

## **Case Study 2: Undisclosed Personal Relationship in Senior Leadership**

### **Background**

You are the CFO of a large, publicly traded Canadian financial institution. Your organization places a strong emphasis on governance, ethics, and transparency. As part of its policies, all employees—particularly those in senior roles—are required to disclose any personal relationships that could give rise to a conflict of interest or the perception of one.

During a routine HR compliance review, a concern is flagged regarding one of your executive team members. Over the past two years, a mid-level manager reporting to this executive has received rapid promotions and substantial increases in compensation, despite limited documentation supporting the rationale for these changes. The promotions appear to bypass normal competitive hiring practices, and some team members have raised concerns about favoritism, though no formal complaint has been made.

Upon further inquiry, it's revealed that the executive and the subordinate have a close personal relationship that was never disclosed, as required by company policy. This relationship appears to have existed for some time and may have influenced decisions around hiring, compensation, and reporting structures. There is also evidence that internal communications, such as calendar entries and travel expenses, were altered to obscure the relationship.

### **The Situation Escalates**

Once the findings are escalated to HR and compliance, a formal investigation is launched. The executive in question is placed on administrative leave, and a third-party firm is brought in to conduct an investigation.

As CFO, you are now part of the senior oversight team managing the organization's response. The executive maintains that the relationship did not affect their judgment, and claims they were unaware that formal disclosure was required in this case. However, the evidence suggests otherwise.

To complicate matters further, this situation becomes public before the internal investigation is complete. Media coverage includes leaked internal documents, anonymous employee comments, and speculation about leadership ethics. Investors begin to raise questions about governance practices, and employee trust takes a hit across the organization.

### **Group Discussion Questions**

1. What are the potential ethical issues in this situation?
2. Can you identify any early warning signs to watch out for?
3. How can you handle the stakeholders?
4. What steps can you take to protect your role and uphold your duties?
5. How can you prevent this in the future?
6. Have you ever encountered such a situation?