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THE EXIT IS NOT THE END: MANAGING EXECUTIVE DEPARTURES DURING ACTIVE INVESTIGATIONS

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An executive departure during an active investigation rarely resolves as much as organizations hope. While the departure may answer one question — Is this person still going to lead the organization? — it often leaves several others unanswered. What happened? Who knew? Were concerns raised earlier? Did reporting channels work? Does the board still need answers? Are there employees, regulators, investors, auditors, or other stakeholders who may later ask what the organization knew and what it did? An executive departure may end the employment relationship, but it does not necessarily end the organization's need for answers.

In many cases, the executive's departure solves the easiest problem in the room. The harder question is whether the organization has done enough to understand and address the risk the investigation revealed.

These matters compress several competing priorities into a short period of time and, most uncomfortably, create conflict. In our experience, one of the greatest tensions in these matters is the pressure to move quickly. Leadership wants stability. Employees want answers and fairness. The board wants assurance. The market may demand a response. Speed and rigor often do not align. Organizations that move too quickly may later discover they answered the wrong question or stopped before the facts were fully understood.

Executive investigations are different because power changes behavior. Employees may hesitate to report concerns, while managers may second-guess escalation decisions. Colleagues may minimize conduct that would have been addressed differently if the individual were less senior. Organizations should recognize that allegations involving influential leaders often require additional independence and greater attention to process.

The investigation itself often becomes one of the first opportunities for the organization to demonstrate whether its values remain operational under pressure. Organizations that navigate these situations effectively make five decisions deliberately.

Decision one: Determine whether the organization still needs answers

One of the most common mistakes organizations make is treating the executive's departure as the end of the matter. The more important question is whether the organization still needs answers.

In our experience, these situations frequently involve conflicting priorities. Business leaders want to move forward, the board seeks clear facts, employees still have unanswered questions, and regulators, auditors, shareholders, or whistleblowers may later scrutinize why the investigation was stopped.

A resignation, retirement, termination, or negotiated separation may resolve the employment relationship. It does not necessarily answer what happened, whether others were involved, whether concerns were escalated appropriately, or whether the organization still has rehabilitative work to do. This distinction becomes especially significant in matters involving allegations of misconduct, retaliation, conflicts of interest, misuse of authority, fraud, financial controls, or conduct that appears inconsistent with the organization's stated values.

A useful guiding question is: If this matter is reviewed six months from now by the board, a regulator, an auditor, a whistleblower, or a court, can the organization explain why it stopped or continued the investigation? One widely reported public-company matter illustrates the point. After allegations involving a CEO's relationship with employees became public, the executive resigned. The board nevertheless continued its investigation with outside counsel. The company later announced findings that affected its compensation and accountability decisions. The critical lesson was not simply that the executive left; it was the organization's need for facts outlived its need for the executive's continued employment.

We have seen organizations become so focused on the departure that they stop asking larger questions. Were employees comfortable raising concerns? Did managers escalate concerns appropriately? Did the board receive the information it needed? Did the organization's controls function as intended? Those questions often outlast the employment relationship.

Decision two: Identify stakeholders before defining scope

Executive investigations rarely have a single audience. The immediate decision-maker may be human resources, the general counsel, the chief compliance officer, or a senior leader, but the audience frequently expands over time. The board may need findings to exercise oversight; auditors may ask questions; regulators may seek information; employees may evaluate whether leadership was held accountable; and shareholders, business partners, future litigants, or the market may later scrutinize the response.

A review sufficient to support a separation decision may not answer broader questions about governance, culture, controls, escalation, or organizational risk. This does not mean every executive investigation requires the broadest possible scope or a lengthy written report — proportionality still matters. However, leaders should ask a fundamental question early: Who may ultimately rely on this work, and for what purpose?

The answer often influences reporting relationships, documentation, privilege, and communications. If the executive is sufficiently senior, board or committee oversight may be appropriate. If ordinary reporting lines create actual or perceived conflicts, the organization may need a more independent structure.

The audience also affects documentation. In some matters, a disciplined record of scope, investigative steps, findings, and corrective action may become imperative. Overdocumentation can create risk, but so can the inability to demonstrate that the organization acted reasonably, carefully, and consistently.

Privilege should not be treated as an afterthought. The organization should consider at the outset who is directing the work, why the work is being performed, who will receive updates, how findings will be communicated, and how legal and business purposes will be managed.

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Decision three: Protect credibility, not just defensibility

An essential question that organizations frequently ask is whether they can defend a particular decision. However, the more revealing question is whether key stakeholders will trust the process.

An executive resignation during an investigation can create immediate credibility challenges. Employees may wonder whether the executive was protected or paid. The board may question whether management moved too quickly. Regulators or auditors may later ask whether the investigation was completed. The media may speculate before facts are available.

Internal communication requires judgment. Saying too much can compromise confidentiality, prejudice the process, waive privilege, or create legal risk.

These issues become especially significant when the executive holds responsibility for culture, ethics, compliance, finance, risk, or people functions. When the individual involved is a senior leader, control owner, culture warrior, or executive responsible for the very function implicated by the allegations, the organization's process can become as imperative as the underlying facts.

Recent public episodes involving the sudden departure of senior leaders after public scrutiny illustrate the point. In those situations, employees and external observers often ask not only what occurred but whether the organization's process was credible, independent, and complete, or whether the departures were treated as a substitute for deeper review.

Most employees will never know all the facts. They will, however, form opinions about whether the organization handled the matter fairly. They notice whether communications feel disciplined or evasive. They notice whether individuals who raised concerns appear protected. They notice whether similarly situated employees would have been treated the same way.

We have found that stakeholders often evaluate processes before they evaluate outcomes. Protecting credibility requires coordination. Legal, compliance, human resources (HR), communications, leadership, and the board may all have responsibilities, but they cannot operate in silos.

The organization should align on what is known, what remains unknown, what can be communicated, who will communicate it, and how communications will preserve the integrity of the investigation.

Internal communication requires judgment. Saying too much can compromise confidentiality, prejudice the process, waive privilege, or create legal risk. Saying too little can undermine trust and invite speculation. The right message should be accurate, consistent, appropriately limited, and aligned with the status of the investigation. External communication may be equally sensitive. Customers, investors, business partners, regulators, auditors, or the media may all seek information. Even when the organization appropriately says very little, it should anticipate that others may try to fill the silence.

In many executive matters, stakeholders will never know all the facts. They will, however, draw conclusions from the organization's response. Timeliness, independence, consistency, and transparency in the process often serve as proxies for credibility itself. Institutional credibility is not a public relations concern; it should be protected as an organizational asset.

Decision four: Structure the departure with future scrutiny in mind

Future scrutiny may come from regulators, shareholders, employees, auditors, litigants, business partners, the media, or the board itself. The organization should therefore evaluate the separation not only for how it resolves the immediate issue, but also for how it may be viewed later with more complete facts.

The executive may resign, retire, take leave, be separated from employment, transition out, or remain temporarily in a limited role. Each option carries implications for communications, compensation, severance, cooperation, access to information, and the integrity of the investigation.

The characterization of the departure requires particular care. Premature statements about misconduct, causation, or responsibility can pose a risk if the facts are still developing. Overly sanitized statements can damage credibility if serious allegations later become public. Organizations should avoid creating narratives that the facts may not support.

Compensation decisions may also become part of the accountability discussion. Severance, bonus treatment, equity awards, deferred compensation, clawback rights, forfeiture provisions, indemnification, and advancement can all attract scrutiny. The organization should evaluate whether payment decisions are consistent with the known facts, applicable agreements, policy obligations, and stakeholder expectations. Standard separation agreements may not adequately address these situations. Organizations should consider cooperation obligations, preservation of documents and information, confidentiality provisions, access to records, future communications, and other issues that may affect the investigation after the executive leaves. Confidentiality and non-disparagement provisions should not restrict lawful reporting, whistleblowing, cooperation with regulators, or participation in the investigation. They also should not appear designed to silence concerns. In this context, poorly framed provisions can create more risk than they mitigate.

Cooperation is often critical. If the executive remains a main source of information, the organization may need the ability to conduct interviews, obtain documents, ask follow-up questions, or understand business context after the executive leaves. Without an explicit cooperation obligation, access to crucial facts may become more difficult. Preservation also deserves particular attention. Senior executives often possess information across multiple systems, devices, assistants, and business functions. Legal, compliance, HR, IT, and security teams should coordinate before access changes occur to preserve relevant information in a manner consistent with company policy and applicable obligations.

Ultimately, the key question is: Does the separation allow the organization to complete the remaining work? The exit should support — not replace — the organization's compliance and governance responsibilities.

Decision five: Treat the matter as a governance stress test

Executive investigations reveal far more than the conduct of one individual. They often reveal whether the organization's systems function under pressure. Did employees feel comfortable raising concerns? Did managers escalate issues appropriately? Did decision-makers receive the information they needed? Did reporting channels work when the individual involved was powerful? Did legal, compliance, HR, internal audit, risk, communications, and leadership coordinate effectively? These questions may be uncomfortable, but they frequently produce the most important lessons. The strongest organizations do not limit accountability to the executive if the facts suggest broader issues. They examine whether incentives, leadership behaviors, cultural norms, reporting structures, or governance practices contributed to the problem. They ask whether prior complaints, hotline reports, exit interviews, audit findings, control exceptions, survey results, or informal warnings were missed. They consider whether the organization's escalation protocols and board reporting worked as intended and whether similar matters have been handled consistently. Was this executive treated as others would have been treated? If not, was there a principled reason? Did the organization follow its policies? Were deviations documented and defensible? Did communications reinforce confidence in the compliance program?

Questions every board, audit committee, or compliance committee should ask

1. What facts does the organization still need?
2. Who will ultimately rely on the findings?
3. What assumptions are we making because the executive departed, and would we make the same decisions if the executive remained employed?
4. Does the separation structure support ongoing obligations?
5. What does this matter reveal about governance, culture, and controls?

Executive matters test the tone at the top, but they also test the strength of the organization's compliance environment. They reveal whether values remain operational when the individual involved is influential, profitable, highly regarded, or visible. Even when misconduct proves isolated, organizations should ask whether policy changes, training, reporting enhancements, governance adjustments, control improvements, or communication strategies are warranted. Stakeholders frequently evaluate not only what the organization discovered, but also what it changed.

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Conclusion

Executive departures answer an employment question. Investigations answer an accountability question. An executive's departure rarely resolves the organization's need for answers. Organizations that navigate these matters effectively focus not only on what happened, but also on what their response communicates to employees, boards, regulators, investors, auditors, and other stakeholders. They do not treat the exit as a shortcut and do not fall for the false sense of relief.

An executive departure mid-investigation requires leaders to make decisions while facts are still developing and expectations are often competing. Organizations that handle these matters well understand that the departure itself is rarely the end of the work. The real question is whether employees, boards, regulators, and other stakeholders will ultimately conclude that the organization took the matter seriously, followed the facts, and acted consistently with its values.

When these matters arise, the objective is not simply to reach an employment decision; it is to preserve confidence in the institution itself. In our experience, organizations rarely regret gathering too many facts. More often, they regret assuming the executive departure answered the questions they never finished asking.

For more information about this topic, attend the "Under the Spotlight: Managing an Executive Exit Mid-Investigation" *session at the 25th Annual Compliance & Ethics Institute, https://www.corporatecompliance.org/conferences/institutes/25th-annual-compliance-ethics-institute.* CEP

Takeaways

- Executive departures do not necessarily end investigations. Organizations may still need facts to assess accountability, corrective action, controls, and governance risk.
- Scope should be driven by those who may rely on the findings. Boards, auditors, regulators, employees, shareholders, and future litigants may all evaluate the response.
- Credibility is a governance asset. A defensible response can still fail if stakeholders perceive inconsistency, special treatment, or a premature rush to closure.
- Separation terms should preserve the organization's ability to finish the work. Cooperation, preservation, communications, confidentiality, and compensation decisions require careful attention.
- Executive investigations should be treated as governance stress tests. They reveal whether reporting systems, escalation protocols, culture, controls, and oversight function under pressure.

