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Are ethical leaders being recruited at your organization?

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C-suite executives play important roles in influencing the ethical culture of an organization. As an ethical leader, company executives are role models who communicate the importance of ethical standards (“tone at the top”) and expect all employees to abide by these standards. As a result, you might expect companies to carefully select their executives and thoroughly evaluate their ethical values before recruiting them to be placed at the helm of the company.

According to a Strategy& study,^[1] more and more CEOs step down not because of falling short of financial targets, but because of ethical lapses. In 2018, Samsonite’s CEO resigned after an investment firm accused him of lying on his résumé.^[2] McDonald’s fired its CEO in 2019 after it was found that he had several sexual relationships with employees.^[3] The CEO of Raiffeisen bank (third-largest bank in Switzerland), who was also the chairman of the board of Helvetia Insurance, had to step down in both positions because of ongoing criminal investigations against him.^[4] Luckin’s CEO and chief operating officer were fired after an accounting scandal came to light.^[5] The Swiss Financial Market Supervisory Authority clawed back 750,000 Swiss francs from the CEO of a bank for insider trading.^[6]

The act of firing and replacing CEOs or other C-suite members is very expensive. Companies might not only have to pay executive compensation (bonuses, stock options) and salary for up to one year but also headhunter fees and/or sign-on bonuses to find a new candidate. Given the amounts involved here, why aren’t companies spending more scrutiny on screening and evaluating the ethical values of its C-suite members?

In this article we explore what companies can do to evaluate the ethical/moral compass of C-suite members.

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