post-colonization era—characterized by an unprecedented level of global political fragmentation.

During the Cold War, the bipolar world order made it relatively easier to identify the source of potential threats and to predict and prevent them. Treaties and agreements between the Western and Soviet blocs, which, despite the overarching geopolitical tensions, governed the global politics sphere. This allowed corporations to experience significant commercial and operational freedom within their respective spheres of influence. Corporations were largely insulated from political dynamics while today “international economic issues are often tightly connected to security policy and politics” (RICE e Zegart 2018)

Even seemingly, “minor” international tensions, such as the ongoing conflict in Yemen, now have global economic repercussions. For instance, since 2023, the Houthi rebels have reportedly been capable of disrupting entire logistical networks that facilitate the flow of goods from Asia to Europe, at least according to their public statements, as a form of retaliation against Israel and its allies. Similarly, the Ukrainian grain crisis, was caused by Russian naval blockades, and the sabotage of the Nord Stream pipelines, which according to the latest investigation have allegedly involved Ukrainian actors with U.S. intelligence(Knobbe et al. 2024). The global political landscape has fragmented to an extraordinary degree thus performance risk for the global economic market follows it.

Even in a globalized world—what Waltz describes as characterized by "interdependence"—interdependence itself is not an inherent stabilizing force. Rather, it often underscores disparities in economic and military power. As Schouten (2011) argues, interdependence frequently places weaker nations in a passive position, subjected to the dominance of stronger neighbors. Conflicts between nations are neither quelled nor constrained by globalization; instead, globalization may be viewed as an extension of the endemic rivalries among nations on the international stage.

A striking example of this dynamic is the emerging conflict between China (and possibly the BRICS coalition) and the United States (alongside NATO, Europe, and the Five Eyes alliance). This rivalry, despite—or perhaps because of—their apparent interdependence, fuels tensions between the two hemispheres. Smaller nations are often caught in the crossfire of this power struggle. For example, the European Union's targeted sanctions against Russia following the annexation of Crimea, or against Iran, can be seen through the lenses of a harsh political will but also as a statement of fidelity to American projection. No country is exempt from this dynamic of interdependence, which, in more political terms, manifests as a form of imperial influence—whether American, Russian, Chinese or European.

Decolonization and domestic unrest

McKellar (2010) aptly connects the process of decolonization as a main phenomenon to what he defines as “domestic unrest.” This refers to the challenges faced by states, particularly newly formed ones, in stabilizing and constructing a national identity. Such states often become hotspots for internal struggles or social and political tensions, where conflicts arise among various groups within the country. Southeast Asia and, even more prominently, the African continent endure the lasting effects of an impactful colonial period in the mid-to-late 19th century, driven by European powers and, in the case of Southeast Asia, also significantly by Japan.

The end of World War II marked a turning point: as the Iron Curtain emerged, these regions experienced numerous independence-inspired wars. Colonial rule, however, had left a troubling legacy: *“The introduction of colonial rule drew arbitrary natural boundaries where none had existed before, dividing ethnic and linguistic groups and natural features, and laying the foundation for the creation of numerous states lacking geographic, linguistic, ethnic, or political affinity”* («How Did Decolonization Reshape the World?» 2023)). Compounding this issue was the geopolitical rivalry between the American and Soviet spheres of influence. Newly independent countries underwent a forced decolonization process, often being drawn into the American economic sphere through aid, assistance, and military intervention to prevent alignment with the communist bloc. Although some managed to join the Non-Aligned Movement, these new states often became weak pawns in the broader Cold War competition («How Did Decolonization Reshape the World?» 2023)

The effects of colonialism and post-decolonization continue to exacerbate political unrest in these regions, particularly in resource-rich countries. For example, many African nations are major exporters of strategic minerals critical to the energy transition, such as manganese. Countries like Gabon, which recently experienced a coup, join a growing list of states facing political instability, including Burkina Faso, Chad, Guinea, Mali, Niger, and Sudan (Hendrix 2023).Increasingly, scholars describe certain African regions, especially sub-Saharan Africa, as suffering from “endemic political instability” («West Africa Continues Slide toward Instability» 2024; Mbaku 1988)

This phenomenon is also observed, albeit differently, in Latin American states. While these countries did not undergo decolonization in the 20th century, they have been significantly affected by the hegemonic influence of their northern neighbor, the United States. U.S. policies, particularly during the 1960s to 1980s, treated Latin America as its "backyard," justifying interventions in the name of defending democracy in countries such as Ecuador, Brazil, Bolivia, and Panama. This rationale often legitimized CIA-sponsored regime changes («The Consequences of CIA-Sponsored Regime Change in Latin America» 2024)

These interventions undermined the stability of the affected countries, weakening governance systems and eroding their constitutional foundations. Democracy scores in the region dropped by over 200 points during this period, accompanied by economic contractions, a decline in the rule of law, and reduced civil liberties («The Consequences of CIA-Sponsored Regime Change in Latin America» 2024)

POLITICAL RISK INDICATORS

McKellar provides an additional layer of analysis regarding the origins of political risk, focusing on some of the most evident and historically accurate indicators. These include *political instability*, *weak governance*, and *conflict*. These "indicators" act as warning signals for risk analysts, highlighting potential threats. Beyond these purely political factors, one might also consider a political-economic factor—*disruption of supply chains*—and a socio-economic factor—*technological proliferation* (RICE e Zegart 2018)

Political Instability

McKellar defines "political instability" as “a persistent, serious challenge to the legitimacy and longevity of the government.” Such instability often arises from political dissent, which can manifest in legal or illegal actions depending on the degree of freedom experienced within a given state. This phenomenon is frequently observed in *newly formed* states, where the ruling party *permeates and tightly controls many or all major political institutions* (McKellar 2010). In such cases, challenging the ruling party and achieving change is often feasible only in states that allow leadership alternation through democratic processes, such as regular elections. In less democratic contexts, where political leadership coincides with government authority, the collapse of leadership—whether through legal or illegal means—can result in widespread crises that undermine state stability. A stable transition of power depends on the presence of *legitimate channels for dissent*, such as *free press*, *regular, fair elections*, *independent political opposition*, and *basic freedom of expression* (McKellar, 2010). The absence of such channels, often observed in states with low democratic indices, tends to lead to violent dissent, typically managed repressively. These violent responses can create endemic cycles of instability, potentially escalating to regime change through revolutions, with unpredictable consequences for political risk managers.

Challenges to the government often originate from external groups, such as *protest groups* or, in advanced stages, *insurgent groups*. However, internal factions, cliques, or dissenting groups within institutions not fully controlled by the ruling regime can also pose significant threats (McKellar, 2010).A concrete example is Italy during the Tangentopoli scandal. This significant event in the nation's democratic history is perceived by some as a *coup de’tat* against the old political system. The end of the First Republic eliminated an ideological-political class and profoundly changed the country while preserving its institutional structure (Pomicino 2015)

Political instability also affects countries with a consistent democratic history. For instance, the IMF measures political instability based on "*the number of times in a year a new premier is named and/or 50 percent or more of cabinet posts are occupied by new ministers*" (Aisen e Veiga 2011)There is strong evidence of a correlation between political stability and GDP growth. The study suggests that while no correlation exists between economic growth and the presence of a democratic system, political stability (irrespective of the governance system), economic freedom, and an efficient legal and property rights framework positively influence economic growth. These findings partially contradict McKellar's conclusions.

Weak Governance

Weak governance, as defined by McKellar, refers to *inept, unprofessional, or negligent leadership and management across a broad spectrum of governing institutions* (McKellar 2010).

McKellar identifies two primary conditions disproportionately affecting developing countries: *lack of resources or experience* and the *persistence of personal rule*. The former relates to the inability to guarantee adequate education, which underpins good governance, as well as the tension between "traditional modes of governance such as tribal, religious, or caste-based systems and the Western model of government." The latter refers to "the dominance of a small clique of key personalities" over political institutions (McKellar 2010). Both conditions align with the concept of *dysfunctional state*, defined as states "experiencing systemic chaos, leading to the decay of structures and resulting in authoritarian governance or widespread corruption"(R. Kłosowicz 2013). A case in point is Ghana, once one of Africa's wealthiest nations before gaining independence in 1957. Under Kwame Nkrumah, despite noble intentions, authoritarian governance without adequate preparation or societal support led to the country's decline. This mismanagement often culminates in political coups or internal conflicts (Robert Kłosowicz 2018)

Conflicts

Conflict, whether arising from civil unrest, insurgencies, or armed confrontations, remains a significant source of political risk. Often intertwined with weak governance and political instability, conflict disrupts state functions and generates far-reaching economic and social consequences(McKellar 2010).

Supply Chain

The supply chain has become an almost independent dimension of political risk, though influenced by the aforementioned variables. The strength of international markets relies heavily on efficient and increasingly extended supply chains. Reduced costs and uninterrupted continuity are the backbone of major industries, particularly in the tech sector, with giants like Apple and NVIDIA depending on seamless links between the Western and Eastern hemispheres. However, this efficiency also introduces vulnerabilities. Longer, linear global supply chains leave companies "*more vulnerable to disruptions in faraway places*" (Rice & Zegart, 2018). These vulnerabilities often stem from political factors such as civil unrest, political instability, natural disasters, or terrorism in distant regions, with direct repercussions on international trade (Kleindorfer e Saad 2005)A significant example is Taiwan, where both political tensions and natural disasters like the 1999 earthquake have affected global semiconductor markets (Papadakis e Ziemba 2001). Similarly, terrorist attacks such as those on the World Trade Center in 2001 or the Northeastern U.S. blackout in 2003 exemplify the critical role of supply chain risk (Kleindorfer e Saad 2005)

Technology

Technology has dramatically reduced the cost of collective action, *enabling like-minded individuals to connect and mobilize for common causes* but at same time it *also increases the potential for violent conflict* (Pierskalla e Hollenbach 2013). *Organizational technologies* like mobile phones facilitate in-group organization and the implementation of insurgent activities (Goldstone 2008).Even in economically disadvantaged regions like Africa or India, the proliferation of low-cost phones has *provided unprecedented means of private, direct, and immediate long-distance communication* (Pierskalla e Hollenbach 2013).

Online media now play a fundamental role in mobilizing large-scale movements, such as the Arab Spring, the Occupy Wall Street movement, and the 2020 Hong Kong protests (Chen, Oh, e Chen 2021). Interestingly, while these communication platforms were initially thought to be decentralized and capable of circumventing formal authority (Bennett e Segerberg 2012) they are often highly centralized and fragmented in practice (González-Bailón e Wang 2016).

ASSETS AFFECTED BY POLITICAL RISK

Political risk has far-reaching implications for businesses, influencing key operational dimensions that are fundamental to corporate stability and long-term success. Companies must navigate these risks carefully, as they can significantly impact three critical assets: people, reputation, and performance (McKellar, 2010). Understanding the vulnerabilities associated with these assets allows organizations to implement strategic risk mitigation measures, safeguarding their business interests in an increasingly complex global environment.

People are fundamentally the "bedrock of any business initiative" (McKellar, 2010), representing both the company's identity and the driving force behind its sustained performance. Investing in human capital is a costly endeavor due to the extensive time and resources required for training and organizational integration (McKellar, 2010). However, a well-managed workforce also serves as a company's public face, reflecting its professionalism and credibility. Organizations that fail to prioritize their personnel risk being perceived as unreliable or short-lived ventures (McKellar, 2010).

Traditionally, risk management and human resources (HR) have been considered distinct domains. In reality, however, "human resources, risk management, and security management are intricately intertwined and linked in any organization" (Wright 2017). As such, it is imperative for companies to establish a dedicated personnel risk management framework. Employee-related risks can take many forms, including criminal activities, psychological and physical harm, workplace injuries, and, in extreme cases, fatalities. Additionally, cyberattacks pose a growing threat, as malicious actors often target employees through extortion or manipulation before directly compromising organizational security (Wright, 2017). Beyond direct threats, factors such as employee demoralization or a loss of trust in leadership can erode organizational efficiency, undermining business operations from within (McKellar, 2010).

From an economic perspective, corporate reputation is defined as a "stable opinion about the qualities and advantages of the company in the market environment"(Kovalova, Al Ali, e Zamlynskyi 2021). Despite its intangible nature, reputation has concrete and measurable impacts on a company's viability. Often regarded as one of a firm's most valuable intangible assets, corporate reputation is difficult to build and easy to lose—its development is a long and incremental process, while its deterioration can occur suddenly, leading to potentially catastrophic business consequences (Kovalova, Al Ali, & Zamlynskyi, 2021).

Various methodologies exist for assessing corporate reputation, particularly in the context of political risk. Key evaluative criteria include ethical engagement with external and internal partners, managerial effectiveness, and the overall reputation of executive leadership. Political risk factors such as social responsibility and the cultivation of a high organizational culture also play a crucial role in shaping corporate reputation (Kovalova, Al Ali, & Zamlynskyi, 2021; McKellar, 2010).

McKellar further defines reputation as "a company's character as perceived by key stakeholders, including owners/shareholders, staff, investors, partners, and the societies in which the firm operates" (McKellar, 2010). Political risk can severely undermine corporate reputation through mechanisms such as government hostility, orchestrated scandals, activist opposition, and conflicts with stakeholders. Such conflicts often arise when companies fail to "properly identify their political and social stakeholders" (McKellar, 2010), exposing them to reputational vulnerabilities.

People and reputation collectively form the foundation for business continuity and operational success. Organizational resilience in the face of political risk hinges on two key principles: continuity and control. Continuity refers to a company's ability to anticipate and mitigate risks, ensuring minimal disruption to daily operations. Control, in contrast, involves maintaining ownership and strategic influence over business activities, allowing firms to navigate uncertain political landscapes effectively (McKellar, 2010). By fostering strong human capital, safeguarding corporate reputation, and maintaining strategic oversight, organizations can bolster their resilience against political risks and sustain long-term performance.

POLITICAL RISK ANALYSIS AND ASSESSMENT

Risk, Political Risk, magnitude and probability

Risk generally refers to the potential for a future event to cause "measurable" harm or loss (Bremmer e Keat 2010). It is typically assessed based on two key dimensions: probability and impact. "The intersection of these two independent variables yields the overall severity of a risk" (McKellar, 2010). That means that even if "something bad happens" leading to possible disastrous effects if the second variable is "probability" is low, "the overall severity is limited"(McKellar 2010). The same argument could be made with the opposite statement: a higher probability of a low-impact harmful action represents a negligible scenario.

Risk is different from "a risk". Risk is a negative potentiality, or the hazard incurred by being in a particular situation" whereas "a risk" is a specific potential event or condition, such as kidnapping or a scandal. (McKellar 2010). Political risk, however, is a specific subset of risk that involves the possibility of political actions negatively affecting business operations. As Otto(Otto 2023)emphasizes, political risks are inherently linked to the intentional actions of political actors, which can range from changes in legislation to more subtle forms of political interference.

Political risk analysis is the a sophisticated process that evolved as stated above with different means and terms influenced by political authors, analysts, and on "ground experiences" that has its end in quantifying the extent and managing these risks. In other terms the potential impact of to be quantified magnitude political-related events and the probability of these occurring is what the analysis is "meant to assess"(McKellar 2010). However, the object of assessment which is the probability of a risk event is undoubtedly difficult and complex since not only current conditions are taken into account but also *potential future scenarios* (C. Sottilotta 2012). Historical examples of attempts of making pedictions of political scenarios started in Ancient Greece. There the Pythia of Delphi acted similarly to a modern political risk consultant firm, *providing predictions that, although shrouded in mysticism, were essentially attempts at assessing political risks based on perceived probabilities and potential impacts* (Hulsman 2018)

Political Risk Assessment: Macro, Micro Perspectives, and Judgment PR assessment

Sottilotta categorizes political risk variables into two primary levels: **macro** and **micro**. Macro-level risks pertain primarily to state stability and rely heavily on quantitative variables such as credit risk indicators. These include ratios like *capital inflows/debt service payments, debt service* *payments/external debt*, *external debt/GDP*, and the historical default record of a country (C. Sottilotta 2012)

In addition to purely quantitative approaches, some methodologies integrate expert judgment to account for qualitative, inherently "human" factors. Examples include techniques such as *grand tours*, *Delphi techniques*, and the reliance on "old hands." The Delphi method, for instance, involves “in looking [for] unstructured advice from experts such as journalists, diplomats, and executives with expertise in a specific country or region”(C. Sottilotta 2012).

Within this expansive landscape of risk assessment methodologies, other tools include political risk indices developed by analytical agencies such as the *Economist Intelligence Unit (EIU), Business Environment Risk Intelligence (BERI)*, and *Eurasia Group*. These indices combine expert opinions with political, social, and financial attributes to provide a comprehensive evaluation of country-specific risks.

At the micro level, Sottilotta focuses on political risks that directly influence specific business sectors, such as oil and gas—historically among the most exposed to political risks due to their operations in volatile international environments. Traditionally, major risks in this sector have included expropriations and nationalizations. Although such risks have declined significantly over time, more "sophisticated" forms of intervention such as *creeping expropriation*, have emerged. This refers to practices like *increasing tax rates on profits, which affect the profitability of the business over time* (C. E. Sottilotta 2016).Other examples include stringent regulations in sectors like banking, as seen during the 2008 financial crisis when new rules on *capital adequacy requirements and bank reserves requirements* were introduced (C.E. Sottilotta, 2016).

Sottilotta emphasizes that the methodology for assessing political risk varies depending on whether a macro or micro perspective is applied. For macro risks, an *index-based approach* is more suitable for analyzing the overarching risk dynamics of a particular country where operations are planned. In contrast, micro risks are more relevant to the specific activities of a business. For example, while a macro approach is particularly useful during the "exploratory phase" of a project, a micro perspective is crucial during the "operational phase." Hence, the focus at the micro level shifts from *country ratings* to continuous *monitoring* (C.E. Sottilotta, 2016).

An inextricable element of political risk analysis is **human judgment**. Human interpretation plays a decisive role in estimating the likelihood of political risks by converting political uncertainty into actionable risk assessments (Root 1972)

REPUTATIONAL RISK : TRUST AS A PRIMARY ASSET

In this section, I will undertake a comprehensive analysis of an aspect that, in my view, has received comparatively less attention within PRA studies. However, recent trends marked by heightened interconnectivity and an evolving social consciousness have propelled this factor to the forefront as a critical risk element to evaluate. The concept of a company's reputation, or as Harrison (Dickey, Harrison McKnight, e George 2007) refers to it, "trust," is aptly described as "the most valuable asset in the capitalist economy" (Dickey, Harrison McKnight, and George, 2007).Trust or reputation becomes particularly apparent when scrutinizing global financial markets. These markets witness the daily trade of immense asset volumes, often at speeds that exceed the pace at which "legal confirmation can be provided"(Swanepoel et al. 2017). The role of trust is indeed a core factor in enabling the everyday transactions and providing the market to be most efficient as possible (Swanepoel et al. 2017). At its core, reputation can be defined as "a stakeholder's evaluation of a company over time, as a socially shared impression or a consensus regarding a firm's behavior and performance in any given situation(Swanepoel et al. 2017). It may also be viewed as "collectively held beliefs concerning a company's ability and willingness to satisfy the interests of various stakeholders over time" (Swanepoel et al. 2017)Reputation has a multifaceted nature that encompasses direct stakeholder perceptions but has a broader component of societal acknowledgment. This "collective knowledge" is shaped by various actors, including consumers, who contribute to a shared understanding of the company's attributes and (Swanepoel et al. 2017).Stakeholders, broadly defined as "those groups without whose support the organization would cease to exist" , are integral to the concept of reputation. Freeman identifies core stakeholders as employees, customers, suppliers, financiers, shareholders, and society at large (Fitzsimmons e Atkins 2017). These groups collectively influence and are influenced by the company's reputation, underscoring the symbiotic relationship between an organization and its external environment.

Reputation: two sides of the coin

Reputation serves as a strategic resource with far-reaching implications for value creation. It has been shown to enhance a company's profitability, bolster competitive advantage over rivals , and mitigate adverse effects during crises by providing greater flexibility and maneuverability. A positive reputation also attracts investment, simplifies contract negotiations, and significantly influences consumer behavior in favorable ways. Furthermore, within organizational contexts, a strong reputation fosters employee trust, leading to reduced labor and capital cost.The "reputation effect" extends beyond financial and operational metrics. It plays a pivotal role in talent acquisition and retention, limiting employee turnover while correlating with superior overall returns (Arbe e Feria-Dominguez 2022; Swanepoel et al. 2017)Reputation is indeed not a merely passive attribute but an active driver of organizational sustainability and success.

In summary, reputation is a complex and dynamic construct that reflects a company's perceived ability to meet the expectations of its stakeholders and society at large. It is shaped over time through interactions, performance, and external perceptions, making it an invaluable asset in the contemporary capitalist economy. By fostering trust, enabling market efficiency, and enhancing competitive positioning, reputation emerges as a cornerstone of organizational resilience and long-term value creation.

Conversely, a poor reputation constitutes a severe signal of warning for an organization. Such a reputation is often coupled with an internal lack of awareness regarding the company's precarious position, further exacerbating its inability to manage emerging crises. The process of regaining a tarnished reputation is both time-consuming and resource-intensive, and many organizations find themselves unable to fully recover from such setbacks. This underscores the strategic significance of maintaining and enhancing reputational capital, which is evident in the productivity gains achieved by optimizing relationships with stakeholders (Swanepoel et al. 2017)At this juncture, the concept of "reputational risk" becomes critical. Reputational risk refers to the cumulative probability that events, whether arising from internal missteps or external factors, could adversely influence stakeholders' perceptions of the company's behavior, integrity, and performance. These events could arise from economic, societal, or environmental challenges directly linked to the company's operations or indirectly associated with actions taken by other organizations in its supply chain.

Reputational loss spillover

An intriguing dimension of reputational loss is its potential to generate spillover effects that extend beyond the company itself, impacting the broader industry. When a single company engages in compromising practices, or when a pattern of negative behavior emerges across multiple firms in a sector, the reputational damage often engulfs the entire industry. This phenomenon has been particularly evident in the banking sector, which has endured significant reputational challenges due to repeated crises with global consequences (Fitzsimmons e Atkins 2017). These crises, often rooted in unethical practices, have prompted regulatory bodies to impose increasingly stringent measures, further constraining the sector. Additionally, the erosion of public trust has not been confined to the directly implicated institutions but has cast a shadow over the entire industry (Previtali e Rose 2021)

John Cridland, former Director General of the Confederation of British Industry, highlighted the profound consequences of reputational loss within the banking industry, noting that the decline in public trust has undermined the credibility of the entire economic system. Similarly, Cridland referenced the Volkswagen emissions scandal as another case of reputational contagion. Beyond the immediate impact on Volkswagen—including a dramatic 40% reduction in stock value,the scandal irreversibly damaged the reputation of the automotive sector as a whole, with consequences likely to persist for decades (Gordon 2015).

MCKELLAR'S REPUTATIONAL RISK

Writing about reputational risk without acknowledging McKellar would be inconceivable. As discussed earlier, McKellar identifies reputation as one of the three critical assets at risk for any organization. He defines reputation as the "character" of a company, constructed and perceived by its primary stakeholders. These stakeholders include "owners/shareholders, staff, investors, and partners," along with broader societal entities in the environments where the firm operates. Unlike many authors work, McKellar's analysis emphasizes the dynamic and reciprocal nature of stakeholder relationships. His work stands out for explicitly identifying media and NGOs as key players in shaping—not merely perceiving—a company's character. These actors often act as moral arbiters, framing private companies within ethical or societal narratives. McKellar's contribution goes beyond traditional studies that focus on reputation as a source of competitive advantage. Instead, he underscores its foundational importance. Reputation, in his view, is indispensable for securing the trust and support of key stakeholders. Without it, companies face an uphill battle to sustain operations. Poor reputation is not merely a vulnerability; it can become an existential threat, potentially excluding the firm from the competitive landscape altogether.

Differentiating Risk Profiles

While reputational risk is universal, McKellar makes a crucial distinction between industries. Companies with long-term operational horizons, such as those in the oil and gas sector, often face less immediate reputational scrutiny. These firms frequently operate in regions where public opinion is underdeveloped or subdued by authoritarian governance, reducing the political risks associated with reputation. Additionally, their lack of direct consumer engagement affords them a buffer against reputational volatility. In contrast, "consumer-facing industries" (RICE e Zegart 2018)are far more susceptible to reputational risks due to their close interaction with the public. Businesses such as hotel chains, theme parks, and even newer sectors like social media management firms rely heavily on public perception to maintain their market position. These industries typically exhibit a low tolerance for reputational risk, compounded by their short-term investment horizons. Unlike extraction industries, these sectors are deeply embedded in consumer trust, making them highly vulnerable to shifts in public sentiment.

Perception and Stakeholder Influence

Reputation, as McKellar emphasizes, is fundamentally a construct of stakeholder perceptions. Importantly, not all stakeholders hold equal influence, and their significance varies based on historical and contextual dynamics. The simple perception of reputational risk is often enough to place a company’s reputation in jeopardy. Despite estimates suggesting that reputation constitutes approximately 27% of a company’s total value (Blacconiere e Patten 1994)), it remains an intangible asset that lacks explicit recognition on the balance sheet (Fitzsimmons e Atkins 2017).In sum, in an era of heightened public scrutiny and interconnected markets, reputation has transitioned from a secondary consideration to a central pillar of corporate strategy.

HEURISTIC’S ROLE AND SOCIAL CONTROL AGENTS

Heuristic and reputation: A Cognitive Shortcut in Decision-making

Without straying too far from the subject at hand, it is essential to briefly mention a "neuroscientific" aspect—heuristics—as it is a distinctly human mechanism that provides additional insight into why reputation is such a critical asset.

Heuristics serves as a mental shortcut, streamlining decision-making processes, particularly in the fast-paced and competitive realm of economic choices. In such contexts, heuristics enable individuals to bypass the inefficiencies of restarting logical reasoning with every decision. Instead, they rely on established patterns to efficiently navigate complex scenarios.Time-constrained or crisis situations further highlight the significance of heuristics. Decision-makers draw upon strategies such as confirmation bias, reliance on past experiences, trial and error, and the process of elimination. While the risks of over-reliance on heuristics are well-recognized, they remain indispensable tools in navigating high-stakes decisions («Heuristics: Definition, Pros & Cons, and Examples» 2025). Crucially, recognition and reputation emerge as foundational components of heuristic thinking, shaping individuals’ assessments of an organization’s trustworthiness and reliability (Fitzsimmons e Atkins 2017).

Social Control Agents: Guardians of Collective Order

Social control agents are actors that operate on behalf of a collective entity to preserve “social order”. These actors are tasked with maintaining societal order by identifying, labeling, and sanctioning behaviors that deviate from established norms, laws, or ethical standards. These agents define the parameters of acceptable conduct, bridging the gap between societal expectations and the actions of individuals or organizations. Their role is foundational in preserving the social fabric and ensuring orderly interactions within a community.

These agents represent collective institutions such as governments, regulatory bodies, professional organizations, and, in certain contexts, the media. Their actions are not autonomous but reflect the collective values, priorities, and norms of the societies they serve. A defining feature of social control agents is their capacity to enforce sanctions. These sanctions range from formal measures like fines and imprisonment to informal repercussions, including reputational harm and social ostracism. This enforcement capability distinguishes them from other influential actors, such as NGOs or advocacy groups, which lack the authority to directly impose penalties. A critical dimension of social control agents is their role in the social construction of deviance. By delineating the boundary between acceptable and unacceptable behavior, they shape societal norms and define misconduct. This process is inherently dynamic, evolving across cultural and economic contexts, making the concept of deviance both fluid and situational. The media, despite its lack of formal punitive authority, occupies a unique intermediary position among social control agents. By exposing misconduct and generating public pressure, the media often compels formal authorities to act, thereby amplifying the scope and impact of sanctions. The efficacy of social control agents is influenced by the context in which they operate. Variables such as prevailing social norms, political environments, and organizational dynamics shape their actions, often resulting in selective enforcement or inconsistent application of rules. This adaptability highlights the nuanced and complex nature of their role in managing societal and organizational challenges (Greve, Palmer, e Pozner 2010; Clemente e Gabbioneta 2017)In an increasingly interconnected world, the interplay between heuristics and the influence of social control agents underscores the intricate mechanisms that govern trust, reputation, and societal order.

WHERE REPUTATIONAL RISK COMES FROM?

Reputational risk arises from a combination of internal and external factors that interact in complex ways to shape how an organization is perceived by its stakeholders. In this complexity, however, we can attempt to establish two categories for the origins of risk, internal or corporate organizational misconduct, which is rooted in internal organizational behaviors, and what we could exogenous **or** political risk factors, which emerge from the organization's interactions with societal components.

Exogenous or PR factors influencing reputational risk arise from the intricate and often challenging relationships between an organization and its broader societal stakeholders. These exogenous factors include conflicting stakeholder expectations, failures in stakeholder engagement, and the inability to manage political risks effectively. Organizations often find themselves "trapped" between diverse stakeholder demands, struggling to balance the interests of civil society, governmental entities, and private groups. Such tensions can escalate during crises or when organizations fail to align their actions with societal expectations, leading to perceptions of insensitivity or irresponsibility. In the digital age, external reputational risks are further amplified by the role of media and whistleblowers. The speed and reach of modern communication channels can turn minor missteps into significant crises. Incidents such as the 2017 United Airlines scandal illustrate how external stakeholder reactions, coupled with the power of social media, can rapidly escalate a reputational issue. Similarly, whistleblowers like Edward Snowden demonstrate how revelations about organizational practices can lead to profound reputational consequences, driven by public scrutiny and societal expectations.

Corporate organizational misconduct refers to the internal actions or decisions of a company that deviate from legal, ethical, or socially responsible norms. These actions often stem from organizational cultures that prioritize short-term gains over ethical considerations or long-term sustainability. Misconduct can be deliberate, driven by structural pressures for efficiency or profit maximization, or inadvertent, resulting from cognitive biases and bounded rationality in decision-making processes. For instance, organizational environments that encourage a "results-at-all-costs" mindset or that lack transparent accountability mechanisms may foster behaviors that erode trust and legitimacy over time.

"Trapped" Between Stakeholders Instances

Reputational risk often arises from the intricate dynamics between a company and its diverse stakeholders. A company, for instance, might find itself caught between demands from various civil and private organizations—commonly referred to as stakeholders—that aim to influence its economic interests according to their expectations. In such a scenario, a company might face the risk of being unable to decide which side to accommodate, ultimately becoming the target of criticism from both institutions and finding itself under attack from all directions. Coordinating and organizing divergent stakeholders is inherently challenging because the key entities shaping our society—industry, government, academia, and NGOs—often operate in silos. These groups frequently possess differing value systems, operate at varying speeds, and prioritize different concerns, which complicates the creation of a robust, collective action plan that aligns the interests of all parties involved (McDonogh 2014; McKellar 2010).

Failing to Identify Stakeholders

A critical factor in reputational risk is a company's ability to identify and engage its political and social stakeholders effectively. According to (Wood et al. 2021) "Stakeholder conceptualization of the firm depends in great measure on the perceptions of managers, because despite the factual importance of stakeholders for any corporation, managers may or may not accurately perceive who their stakeholders are and whether/how they are important or salient; managers can, therefore, be unaware of or inaccurately interpret some non-contractual claims and harms." This reliance on subjective perceptions increases the likelihood that companies may fail to recognize or respond to essential stakeholders, leading to reputational damage. Such missteps can result in the company being seen as "insensitive to social interests," inviting severe criticism and adverse publicity that can extend beyond critics to include regulators, partners, customers, and shareholders (McKellar 2010). One underlying issue is the tendency of some companies to prioritize shareholders over stakeholders, consistent with the neoclassical theory of the firm, which emphasizes profit maximization above all else. This approach often creates a perception—or reinforces an existing one—that private companies disregard broader societal concerns. Such perceptions can severely undermine a company's legitimacy, particularly when significant and enduring harm is inflicted upon either the organization itself or its stakeholders (Venkataraman 2002)

Inability to Manage Political Risk

McKellar identifies the inability to manage political risk as a key contributor to reputational vulnerability. This risk, as with others, hinges on external perceptions of a firm's competence in navigating political risk and can manifest across three categories of "failure". First, there is the risk of exposing employees to undue hazards, such as those stemming from incidents in dangerous operational environments. Second, firms may be seen as incapable of managing the complexity of dynamics and competitive markets. Third, this perceived incompetence can hinder opportunities for collaboration with profitable partners, leading these entities to label the firm a "lame duck"(McKellar 2010). Furthermore, environmental pollution caused by the firm exemplifies an additional dimension of political risk. While economically it may constitute a social cost or market failure, politically, it transforms the victims of such pollution into sources of reputational liability.

Crisis and political context

Reputation often proves most fragile during crises. Stakeholders' responses become more pronounced as strategic challenges intensify. Understanding the risk tolerance and expectations of various stakeholders is critical to safeguarding a firm's stability. This is especially pertinent in private-public relationships, where corporate lobbying and direct political ties—including electoral campaign support—offer lucrative opportunities but also introduce significant complexities.

In favorable economic climates, political and corporate interests may align seamlessly. However, during crises—such as a public scandal—political support becomes uncertain. Politicians face their own conflicting pressures: on one hand, accountability to voters and scrutiny from the media, and on the other, their loyalty to corporate allies(Fitzsimmons e Atkins 2017)This duality creates a precarious balancing act that firms must navigate carefully.

Media, Legal Prosecutions And digital Age

The role of whistleblowers and the media has evolved into a formidable force in shaping corporate reputations. Once limited in scope and reliant on a narrow set of sources, investigative journalism has now expanded its reach dramatically, thanks to technological advancements. In the pre-internet era, journalists predominantly relied on disgruntled former employees or legal investigations. These judicial actions usually began only in the wake of severe events, such as an employee's death, and were protracted, often yielding inconclusive results unless supported by forensic or technical investigations conducted by specialized prosecutors.

In today's digital landscape, however, journalists have unprecedented access to sensitive information often by first-hand sources. Social media platforms, online databases, and secure communication channels have empowered sources to disclose confidential and damaging details with far less risk of exposure. Even a seemingly minor post or testimonial from an employee, stakeholder, or consumer can rapidly escalate into a significant reputational crisis for the firm (Fitzsimmons e Atkins 2017; RICE e Zegart 2018)

United Airlines 2017 incident

"Forty-eight percent of the world is online" (Rice & Zegart, 2018). The ubiquity of technology and its seamless integration into daily life have dramatically heightened the frequency and impact of reputational risks. A single smartphone and internet access can initiate a chain reaction with the potential to irreversibly damage a company's reputation. What was once the domain of dedicated activists has evolved into "social activism" embraced by individuals across all demographics. The 2017 United Airlines incident is a striking example of this phenomenon. To optimize costs, airlines commonly engage in the controversial yet lawful practice of overbooking, which involves selling more tickets than there are seats on a flight. This practice operates under the assumption that not all passengers will show up, leaving some seats empty but paid for. However, when all ticketed passengers do arrive, airlines face the challenging task of accommodating them. This often involves rebooking passengers, either voluntarily or involuntarily, to subsequent flights. On an April 2017 United Airlines flight, the overbooking policy led to four passengers being involuntarily selected to disembark. Despite the airline offering significant compensation for rebooking, the situation escalated when one passenger, Dr. David Dao, refused to comply. Confronted by Dao's resistance—and his extraordinary determination, as he returned to the aircraft after being removed—United Airlines staff resolved the situation through forceful intervention. Videos of the violent altercation, captured by fellow passengers, quickly went viral on social media. The footage was interpreted as evidence of racially motivated misconduct against Dao, who was of Asian descent. The aftermath was a public relations disaster. United Airlines' crisis management efforts were widely criticized, particularly the mishandling by CEO Oscar Munoz. This response exacerbated the damage, culminating in a $255 million loss in the airline's market value (Victor e Stevens 2017; Clemente e Gabbioneta 2017)

Whistleblowers, Snowden and the Role of the Media

Whistleblowers, often perceived as internal threats, can act as catalysts for profound reputational crises. Operating in environments where official channels and conventional media may be ineffective or compromised, whistleblowers often choose to expose their revelations directly to the public (Munro e Kenny 2023)They bypass internal mechanisms, leveraging external outlets such as media organizations or advocacy groups. Edward Snowden provides a prominent example. Recognizing complicity among his superiors at the NSA in systemic violations, he avoided internal reporting and instead disclosed classified information externally (Snowden 2019) This, coupled with the widespread availability of advanced technology, underscores the unpredictable nature of whistleblower activity for corporations. Snowden's revelations were supported by a robust network of journalists, human rights activists, legal experts, and NGOs. He even secured asylum in a foreign country to evade prosecution in the United States (Munro e Kenny 2023)

Drawing on Foucault's concept of parrhesia, whistleblowers embody the act of "speaking truth to power," often at great personal risk. Snowden's disclosures unveiled a profound crisis within Western democracies, exposing the erosion of privacy and constitutional rights under the guise of national security (Benkler 2014)

UNDERSTANDING ORGANIZATIONAL MISCONDUCT

Organizational misconduct, as defined by Greve, Palmer, and Pozner (2010), refers to behaviors conducted within or by an organization that social control agents deem as "transgressive," crossing the line between right and wrong. This boundary delineates what is considered legal versus illegal, ethical versus unethical, and socially responsible versus irresponsible. As previously explained, the role of social control agents is fundamental. Misconduct arises from the actions of the organization and the judgments of these agents. The literature offers various theories explaining the formation of misconduct, several of which are particularly relevant to this thesis.

Rational Misconduct: Deliberate Actions and Structural Pressures

A prominent theoretical lens views misconduct as a rational calculation by organizations or their employees. Rational misconduct involves knowingly engaging in illegal, unethical, or risky behaviors because the perceived benefits outweigh the potential costs. This perspective, referred to as "rational misconduct," aligns with the theory of optimal misconduct, which posits that such behaviors are an intrinsic aspect of organizational operations, driven by the pursuit of efficiency and profit maximization.The concept of bounded rationality, as discussed by Greve et al. (2010), adds another layer of complexity. Decision-makers often operate under cognitive and informational constraints, leading them to prioritize short-term gains over ethical considerations or long-term consequences. Cognitive biases, such as plausible deniability, exacerbate this issue by enabling individuals to deflect responsibility onto external circumstances. Additionally, moral seduction theory highlights how individuals can be incrementally drawn into unethical behaviors due to internal organizational pressures and external environmental factors.

The Role of Organizational Culture, Structure, and Processes

Organizational culture is a critical determinant of misconduct. Cultures that emphasize achieving goals "at any cost" create an environment where unethical practices are normalized and even encouraged. Clemente and Gabbioneta (2017) illustrate how such cultures legitimize misconduct, reinforcing behaviors that prioritize outcomes over ethical processes. This perspective is closely related to Merton’s (1938) strain theory, which asserts that excessive emphasis on achieving results can compel individuals and organizations to transgress ethical or legal boundaries.Structural and procedural factors also contribute to misconduct. Hierarchical rigidity and opaque decision-making processes distribute accountability unevenly, making it easier for unethical actions to go unnoticed or unpunished.

Systemic Influences: External Pressures and Evolving Norms

Misbehavior is also shaped by external factors, including market pressures and inadequate regulatory oversight. Greve et al. (2010) emphasize that organizations operate within environments characterized by fluid social norms, where the boundaries between acceptable and unacceptable behavior shift over time. This creates a grey area in which companies may experiment with questionable practices to gain a competitive advantage. External pressures from stakeholders and market dynamics further influence the probability and nature of corporate misconduct.

NAVIGATING THE CYCLES OF REPUTATIONAL DAMAGE

Building, Breaking and Rebuilding Corporate Reputation

The dynamics of reputational risk position a company within a continuous cycle of building, destroying, and rebuilding its reputation. Reputation exists not only as a reflection of stakeholder perceptions but also as a product of collective memory regarding the organization's history. Central to this dynamic is the "halo effect," a cognitive bias wherein human judgment skews toward overestimating reputations, both positively and negatively. Companies with favorable reputations may find their missteps forgiven, while those with tarnished reputations face harsher scrutiny for minor infractions. In either case, reputational standing is subjected to reevaluation following a triggering event.These triggering events—ranging from minor crises to large-scale scandals—gain significance through the scrutiny of stakeholders and media. Modern media's omnipresence on the internet amplifies this dynamic, as online information is almost impossible to control. Once a story breaks, it becomes layered with additional commentary, opinions, and reinterpretations, often expanding its reach and impact (Fitzsimmons e Atkins 2017).

Public reaction, Emotions and Outrage

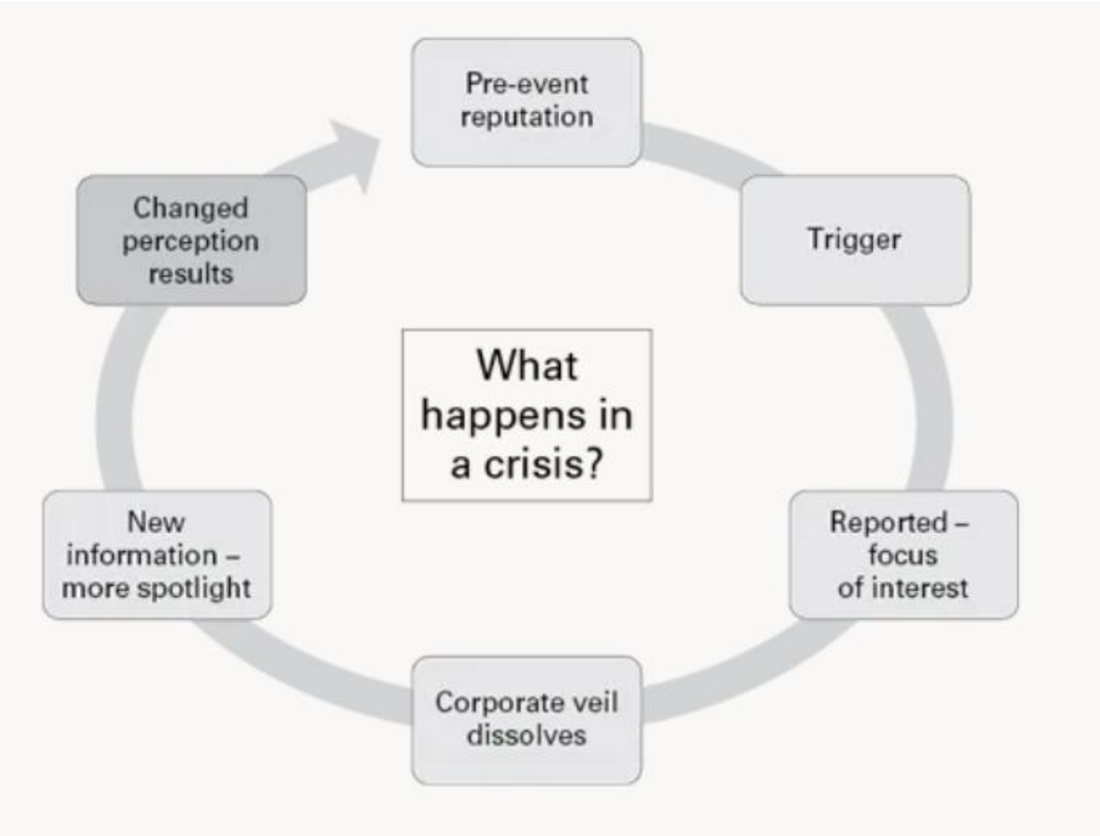
Stakeholders' responses to reputational triggers often include a search for accountability so who was responsible, why that event happened and lessons to prevent future occurrences. These inquiries shape expectations about potential negative developments within markets and organizations. What could worsen everything is the formation of "outrage", a powerful and multifaceted emotion that drives social amplification. According to Professor Art Markman, outrage comprises three elements: negative affect, high arousal, and a reaction to perceived moral boundary violations. These boundaries represent societal values deemed inviolable, and their breach triggers intense emotional and social responses. Once a transgression breach a moral boundary,we enter the world of the scandal.

Scandals, in turn, can evolve into "social dramas"—ritualistic confrontations with transgressors that result in sanctions. From a sociological perspective, legal systems and their associated penalties often mirror this ritualistic schema, rooted in the sentiment of outrage ((Jacobsson e Löfmarck 2008; Fitzsimmons e Atkins 2017). However, these aspects will be explored further in subsequent sections.

Crisis Management and Media Dynamics

In response to reputational crises, companies may attempt to deflect blame onto external parties to mitigate responsibility. However, such a strategy undermines the leadership's credibility, revealing a lack of effective crisis management. This approach is often exacerbated by media dynamics that generate new narratives, ensuring the story's continued presence in public discourse (Fitzsimmons & Atkins, 2017).

When incidents involve national significance—such as industrial disasters with high casualties—political actors may capitalize on the event to align with public sentiment or support local organizations. These interactions further underscore the complexity of managing reputational risk in a highly interconnected and scrutinized environment.



What Happens In a Crisis? (Fitzsimmons e Atkins 2017)

MITIGATING RISK AND BUILDING RESILIENCE

Lobbying and Political Ties

Lobbying serves as a democratic participation tool, enabling companies and organizations of all sizes to influence political decision-making. This practice offers significant advantages, especially during periods of crisis and political uncertainty. Direct political connections provide companies with an "informational advantage regarding future political events and how they might affect the company" (Timbate et al. 2024).Consequently, lobbying increases a firm's risk-taking capacity, particularly in uncertain political climates, by instilling greater confidence in making critical decisions.

Lobbying also enables companies to shape legislation, gain access to otherwise inaccessible financial resources, and secure favorable treatment during economic downturns (Hung, Wong, e Zhang 2015). In summary, lobbying offers three primary mechanisms for mitigating reputational risk. The fist one is the Reduction of regulatory uncertainty: providing access to future political and legal decisions relevant to the firm and its market, thereby serving a long-term preventive function. The second one is about **c**reation of social capital that translates in building direct relationships with political decision-makers (Timbate et al. 2024). The last one regards **s**haping public narratives and regulatory responses as evidenced by financial institutions during the aftermath of the 2008 financial crisis, where lobbying efforts mitigated backlash and influenced reforms (Borisov, Goldman, e Gupta 2016)

However, the other side of lobbying emerges in public scandals exposing corruption and collusion between politics and private entities. A significant example occurred on January 3, 2006, when Jack Abramoff, a prominent Washington lobbyist, pleaded guilty to bribing government officials. The case, described as "the biggest public corruption scandal in a generation," drew unprecedented public and media scrutiny to lobbying practices. The immediate reaction included public pressure to limit unethical lobbying practices and a shift among members of Congress who became "allergic to lobbyists… nervous about taking calls and holding meetings, let alone attending lavish trips to Scotland" (Borisov, Goldman, & Gupta, 2016).

This precedent led to the introduction of 20 legislative proposals between 2006 and 2007 aimed at regulating lobbying. However, it also significantly altered the reputational perception of companies engaged in lobbying. According to Borisov, Goldman, and Gupta (2016), companies involved in lobbying during this period experienced substantial market value losses. To mitigate the negative effects of involvement in unethical lobbying practices, companies can strengthen their position by adopting a robust code of ethics and engaging in Corporate Social Responsibility (CSR) initiatives.

This dual approach helps to counterbalance the risks associated with lobbying and reinforces a firm’s commitment to ethical practices.

Risk Mitigation View and Corporate Social Responsibility

The "risk mitigation view" theory highlights the role of virtuous practices such as signaling theory and CSR (Corporate Social Responsibility) in creating a reservoir of moral capital to protect companies in the event of adverse situations, including political risk (not limited to reputational risk). CSR has a mitigating value that enhances organizational resilience, defined as a company's ability to prevent crises, recover quickly from shocks, and develop flexibility and adaptability.

The Role of CSR

Corporate Social Responsibility (CSR) refers to a company’s commitment to minimizing or eliminating the negative social, environmental, and economic impacts of its operations while enhancing long-term benefits to society. As Mohr et al. (2001) define it, CSR is a deliberate effort by organizations to align their operations with societal welfare. Similarly, Melo and Garrido-Morgado (2011) emphasize CSR as a key driver of reputation and a source of competitive advantage when integrated into corporate strategy. Beyond mere compliance with regulatory obligations, CSR activities often include philanthropic efforts, sustainable business practices, and ethical governance.

CSR, much like corporate reputation, is shaped by evaluations of an organization’s financial, social, and environmental performance over time (Blacconiere e Patten 1994). This perspective is particularly relevant for companies with political ties or lobbying activities, as these firms are more exposed to political risks (Chatjuthamard et al. 2020). According to the "moral capital theory," positive moral capital serves as counterfactual evidence to mitigate negative stakeholder reactions arising from the firm’s uncharacteristic actions, which could otherwise damage its relationships with stakeholders (Chatjuthamard et al., 2020). This concept aligns with signaling theory, which posits that "voluntary disclosure sends a signal about firm quality and value and conveys information to reduce information asymmetry among market participants" (Laksmana, Harjoto, e Kim 2023). Firms can use specific signals to communicate information to the market, and these signals are deemed credible because they are costly and irrational for underperforming managers to imitate. CSR functions as a form of disclosure that reflects a company’s business model, demonstrating its resilience to external risks. The risk mitigation perspective supports the idea that CSR helps in protecting shareholder value when adverse events occur.

Relations with the Media

According to the perspective of Greve, Palmer, & Pozner (2010) and Palmer (2012), organizational "wrongdoing" arises from a "two-way interaction between organizations and social control agents." Social control agents play a critical role in defining ethical, legal, and socially responsible behaviors while determining whether organizations have crossed these boundaries. Among these agents, the media occupies a particularly influential position.

The media serves as the "main publicizer of a transgression that social control agents have ratified," bringing instances of misconduct to the attention of a broad audience. Beyond publicizing negative actions, the media wields significant power in "influencing the perception of a transgression through applying different frames." These frames, or "social constructions of wrongdoing," actively transform behaviors into condemnable actions. The media not only determines how transgressions are perceived but also affects their **magnitude** and **consequences**. As Clemente and Gabbioneta (2017) argue, the media acts as the pivotal discriminator, distinguishing between transgressions that escalate into full-fledged scandals and those that remain obscured within the daily news cycle.Maintaining strong relationships with the media is therefore crucial. One explicit strategy is for companies to establish direct connections with media outlets or editorial groups. Prominent examples include Jeff Bezos' acquisition of *The Washington Post*, Elon Musk's purchase of Twitter (now X), and Silvio Berlusconi's Fininvest media empire in Italy. These cases illustrate how media ownership can influence the narrative around companies and their leaders.

The Role of Media Control in Enhancing Corporate Reputation

By leveraging control over traditional media outlets or social platforms, businesses can shape public narratives, amplify positive content, and mitigate reputational risks. Jin, Abilgaziyeva, and Lam (2020) highlight how media ownership by private entities often leads to prioritization of content aligned with the owners' interests, offering an effective tool for shaping public perceptions. This alignment allows companies to emphasize achievements, innovations, and Corporate Social Responsibility (CSR) initiatives, ensuring a continuous stream of positive messaging that builds stakeholder trust and confidence(Jin, Abilgaziyeva, e Lam 2020).

The case of Amazon's acquisition of *The Washington Post* provides a striking example. Following the acquisition, the newspaper frequently highlighted positive news about Amazon and Jeff Bezos, producing detailed articles with favorable connotations compared to other outlets such as *The New York Times*. Furthermore, the publication speed of favorable articles increased, while negative news was often delayed. Jin, Abilgaziyeva, and Lam (2020) note that "The publication time is a significant dimension of news reporting that could influence the materiality or usefulness of the information provided to investors."

Media as a Tool for Crisis Mitigation

When a company faces reputational risks, the media becomes a critical tool for managing and mitigating these effects. In the case of Amazon, the ownership of *The Washington Post* not only amplified positive narratives but also strategically downplayed or delayed negative stories about the company or its CEO, Jeff Bezos. The "connotation of an article," or its tone and sentiment, plays a subtle but impactful role in shaping public perception. By using more favorable language in reports about Bezos' company, the newspaper demonstrated how media ownership can subtly but effectively influence audience reactions.

Strategic Media Engagement: A Double-Edged Sword

While media control can offer significant advantages in reputation management, it also comes with risks. Overreliance on favorable coverage or manipulation of narratives can backfire if audiences perceive bias, potentially eroding trust. Additionally, regulatory scrutiny and ethical concerns may arise, particularly when media ownership blurs the line between journalism and corporate interests.

To maximize the benefits while mitigating risks, companies should adopt a balanced approach. This includes fostering transparent relationships with independent media outlets, engaging in ethical journalism practices, and leveraging media platforms to promote authentic, value-driven narratives. By doing so, companies can effectively manage public sentiment, safeguard their reputation, and maintain credibility even during crises.

CORPORATE SCANDAL

In this chapter, I will analyze what is recognized as one of the most detrimental and outrageous events, acknowledged as one of the most pressing and enduring social problems in business: scandals and corporate scandals.

Scandals have the potential to bring down entire corporations, trigger chaos in civil society, disrupt corporate ecosystems, lead to the dismissal of executives, and cause turmoil in financial markets. Among the various legal and financial repercussions that scandals impose on companies, the most significant consequence is reputational damage, which, according to Kjær (2024), is estimated to be 7.5 times higher than the sum of all penalties imposed by legal and regulatory systems on companies caught engaging in misconduct.

To mitigate such risks, corporations have invested hundreds of trillions of dollars in ESG-related assets (Berg 2022).However, as Kjær (2024) paradoxically highlights, it is precisely these ESG-rated firms that appear to be most exposed to scandals, casting a shadow over the credibility of ESG ratings.

Ultimately, it is primarily social control agents in concert with the audience and a specific type of social control agents, the media who act as the arbiters of a company's fate, determining its standing by labeling specific actions or associations as scandalous.

In the context of Multinational Corporations (MNCs), a corporate scandal can be conceptualized as a progressive process that originates from an instance of misconduct and subsequently results in the public stigmatization of the implicated entity, though this does not necessarily culminate in formal punitive measures (Daudigeos, Roulet, e Valiorgue 2020). Furthermore, this stigmatization effect frequently extends beyond the initial transgressor, contaminating affiliated parties and thereby transforming the scandal into a pervasive social phenomenon.

What is a scandal? As observed by many scholars there is indeed a disagreement on the minimum terms "who, what, and when" elements (Basinger and Rottinghaus, 2012; Nyhan,2015) that define it. Historical, social, cultural, and even religious factors are based on our perception of what is or isn't a scandal. Scandal is for several aspects a "social reminder" for actions that highlight behavior or act against moral principles but that do not represent a breach of the law (Tumber e Waisbord 2004). Colin Harrison describing the New York City scenarios reflects on the etymology of the word. Scandal comes from the word "scandalum", "stumbling block, temptation, trap" and subsequently from the ancient French "scandale", "cause of sin"(Busby 2022). An individual who commits a scandal inevitably worsens his social status. In this sense, humiliation and scandal consequences are similar: both of them involve the fact that “The fall must appear irreversible. Suffering is necessary”(Busby 2022) A more politically addressed definition of scandal is “public revelation of previously concealed misconduct” (Dewberry 2015) or in a less sugar-coated way “scandal is corruption revealed”(Lowi 1988).

Still, even here, in reality, there are additional factors that complicate things, one of which is, for example, the role of the media. “A behavior becomes a transgression only if it is perceived as such”, this means that the media convey behavior by “applying different frames”, thus being able to influence the public's perception of it (Clemente e Gabbioneta 2017). Framing is “the process by which a communication source, such as a news organization, defines and constructs a political issue or public controversy”(Clemente e Gabbioneta 2017).

Key Elements of a Scandal

The concept of a scandal is underpinned by several key elements that recur across scholarly literature. At its core, a scandal involves secrecy, where certain acts or information are deliberately concealed from public view. This concealment is often followed by a violation of widely accepted moral or ethical norms, creating a breach that resonates beyond private spheres and into the public domain. Public disapproval plays a critical role, as observers who are not directly involved express negative reactions to the perceived transgression. These reactions often escalate into explicit condemnation, with involved parties being publicly denounced. Finally, scandals typically result in reputational decline, causing significant and often lasting damage to the social or professional standing of those implicated (Thetela 2003)

It is important to note that the conclusion of a scandal does not coincide with its occurrence or discovery. Instead, scandals unfold procedurally over time, with each element reinforcing the others in a cumulative manner. While individual factors such as secrecy, norm violation, or public disapproval may not independently carry the same destructive power, their combination amplifies the overall impact. Public shaming and reputational damage, for instance, work synergistically to intensify the consequences. As the scandal progresses through its stages, its effects extend far beyond the initial moral violation. What begins as a single act of wrongdoing evolves into a broader narrative, one that catalyzes more intense and unpredictable developments *(*Busby 2022*)*This dynamic process underscores the complexity and far-reaching implications of scandals in both societal and organizational contexts.

Scandals as Social Phenomena

Scandals serve as reflections of societal values and norms, highlighting the tension between individual actions and collective expectations. They act as cautionary tales, reinforcing moral boundaries and societal standards. At the same time, scandals reveal the fragility of reputations, demonstrating how quickly public trust can be eroded. Furthermore, scandals underscore the interplay between power, accountability, and public scrutiny. High-profile figures or organizations are often held to stricter standards, and their transgressions are more likely to attract widespread attention. The media's role in amplifying these stories ensures that scandals remain a focal point of public discourse, shaping perceptions of morality and ethics on a societal scale. Scandals are not merely isolated events; they are dynamic processes that evolve over time, shaped by cultural, historical, and media-driven factors. Understanding their elements and trajectories provides valuable insights into the mechanisms of reputation, morality, and public perception in contemporary society.

SCANDAL EFFECTS AND POLITICAL RISK

As previously discussed, scandals take the form of a ritual through which modern societies *assert their core values… ultimately reinforcing the norms, conventions, and institutions* (Daudigeos, Roulet, e Valiorgue 2020; Adut 2005)by confronting the transgressions of their members—in this case, organizations. The political and regulatory environment is thus transformed in response to the unfolding of a scandal.

Scandals impact the regulatory landscape of the industry in which the scandal-affected organization operates. As observed in the cases of *Enron* and *Danske Bank*, scandals have triggered regulatory tightening. Specifically, in the case of Enron, regulatory changes extended beyond the industry of accounting to affect all American corporations (Watts, Maniam, e Leavell 2018).Similarly, the *Nike* scandal heightened scrutiny over corporations outsourcing manufacturing to regions with weak labor rights protections.

When Scandal Arises from Political Ties (Knill et al. 2020)

A distinct type of scandal emerges from the public relations between corporations and politically exposed actors entangled in misconduct. While corporate-political ties often provide advantages to firms, they also entail risks, particularly when these relationships are highly visible. A notable example is the *Political Action Committee (PAC)* system in the U.S., which allows a maximum donation of $5,000 per candidate. In theory, this modest sum enables corporations to support a significant number of congressional candidates without incurring substantial financial burdens. Given that the U.S. Congress comprises 535 members, with a third of seats renewed annually, this system should make widespread corporate political contributions feasible. Nevertheless, only 33% of firms contribute to congressional campaigns each year.

As highlighted by Knill et al. (2020), the true cost of corporate-political connections extends beyond campaign contributions. Politics is not immune to severe scandals. *We conjecture that an undocumented cost to a firm of an ongoing political connection is a reputational spillover and a reduced connection effectiveness mechanism that occurs when the congressperson is embroiled in wrongdoing.* On one hand, reputational damage to the congressperson imposes a *reputational penalty* on the market value of connected firms, as customers, suppliers, and financial institutions *back away* from them. On the other hand, a congressperson who remains in office despite a scandal may face internal sanctions that curtail their ability to favor affiliated firms.

Ultimately, the study demonstrates that corporations connected to politicians embroiled in scandals suffer both financial and reputational damage. In financial terms, the *Tobin's Q*—an economic indicator developed by James Tobin that measures the ratio between a firm's market value and the replacement cost of its assets—declines in direct proportion to the number of political ties to scandalized figures. The greater the number of such ties, the more significant the drop in the firm's Tobin's Q value. Furthermore, the financial impact intensifies if the politician remains in office rather than resigning.

According to the study's estimates, for each compromised politician, the market capitalization of connected firms declines by approximately $400 million, with an additional $124 million loss per scandal occurring within the same year. Additionally, *reputational spillover* from the politician to the corporation exacerbates damage, particularly when the misconduct is widely covered by the media and involves criminal activity. The study further highlights that, in cases where the implicated politician refuses to resign, the firm's *reputation score*—calculated based on *CSR performance, cost of debt, and sales growth decline*—drops by 1.8%. These negative effects are exacerbated when the politician held significant power and leadership positions prior to the scandal's disclosure (Knill et al. 2020)

Scandal as Catalysts for Collective Actions

Corporate scandals have a pervasive function in society. They *"shake up political contexts and make firms more or less targetable by activists"* (Daudigeos, Roulet, e Valiorgue 2020).The primary effect of a scandal on an organization is the *convergence of contention toward a single target*, simplifying the causes of social disorder by identifying a scapegoat and transitioning the misconduct from the private to the public domain. This process reactivates social control agents, the audience, and political actors, thereby enabling new *political opportunity structures (POS)*.

POS refers to the *"consistent dimensions of the political environment that provide incentives for people to undertake collective action"*. The convergence process facilitates connections among various stakeholders, forming a coalition capable of launching a campaign against the implicated organization. Among these actors are *fringe stakeholders*—individuals or groups with strong grievances against an organization but lacking sufficient power or influence to exert pressure. Their marginalization primarily stems from weak organizational structures or heterogeneity in their goals. Fringe stakeholders include communities affected by multinational corporations' activities, workers with limited union protections, and environmental advocacy groups.

Corporate scandals serve as opportunities for these groups to mobilize, define common objectives, and secure influential allies such as international NGOs, media, and governments. The case of *Nike's sweatshop scandal* (Mcdonnell e King 2015) illustrates this dynamic. Until 1996, when *Life* magazine published an exposé on Nike's labor practices in Pakistan, the company's use of sweatshop labor—including child labor—was not widely scrutinized. However, the publication of the article framed the issue as a scandal, prompting media, NGOs, labor unions, and public figures to unite in pressuring the company to improve working conditions.

This case demonstrates two key effects of scandals: first, they compel organizations to adopt costlier policies to mitigate reputational damage; second, they empower mobilization groups by enhancing their bargaining power over the scandalized corporation. Nike, unable to suppress the accusations from mobilized groups, inadvertently strengthened the influence of fringe stakeholders. These actors, typically considered secondary in political risk contexts, gained leverage due to the scandal's exposure and framing. («The Nike Saga: Winning at All Costs» 2022)

Scandal Triggers Continuous Monitoring Of The Organization By Social Collectivity

Another significant negative impact of corporate scandals, as previously discussed, is reputational damage. The reputational harm caused by a scandal can take on the form of *collective memory*. Scandals lead to a *"common recollection of the deviance by the stakeholders"* (Mena et al. 2016)Many instances of corporate misconduct become *"victims of time"*, forgotten by the stakeholder mnemonic community. However, when a scandal gains *stickiness* (see section on scandal stickiness), public recollection persists, exerting continuous pressure on the accused organization. Consequently, the organization is compelled to *"formalize a policy to monitor and eradicate such practices"* (Daudigeos, Roulet, e Valiorgue 2020)

Scandal Reputation Spillover Effects To Connected Firms And Political Connections

A corporate scandal induces structural transformations of unanticipated magnitude, reshaping the political context at least temporarily. For the entity deemed responsible for the transgression, the scandal leads to the dissolution of alliances and restricted access to critical resources. The contagion effect of a corporate scandal extends beyond the implicated firm, impacting associated organizations and institutions. This phenomenon has significant implications for the Corporate Political Opportunity Structure (Corporate POS):

When a corporate scandal unfolds, its impact extends beyond the incriminated firm to affect interconnected organizations and institutions. The reputational damage inflicted by the scandal not only tarnishes the accused company but also reverberates through its network of main customers, suppliers, and business partners. These entities are compelled to justify their previous associations with the now-deviant organization, as highlighted by (Briscoe, Gupta, e Anner 2015) Briscoe, Gupta, and Anner (2015). In response to the reputational risk, these stakeholders may reassess their relationships with the accused firm, potentially severing partnerships or adopting more socially responsible positions to mitigate the fallout.

The threat of reputational contagion further compels former allies of the multinational corporation (MNC) to engage more seriously with the concerns raised by fringe stakeholders. Failure to address these claims could expose them to secondary reputational damage, often referred to as "courtesy stigma." Business partners and stakeholders closely tied to the targeted MNC may choose to align themselves with activist demands as a strategy to distance themselves from the scandal and restore their legitimacy. Additionally, high-ranking executives within affiliated organizations might recognize the validity of the controversy and leverage their influence to advocate for meaningful changes in corporate policies, as noted by Briscoe, Chin, and Hambrick (2014).(BRISCOE, CHIN, e HAMBRICK 2014)

Furthermore, the scandal leads to a temporary erosion of the political capital previously enjoyed by the MNC. Political figures and influential stakeholders may withdraw their support to avoid being tainted by association with the scandal. Conversely, this situation provides an opportunity for fringe stakeholders, whose voices were previously marginalized, to gain increased credibility and recognition from key institutions and elite groups. This shift highlights the dynamic interplay between corporate scandals, reputational dynamics, and stakeholder engagement, underscoring the broader implications of such events on organizational networks and societal structures.

Political risk evaluation

To summarize, the cost for a corporation associated with a scandal includes abandonment by affiliated organizations, which may sever partnerships, and withdrawal of political support from key figures who seek to distance themselves from reputational damage.

Financial Spillover Effect

As observed, a corporate scandal leads to severe economic consequences for the implicated organization. However, as demonstrated by the *Dieselgate* case, these effects are not confined to the company alone but extend sector-wide. For Volkswagen, the total financial loss amounted to €27.4 billion, comprising predominantly abnormal losses. Furthermore, European competitors, including *Daimler, BMW, and Renault*, experienced similar declines in equity market values. In contrast, non-European competitors did not report related financial losses.

In conclusion, regarding financial spillover effects, geographical proximity appears to be a critical factor. Beyond industry-specific organizations, regional suppliers also suffered financial losses, whereas non-regional suppliers remained unaffected(Barth et al. 2022)

Political Risk Evaluation

In summary, in the event of a corporate scandal, regional competitors might initially support the implicated firm, whereas extra-regional competitors may exploit the market loss to capture the vacated space of both the scandalized company and local competitors. However, if reputational spillover is high, regional competitors may also choose to distance themselves and position themselves in direct competition with the scandalized firm.

ADUT'S SCANDAL THEORY

Adut's scandal theory provides a comprehensive framework for understanding the dynamics and repercussions of scandals. Within the academic discourse, the first distinction in the academic field is between those who analyze a scandal from an "objectivist" perspective. In this case, a scandal is viewed as the "tip of the iceberg." A scandal is a public revelation of a criminal act in itself, or of a transgression that triggers a reaction in the "public," usually negative. Another perspective, the constructivist approach, sees a scandal as foundational to the creation "of a collective consciousness of society," shaping its morality and norms. A scandal can also be seen as a social control mechanism or a ritual through which groups assert their core values and purify themselves by publicly marking certain individuals and behaviors as deviant. Despite these differing perspectives a constant factor remains: scandal universally evoke significant emotional energy. As Adut explains, a scandal is best understood as a "disruptive publicity of transgression." The "publicity" of a scandal occurs when "members of the public are exposed simultaneously to a transgression from a single source of communication," which is distinct from "knowledge" or "rumors" which are ambiguous sources of information. The public is also referred to as the "Norm audience," which is a "public united by some level of identification with the norm violated," making it extremely responsive both positively and negatively. The "publicity" has characteristics that impose the transgression on the audience and "make it costly for those who would otherwise ignore the transgression to do so." Publicity is what Adut calls "externalities." This means that, besides the negative effects a scandal generates for the "offender" and the immediate victim of the transgression, there are also effects on the "audiences, authorities, and associates of the offender."

Contaminations

The offender's status is also a primary factor in the severity and publicity of a scandal. "The high status of the offender (a person or an institution) tends to transform transgressions into scandals, mainly because it multiplies these effects." Elites are conceived as "role models." It does not matter whether the person or the institution they represent, or the institution itself, carries no moral weight, as seen in the sexual scandals involving the Catholic Church. There is indeed a "semiotic association" because the elite or institution exerts real power over the normative audience, and consequently, this practical power is linked with moral authority. The power of the scandal lies in its effects on society: the greater these effects, the more significant the collective process it generates. The logic underlying legal processes is individualistic, whereas popular processes belong to a collectivist logic. This type of process "may often contradict rationality," and the public nature of the scandal spills over onto the audience and those who expose the scandal. The irrational aspect that arises lies in the logic of shame.

The scandal contaminates those close to it and can even have generational viscosity. An aggravating factor, at least in our society, is the sexual component: "Sexual transgressions tend to have a polluting viscosity" (Adut 2005)

Provocations

Adut identifies a second externality: provocations. These occur when a transgression openly challenges both public norms and authoritative structures. If a transgressor publicly flaunts their wrongdoing, it not only constitutes an offense but also questions the validity of the value system upheld by spectators. Such actions can urge imitation, as the public display of transgression risks normalizing the behavior. When the violated norm is already struggling for legitimacy, this can have catastrophic consequences. Adut argues that “Well-publicized acts of violation can set off motivational cascades and inspire others to breach” . This cascading effect demonstrates how scandals can destabilize societal norms, particularly when the transgression resonates with preexisting vulnerabilities within the normative framework. The provocation posed by such transgressions underscores the potential for scandals to catalyze broader cultural and institutional shifts.

Scandals function as both mirrors and catalysts, reflecting societal values while simultaneously reshaping them. The role of media as a conduit for scandalous publicity amplifies these dynamics, transforming isolated events into widespread phenomena.

MEDIA ROLE IN SCANDAL PRODUCTION

As has been emphasized repeatedly, organizational wrongdoing emerges from a two-way interaction between organizations and social control agents. Among these agents, the media plays a particularly critical role in shaping the image and reputation of affected companies. The media's influence is arguably the most significant concerning the "knowledge" and "perception" factors of organizational wrongdoing. The primary tools wielded by the media include "framing," which enables them to shape how a transgression is perceived—either amplifying it or, as observed in the case of *The Washington Post*, attenuating it. Additionally, the media remains, by default, the primary "publicizer" of misconduct, bringing incidents to the attention of the general public.

This role becomes even more pronounced when discussing scandals. As previously noted, scandals are "highly consequential events for the organizations involved in wrongdoing, their affiliations and can even lead to broader institutional change at the societal level" (Clemente, Durand, & Roulet, 2017). According to various scholars(Adut 2005; D. Thompson 2024),scandals are inextricably linked to the media, which publicizes transgressions and provokes public disapproval. The public's emotional response to a scandal is heavily influenced by how the media manages the news. Decisions about how much time and attention to dedicate to the misbehavior, as well as the narrative framing applied, determine whether a story becomes a full-blown scandal or fades into the vast sea of information.

For a story to escalate into a scandal, the media must apply a "scandalous" framing. As Entman (1993) explains, "Framing involves selection and salience”(Entman 1993). To frame is to select some aspects of a perceived reality and make them more salient in a communicating text, in such a way as to promote a particular problem definition, causal interpretation, moral evaluation, and/or treatment recommendation." This framing process has a profound impact on public opinion, shaping how audiences perceive and react to a given story. Particularly during crises, framing often simplifies narratives into "good versus bad" dichotomies. For instance, in the conflict between Greenpeace and British Petroleum (BP), the media predominantly portrayed Greenpeace as a trustworthy advocate, while BP was cast as the villain. Despite both parties being directly involved in the dispute, the framing tilted public perception heavily in favor of Greenpeace.

Media Influence in Scandal Dynamics

The media’s ability to amplify or diminish the significance of misconduct is rooted in its control over several critical elements. First, attention allocation plays a pivotal role; the extent and duration of coverage given to a transgression dictate its visibility and ensure that the story remains embedded in public discourse. Second, framing techniques allow the media to shape how a story is interpreted by selectively emphasizing certain aspects and imbuing it with moral undertones. Finally, temporal context—the timing of coverage—can significantly influence the emotional resonance of a scandal. For instance, rapid dissemination during a crisis can heighten its impact, while delayed or sporadic reporting may dilute its significance. Collectively, these factors determine whether a transgression escalates into a full-blown scandal or remains a minor infraction. By framing misconduct in ways that evoke strong emotional responses, the media has the power to transform isolated incidents into pivotal societal events. Conversely, by downplaying or strategically delaying coverage, the media can shield certain entities from intense public scrutiny, thereby mitigating the potential fallout.The power of media framing extends beyond individual scandals to influence societal norms and collective memory. By repeatedly highlighting certain narratives, the media contributes to defining what constitutes acceptable behavior and what does not. This dynamic underscores the media's dual role as both a reflector and shaper of societal values. The implications are particularly significant for organizations navigating crises, as their ability to manage media relations often determines the trajectory of public perception and reputational outcomes.In conclusion, scandals are not inherently consequential; their impact depends heavily on the media’s role in publicizing and framing the transgressions. Understanding the mechanisms of media framing provides valuable insights into how scandals evolve and their broader social repercussions.

FRAMING CORPORATE SCANDAL

Corporate scandals can be understood as public events characterized by moral allegations that provoke widespread public condemnation, mediated through representations of the underlying misconduct. In this context, scandal\s serve as an additional layer to various forms of corporate transgressions, including wrongdoing, misconduct (Greve, Palmer, e Pozner 2010) illegality, fraud, and corruption. While such violations may lead to scandals through processes of disclosure, not all legal or ethical breaches necessarily evolve into scandalous events. The transformation of misconduct into a scandal depends on the extent to which the behavior is publicly debated and scrutinized upon its revelation.

Entman (2014) identifies four core components that define media and public discourse framing. The first component, problem definition, refers to the process by which an issue is identified and presented as socially or politically relevant. This involves the selective emphasis of particular aspects of reality, determining the scope and significance of the issue, and shaping how it is perceived by the public and policymakers. The second component, causal analysis, concerns the attribution of responsibility for the identified problem. It involves specifying the actors, structures, or conditions that contributed to the issue, distinguishing between proximate causes, which are immediate triggers, and systemic causes, which represent underlying structural factors. The third component, moral judgment, entails evaluating the issue in ethical or normative terms. This dimension frames specific actions or actors as right or wrong, legitimate or illegitimate, thereby influencing public sentiment and policy responses. Moral judgment is often reinforced through emotionally charged language and symbolic representations. The final component, remedy promotion, pertains to the articulation of solutions or policy recommendations aimed at addressing the problem. This involves defining the most appropriate course of action, advocating for specific reforms, sanctions, or interventions, and assigning responsibility for implementing corrective measures. Together, these four elements illustrate how media texts construct problems and shape public understanding and response to social and political issues.

Scholarship in organizational and management theory increasingly acknowledges the critical role of social-control agents in shaping corporate misconduct and the emergence of scandals. A social-control agent refers to a collective entity responsible for maintaining norms and regulations, possessing the authority to formally charge organizations with alleged violations. While Greve, Palmer, and Pozner (2010) primarily define social-control agents as formal authorities empowered to impose legal and regulatory sanctions, Clemente and Gabbioneta (2017) extend this concept to include the media as a social-control agent in its own right. The media exerts significant influence over corporate reputations by shaping public perceptions, thereby subjecting companies to intense scrutiny and reputational sanctions (Clemente & Gabbioneta, 2017).

A prominent example of the media's role as a social-control agent is the Wirecard scandal. The Financial Times journalist Dan McCrum played a pivotal role in exposing Wirecard's fraudulent activities, persistently investigating the case over several years. Despite facing substantial institutional resistance, McCrum continued his efforts, later referring to key actors within the financial system as "professional enablers" who facilitated the cover-up of Wirecard's misconduct. This case underscores how investigative journalism functions as a mechanism of accountability, exerting pressure on corporate actors and regulatory bodies alike.

This analysis builds on the work of Clemente and Gabbioneta (2017), which examines the Dieselgate scandal and provides comprehensive insights into the media's role in defining corporate scandals. The framing dimensions analyzed in German newspaper coverage, based on Entman's work include the nature of the scandal, social control agents' judgment, locus of responsibility, reputational costs, financial costs, scandal spillovers, and scandal reputation repair.

The nature of the scandal concerns the specific type of wrongdoing in which a company is involved. In the case of Dieselgate, this pertained to Volkswagen's deliberate manipulation of emissions measurement systems to underreport pollutant levels, thereby misleading regulators and consumers. The nature of the scandal highlights how companies act in their own interest, with such behavior often stemming from corporate culture. Scholars argue that these misdeeds evoke blame for irresponsible behavior rooted at the highest levels of large, powerful corporations (J. B. Thompson 2005). Research further suggests that such misconduct originates from flawed corporate cultures that pressure employees to meet targets at any cost.

The judgment of social-control agents refers to the authorities or entities that the media report as condemning the misconduct. In the case of Dieselgate, regulators and government officials were the primary critics, emphasizing Volkswagen's systemic failure to adhere to environmental standards and ethical business practices.

The locus of responsibility entails identifying the primary actor accountable for the wrongdoing. In the Dieselgate case, media narratives framed responsibility in two principal ways: attributing blame to senior executives, particularly the CEO, for orchestrating or enabling the misconduct, and highlighting broader systemic issues within the automotive industry, suggesting that Volkswagen's behavior reflected industry-wide practices rather than being an isolated case. In establishing the locus of responsibility, media coverage also engages with narratives of “bad barrels” or “bad apples” versus “rotten to the core” (Kjær, Christina 2024).This framing activates emotional responses among audiences, which are critical for shaping public opinion and influencing social media discourse (Kjær, Christina 2024). Reputational costs refer to the damage inflicted on a company’s image, brand value, and stakeholder trust. These consequences manifest through the deterioration of public perception and confidence in the company’s integrity, as well as a significant decline in stakeholder trust, affecting relationships with investors, customers, and regulatory bodies.

Financial costs encompass monetary penalties and economic repercussions directly associated with the scandal. In the case of Dieselgate, these included regulatory fines, stock market effects such as a decline in share prices due to reduced investor confidence, market penalties affecting Volkswagen’s operational standing, and direct financial consequences, including the company’s establishment of a €6.5 billion fund to cover product recalls and corrective measures.

Scandal spillovers denote the broader implications of the scandal beyond the company itself. In the case of Dieselgate, these repercussions extended to the automotive industry as a whole, tarnishing its reputation, and to the national economy, given Volkswagen’s significant role in Germany’s economic framework.

Finally, scandal reputation repair refers to media discussions on strategies for Volkswagen to restore its corporate image. Proposed measures included the removal of responsible executives, particularly calls for the resignation or dismissal of CEOs and senior leaders implicated in the misconduct, as well as full cooperation with regulatory authorities to demonstrate transparency and rebuild trust among stakeholders and the public.

ESG and Corporate Scandals

The Environmental, Social, and Governance (ESG) framework can be conceptualized as a quantitative approach to what is traditionally understood as Corporate Social Responsibility (CSR). While CSR is predominantly assessed using qualitative and subjective criteria, ESG introduces a method for measuring, standardizing, and capitalizing on corporate governance and sustainability claims. The financial market has developed a rating system that, at least in theory, aims to objectively evaluate corporate behavior across various dimensions, including community impact, data privacy, labor conditions, environmental sustainability, corporate transparency, and overall ethical conduct. Organizations responsible for ESG assessments disaggregate the three main categories—Environmental (E), Social (S), and Governance (G)—into numerous sub-indicators to provide a more granular evaluation.

Criticisms and Paradoxes of the ESG Model

Over time, this classification system has been subject to increasing criticism, particularly due to inconsistencies among rating agencies such as KLD, Moody's, S&P, and MSCI. Scholars have highlighted the phenomenon of "aggregate confusion" (Berg 2022) referring to the significant discrepancies in ESG ratings across different evaluators. According to Berg, the core issue with ESG ratings is not merely a matter of definitional variation but a fundamental disagreement on the underlying data used for assessment.

Empirical evidence suggests that high ESG ratings do not necessarily correlate with ethical corporate behavior. For instance, Volkswagen (VW) received top-tier ESG ratings prior to the Dieselgate scandal, and similarly, Danske Bank held an outstanding ESG rating before being implicated in one of the largest money laundering cases in European history. This paradox is further emphasized by Kjær (2024), who finds that companies with high Social (S) scores—indicative of their commitment to corporate social responsibility—have experienced the highest incidence of corporate scandals since ESG ratings were introduced. This suggests that ESG ratings may primarily capture superficial commitments to responsible business practices rather than substantive, systemic ethical conduct. Consequently, ESG ratings have proven to be an unreliable indicator for corporate risk mitigation in the context of scandals.

The Future of ESG: Declining Relevance?

Despite these inconsistencies, investments based on ESG ratings have grown exponentially in recent years. However, recent political and market shifts suggest a potential reassessment of ESG's credibility and effectiveness. A key turning point was marked by Larry Fink, CEO of BlackRock, who, after advocating for "sustainable investments" in 2020, has recently reversed his stance, making statements that align more closely with the ongoing political shift in the United States toward a more conservative approach to green policies (Muratore 2025). This policy shift suggests a growing reluctance to enforce stringent ESG investment criteria, particularly regarding the environmental (G) component, raising fundamental questions about the long-term viability of ESG as a dominant investment framework. Could this signal the decline of ESG as a credible corporate evaluation tool?

FACTORS MITIGATING THE PROBABILITY OF A SCANDAL

The emergence of corporate scandals is not an inevitable outcome of organizational misconduct. Several factors can mitigate the likelihood of a transgression escalating into a full-fledged scandal, particularly when pre-existing relationships between the implicated company and social control agents create a shared framework for conflict resolution. When such linkages exist, they can facilitate negotiated solutions that prevent deviant behavior from gaining public attention and evolving into a reputational crisis.

The Role of Social Networks and Under-Enforcement of Norms

According to Kjaer interpreting Piazza and Jourdan (2004) not all instances of corporate misconduct receive widespread media coverage or attract scrutiny from stakeholders and regulatory bodies. The social network position of an organization plays a pivotal role in determining whether an act of deviance remains concealed or escalates into a scandal.

This interpretation of Kjaer identifies three critical factors contributing to the under-enforcement of norms. First, weak regulatory oversight allows certain transgressions to persist unchallenged, creating an environment where violations may go unnoticed or unaddressed. Second, the high social status of the transgressor often grants them implicit protection from scrutiny, shielding them from the accountability expected of others. Finally, institutional or practical barriers to enforcement hinder the ability of authorities to intervene effectively, making it difficult to hold transgressors accountable even when violations are identified. These interconnected factors create a complex landscape in which norm enforcement is undermined, perpetuating cycles of non-compliance and eroding the integrity of regulatory systems.

Piazza & Jourdan on publicization of organizational misconduct

The process by which misconduct becomes public is neither linear nor automatic but contingent on externalities, including the cost of denunciation for third parties. Publicizing corporate wrongdoing carries significant social and economic risks, particularly when the accused organization is deeply embedded in networks of power and influence. This is where the concept of ***embeddedness*** becomes crucial. Embeddedness refers to the degree to which an organization is integrated into the local community through both economic and social ties. When an organization is deeply rooted in a community, it becomes part of the collective identity, and denouncing its transgressions can be perceived as an attack on the community itself. This dynamic introduces the concept of ***social cost ,*** as articulated by Piazza and Jourdan. Social cost refers to the negative consequences that individuals—or, more broadly, social actors—may face when denouncing the transgressions of a member of their community or an organization deeply embedded within it.The findings from Piazza and Jourdan’s study reveal that the more cohesive a community, the higher the social cost of actions perceived as threatening to the group, as such actions risk undermining its established social order (Piazza e Jourdan 2024). In homogeneous communities, characterized by strong social identification, individuals are morally obligated to defend the group. This shared identity fosters a dense web of intragroup ties and high levels of network closure, which translate into strong social norms. Members of such communities are bound by a moral imperative to protect the ingroup, and violating this norm by denouncing a fellow member often results in severe consequences, including ostracism and reputational damage. Conversely, heterogeneous communities, marked by lower levels of shared identity and trust, exhibit weaker normative frameworks, reducing the social cost of denunciation. In these contexts, information about misconduct is more likely to be disclosed publicly. The interplay between organizational embeddedness and community homogeneity creates conditions where misconduct is more likely to remain concealed within the group. It is important to note that concealment does not imply ignorance; rather, it means that the information does not transcend the boundaries of the community. Thus, organizations embedded in homogeneous communities benefit from a dual layer of protection: the moral obligation to shield the group and the reduced likelihood of cross-group dissemination of incriminating information. Piazza and Jourdan’s empirical analysis of sexual abuse cases within the U.S. Catholic Church (1980–2010) further underscores the significance of community-level structures and organizational embeddedness in shaping the likelihood of public exposure. Their findings demonstrate that misconduct is more likely to be publicized in heterogeneous communities with high social connectedness and where the offending organization is less embedded. Social connectedness, defined as the degree to which a community provides opportunities for boundary-spanning interactions across social groups, facilitates the diffusion of information and enhances its credibility. By contrast, in homogeneous and tightly-knit communities, the social cost of denunciation and the protective norms surrounding the organization inhibit the publicization of misconduct.

Escalation Dynamics: From Hidden Misconduct to Public Scandal

While some transgressions remain concealed due to structural protections, scandals can erupt suddenly and with intense severity, especially when previously silent stakeholders feel compelled to react. As Adut (2005) notes:

"Once a scandal erupts, however, the externalities triggered by the publicity of the transgression may push third parties—contaminated or provoked—to demonstrate extraordinary zeal against the transgressor in an effort to signal righteousness or determination."

This dynamic suggests that misconduct, even if initially shielded, can reach a tipping point where latent criticism rapidly transforms into public outrage, triggering an irreversible reputational crisis. The transition from hidden misconduct to public scandal is thus contingent on the interplay between structural protections, social costs, and the broader socio-political context.

Cooperative Social Control Mechanisms

Piazza and Jourdan's research also highlights the role of cooperative social control mechanisms in preventing misconduct from escalating into a scandal. Strong ties between organizations and regulatory bodies, media institutions, or political actors can function as buffers, enabling firms to manage crises internally and resolve conflicts without public scandalization. These cross-linkages allow organizations to mitigate the risks associated with misconduct and maintain their legitimacy within the community. However, when these mechanisms fail or are absent, the likelihood of public exposure increases significantly, underscoring the importance of understanding the structural conditions that facilitate or hinder the publicization of organizational misconduct.

THE ROLE OF SOCIAL CONTROL AGENTS, MEDIA, AND POLITICAL DYNAMICS IN SCANDAL FRAMING

According to Kjær (2024), scandals emerge through a framing coalition of different social control agents, wherein media framing plays a pivotal role in shaping public blame and fostering coalitions among these agents. Rather than providing a purely factual or technical account of misconduct, the media leverages emotionally charged and timely narratives to amplify allegations and mobilize social accountability. Scandals typically follow a trajectory initiated by a publicly exposed event rooted in moral allegations, which then triggers widespread condemnation through mediated representations of the behavior (Kjær, Christina 2024).

While some actions—referred to in this thesis as unfinished scandals—fade away without significant consequences, others persist and become sticky, leaving a lasting impact on the targeted company. The role of social control agents is crucial in determining this outcome, as they function as external enforcers of accountability for large and powerful organizations (Moore, Goodin, e Schillemans 2014). These agents include government authorities, regulatory bodies, professional organizations, the media, and rating agencies, all of which operate at local, national, or international levels. They collectively form what is often referred to as the court of public opinion, a network of social actors that publicly articulate and impose accountability claims on corporations.

The process of social evaluation is continuous and dynamic, as organizations are consistently assessed by stakeholders and society at large. These evaluations serve as the foundation for public perceptions and influence corporate interactions with various audiences. Within this ecosystem of social control, the media plays a dual role—both as a primary evaluator of corporate behavior and as a conduit through which social control agents amplify their assessments.

A key aspect of scandal framing is the attribution of responsibility, which can take on two dominant narratives. If the focus is on individual actors, the scandal is framed as “a bad apples case”, where specific executives or managers are portrayed as acting in their own self-interest. Alternatively, if the blame is extended to the broader organizational culture, the scandal is framed as “rotten to the core”, implying that employees were pressured to achieve results at any cost, fostering a systemic environment of unethical behavior.

Dark Secrets, Human Emotions, and the Persistence of Scandal

In the analysis of the Danske Bank scandal, Kjær (2024) examines the phenomenology of corporate scandal, highlighting the central role of social control agents, particularly the media, in shaping the scandal’s trajectory. The Danske case serves as a near-textbook example of how a seemingly solid and reputable financial institution can experience a dramatic downfall, with irreversible reputational and financial damage resulting from scandal exposure. Before the crisis unfolded, Danske Bank was regarded as a highly trusted institution, holding both an excellent reputational index and strong ESG scores, to the extent that it was widely recognized as "the largest bank in Denmark with a proud history" (Kjær, 2024).

A particularly intriguing aspect of the scandal, which spanned from 2017 to 2019, is that the money laundering allegations—initially raised by the media and later echoed by institutional bodies—were never legally substantiated. No conclusive evidence was found proving that Danske Bank’s management had knowingly violated the Money Laundering Act. The only formal legal resolution in the case, despite the absence of a judicial trial, was the bank’s guilty plea for fraud before the US Department of Justice. Nevertheless, the lack of definitive legal proof did not prevent the organization from experiencing severe reputational and financial consequences. Danske Bank’s market value plummeted by 49%, its CEOs were dismissed, and the company faced legal sanctions while becoming the subject of intense public condemnation. Furthermore, the scandal triggered a global regulatory crackdown on money laundering, imposing stricter compliance measures across the financial sector.

Based on the examination of the case, Kjær (2024) identifies three key phases that contribute to the construction of the scandal and, ultimately, the "stickiness" of allegations—the phenomenon in which accusations become indelibly attached to a corporation’s reputation, leaving a lasting stain that is difficult to erase. This enduring stigma illustrates how corporate scandals can transcend legal adjudication, becoming entrenched in public discourse and institutional memory, with long-term consequences for the implicated organization.

Stage 1: Competing Frames and the Initial Media Mobilization

The first phase, referred to as competing frames, begins with the revelations of whistleblower Howard Wilkinson, a former employee of Danske Bank. Contrary to the conventional portrayal of whistleblowers as purely ethical actors, later investigations revealed that Wilkinson had motivations extending beyond moral concerns. He had secured an agreement with a US-based law firm that guaranteed financial compensation for exposing fraud cases leading to legal penalties.

Following Wilkinson’s disclosures, the Danish newspaper Berlingske first reported the allegations, soon followed by other national media outlets. The problem definition presented by the press framed the issue primarily from a technical perspective, emphasizing the nature of the alleged misconduct—money laundering—as the core transgression. The causal analysis focused on the failure of Danske Bank’s internal control systems, which had been unable to detect or prevent the illicit financial activities.

At this stage, Danske Bank acknowledged the occurrence of money laundering but framed it as an internal oversight issue rather than an intentional wrongdoing, positioning itself as a victim of ineffective anti-corruption monitoring mechanisms. Consequently, the bank launched an internal investigation to assess the shortcomings in its compliance procedures. The inquiry findings suggested that the fault did not lie entirely with Danske Bank, but rather with Denmark’s anti-corruption monitoring system, which was deemed inadequate in enforcing regulations.

Simultaneously, the Financial Action Task Force (FATF) intervened in the debate, publicly criticizing Danish authorities for their ineffectiveness in enforcing anti-money laundering laws. This further elevated the issue by broadening the discussion beyond Danske Bank, bringing the general topic of money laundering into the international spotlight.

The framing of the scandal gained additional momentum with the mobilization of an international media coalition, which expanded the scope of scrutiny to a global level. By early 2017, the problem definition was still primarily focused on explaining the mechanics of money laundering and attributing the failure to weak oversight mechanisms, with only minimal moral judgment directed at Danske Bank's leadership. At this stage, the media framing did not yet incorporate stereotypes or preexisting cognitive schemas that would typically characterize corporate scandals.

However, as international media engagement intensified, the framing gradually shifted towards implicating Danske Bank's top management, ultimately raising doubts about the CEO's trustworthiness. This shift in narrative marked the transition from a technical compliance failure to a moralized scandal centered on executive responsibility and corporate governance failures.

In this context, the international media coalition functioned as an additional social control agent, influencing public perception and amplifying demands for greater regulatory scrutiny and accountability.

Between March 2017 and February 2018, the interactions within this initial stage were characterized by the mobilization of media outlets and the competition between different frames introduced by social control agents, shaping how the audience interpreted the emerging scandal.

Stage 2: The Dynamics of Scandal Framing and Institutional Response

Stage 2 of the Danske Bank scandal concerns the strategic deployment of scandal framing, leveraging timely and emotionally charged narratives that are predominantly disseminated through media channels. This involves both a causal analysis and a moral assessment of the bank's top management. Central to this framing is the portrayal of senior executives as actively concealing critical information—specifically, their prior knowledge of extensive money laundering activities and their deliberate decision to withhold this information from regulators and the public. This act of concealment is conceptualized as a "double secret," a narrative device that heightens the perceived severity of the misconduct and underscores the ethical breach.

The media played a crucial role in shaping public perceptions and influencing social control agents, ultimately prompting the Danish Financial Supervisory Authority (FSA Denmark) to launch an investigation into the case.

On May 3, 2018, FSA Denmark validated the problem definition by publishing a report that criticized the bank’s handling of the incident. In June 2018, the Danish Ministry of Business further strengthened the scandal narrative by classifying Danske Bank’s top management as having acted with severe irresponsibility. In August 2018, Danish and U.S. economic crime authorities confirmed an additional element of the scandal framing related to remedy promotion by formally initiating criminal investigations into the case.

What we can understand here is that media framing is not static but evolves over time, continuously shaped and reinforced by newly engaged social control agents. This coalition of actors—including regulatory bodies, government entities, and law enforcement agencies—play a crucial role in consolidating the dominant narrative. Over time, this narrative could gain widespread acceptance among the audience, contributing to the scandal’s full development and institutionalization.

Between February 2018 and September 2018, the interactions in this stage led to the establishment of a complete scandal framing, where the media's emotionally driven messaging heightened audience interest and mobilized additional social control agents to take action.

The Institutionalization and Persistence of the Scandal Narrative : “Sticky scandal”

Stage 3 of the Danske Bank scandal, spanning from September 2018 to December 2022, marked a phase where the narrative surrounding the case became deeply entrenched, earning the descriptor of being "**sticky**." This stage was defined by the repetition and reinforcement of a dominant narrative, perpetuated by both traditional media outlets and emerging political voices, particularly through the amplifying power of social media. Central to this narrative was a dual focus on causal analysis and moral judgment, emphasizing the perceived failure of Danske Bank’s top management to uphold their responsibilities. Remarkably, this framing persisted even after the release of comprehensive legal investigation results by the bank and despite significant leadership changes, including the resignations of both the CEO and the chairman.

Throughout this period, national and international media continued to echo the same “sticky framing”, consistently portraying Danske Bank as an institution that had not fully assumed accountability for its role in facilitating one of the largest money laundering scandals in European history. This persistent framing was further amplified by a profound shift in political attitudes toward money laundering, which had undergone significant transformation since August 2017. At that time, the Financial Action Task Force (FATF) published its evaluation report, which assessed Denmark's anti-money laundering (AML) measures as inadequate due to a lack of coordination and an over-reliance on informal practices. By Stage 3, this critique had been internalized by policymakers, leading to increased scrutiny of financial institutions and heightened public awareness of AML issues.

By this stage, the Danske Bank money laundering scandal had become the most hotly debated issue in Danish politics, placing immense pressure on authorities to take decisive action. In November 2018, economic crime authorities responded by formally pressing charges against Danske Bank, marking a critical escalation in the enforcement of social control mechanisms. The scandal's prominence reached such heights in Danish public discourse that it was explicitly referenced in the New Year's speech delivered by H.R.H. The Queen of Denmark—a rare acknowledgment of a contemporary issue in a traditionally ceremonial address. Furthermore, the term "money laundering" became deeply embedded in societal consciousness, as evidenced by its selection as Denmark's "word of the year" in 2018. This linguistic milestone highlighted the extent to which the scandal had permeated public debate and reshaped collective understanding of financial integrity.

The persistence of the scandal narrative during Stage 3 can be attributed to several key factors. First, the repetitive reinforcement of the framing by media and political actors ensured that the issue remained salient in public discourse. Second, the alignment of the scandal with broader institutional critiques—such as those outlined in the FATF report—provided a structural foundation for sustained attention. Finally, the emotional resonance of the narrative, which framed Danske Bank's misconduct as a betrayal of public trust, ensured that it retained its potency over time. Despite efforts to address the issue—such as internal investigations, leadership changes, and public statements—the persistent framing of the scandal by media, political actors, and regulatory authorities ensured its continued prominence in public discourse. The entrenchment of the scandal not only shaped public perception but also imposed long-term reputational costs.

The Multiple Framing Perspective and the Persistence of Scandals

According to the multiple framing perspective (Kjær, Christina 2024), a scandal emerges and remains persistent or "sticky" only when multiple social control agents align in their condemnation of the transgression. This coordination is not automatic, as pre-existing relationships often exist between social control agents and the implicated company. Piazza refers to this underlying network of undisclosed or implicit relationships as the **"backstage"**(Piazza e Jourdan 2024), where the company maintains strategic ties with regulatory bodies, media institutions, and other influential actors. Kjær further conceptualizes Piazza's **"embeddedness"**, describing the extent to which a corporation is integrated into social and institutional networks that shape its accountability.

When a company is deeply embedded within such networks, social control agents may be reluctant to denounce its misconduct due to the **social cost** associated with exposing a connected entity. Reporting wrongdoing within an interconnected network risks contaminating other affiliated actors, making them complicit by association. As a result, many acts of corporate misconduct never escalate into full-fledged scandals but instead dissipate before reaching public scrutiny. A single social control agent, such as an individual media outlet or regulatory body, has little incentive to act alone.

Ultimately, only **a** strong consensus among multiple social control agents can lead to the formation of a scandal. The broader and more unified this consensus, the greater the pressure on other agents who have remained passive, compelling them to either take a stance or risk being perceived as enablers of misconduct. This social pressure reinforces the legitimacy of the scandal and ensures that it remains within public discourse.

To further escalate a scandal and galvanize public reaction, the media assumes a pivotal role in shaping the narrative through the strategic use of framing techniques designed to resonate with the audience's emotions. These guilt frames are constructed around five interrelated elements that collectively heighten the perception of wrongdoing. First, the narrative emphasizes the high perceived damage caused by the misconduct, underscoring the severity of the harm to evoke a sense of urgency and moral outrage. Second, the actions in question are framed as intentional rather than accidental, which amplifies the audience's perception of moral culpability. Third, the transgressors are depicted as being driven by self-serving motives, such as personal or corporate greed, rather than by necessity or external pressures, further eroding public sympathy. Fourth, the narrative highlights prior knowledge of the wrongdoing, portraying the individuals or organizations involved as fully aware of their actions, thereby reinforcing perceptions of deceit and calculated behavior. Finally, the accused are depicted as having had the freedom to act differently but consciously choosing not to, a portrayal that deepens moral condemnation and underscores their accountability. Together, these elements create a compelling framework that not only escalates the scandal but also mobilizes public sentiment and demands for accountability.These framing strategies transform misconduct into a moral and emotional issue**,** making it difficult for the company to deflect responsibility and ensuring that the scandal remains a focal point in public discourse.

The **stickiness** of a scandal—its ability to persist over time and remain a significant reputational threat—depends on the convergence of multiple actors with complementary narratives. When media outlets, regulatory agencies, public institutions, and other influential stakeholders construct a coherent and mutually reinforcing scandal frame, the likelihood of the scandal fading diminishes. The presence of diverse actors strengthens the credibility of accusations, ensuring that the scandal does not dissipate as a passing controversy but instead solidifies into a lasting reputational stain on the organization**.**

In conclusion, scandals do not emerge in isolation. Their formation and persistence require a **coo**rdinated alignment of social control agents**, the** use of strategic media framing**, and** the reinforcement of complementary narratives across multiple actors**.** The more unified and consistent the scandal narrative, the greater the reputational consequences for the implicated organization and **the** higher the pressure on passive institutions to take action**.**

KJAER SCANDAL FRAMING COALITION CONCEPT (2014)	STAGE 1 «COMPETING FRAMES»	STAGE 2 «FORMING A FRAMING COALITION»	STAGE 3 STICKY SCANDAL MELODY
1 MEDIA LEADS	Media coalition but «incomplete» scandal framing	Creation of dominant scandal frame by a coalition of media. Use of «impression management» to activate other SCAs and trigger audience.	Promotions of scandal stereotypes evoking public blame and creation of «scandal sticky melody»
2 SOCIAL CONTROL AGENTS	Social control agents are not interacting and not imposing frame	Join media's scadal-framing coalition by confirming sub-elements (or all) of the scandal frame.	(Politicians or other relevant actors representing larger collectively join the scandal coalition and fuel blame that led to trigger audiences)
3 AUDIENCE	Different impression over the story	Dominant framing impose on the audience that accepts scandal.	Outrage
SCANDAL	Incomplete	The scandal emerges and mature.	The scandal becomes sticky

Affects

*Interpretation framework of Kjaer scandal framing coalition theory**

ENTMAN'S SCANDAL FRAME	KJAER ADDITION
PROBLEM DEFINITION	Define the problem in morally unacceptable terms
CAUSAL ATTRIBUTION	Assign responsability to the company
MORAL EVALUATION	Negatively judge the company's behaviour
POLICY RECOMMENDATION	Propose actions to resolve the issue

*Kjaer's Entman scandal frame "addition"**

BLAME GAME THEORY

As previously discussed, the process leading to a corporate scandal arises from an interaction among social control agents who agree to frame actions or accusations of actions deemed immoral—i.e., misconduct—within a scandalous narrative. As we have explored earlier, when faced with such accusations, a corporation may respond in different ways. In the case of Danske Bank, the company acknowledged the validity of the technical allegations but immediately denied its responsibility in pursuing immoral and illegal actions. The outcome was disastrous, as various control agents created a scenario in which the bank and its managers were ultimately held accountable. Could such a sequence of events have been avoided, and were the bank's actions the only possible course of response?

To address these questions, we refer to the study on *Blame Game Theory* by Roulet and Pichler (2020), which analyzes response strategies to risk, specifically focusing on shifting blame onto other actors or denying the misconduct altogether. The first phase leading to a potential scandal is the so-called *accusation* of misbehavior/misconduct. In its initial stages, allegations of misconduct remain highly *interpretable*, meaning that the audience cannot form a definitive judgment on the truthfulness of the accusations or on who should bear responsibility. However, this ambiguity is strategically used by the accused party to craft its response.

Roulet and Pichler's interpretation emphasizes the role of *discourse* as a space where misconduct is constructed, given that the very concept of morality is *discursively constructed*. Similarly, responsibility is shaped within this discourse, where both the accusers and the accused present their versions, each seeking to influence the audience's perception. This discursive space determines not only whether a *behavior has crossed the line between right and wrong* but also *who should be held accountable for the misconduct and thus attribute responsibility*. Therefore, it can be stated that *organizational misconduct is socially constructed* (Greve, Palmer, e Pozner 2010).This process creates situations of *ambiguity* both in terms of responsibility and in defining the moral boundaries that have been transgressed.

According to this study, as long as there is moral and attributional ambiguity—meaning that a shared framing of moral violation and blame attribution has not yet emerged—the *blame game* persists. Ambiguity, according to the study, arises from audience perceptions. In the early stages of accusation construction, the audience lacks sufficient information to *make sense of misconduct*, and only as the case evolves—through back-and-forth interactions among social control agents—does this *sense* begin to take shape.

The first form of ambiguity is *causal ambiguity*. In highly complex societies, where different levels of production and management processes exist alongside both subordinate and non-subordinate actors, determining responsibility can be challenging. Some actors may or may not be aware of the destructive consequences of their actions. This was evident in the Volkswagen scandal, where it was initially difficult to trace the root causes of misconduct, leading to an early focus on blaming software engineers exclusively. The second form of ambiguity is *moral ambiguity*, which arises when the audience disagrees on which moral values have been violated by a particular action.

Within this context, the *discursive strategy* of the accused becomes crucial. Organizations employ discursive strategies through the systematic production of texts to shape the interpretation of misconduct in their favor. The goal is to influence the resolution of such incidents and secure a narrative position that minimizes reputational and other potential penalties associated with being held accountable. A discursive strategy involves a coordinated set of communications designed to establish specific roles and responsibilities within a given situation.

On one hand, discursive strategies can introduce new meanings within the discourse, thereby increasing ambiguity. On the other hand, once discursive saturation is reached, the audience formulates a sensemaking process that does not necessarily emerge from factual reality but rather from *a plausible reality*—one that may not accurately reflect the actual events.

Within the *blame game*, both corporations and individuals involved may become the targets of accusations. To distance themselves from blame, accused entities employ three distinct strategies. The first is to *deny wrongfulness*, rejecting the claim that the behavior in question crossed any moral red lines. The other two strategies involve shifting blame either to the corporation itself—such as attributing responsibility to the corporate culture—or to specific individuals through *whistleblowing* or *scapegoating* mechanisms.

	Low moral ambiguity	High moral ambiguity
High attributional ambiguity	Pathway B • The action identified is broadly recognized as morally wrong • There is no consensus on who is responsible for the action identified	Pathway C • There is no consensus around the moral nature of the action identified • There is no consensus on who is responsible for the action identified
Low attributional ambiguity	Pathway D • The action identified is broadly recognized as morally wrong • The party responsible for the action identified is clearly singled out	Pathway A • There is no consensus around the moral nature of the action identified • The party responsible for the action identified is clearly singled out

Configuration of the Discursive Space after an Accusation of Organizational Misconduct (Roulet e Pichler 2020)*

Discursive Strategies Of Blame Game Theory

Scapegoating is a tactic rooted in the process by which a collective accuses an individual deemed *expendable* to save itself from *condemnation and to shift blame*. An organization employing this strategy seeks to deflect the accusation of misconduct by eliminating the culpable element while maintaining the integrity of the company's reputation. In practice, organizations often issue press releases as part of this strategy. However, the potential backlash of using this approach includes jeopardizing the organization's integrity.

Whistleblowing, on the other hand, is an individual-level discursive strategy in which a member of an organization publicly reports alleged misconduct to hold the organization accountable. Often, whistleblowers act strategically, aiming to avoid repercussions or dissociate themselves from organizational wrongdoing. Lacking internal power, they rely on media or external actors to amplify their accusations. Their goal is to create a narrative that distinguishes them from the implicated entity, thereby avoiding reputational contamination. Whistleblowing can take the form of interviews, opinion pieces, or documents leaked to the press. In some cases, the objective is not necessarily to improve the situation but to protect one's own image.

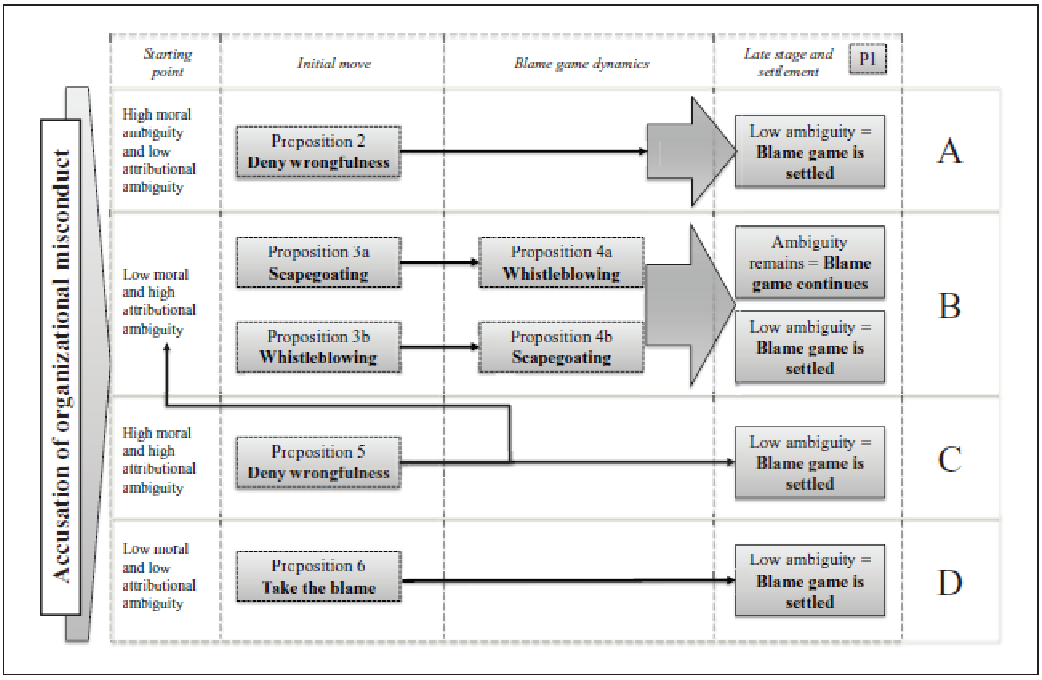


Figure 1. Summary of the Theoretical Model: Pathways of Blame Games.

Pathways of Blame Game Theory

Analyzing the contexts and actions of the accused, the study proposes four distinct pathways:

Pathway A: *High moral ambiguity, low attributional ambiguity*. When moral ambiguity is high but attributional ambiguity is low, the wrongdoing is debated, but the responsible party is clearly identified. In such cases, the accused organization cannot shift blame and instead denies wrongdoing, arguing that the behavior is legal, industry-standard, or beneficial. If audiences accept this narrative, moral ambiguity remains high, and the accusation loses traction. However, if accusers persist in reinforcing ethical condemnation, the organization may continue its discursive struggle, refuting claims until the audience reaches an interpretation of the behavior as wrongful or not wrongful.

Pathway B: *Low moral ambiguity, high attributional ambiguity*.

In this scenario, the behavior is widely recognized as wrongful, but the responsible actors are unclear. Here, the strategy does not involve denying wrongdoing—since doing so could worsen accusations by making the accused appear indifferent to moral standards—but instead focuses on *deflecting blame* onto other actors. The two primary strategies for this are:

- (A) Scapegoating: Designated victims, often lower-level employees with limited retaliatory power, are blamed. Alternatively, high-profile executives or CEOs, being public figures, may also be targeted due to their visibility and perceived responsibility.
- (B) Whistleblowing: A reactionary discursive strategy wherein individuals within the organization publicly disclose misconduct to shift blame and reframe the issue as a systemic organizational problem.

3a: Initiating a Scapegoating Strategy A common organizational response is a *top-down* process that shifts blame from the organization to individuals. This strategy is particularly effective when it is difficult for external audiences to understand the chain of command. However, scapegoating can trigger reactions from the targeted individuals, leading to further reputational consequences.

4a: Whistleblowing as a Reaction Whistleblowing serves as an individual-level reaction to scapegoating discourses. Accused individuals may counter the allegations by providing *alternative accounts* of responsibility, leveraging insider knowledge to argue that misconduct stems from systemic organizational failings rather than individual culpability. This technique is particularly effective in reducing attributional ambiguity. In response, organizations often retaliate with final scapegoating, shifting blame onto the whistleblower(s) by portraying misconduct as an individual act or accusing them of unethical behavior.

For scapegoating to remain effective, *attributional ambiguity must remain high*. This approach can make it difficult for audiences to pinpoint blame, proving particularly effective in complex corporate environments.

3b: Initiating a Whistleblowing Strategy Whistleblowing is a highly costly strategy for individuals who employ it, as they may face corporate retaliation. It becomes advantageous when individuals suspect that the organization may accuse them first—initiating the blame game provides a strategic advantage. Typically, high-ranking organizational members adopt this strategy, as lower-level employees gain little from engaging in it.

4b: Organizational Response to Whistleblowing Organizations are likely to react discursively by employing scapegoating tactics. The case of *Ecobank* exemplifies this dynamic: top executives attempted to delegitimize a whistleblower, but ultimately, the executive was dismissed while the whistleblower was reinstated.

Pathway C*: High moral ambiguity, high attributional ambiguity.*

When both moral and attributional ambiguity are high following accusations of misconduct, the accused organization is likely to initially *deny the wrongfulness* of the behavior. This initiates a discursive struggle over the moral evaluation of the alleged misconduct. Over time, moral ambiguity diminishes as audiences reach a more definitive judgment.

If the audience accepts the denial, the behavior is deemed morally acceptable, neutralizing the accusation similarly to Pathway A. Conversely, if the denial fails and the audience deems the behavior as misconduct, moral ambiguity declines while attributional ambiguity remains high, leading to uncertainty regarding responsibility. At this point, the accused organization may transition into Pathway B, where blame-shifting strategies become central.

Pathway D: *Low moral ambiguity, low attributional ambiguity*.

In this scenario, the most strategically rational discursive approach—aside from remaining silent—is to accept responsibility for the misconduct. Given the low levels of both moral and attributional ambiguity, denial or blame-shifting would be ineffective and could further damage the accused party's reputation. Consequently, accused actors often adopt *discourses of accountability*, acknowledging their role in the wrongdoing to mitigate reputational harm and facilitate damage control.

This response typically involves public apologies, minimizing their responsibility by emphasizing extenuating circumstances while still recognizing their fault.Additionally, organizations may signal commitment to corrective action and reform to rebuild stakeholder trust

For example, in July 2020, *Deutsche Bank* faced public scrutiny after its connections to Jeffrey Epstein were revealed. The bank was accused of facilitating fraudulent transactions despite being aware of Epstein’s criminal history. In response, Deutsche Bank promptly issued an official apology, stating that it *"deeply regrets"* its association with Epstein.

SCANDAL THEORY	ADUT (2005)	CLEMENTE & GABBIONETA (2017)
DEFINITION	Disruptive publicity of transgression	Interaction between organizational wrongdoing and media
SUBJECT	Elites or high status of the offender intended «as role model»	Organization: automotive industry. (VolskWagen)
MAIN ACTOR(S)	Norm audience: public united by level of identification with the norm	Media throught scandal frame
ELEMENTS LEADING TO A SCANDAL	**Contaminations**: norm transgression spillover effects on audiences, authorities and associates **Provocations**: Authoritative structures are challenged and calls for imitiation	**Media as main publicizer** of a transgression ratified by social-control agents. **Media influence the perception** of a transgression with scandal frame (nature of scandal, sca judgment, locus of respons., financial cost, scandal spillovers, scandal reputation repair).

ROULET & PICHLER (2020)	**PIAZZA & JOURDAN (2024)**	**KJAER (2024)**
Blame game theory: scandal as failed discursive strategy	Publicization of corporate misconduct (Community social structure and organization embeddedness)	SCAs framing coalition led by media
Organization and organization members	Organizations and social group (Catholic church)	Organization: bank (Danske Bank)
Audience perception influenced by organization blame strategy	Community and actors	The media intended as main SCA, impose its scandal frame on other social control agents creating a framing coalition. The audience recognize the scandal and is outrage
-Discursive strategy: Struggle within members of organization to escape accountability Scapegoating (top-down and whistleblowing (bottom-up) -**Attributional and moral ambiguity**: Audience struggle to find the moral infringments and the actor of the alleged misconduct	**Community cohesion:** degree members share social identification **Organization embeddedness within the community**: degree organization is perceived part of the community (degree of social,political integration) <u>*The aforementioned factors when combined result in*</u> **Social cost:** Cost of publicity of the misconduct for the actor	**Competing frames** by different SCA. **Impression management:** media activates other SCAs throught impression management and led them entering scandal framing coalition as well as moving audience's emotions **Framing coalition** or «dominant framing» or «united case against the company»: SCAs confirm sub elements or all elements of media scandal frame narrative.

Scandal Theory Frameworks *

CASE SCENARIO ANALYSIS

In this chapter, I will test Kjær's model by analyzing three well-known scandals. The first case concerns Nike's sweatshop scandal, which emerged from allegations of labor exploitation in the company's Southeast Asian factories. While such practices were widespread among major American apparel corporations, testimonies from former workers, investigative efforts by NGOs, and activism at both local and international levels played a crucial role in exposing the issue. The scandal ultimately led Nike to amend its corporate code of conduct. However, as media coverage shifted, the framing coalition that initially constructed the scandal withdrew, signaling a narrative shift and bringing the controversy to a conclusion.

The second case is the Boeing 737 MAX scandal, where a collusive system involving the U.S. Federal Aviation Administration (FAA) and Boeing allowed the company to market an aircraft with a faulty system. The defect tragically resulted in two crashes within five months, causing the deaths of hundreds of passengers. The role of social control agents, including international investigative commissions, social media, and activists amplifying the voices of victims' families, was instrumental in shaping public discourse. However, traditional media, particularly in the U.S., were initially reluctant to directly accuse Boeing, possibly due to institutional and economic interests. Despite this, the scandal left a lasting reputational stain on the company, at least in terms of public perception.

The third case involves Chiquita's paramilitary funding scandal, in which one of the world's largest banana producers, Chiquita Brands International (formerly the United Fruit Company), was implicated in financing paramilitary groups in Colombia. Historically, the company had been complicit in U.S. interventionist policies in Latin America, dating back to the Monroe Doctrine. While the scandal received limited attention from the American press, Latin American media played a fundamental role in exposing the allegations. Investigative reporting amplified the voices of victims of paramilitary violence connected to Chiquita's plantations, leading to accusations that reached the upper echelons of the Colombian government.

Through the analysis of these three cases, this chapter will explore how scandals unfold and persist, assessing the role of media framing, social control agents, and corporate response strategies in shaping their trajectory.

NIKE SWEATSHOP “TREATED” SCANDAL

According to Kjaer, a scandal emerges as a result of the convergence of social control agents into a media-oriented scandal framing. The objective of this analysis is to assess whether the framework outlined by this perspective can be applied to other well-known cases. To do so, Kjaer’s *Multiple Scandal Framing* model will be employed alongside Entman’s *Framing Theory* and, indirectly, Goffman’s *Impression Management Theory* as reinterpreted by Kjaer.

The controversy surrounding Nike’s labor practices, which escalated into a highly publicized media battle, features a primary temporal framing that spans from the late 1980s to 1999. The accusations directed at Nike centered on a specific segment of its supply chain, namely factories engaged in footwear production located in Southeast Asia, particularly in Vietnam, Indonesia, and China. The scandal gained traction in 1996 when multiple social control agents, including media outlets, NGOs, and activist groups, began constructing various scandal frames and mobilizing boycott campaigns such as “Just Don’t Do It.” Initially, the controversy was largely confined to local actors, such as Indonesian newspapers and in-country protests, which exposed Nike’s controversial labor practices. However, the scandal soon crossed borders and reached the United States, where Nike is headquartered, as American media outlets, including *Life Magazine*, investigated and framed the issue.

Activists played a pivotal role in establishing the first generic scandal frame, attributing responsibility to American corporations for the exploitation of workers in the Global South. This framing prompted the activation of the first social control agent, the NGOs, which contradicts Kjaer’s model, where media are typically considered the primary initiators of scandal formation. Specifically, the NGO *Press for Change* was the first to publish a report highlighting Nike’s exploitative labor practices. The initial framing emphasized wage disparities, comparing the salary of a South Korean worker with the retail price of the shoes they produced and with Michael Jordan’s multimillion-dollar endorsement earnings as Nike’s brand ambassador. While the framing relied on numerical data to establish a technical foundation, it simultaneously conveyed a *moral assessment* and *causal analysis*, implicitly suggesting that Nike’s profit surges were built on the backs of underpaid Asian workers.

The shift from a loosely framed controversy to a fully developed scandal occurred when *The Oregonian* expanded the framing by incorporating additional scandal sub-elements. It introduced the *remedy assessment*, highlighting Nike’s eventual acknowledgment of poor labor conditions, and employed emotionally charged language, directly accusing Nike of exploitation and likening its labor practices to colonial-era forced labor systems. Contrary to Kjaer's model, which assumes that media primarily mobilize in response to pre-existing social control agents, this case saw a reversal of roles, with American NGOs and activists catalyzing media engagement. The *Made in the USA Foundation* subsequently confirmed the elements of *The Oregonian*'s scandal frame, and by 1996, a coalition of both American and international media, including *The New York Times* and *Le Monde*, continued reinforcing the scandal narrative.

A pivotal moment in the scandal's trajectory was the establishment of the *Apparel Industry Partnership* (AIP), an initiative spearheaded by President Bill Clinton. The AIP united multinational corporations, consumer advocacy groups, and NGOs with the aim of promoting ethical labor practices and eradicating sweatshops. From a framing perspective, the creation of the AIP confirmed the legitimacy of the scandal while paradoxically marking its resolution. As major media outlets ceased coverage of the issue, the *media coalition fragmented*, preventing the formation of what Kjaer describes as a *sticky melody*, a scandal narrative that remains embedded in public discourse over time.

Despite the significant public outcry, Nike did not suffer the typical consequences associated with major corporate scandals. Unlike other high-profile cases, the company experienced no CEO resignations, substantial financial losses, or long-term reputational damage. The only measurable cost was Nike's commitment to improving labor conditions, which included wage increases and a general restructuring of its global supply chain management. However, whether these reforms were effectively implemented remains uncertain. What is certain is that, for the media, public opinion, and activist groups, Nike's collaboration with the AIP, an organization officially endorsed by the U.S. government, was perceived as a sufficient resolution to the controversy.

The Nike scandal represents a case of a *failed scandal*, in which the scandal framing was widely accepted but failed to produce enduring reputational consequences. The scandal emerged from a coalition of two primary social control agents, the media and NGOs. Initially, competing scandal framings introduced by NGOs prompted media engagement, which in turn established the dominant scandal frame. Public mobilization, boycotts, and protests, while not traditionally considered social control agents, exerted pressure on both NGOs and the media, further reinforcing the scandal. Despite gaining audience acceptance, the scandal struggled to "stick" in public discourse.

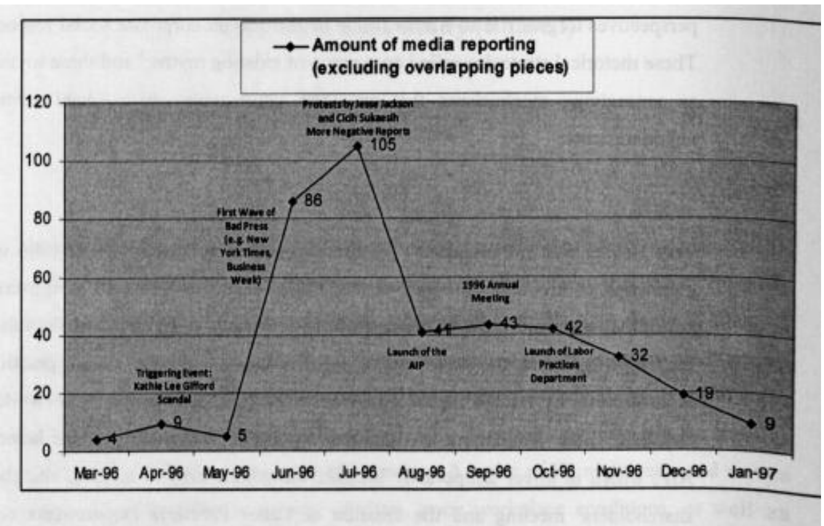


Figure 4. Amount of media reporting linking Nike to sweatshop practices from March 1996 to January 1997

Amount Of Media Reporting Linking Nike To Sweatshop Practices From March 1996 To January 1997 (Zheng 2010)*

Drawing from Zheng’s (2010) analysis, several factors can be identified as contributing to this outcome. First, Nike’s strategic response effectively neutralized the scandal by collaborating with social control agents and implementing reforms aligned with *remedy assessments* proposed by the media and NGOs. This strategy culminated in Nike’s participation in the AIP, an initiative backed by the U.S. government, which lent it credibility. Second, Nike’s deeply embedded market presence provided a degree of resistance against scandal-induced damage. The company’s strong brand positioning and continued consumer loyalty mitigated the effects of activist-led boycotts. Third, the case challenges certain assumptions within Kjaer’s model, particularly regarding the role of NGOs and activist movements as competing framers in scandal formation. The Nike case reveals that while NGOs were instrumental in scandal activation, public protests and consumer boycotts, though decentralized movements, played a crucial role in influencing media narratives and scandal activation.

Kjaer (2024) acknowledges the need for further refinement of the scandal framing model, identifying three core elements that constitute the *building blocks* of framing coalitions: the role of performers, the respective framings of performers, including the impression management tactics used to shape narratives, and the formation of a unified case against the company, or the *dominant scandal framing*. In the Nike case, the performers included activists, NGOs, and media, whose roles suggest a more fluid understanding of social control agents. While NGOs were instrumental in scandal activation, public protests and consumer boycotts, despite being decentralized, contributed significantly to media engagement and scandal construction.

Further research should examine the *quality* and *influence* of different social control agents in scandal persistence. The Nike case suggests that NGOs alone may lack the authoritative power to sustain a scandal, and the involvement of stronger, more authoritative social control agents may be necessary to amplify scandal persistence. This aligns with Piazza's (2024) argument that *cross-linkages in terms of preexisting relationships can create common ground between the alleged company and social control agents to resolve conflicts before deviance escalates into a full-fledged scandal*. In Nike's case, a combination of high corporate status, weak regulatory frameworks, and strategic engagement with key stakeholders enabled the company to navigate the scandal without enduring reputational damage.

Ultimately, the Nike sweatshop scandal provides a valuable case study in understanding the interplay between corporate strategies, social control agents, and media framing in determining the success or failure of a corporate scandal.

NIKE SWEATHSHOP CASE (89-92)	1 «COMPETING FRAMES»	2 «FORMING A FRAMING COALITION»	3 SCANDAL «STICKY MELODY»
MEDIA	Media competing frames: -Indonesian newspaper frame Problem def -Oregonian: scandal frame -Other medias incomplete scandal frames	-Coalition of international media framing scandal -Use of Impression management but not relevant activation of SCAs. -Audience is triggered.	No scandal melody
SOCIAL CONTROL AGENTS	-Coalition of NGOs on competing frames -Other SCAs not interacting	-Ngos coalition leading the scandal frame using emotional images (lacking of mayor «instituional» CSR) US gov confirms sub element (probl.efinition)	-No «elected SCAs» join the scandal coalition. -Blame is not fueled
AUDIENCE	Audience complementing perceptions: -scandal accepted -protests	Scandal is accepted and part of the audience is outraged	Audience is fragmented
SCANDAL	Incomplete	Complete scandal: the scandal emerges and mature	Scandal is questioned
FACTORS OUTSIDE THE MODEL: NIKE GAME & ACTIVISTS	-Accept the causal analysis (nike) and problem defi (breaking law) and create code of conduct that mitigate the media coverage - Protests, boycotts, strikes in Asia e US	Nike accept problem definition. Nike join regolation agency established by Clinton Nike collaborates with NGOs and media.	Ngos still frame scandal Nike organizational reform throught AIP Nike escape the crisis

*Nike Sweatshop Case Scandal Framework**

BOEING 737 MAX CRISIS: SCANDAL OUTSIDE THE MEDIA

In October 2018 in Indonesia and March 2019 in Ethiopia, two Boeing 737 MAX aircraft tragically crashed, causing the deaths of 346 passengers. The Boeing 737 MAX was introduced as the company's latest technological innovation, a flagship product launched just a year before the first crash. However, instead of marking another milestone for the 80-year-old aerospace giant, these incidents ignited one of the most severe corporate crises in aviation history. Boeing faced severe financial repercussions, including a stock market decline of 11.5% and financial losses amounting to $21 billion between 2018 and 2021, stemming from legal settlements, fines, and industrial costs (Imad, Elbuzidi, e Chan 2021).

The crisis also significantly damaged the reputation of the Federal Aviation Administration (FAA), the regulatory body responsible for certifying aircraft safety. The FAA, widely regarded as the gold standard in aviation oversight, became a focal point of scrutiny and criticism, with many arguing that it had suffered the most reputational harm due to its oversight failures. Subsequent investigations revealed that the crashes were caused by a failure in the Maneuvering Characteristics Augmentation System (MCAS), an automated flight control system, which malfunctioned due to faulty sensors (Tayan e Larcker 2024; Travica 2020; Imad, Elbuzidi, e Chan 2021).

Initial Phase: Media and Institutional Responses (October 2018 – February 2019)

Following the first crash of Lion Air Flight 610 on October 29, 2018, the media framing was heavily influenced by Boeing and the FAA, both of which initially absolved the company of responsibility. Given the novelty of the aircraft—only three months old and equipped with state-of-the-art technology—the dominant narrative in mainstream media was shaped by corporate statements rather than investigative findings. Reports did not yet attempt to frame the issue as a scandal, largely due to the lack of clear accountability and the absence of a strong moral indictment (Imad, Elbuzidi, & Chan, 2021).

As Travica (2020) observed, initial media coverage of victims' families was limited, often portraying them as collateral damage rather than central figures in the emerging controversy. However, skepticism began to emerge, notably in the *Chicago Sun-Times*, which published an article in November 2018 questioning Boeing's official narrative and highlighting concerns about the MCAS system. The newspaper also gave a platform to U.S. pilots' unions, which criticized Boeing for failing to inform pilots about MCAS and how to override it.

In November 2018, joint investigations by Indonesian aviation authorities and U.S. pilot organizations revealed that Boeing had not provided pilots with adequate instructions on how to manage MCAS. As Indonesian investigators reported, pilots struggled to regain control of the aircraft as the automated system repeatedly forced the nose of the plane downward. This investigation, the first significant intervention by an external regulatory body, marked a turning point in the definition of the problem and causal analysis within scandal framing, shifting the discourse from attributing the accident to "pilot error" to highlighting Boeing's incomplete manual as a key factor in the tragedy.

Critical Shift in Media Framing: Ethiopian Airlines Crash and Global Response (March 2019 – September 2019)

The second crash of Ethiopian Airlines Flight 302 on March 10, 2019, proved to be a pivotal moment. The global framing of the incident shifted from being a technical malfunction to a full-scale corporate crisis. This crash had a particularly significant impact as it involved passengers from multiple nationalities, including humanitarian workers en route to Nairobi, further amplifying the emotional and international dimensions of the tragedy.

Traditional media, as noted by Travica (2020), continued to act as an echo chamber for Boeing and regulatory agencies. Boeing expressed its condolences for the loss of life but reaffirmed the aircraft's safety. Similarly, the FAA did not attribute the incident to Boeing's design flaws but instead suggested that human error may have been a contributing factor. In the days following the crash, growing concerns emerged among pilots and passengers regarding the safety of the aircraft. On March 11, China and Indonesia became the first countries to ground the Boeing 737 MAX, soon followed by Ethiopian Airlines. The next day, the European Union Aviation Safety Agency (EASA) imposed a ban on the aircraft across European airspace. Finally, on March 13, under mounting pressure from U.S. senators and regulatory agencies, the FAA and Boeing agreed to suspend all 737 MAX operations in the United States.

Social media played a crucial role in shaping public perception during this period. As Travica (2020) highlights, platforms like Twitter and Facebook became arenas for immediate public outcry. The hashtag *#BoycottBoeing* gained traction, and consumer advocates such as Ralph Nader leveraged social media to amplify criticism and demand accountability. Pilots and aviation professionals also used these platforms to voice concerns about Boeing's failure to properly communicate the risks associated with the MCAS system.

By March 11, Boeing's stock value plummeted, reflecting the escalating crisis. On March 22, *The New York Times* published an open letter by a reader holding Boeing executives accountable, accusing them of prioritizing financial profits over passenger safety. Meanwhile, Indonesian regulators criticized both Boeing and the FAA for their slow response to safety concerns. In April 2019, the American Airlines Pilots Union publicly stated that MCAS was excessively aggressive. In response, Boeing insisted that pilots retained the ability to override the control system, subtly shifting blame back onto the flight crews. Meanwhile, Ethiopian Airlines announced the cancellation of its outstanding orders for additional Boeing 737 MAX aircraft, further damaging Boeing's reputation and market standing. A preliminary report by Ethiopian investigators noted that there were similarities between the Lion Air and Ethiopian Airlines crashes. The report indicated that the pilots of Flight 302 attempted to follow Boeing's instructions to correct an MCAS malfunction but were unable to manually level the aircraft's nose due to its high speed. From this point forward, a shift in the narrative occurred. Boeing began acknowledging similarities between the two incidents, and MCAS was officially recognized as a potential cause of the crashes. Despite this, media coverage continued to depict Boeing's leadership as stable, suggesting that fluctuations in the company's stock prices did not significantly concern shareholders. The dominant narrative continued to assure the public that technical fixes were underway and that the aircraft would soon return to service. The prevailing media message was one of control and resolution. According to Travica (2020), media outlets refrained from constructing scandal-framed narratives and, in some cases, actively suppressed critical voices against Boeing, choosing instead to relay an incomplete version of events due to pressure and close industry ties with Boeing and the FAA. In contrast, social media emerged as one of the earliest platforms where significant criticism of Boeing gained traction.

In September 2019, the mainstream media's narrative significantly diverged from Boeing's initial framing. Reports surfaced indicating that, shortly after the Lion Air crash in December 2018, the FAA had identified the 737 MAX as a safety risk but was persuaded by Boeing to keep these findings confidential. Internal emails further revealed that Boeing engineers had expressed concerns about MCAS as early as 2016, but their warnings were dismissed by management. Around the same time, *The New York Times* published another letter from a reader, which for the first time explicitly called for the prosecution of Boeing executives. This marked a significant turning point in the media's stance on the crisis, moving from cautious critique to outright demands for corporate accountability.

The Scandal Solidifies: Congressional Investigations and Cultural Critique (2020-2021)

In January 2020, *The New York Times* published an exposé attributing Boeing's failures not only to executive mismanagement but to a broader issue of toxic corporate culture. Whistleblowers revealed widespread corporate misconduct and inefficiencies within the FAA, describing "a deeply flawed long-term cultural erosion" of regulatory rigor.

By September 2020, the U.S. House Committee on Transportation and Infrastructure released a damning report, characterizing the Boeing 737 MAX crisis as "a horrific culmination of faulty technical assumptions by Boeing engineers, lack of transparency in Boeing's management, and insufficient oversight by the FAA." The report accused Boeing of operating under a "culture of concealment," deliberately withholding critical information about MCAS and its flawed design. Social media continued to play a key role, as viral posts, tweets, and investigative journalism expanded public scrutiny. *The Verge* and *IEEE Spectrum* were among the analytical media that critically examined Boeing's internal failures, amplifying whistleblower accounts and technical assessments of the aircraft's deficiencies

In November 2020, the FAA announced its approval of Boeing's updated flight control software, clearing the way for the 737 MAX's return to service. However, public confidence remained shaken, and scrutiny of Boeing's corporate governance persisted into 2021 and beyond.

In conclusion, for nearly ten months of the fourteen-month crisis, mainstream media largely acted as a mouthpiece for Boeing, with critical coverage being rare. Investigative pieces, such as one in *The Wall Street Journal,* attracted significant public engagement but were exceptions rather than the norm. During this period, the dominant media narrative focused narrowly on Boeing's technical fixes and stock market fluctuations rather than systemic accountability. A marked shift occurred only after multiple congressional investigations exposed internal misconduct at Boeing and regulatory failures at the FAA. By 2020, media discourse increasingly framed the Boeing 737 MAX crisis as a scandal rooted in corporate negligence and regulatory complacency rather than an isolated technical failure.

Boeing 737 MAX Crisis: Media Framing and Scandal Evolution

The Boeing 737 MAX crisis exemplifies how competing frames emerge during a corporate scandal, particularly in its early stages. Initially, Boeing and the Federal Aviation Administration (FAA) sought to frame the accidents as isolated incidents, suggesting pilot error rather than a systemic design flaw. This frame was dominant in mainstream media for several months, emphasizing technical expertise and Boeing's reputation for safety. However, a competing frame began to take shape after the second crash, advanced by pilot unions, regulatory bodies outside the U.S., and independent investigators. This frame shifted the causal analysis toward Boeing's Maneuvering Characteristics Augmentation System (MCAS), a software feature designed to adjust the aircraft's nose in certain conditions but one that was insufficiently disclosed to pilots. Social media played a pivotal role in advancing this alternative frame, with hashtags such as #BoycottBoeing gaining traction and pilot testimonies highlighting safety concerns.

By late 2019, investigative journalism, particularly from The New York Times and The Wall Street Journal, further eroded Boeing's framing advantage, exposing internal emails that revealed knowledge of MCAS risks as early as 2016. Congressional hearings and regulatory investigations reinforced this competing frame, shifting public perception from an aviation accident narrative to one of corporate negligence and regulatory complacency.

For a scandal to solidify, a coalition of social control agents (SCAs) must validate the competing frame. In the Boeing case, this coalition was initially weak. Boeing's long-standing credibility, combined with the FAA's endorsement, limited early scrutiny. However, as international aviation authorities, including the European Union Aviation Safety Agency (EASA) and China's Civil Aviation Authority, grounded the 737 MAX ahead of the FAA, the credibility of Boeing's reassurances weakened.

The coalition expanded further with the involvement of victims' families, who mobilized media coverage by sharing their personal tragedies and demanding accountability. Lawmakers and investigative journalists acted as key amplifiers, leveraging leaked internal documents and expert testimonies to construct a damning narrative of systemic negligence. By 2020, the U.S. House Committee on Transportation and Infrastructure released a report accusing Boeing of operating under a "culture of concealment," and the FAA was scrutinized for regulatory failures. This coalition ultimately imposed a new dominant frame: the Boeing 737 MAX crisis was not just a technical failure but a scandal rooted in corporate mismanagement and regulatory shortcomings.

Scandal Melody and the Persistence of the Narrative

Once a framing coalition solidifies, it imposes what Kjær describes as the "scandal melody"—a persistent, dominant narrative that remains associated with the implicated organization. The Boeing scandal followed this pattern, with its framing shifting from a crisis of technological failure to one of corporate misconduct. Even after Boeing implemented software fixes and the FAA recertified the aircraft in November 2020, public trust remained damaged. Airlines reported hesitancy from passengers, and social media platforms continued to highlight safety concerns.

The persistence of the scandal melody was evident in how Boeing was referenced in subsequent airline industry crises. Any technical issue related to Boeing's aircraft post-2021 was framed within the broader scandal context, reinforcing public skepticism. Moreover, Boeing's leadership underwent significant restructuring, with CEO Dennis Muilenburg stepping down, further entrenching the perception of accountability failure at the executive level.

However, it should be noted that although certain scandal-framing sub-elements were introduced by associations and governmental institutions, mainstream media largely maintained a neutral tone, exhibiting a "tendency toward negativity" only in a mild form. The strongest critical stance was directed primarily at Boeing's management rather than the company as a whole but it was only mentioned by the minority of the media. As Schlegelmilch (2021) observes, traditional media only partially emphasized the locus of responsibility. It was the coalition of social control agents (SCAs), associations, and social media that primarily employed impression management, using aggressive language against Boeing—exemplified by the widely circulated Twitter slogan "AXE THE MAX." Additionally, various organizations issued statements and open letters demanding direct accountability from Boeing's leadership.

Conclusion and Factors Outside the Model

The Boeing 737 MAX crisis underscores the dynamics of scandal framing, where competing narratives vie for dominance, social control agents coalesce to impose a dominant frame, and a persistent scandal melody solidifies public perception. Despite Boeing's technical rectifications and regulatory approvals, the scandal's legacy continues to shape its reputation, illustrating how corporate crises evolve from isolated incidents into enduring scandals through media framing and stakeholder mobilization.Differently as seen in the case of Nike,where there was reluctance among SCAs to construct a scandal-framing coalition. Rather than driving the scandal narrative, media outlets were led into it only after leaked emails surfaced and, more decisively, following confirmation from U.S. authorities. Unlike in Kjær's model, the primary scandal-framing actors were regulatory agencies (both American and foreign), pilot associations, and corporate whistleblowers. Nevertheless, the third phase of Kjær's model aligns with the Boeing scandal dynamics, as the media eventually led the scandal framing and reinforced the sticky melody—albeit hesitantly and inconsistently—adopting narratives that were originally shaped by grassroots movements, social media discussions, and statements from regulatory institutions.

Therefore, we can conclude that the sticky melody persists but largely outside of traditional media, which remain embedded in Boeing’s corporate ecosystem and subject to multiple forms of pressure from stakeholders. The sustained critique of Boeing was predominantly constructed by external voices, particularly through online discourse, industry associations, and official statements from governmental oversight bodies, which maintained a more direct and critical stance toward the company.

BOEING 737 MAX CASE (2018-)	1 «COMPETING FRAMES»	2 «FORMING A FRAMING COALITION»	3 SCANDAL «STICKY MELODY»
MEDIA	-Media competing frames -Technical frames and covering Boeing and FAA narrative. «Incomplete» scandal framing.	-Media consolidates Boeing responsability and confirm sub-elements of the scandal. -Scarse use of «impression management». -SCAs are not activated.	Media scarcely promotes stereotypes and evoke blame -Media does not lead scandal melody.
SOCIAL CONTROL AGENTS	Social control agents are not interacting	Coalition of SCAs: International regulators, pilots unions, US congress social media(?) leads main scandal frame.	Coalition of SCAs impose a scandal melody on audience.
AUDIENCE	Public mostly unaware	Dominant framing imposed on the audience that accepts scandal.	Outrage
SCANDAL	Incomplete	The scandal emerges and mature.	The scandal becomes sticky but outside the media framing.
FACTORS OUTSIDE MODEL: BOEING GAME AND FAMILIES and SOCIAL MEDIA	Victims families and social media question narrative and activate scandal framing Boeing accepts probl.def. and reassure media	Families and social media become vocal advocates, trigger SCAs and media Boeing accepts probl.def. and reassure media	Families key voices in leading scandal melody Social media sustain scandal discourse ensuring long term melody Boeing accepts probl.def.

*Boeing 737 Max Case Scandal Framework**

CHIQUITA'S ATTEMPTED SCANDAL

Chiquita Brands International, the rebranded successor of the infamous United Fruit Company, holds the distinction of being the first corporation convicted in 2007 for knowingly financing a paramilitary organization recognized as a terrorist group by both the U.S. Department of State and the European Union: the AUC (United Self-Defense Forces of Colombia). In another historic ruling in June 2024, a Florida court ordered Chiquita to compensate the families of nine individuals—farmers, workers, trade unionists, and activists—who were tortured and brutally murdered in the Urabá region by the same paramilitary group.

This lawsuit, which spanned 17 years, represents a landmark decision, according to EarthRights International, the NGO that represented the victims' families. It is the first time a U.S. corporation has been held liable for complicity in severe human rights violations («Pagava paramilitari in cambio di protezione: Chiquita condannata a risarcire i colombiani» 2024). The company was ordered to pay $38.3 million in compensation, adding to the $25 million it had already paid in 2007 as part of a plea deal acknowledging its financing of the AUC. According to Chiquita's own statements, its subsidiary, Banadex, provided $1.7 million in payments to the group between 1994 and 2004 for "protection services." While the victims awarded compensation were reportedly killed in 1997, many others remain unaccounted for, raising the possibility of further legal actions in the future («La svolta. La condanna di Chiquita e la fine dell'impunità delle multinazionali Usa» 2024)

The 2007 case against Chiquita arose from a U.S. Department of Justice investigation, which compelled the company to reach a settlement for violating anti-terrorism laws. The Doe v. Chiquita Brands International case serves as an exemplary instance of corporate accountability, at least in theory, as it ostensibly damaged the company's international credibility. However, the case is far more complex: despite nearly 30 years of allegations and evidence against the multinational, its corporate reputation has remained largely unaffected.

The Long History of Chiquita's Misbehaviors

The scandals surrounding Chiquita trace back to its predecessor, the United Fruit Company, and the notorious Banana Massacre of 1928. In that event, Colombian government forces violently suppressed a strike by the Magdalena Workers Union, which was demanding higher wages and legally compliant contracts. As workers gathered peacefully in Ciénaga to request a meeting with company representatives—including then-executive Bradshaw and Colombian President Miguel Abadía Méndez—the government responded with lethal force, killing an untold number of protesters. This massacre, one of the most overlooked in modern history, gained broader recognition only through Gabriel García Márquez's novel *One Hundred Years of Solitude* (History 2024)

Chiquita's modern scandals began to surface in 1998 following an investigative report by *The Cincinnati Enquirer*, which exposed numerous corporate malpractices in Colombia. The investigation revealed allegations of worker exploitation and potential environmental crimes. However, the newspaper was forced to retract the story and issue a formal apology after it was revealed that some of the evidence had been obtained illegally through wiretapping or unauthorized data access—now known as the *Chiquita Papers*. Instead of triggering a full-fledged scandal, the revelations were swiftly neutralized, and *The Enquirer* even paid damages to Chiquita.

For nearly a decade, the issue remained dormant until 2003-2004, when Chiquita decided to disclose its past financing of the AUC, after having divested from Banadex and ended its physical presence in Colombia. An investigation by the U.S. Department of Justice confirmed that between 1997 and 2001, Chiquita had funneled a total of $1.4 million to the paramilitary group—despite the U.S. government having designated the AUC as a terrorist organization for part of that period. However, the financial settlement had little impact on Chiquita's reputation.

A Muted Scandal

From a theoretical standpoint, Chiquita's case exemplifies how a corporate scandal requires more than just legal rulings to be hit by a scandal event—it demands active and persistent media framing. Given that the primary drivers of the scandal have been legal actions and NGO advocacy rather than media-led exposure, Chiquita has largely evaded significant scandal related consequences.

For the scandal to escalate further, additional confirmation from external regulatory actors and a more assertive framing strategy by media outlets would be necessary. Given the historical reluctance of mainstream media to frame the issue as a full-blown scandal, it remains uncertain whether Chiquita's corporate image will suffer lasting consequences. As of now, there is no “scandal melody” to solidify the case as a defining moment in corporate accountability.

In conclusion, I can affirm that the Chiquita case essentially confirms Kjær’s framing model. As highlighted by the scholar, it is crucial for a *coalition of media* to take the lead in shaping the *scandal narrative*. In addition to the absence of a central orchestrator, this "potential scandal" lacks even a *complete scandal framing*, according to Entman’s criteria. For Kjær, *scandal framing* is imposed over other social control agents through an emotionally charged narrative. According to Kjær, the media are the primary agents responsible for this function. However, in this case, aside from a few sporadic articles, the scandal narrative has been primarily driven by NGOs and legislative social control agents. The media have acted mostly as amplifiers of these claims, without, in most cases, adding an explicit *scandal layer*, apart from isolated instances or independent media. Consequently, their power has remained limited. In this scenario, the scandal framing remains incomplete throughout the entire Chiquita case—at least until today (February 2025).I do not rule out the possibility that there may be articles I have not accessed that frame the case through a fully developed scandal perspective. However, in my research, I have only found references within small independent media outlets. In any case, it appears that the *impression management* process—whereby a social control agent activates another agent to join the scandal coalition—is weak and does not seem to pursue a fully scandalous framing.

Here, as in the Boeing case, Piazza & Jourdan provide a key interpretative framework regarding Chiquita’s *embeddedness* in American society, which renders it an entity *too connected to be betrayed*—at least not in a highly visible manner. Additionally, the *spiral of silence* theory applies to this case, leading to what has been defined as a *silenced history* (Legato e Cabrera Ardila 2021).

Unlike Nike or Boeing, Chiquita has managed the issue by paying fines and implementing modest corporate social accountability reforms. No executives have been forced to resign, and despite negative publicity and a damaged reputation, Chiquita has not faced boycotts or significant pressure from advocacy groups. Perhaps the *John Doe v. Chiquita* ruling will have stronger repercussions in the future, but for now, the *spiral of silence* appears to persist at an international level.

CHIQUITA ATTEMPTED SCANDAL	1 «COMPETING FRAMES»	2 «FORMING A FRAMING COALITION»	3 SCANDAL «STICKY MELODY»
MEDIA	Limited media coverage focused on legal aspects rather than moral condemnation. Scattered reporting, no strong scandal framing.	Some international media outlets cover the lawsuit, but no concerted effort to construct a moral scandal narrative.	No full-fledged scandal emerges; media mostly report court rulings without emphasizing moral or corporate failures.
SOCIAL CONTROL AGENTS	NGOs and legislative bodies primarily driving the case, but without significant support from broader regulatory or political entities.	Legal institutions take the lead in establishing corporate responsibility; however, no major public regulators amplify the framing. Remedy promotion is settled as "Monetary compensation" to Us regulators and families	Legal penalties imposed, but no major regulatory shake-up or corporate accountability movement.
AUDIENCE	Public largely unaware or disengaged. The scandal narrative did not gain sufficient traction due to weak media amplification.	Human rights groups and activists attempt to raise awareness, but limited engagement from mainstream audiences.	Public trust in Chiquita remains largely unaffected; no consumer boycotts or significant reputational damage observed.
SCANDAL	Incomplete	The scandal does not emerge.	No «scandal melody»
FACTORS OUTSIDE MODEL: Families and other istitutions	Victims' families and NGOs initiate legal battles, but struggle to maintain a high-profile media presence.	Some independent journalists and advocacy groups discuss the case, but hashtags or viral discourse fail to emerge. Families persist in legal battles supported by NGOS	Families continue seeking justice, but the scandal remains muted without broader institutional or public reinforcement.

*Chiquita attempted scandal framework **

COMPARATIVE ANALYSIS

To conclude this chapter, I will conduct a comparative analysis of the three case studies in relation to Kjaer's model.

Nike Case

In the first case, "Nike Sweatshop," there is a substantial logical convergence across all three phases of Kjaer's framework. However, the most significant divergence lies in the role of NGOs and spontaneously formed associations in response to the events and the "anti-scandal" coalition led by Nike. In the first phase, competing frames, while the media largely adhere to Kjaer's structure, certain social control agents—namely, NGOs and critical associations—actively initiate a scandal coalition, thereby triggering a reaction from the media. In this case, the media framing coalition was activated by NGOs, which is a dynamic not explicitly accounted for in Kjaer's model. This suggests that the role of NGOs in scandal framing warrants further investigation.In the second phase, forming a framing coalition, events unfold largely in line with Kjaer's framework. However, a notable divergence is the lack of a substantial response from influential social control agents to the scandal coalition and the impression management strategies of the media. This aspect deserves further analysis, as in Nike's case, the media failed to mobilize sufficient regulatory or institutional social control agents to escalate the scandal. Conversely, Nike successfully co-opted certain actors, negotiating compromises and adopting partial reforms, ultimately preventing the formation of a scandal melody, the third phase of Kjaer's framework.

The key divergences from the model can be summarized as follows. First, the initial activation was driven by a minor coalition of social control agents, with NGOs rather than the media playing a central role in triggering the scandal framing process. This suggests that Kjaer's model could benefit from a more nuanced analysis of the role of NGOs in scandal formation. Second, there was a lack of strong regulatory or state responses. In Nike's case, no significant sanctions or regulatory actions were imposed, which likely contributed to the scandal failing to stabilize over time. Kjaer's framework does not specify which social control agents must be engaged for a scandal coalition to gain sufficient strength. Third, corporate embeddedness within society and institutions played a crucial role. While Kjaer references Piazza's work, the framework does not sufficiently account for how certain social control agents may align in defense of the scandalized corporation, forming an anti-scandal framing. In Nike's case, this counter-coalition allowed the company to fully rehabilitate its reputation, to the extent that even the media reversed their position and ultimately integrated into the anti-scandal coalition. These divergences highlight the need for a more refined conceptualization of the conditions necessary for scandal persistence, particularly regarding the interplay between regulatory responses, corporate influence, and media realignment.

Boeing Case

The Boeing case presents a more problematic scenario, as it highlights significant gaps in existing theoretical models, particularly regarding the role of social media, victims' associations, and, more broadly, the impact of the tragic nature of an event—which in this case exceeded the media's conventional ability to trigger audience emotions. The Boeing case falls into the category of catastrophic operational failures of a corporation. In political risk analysis, such events are relatively rare but have profound repercussions.

In this case, Boeing managed to navigate the traditional media system relatively unscathed, yet it suffered an irreversible reputational decline in terms of stakeholder trust. This process, in my view, has triggered a downward spiral that will lead the company toward an inevitable long-term decline. The mishandling of the blame game was particularly detrimental, as the company persistently denied responsibility until undeniable factual evidence emerged from subsequent investigations.

Regarding the role of the media, I argue that traditional outlets were almost entirely irrelevant in this case. This phenomenon may indicate a broader societal shift, where traditional media are losing influence in favor of new information and judgment formation mechanisms within contemporary public discourse.

Returning to the comparative analysis with Kjaer's framework, I observed that the first phase, competing frames, aligns with the model's theoretical predictions. However, major divergences emerge in the second phase, "forming a framing coalition," where traditional media were not the primary actors in constructing the scandal narrative. Instead, social media and a coalition of secondary social control agents—such as NGOs—played a leading role in establishing the dominant framing and subsequently shaping the scandal melody.

Ultimately, Boeing represents a case in which the scandal was constructed outside traditional communication channels or, at the very least, where traditional media limited themselves to reporting official statements without actively shaping the narrative. Unlike classic corporate scandals, the "scandal melody" in the Boeing case does not exist in its conventional form, as it was not actively constructed by traditional media. Instead, it has been replaced by what I would define as a "stain on the company's reputation"—a persistent, enduring mark that continues to shape public and stakeholder perceptions.

This case underscores the need for further investigation into the role of social media and audience-driven opinions in shaping corporate scandals. The evolving dynamics of media influence suggest that traditional scandal construction mechanisms may no longer be as effective in today's digital landscape, necessitating a re-evaluation of how reputational crises unfold and persist in the contemporary information ecosystem.

Chiquita Case

The Chiquita case can be understood as both a failed scandal and a latent issue that could resurface at any moment, particularly in the event of a new internal crisis within the company. This case can be characterized as a silenced scandal, in which the media have been absorbed by the spiral of silence, and where public interest remains largely absent.

There are two main reasons why this scandal has failed to gain traction. First, the temporal frame is both extensive and complex, as the events in question date back nearly thirty years, making it difficult to maintain media momentum and sustain public engagement. Second, the company has demonstrated remarkable resilience, successfully severing all institutional and operational ties to the crime scene. Chiquita underwent a profound corporate restructuring, likely as a means of distancing itself from its controversial past and minimizing reputational damage.

Analyzing the case through Kjaer's framework, significant deviations emerge in each phase. In the competing frames stage, the core elements of scandal construction, as outlined by Entman, are largely absent. With the exception of some NGOs and victim advocacy organizations, no major actors have framed the events as a full-scale scandal. In the forming a framing coalition phase, a scandal coalition never fully materializes. Instead, the issue remains confined to legal proceedings, with no significant impression management efforts to shape public perception. Rather than amplifying the scandal, the media merely report on judicial rulings, failing to construct a dominant scandal frame.

Despite the gravity of the actions, the incontrovertible evidence linking Chiquita to terrorist financing and civilian killings, and the legal judgments that confirm key aspects of Entman's scandal phases, the scandal simply does not emerge as a persistent issue. Beyond the legal penalties and financial compensation for victims and the state, the corporate repercussions remain minimal.

Ultimately, this "non-scandal" serves as a negative confirmation of Kjaer's theory. If the media do not actively construct and sustain the scandal melody, the scandal neither persists nor fully materializes, demonstrating that media engagement is a crucial factor in determining the longevity and impact of corporate scandals.

Scandal Building Blocks	Kjaer Framework	Case Study Findings	
		Similiraties	Differences
Role of media	Crucial in leading the scandal framing and sustaining the scandal. Use impression management to trigger other Sca(s) Create and lead scandal melody	Lead scandal framing	Hesitant in criticism: do not join scandal coalition Passive: lead by other SCAs in scandal framing, confirm sub elements of scandal
Role of SCA(s)	Confirm sub-elements of scandal Join media's scandal coalition Complementary role in scandal melody	Complementary role in scandal melody	NGOs, Social media and associations are crucial in leading the framing. Use of impression management to trigger other SCAs and audience
Role of social media, NGOs and associations (Minor SCAs)	No data		Create, endure and lead dominant scandal framing
Scandal Melody	Media create and fuel blame throught stereotypes SCAs and «elected SCA(s)» confirm and complement media's scandal melody	Sca(s) confirm and complement scandal melody	«Scandal stain» on stakeholders perception of the company Social media have role in promoting stereotypes
Audience mainly influenced by	Media	Media	Social Media SCA(s) (mainly NGOs)
Dominant scandal framing could be questioned?	No data		Yes, by an anti-scandal coalition of media,SCA(s) and the company involved in the scandal

*Comparative Analysis Kjaer Scandal Framing and Case Study Findings**

Scandal Building Blocks	Kjaer Framework	Case Study Findings (Key Points)
Role of Media	Crucial in leading scandal framing and sustaining the scandal. Uses impression management to trigger other SCAs and create the scandal melody.	Media does not lead always scandal framing, is hesitant in criticism and does not always join the scandal coalition. Often passive, confirming scandal elements rather than actively shaping them.
Role of SCAs (Social Control Agents)	SCAs confirm scandal elements, join media's scandal coalition, and complement the scandal melody.	SCAs play a critical role in scandal framing. Use impression management to trigger other SCAs and engage the audience.
Role of Social Media, NGOs, and Minor SCAs	No data in Kjaer's framework.	Social media and NGOs can actively create, endure, and lead the dominant scandal framing.
Scandal Melody	Media fuels blame through stereotypes; SCAs reinforce and confirm the scandal melody.	The concept of a "scandal stain" emerges, affecting stakeholder perceptions of the company. Social media plays a role in reinforcing stereotypes.
Audience Mainly Influenced By	Traditional media.	Social media and SCAs (mainly NGOs) have significant influence on audience perception.
Can Dominant Scandal Framing Be Questioned?	No data in Kjaer's framework.	Yes, through an anti-scandal coalition composed of media, SCAs, and the company involved in the scandal.

*Key Points Scandal Framework Comparative Analysis**

Kjaer's concept of scandal revolves around the idea that traditional media plays a central role in constructing and sustaining scandals. The media leads the framing process, using impression management to activate other social control agents (SCAs) and shape what Kjaer calls the **scandal melody**, a narrative that persists over time. SCAs, such as regulators, NGOs, and other authoritative bodies, act in a complementary role, confirming scandal elements and reinforcing the media's framing coalition. However, Kjaer's model does not explicitly account for the role of social media, NGOs, and other minor SCAs as independent drivers of scandal formation. The media, in this framework, remains the primary influence on public perception, and once the scandal melody is established, it is difficult to challenge or counteract.

The case study findings, however, present a different reality, showing a shift in the mechanisms of scandal construction. Traditional media is no longer always the dominant actor; in many cases, it is hesitant in criticism, passive in its approach, and often merely confirms scandal elements rather than actively shaping them. Instead, NGOs and social media platforms emerge as key players in scandal framing, using impression management strategies to mobilize other SCAs and engage the audience. This contrasts with Kjaer's model, where SCAs play a more reactive and secondary role.

Another major difference lies in the evolution of the scandal melody itself. While Kjaer describes a process in which media continuously fuels blame through stereotypes and SCAs reinforce this narrative, the case studies reveal a shift from a scandal melody to what can be described as a **"scandal stain."** In these cases, the impact of the scandal is no longer driven primarily by traditional media but by long-term reputational damage that persists in stakeholder perceptions. Rather than a continuous, media-driven narrative, the scandal leaves an enduring mark that influences public trust and corporate legitimacy over time.

Furthermore, audience influence has also evolved. In Kjaer's model, traditional media shapes public perception, reinforcing and stabilizing the scandal. The case studies, however, show that social media and NGOs have taken on a much greater role in shaping audience reactions. This suggests a shift in the power dynamics of scandal construction, where decentralized, non-traditional actors now play a key role in determining whether a scandal gains traction or fades away.

Perhaps the most striking divergence between Kjaer's framework and the case study findings is the ability to challenge dominant scandal framing. Kjaer does not account for the possibility of an **anti-scandal coalition** that could counteract or reframe a scandal narrative. However, the case studies demonstrate that companies, alongside select media outlets and SCAs, can actively engage in efforts to shift or neutralize scandal framing. This ability to construct an alternative narrative challenges the idea that scandals, once framed, are inevitably sustained.

Ultimately, while Kjaer's model provides a structured framework for understanding scandal formation, it does not fully capture the shifting landscape of contemporary scandals, where social media, NGOs, and counter-framing strategies play a far more significant role than previously anticipated. The case study findings suggest that the dynamics of scandal construction are evolving, making it necessary to reconsider how scandals emerge, persist, and, in some cases, fade from public consciousness.

Case Study Findings

The case study findings reveal a significant transformation in how scandals are framed, sustained, and countered, diverging from Kjaer's traditional model. The four key points in the table illustrate this shift, emphasizing the increasing role of non-traditional actors, the evolution of scandal narratives, and the changing influence of media.

The first major shift is the rise of social media and NGOs as primary scandal framers. Unlike Kjaer's model, where traditional media is the dominant force in constructing scandals, the case studies demonstrate that NGOs, victims' associations, and digital platforms have taken on a much more active role. These actors no longer rely on mainstream media to expose or sustain a scandal; instead, they use social media and digital advocacy to mobilize public opinion directly. This makes scandal construction more decentralized, faster, and less dependent on institutionalized media narratives. Traditional media, rather than leading the charge, often follows the framing established by these newer actors.

The second major transformation concerns the evolution from scandal melody to scandal stain. In Kjaer's model, a scandal persists through media-driven narratives that continuously reinforce public outrage. However, the case studies suggest that modern scandals often leave a more permanent reputational imprint, even after media coverage fades. This scandal stain affects how stakeholders—investors, customers, and the public—perceive a company in the long run. The damage is no longer just a peak of media attention followed by resolution but rather an enduring impact on trust and corporate legitimacy.

Another crucial aspect is the growing influence of non-traditional SCAs, particularly grassroots organizations, victims' groups, and independent digital activists. These groups now operate outside the traditional media ecosystem, using their own platforms to shape the discourse around corporate scandals. They do not need the approval or agenda of mainstream media to make a scandal visible. This independence allows them to sustain narratives that might otherwise fade, making scandals harder to contain or neutralize.

The fourth and final point addresses the emergence of anti-scandal coalitions, a concept not explicitly accounted for in Kjaer's framework. The case studies reveal that scandal narratives are no longer unchallenged; companies, select media, and even certain SCAs can actively push back against scandal framing. Through public relations strategies, counter-messaging, and corporate activism, organizations can work to reshape the narrative or mitigate reputational damage. This challenges the assumption that once a scandal emerges, it will follow an inevitable trajectory toward public condemnation and corporate decline.

Taken together, these four points illustrate a fundamental transformation in how scandals function in contemporary media and corporate environments. Scandals are no longer solely driven by traditional media and institutional actors; instead, decentralized digital platforms, activist networks, and counter-framing strategies are reshaping the way scandals unfold. This shift demands a reconsideration of traditional scandal theories, acknowledging the growing complexity, fluidity, and unpredictability of modern corporate crises.

CASE STUDY FINDINGS	
Key Elements	**Description**
Social Media and NGOs as Primary Scandal Framers	Unlike Kjaer’s model, where traditional media leads scandal framing, the case studies show that **social media and NGOs** play a dominant role in **initiating, shaping, and sustaining scandals**, while traditional media is often hesitant or passive.
Shift from "Scandal Melody" to "Scandal Stain"	Instead of a continuous **media-driven scandal narrative (scandal melody)**, scandals now leave **a lasting reputational stain** on companies. The impact persists in **stakeholder trust and public perception**, even when media coverage declines.
The Growing Influence of Non-Traditional SCAs	NGOs, victims’ associations, and grassroots movements are increasingly **bypassing traditional media** to frame scandals directly through social media, giving them more autonomy in shaping public discourse.
Anti-Scandal Coalitions	Scandal narratives are no longer **one-directional**. Companies, certain SCAs, and select media can **actively counter scandal framing** by forming **anti-scandal coalitions** that work to reshape or mitigate the effects of a scandal.

*Case Study Findings, key elements**

CONCLUSION

The study of political risk analysis has long been concerned with assessing the potential threats posed by political instability, governance failures, and regulatory shifts on corporate operations. This thesis contributes to the field by expanding the scope of political risk analysis beyond its traditional focus on macroeconomic indicators and geopolitical trends, incorporating the often-overlooked dimension of reputational risk. By examining the intersection between political risk and corporate scandals, this research highlights how the perception of misconduct—rather than just objective political events—can profoundly shape business outcomes.

One of the central findings of this study is that reputational crises do not emerge in a vacuum but are actively constructed through framing coalitions, where media, social control agents, and political actors interact to define the boundaries of acceptable corporate behavior. This process is deeply political, as the mobilization of regulatory bodies, civil society actors, and public institutions plays a decisive role in determining whether a corporate misstep escalates into a full-fledged scandal or remains an isolated controversy. The research has confirmed that the persistence of scandals is contingent on their framing, demonstrating that political risk assessment must incorporate not only the structural risks of governance failures and policy shifts but also the reputational vulnerabilities that arise from a company's exposure to media scrutiny and stakeholder activism.

The cases analyzed illustrate how companies facing similar allegations of misconduct experience vastly different outcomes depending on the presence or absence of a strong political and media coalition framing the event as a scandal. While Boeing and Nike suffered significant reputational damage due to the sustained engagement of multiple social control agents, Chiquita largely escaped long-term consequences, despite clear evidence of wrongdoing, due to the lack of an enduring scandal coalition. This variability underscores the need for political risk analysts to integrate media dynamics and stakeholder mobilization into their risk models. Political risk analysis, traditionally reliant on economic and institutional indicators, must evolve to incorporate real-time assessments of how narratives around corporate behavior are formed, sustained, or countered within the public sphere. Another key contribution of this research is the identification of the "scandal stain" effect, which challenges the assumption that reputational crises are temporary disruptions that can be managed through effective crisis communication. Instead, this study shows that certain scandals, once framed effectively, persist in public and regulatory memory, influencing long-term risk exposure for companies. This finding is particularly relevant for political risk analysts, as it suggests that firms with historical ties to political scandals remain vulnerable to renewed scrutiny, even after immediate media attention fades. Understanding how scandal narratives evolve and "stick" over time is crucial for assessing the reputational resilience of firms operating in politically sensitive environments.

Another key contribution of this research is the identification of the "scandal stain" effect, which challenges the assumption that reputational crises are temporary disruptions that can be managed through effective crisis communication. Instead, this study shows that certain scandals, once framed effectively, persist in public and regulatory memory, influencing long-term risk exposure for companies. This finding is particularly relevant for political risk analysts, as it suggests that firms with historical ties to political scandals remain vulnerable to renewed scrutiny, even after immediate media attention fades. Understanding how scandal narratives evolve and "stick" over time is crucial for assessing the reputational resilience of firms operating in politically sensitive environments.

Furthermore, this research sheds light on the role of corporate political strategies in mitigating reputational and political risks. While lobbying, regulatory capture, and corporate social responsibility initiatives can serve as protective mechanisms, they are not infallible shields against reputational crises. In cases where political alliances weaken or media narratives become too powerful to counteract, even firms with strong political connections can face severe reputational fallout. This suggests that political risk assessment should not only evaluate the strength of a firm's political ties but also the sustainability of those ties in the face of shifting public sentiment and regulatory landscapes.

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The implications of this research extend beyond academia, offering practical insights for businesses seeking to strengthen their risk management strategies. Companies that incorporate reputational risk into their political risk assessments will be better equipped to anticipate and respond to crises, build resilience against scandal contagion, and navigate the complex interplay between politics, media, and corporate governance. Ultimately, this study underscores the evolving nature of political risk, highlighting that in an era of digital transparency and stakeholder activism, the boundaries between political risk and reputational risk are increasingly blurred.

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