

Chapter 4

Moral Capital, Trust Reserve, and Social License to Operate

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ABSTRACT

Moral capital represents the accumulated ethical goodwill and legitimacy that organizations cultivate through consistent value-aligned behavior, forming a critical foundation for sustainable value creation. This chapter examines the intricate relationships between moral capital, trust reserves, and social license to operate (SLO), exploring how these interconnected constructs shape organizational resilience and stakeholder relationships in contemporary business environments. Through comprehensive theoretical analysis and empirical insights, we demonstrate that moral capital functions as a strategic asset that enables organizations to navigate complex stakeholder expectations, regulatory landscapes, and social accountability

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pressures. The chapter develops an integrative framework linking moral capital accumulation to trust-building mechanisms and SLO maintenance, while examining the dynamic processes through which organizations can build, preserve, or deplete these critical resources.

1. INTRODUCTION

1.1 Background and Context

The contemporary business landscape has witnessed a fundamental transformation in the relationship between organizations and their stakeholders, characterized by heightened scrutiny of corporate behavior, increased demands for transparency, and growing expectations for ethical conduct (Pirson & Turnbull, 2021). In this evolving context, organizations face unprecedented challenges in establishing and maintaining legitimacy, with traditional financial performance metrics proving insufficient to capture the full spectrum of value creation and organizational sustainability (Schrempf-Stirling et al., 2022). The concept of moral capital has emerged as a critical theoretical and practical construct that addresses these challenges, offering a framework for understanding how organizations accumulate, deploy, and potentially deplete their ethical resources in pursuit of long-term value creation.

Moral capital, conceptualized as the reservoir of ethical goodwill and legitimacy that organizations build through consistent alignment between stated values and actual practices, represents a form of intangible asset with profound implications for organizational performance and survival (Sison et al., 2023). Unlike traditional forms of capital—financial, human, or social—moral capital is inherently normative, rooted in stakeholder perceptions of an organization's ethical character and its demonstrated commitment to operating within socially acceptable boundaries. This form of capital becomes particularly salient during periods of crisis or controversy, when organizations draw upon their accumulated moral reserves to maintain stakeholder support and navigate reputational challenges.

The relationship between moral capital and trust reserves represents a critical dimension of organizational sustainability. Trust, understood as stakeholders' willingness to accept vulnerability based on positive expectations of organizational behavior, functions both as an outcome of moral capital accumulation and as a mechanism through which moral capital is deployed (Bachmann et al., 2022). Organizations that systematically invest in building moral capital through ethical decision-making, transparent communication, and stakeholder-centric practices develop deeper trust reserves that buffer against unexpected challenges and facilitate cooperative relationships across diverse stakeholder groups.

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