



2025

Executive Scandals: Navigating Reputational and Financial Risks

Allegations of executive misconduct create significant investigatory and communication challenges. The sensitivity of the allegations and the complexity of the investigations pose critical risks to reputation, brand, and business momentum.

Today's executives operate under a brighter spotlight than ever. They are increasingly expected not just to lead a company, but also to uphold a prominent public-facing reputation. All the while, the distinction between what's public and what's personal continues to shrink, leaving legal teams and Boards to contend with fraught legal, operational, and reputational risks as a result of executive behavior.

A string of recent executive scandals demonstrates this ever-present challenge. In early September, Nestlé [ousted its CEO](#) after just one year in the role when it was revealed that he had been having an undisclosed romantic relationship with a direct subordinate. Retail giant Kohl's also made headlines earlier this year for [terminating its CEO](#) after he engaged a vendor with whom he had undisclosed conflicts of interest, providing "highly unusual" favorable terms. Both cases blend the personal with the professional – but even strictly personal issues are not off the table. In March, [Kroger removed its CEO](#) due to "personal conduct that, while unrelated to the business, was inconsistent with Kroger's Policy on Business Ethics." And just this summer, a clip of Astronomer's CEO and Chief People Officer caught in an embrace at a Coldplay concert [became a viral sensation](#) reaching every corner of popular culture – not to mention triggering a board investigation and the ultimate resignation of both executives.

Allegations of executive misconduct create significant investigatory and communication challenges. The sensitivity of the allegations and the complexity of the investigations

pose critical risks to reputation, brand, and business momentum. To mitigate these risks, companies must understand the unique issues inherent in executive scandals, common pitfalls to avoid, and tactics for conducting credible investigations that withstand scrutiny from numerous stakeholders. Critically, they must also foster collaboration with communications and investigations experts to stay ahead of real or potential crises and to ensure a unified, strategic response that safeguards reputation and business continuity.

Inherent challenges

Scandals driven by executive misconduct are uniquely sensitive and complex in large part because executives often have direct involvement in the company's governance, operations, and financial reporting, which introduces potential risks to the integrity of those functions.

Executives such as CEOs and CFOs are typically deeply embedded in a company's control environment and in positions that could allow them to manipulate records, override internal controls, direct subordinates to perpetrate fraud, or collude with others to conceal misconduct. Likewise, executives involved in preparing financial statements and company filings, setting and maintaining ethical standards, and overseeing the financial reporting processes can

raise concerns. Their responsibility for providing representations to external auditors about the accuracy of the financial statements and suspected fraud naturally creates doubts for auditors about reliability of those representations. Additionally, executives may have personal relationships with other board members or leaders, sounding alarm bells around the credibility and transparency of an investigation.

Beyond their day-to-day roles, implicated executives are often also responsible for executing critical actions both throughout and following a crisis. If put on temporary leave (pending investigation results) or removed from their post, the company may struggle to execute. Worse, the executive may become a public adversary of the company, leaking damaging information to the press, applying public pressure through press leaks or social media, or activating third-party surrogates, further complicating the company's response.

Finally, unique challenges arise when an investigation is being conducted confidentially and only a small circle of leaders are aware of the situation. Removal of a prominent leader—even if only on temporary leave—will be noticeable at least internally, if not externally. Unconfirmed gossip, rumors and speculation can be distracting and harmful. Balancing the integrity of the investigation (and any related privacy and confidentiality obligations) with the potential need to address questions and concerns from key stakeholders and minimizing leaks becomes essential.

Common pitfalls in responding to executive scandals

The challenges inherent in investigating and responding to executive malfeasance can strain even the most prepared companies. But the way a company navigates these complexities often determines the long-term reputational, financial, and operational impact. Therefore, it is critical to build an effective response, particularly one that avoids:

01. Speaking too soon

Comprehensive investigations take time, and crises of this nature are constantly evolving. When facing pressure to respond, companies may rush to assure investors that allegations will not affect the company's bottom line or business. However, making such claims without confirmation or sufficient detail to support those conclusions may worsen the situation, adding further legal and reputational risks.

[McDonald's](#) experienced this firsthand when, in 2019, it announced the CEO's removal for an improper relationship with an employee, only to discover in 2020 that the CEO had misled investigators as to the number and extent of his improper relationships throughout his time at the company. This mischaracterization led to an [SEC investigation](#) and a lawsuit that generated further public scrutiny and extended the tail of this issue.

02. Losing credibility in the investigation

The credibility of an investigation can erode if not conducted objectively and thoroughly. Investigations overseen by company management, who may have close ties with the executive under investigation, can be viewed as biased. Further, an incomplete scope that is not thorough enough to address all key issues can lead to accusations of intentional partiality.

The board of [Luckin Coffee](#) was careful to build this credibility when it became aware of allegations that the COO and several employees fabricated sales transactions. The board formed a special committee, comprised of three independent directors, to oversee the internal investigation into the allegations and retained independent legal advisors and forensic accountants. These steps helped ensure an independent and credible investigation.

The less effective the communications response, or the longer the company is associated with misconduct, the more significant the negative financial, legal and reputational impacts can be.

03. Losing control of the narrative

The demand for transparency, objectivity, and accountability must be balanced with the need for speed. Allegations that become public, particularly from leaks, typically become media fodder very quickly. Even in the absence of media attention, uncontrolled gossip can be incredibly damaging. If the company doesn't have a plan, they risk losing control of the situation and the narrative entirely. The less effective the communications response, or the longer the company is associated with misconduct, the more significant the negative financial, legal and reputational impacts can be.

The recent Astronomer moment showcases this point. The viral nature of the video, within which executives were "caught in the act," meant a storm of false rumors, inaccurate statements, and meme-ification that dominated social media. The quick-fire nature of the coverage gave the company very little ability to own the narrative.

These pitfalls can contribute to significant issues for the business, including loss of trust from employees and clients, discontinued partnerships, litigation, heightened regulatory scrutiny, and damage to key stakeholder relationships, including investors.

Tactics for risk mitigation in response to executive misconduct

Fortunately, proper planning and response protocols can help mitigate such risks. When companies conduct an independent and credible investigation — and align internal and external communications strategies across stakeholders—they can minimize the impact of public scrutiny, maintain trust, and better serve the needs of both the business and its key stakeholders.

To do so, boards and companies navigating allegations of executive impropriety should proactively consider:

01. Building a cross-functional working group

Create a dedicated group tasked with crisis management and response and identify how roles and responsibilities may shift if executives are removed. Consider also including independent advisors who can quickly and discreetly evaluate the existing crisis plan against the current situation and help the company adapt in real time or proactively support crisis simulations and scenario planning. This will help ensure that when a scandal does strike, the company is well-prepared and able to promptly respond.

When companies conduct an independent and credible investigation they can minimize the impact of public scrutiny, maintain trust, and better serve the needs of both the business and its key stakeholders.

02. Ensuring an independent, credible and unbiased investigation

Consider having the investigation overseen by an audit or special committee with new, independent board member(s) to ensure sufficient independence and objectivity. Engaging objective, qualified outside counsel and forensic investigators can also help maintain a credible investigation.

The investigation itself also needs a few steps to be credible: It should identify management's role and knowledge of fraud or suspected fraud. It should also identify all employees that contributed or had knowledge of the suspected misconduct. This includes examining the role management played in broader company processes to identify whom they may have worked with, how deeply, and in what ways their actions will impact the company. Additionally, the investigation should assess the impact on the financial statements or operations, evaluate the effectiveness of internal controls, ensure access to all relevant evidence and employees, and undertake any steps that the board and outside advisors feel is necessary.

03. Aligning all communications

Ensure internal and external communications align with the legal strategy, reflect the company's core values, and demonstrate the seriousness with which the company takes the allegations. In the event that the investigation is confidential, identify where transparency is possible without compromise to the investigation itself or to the company's reputation, such as through targeted internal messaging. Failing to lead with transparency, consistency, accuracy, and urgency can erode trust among stakeholders and raise questions about the Board's independence and judgment.

04. Providing thorough and complete responses

Ensure responses are thorough. If the investigation is ongoing, manage expectations regarding the scope and timing of investigative procedures. Addressing how the company plans to deal with the evolving nature of the issue helps ensure transparency and build trust. If the investigation is and should remain confidential, outline which points can be addressed in the event of a leak, and ensure messaging around those is thoughtful and strong. Also be sure to stick to the facts in any communication. Half-truths or incomplete perspectives fare worse than owning what is unknown. If misinformation makes its way into the public discourse, sticking to the facts keeps the conversation focused and maintains a consistent narrative.

05. Speaking with one voice

Alignment in every communication is key. All spokespeople should speak with one voice, even to different audiences. If legal or regulatory issues are involved, statements must align with the legal strategy. Prioritize the communications plan in the crisis management process and refine best practices to suit the company and situation.

Following these protocols helps build a strong record of compliance and strengthens the defense against allegations.

The bottom line

A well-managed communications strategy and investigation in response to an executive scandal can mean the difference between a temporary issue and lasting reputational damage. Unlike other investigations, executive misconduct investigations are inherently challenging and require a deep understanding of the alleged misconduct, as well as tactical navigation of internal politics, regulatory scrutiny, and public perception.

It comes down to four core takeaways:

01. Prepare

Executive misconduct is not rare. As the personal conduct of executives becomes inseparable from the reputation of the companies they lead, the probability of an issue arising increases. Crisis simulations, scenario planning, and a comprehensive crisis communications plan will enable any company to respond swiftly and effectively when a situation arises.

02. Engage independent guidance

Ensure investigations are led by an independent party, which may include an Audit Committee or Special Committee as well as a Crisis Communications group that is sufficiently independent from the company and executive(s) under investigation. Engaging qualified, experienced outside counsel and forensic investigators that are truly independent maintains credibility.

03. Conduct a thorough investigation

Define the objective and scope clearly and align with the independent auditor or committee early. Include investigative procedures to be performed and the timeline for completion. The timeline and scope need to be flexible and within the control of the governance body overseeing the investigation. The scope should include the financial impact, observations regarding the effectiveness of internal controls, management integrity affecting reliance on representations, and the role management played in broader company processes, their collaborators, and the impact of their actions.

04. Communicate clearly and consistently

Align all messaging with the company's values, legal strategy, and investigative findings. Ensure the communications plan is treated as a priority and is carefully finetuned to address stakeholder needs in the moment.

Ultimately, companies that prioritize robust crisis plans, independent oversight and thoughtful communications strategies will be better positioned to weather the storm and rebuild trust with stakeholders.

FGS Global

[FGS Global](#) is the world's leading stakeholder strategy firm, with approximately 1,400 professionals around the world, advising clients in navigating complex stakeholder situations and reputational challenges. FGS Global offers board-level and C-suite counsel in all aspects of strategic communications—including corporate reputation, crisis management, and public affairs. The firm is consistently ranked a Band 1 PR firm for Crisis & Risk Management and for Litigation Support by Chambers and Partners and was ranked #1 Global M&A PR firm by Deal Count and Value in 2024 by Mergermarket.



Jeff McAndrews

Partner, Crisis and Issues Management

Jeff McAndrews is a Partner and leads the Crisis and Issues Management practice. He specializes in crisis management, litigation and compliance support, and cybersecurity, as well as broader corporate reputation and executive communications. He has a Band 1 ranking from Chambers & Partners for Crisis PR & Communications and has been named one of the Global 100 Leaders in Legal Strategy & Consulting by Lawdragon.



Scott Lindlaw

Partner, Head of U.S. Litigation Support

Scott Lindlaw is a Partner in the Washington, DC office. He specializes in legal events with the potential to impact reputation and value, including Patent, trade secret, copyright and trademark litigation; Department of Justice and other government investigations; regulator challenges to M&A and other antitrust issues; and cybersecurity incidents. Prior to FGS Global, Scott practiced cyber and IP law at two international firms.



Megan Bouchier

Partner, Co-Head of San Francisco

Megan Bouchier is a Partner and co-head of the San Francisco office. She advises clients on litigation, issues management, crisis planning, transactions, financial communications and other complex situations. She also regularly partners with clients on ongoing corporate positioning, media relations and investor relations programs. Earlier in her career, Megan was an attorney at Latham & Watkins LLP.



Mike DeGraff

Partner

Mike DeGraff is a Partner in the Chicago office. He advises clients on a wide array of special situations including contested and friendly M&A, activist investor defense, litigation support, bankruptcies, management changes, and ongoing media and investor relations programs. Prior to joining the firm, Mike worked at the Chicago Council on Global Affairs where he facilitated discourse between influential Chicago figures and prominent political and corporate leaders from around the globe.

Secretariat

[Secretariat](#) experts are trusted in the highest-stakes legal, risk, and regulatory matters around the world. Renowned law firms, leading corporations, and respected governmental entities turn to our disputes, investigations, economic, and data advisory services when the stakes are high. Quality, integrity, and independence are woven into every aspect of our work.



John Rademacher

Managing Director

John Rademacher, Managing Director, leads global, high-stakes investigations on behalf of Audit Committees, General Counsels, Chief Compliance Officers, and their outside counsel, and advises on building and strengthening corporate compliance programs. With more than 15 years of experience, he conducts internal investigations into subpoenas, government inquiries, and whistleblower allegations involving accounting and financial fraud, misappropriation of assets, bribery and corruption, complex accounting issues, breaches of contract, and non-compliance with laws and regulations.



Abby Williams

Director

Abby Williams, Director, specializes in forensic investigations, litigation support, and ethics and compliance services, partnering with companies and law firms to prevent and address fraud and misconduct. A Certified Public Accountant and Certified Fraud Examiner, she has led complex investigations from start to finish, applying global best practices to uncover and mitigate risk. Abby helps clients navigate critical issues, reinforce compliance systems, and respond to misconduct allegations. She is regularly engaged by multinational and high-growth companies to advise on building and sustaining compliance programs.

