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Ethical Leadership and Board Decision-Making: The Case of Kohl's CEO Misconduct

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Abstract. This case examines the ethical and governance challenges faced by the board of Kohl's in April 2025 after an investigation revealed that newly appointed CEO, Ashley Buchanan, failed to disclose a conflict of interest involving vendor-related decisions. The board discovered that Buchanan had a romantic relationship with Chandra Holt, founder of Incredibrew, whose products Kohl's agreed to carry under favorable terms specified by Buchanan. Holt was also affiliated with Boston Consulting Group, which Kohl's hired under a multimillion-dollar consulting agreement supported by Buchanan. This finding places the board in a difficult position: terminating Buchanan shortly after his appointment could damage the board's reputation, raise concerns about its competence in leadership succession and create organizational instability, while failing to act decisively could be viewed as neglecting its fiduciary responsibilities and undermine stakeholders trust. The case provides an opportunity for students to apply principles of agency theory and examine the role of the board of directors in addressing executive conflicts of interest and the tensions among ethical, strategic, and reputational considerations in organizational decision-making.

Keywords: board oversight, agency theory, corporate governance, ethical leadership, executive misconduct, conflict of interest, CEO succession.

1. The Investigation

In late April 2025, Michael Bender, chair of Kohl's board, prepared for what would become one of the most consequential board meetings in the retailer's recent history as directors convened at the company's headquarters in Menomonee Falls, Wisconsin. The board was scheduled to discuss the findings of an investigation involving the company's newly appointed CEO, Ashley Buchanan, who had assumed the role in January 2025 after stepping down as the CEO of Michaels. The investigation concluded that Buchanan had violated Kohl's code of ethics in two instances involving his failure to disclose a personal

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relationship with a vendor (Kohl's Corporation, 2025a). These findings raised the possibility of placing Kohl's in yet another crisis after years of declining performance, investor pressure, and repeated executive turnover.

The issue initially emerged after an employee raised concerns during the regular vendor vetting process regarding the coffee brand Incredibrew, when Buchanan directed business to be conducted with the vendor and dictated payment terms that appeared unusually favourable to that company (Nassauer & Kapner, 2025b). The arrangement involved orders for hundreds of Kohl's stores. These concerns prompted the board to initiate an investigation by an outside law firm (Nassauer & Kapner, 2025b). The investigation concluded that Buchanan failed to disclose his personal relationship with Chandra Holt, the founder of Incredibrew (Kohl's Corporation, 2025a). Additionally, the investigation revealed that Holt was also a senior advisor at Boston Consulting Group, with which Buchanan led Kohl's to enter into a multimillion-dollar consulting agreement (Nassauer & Kapner, 2025a).

The board's investigation centered on whether Buchanan's conduct complied with Kohl's Code of Ethics, which required employees and executives to avoid actual or apparent conflicts of interest and to promptly disclose any personal relationships or financial interests that could influence business decisions (Kohl's Corporation, 2024). The Code emphasized that business decisions should be made solely in the best interests of Kohl's and that conflict of interest should be avoided (see Exhibit 1).

2. A Pattern of Undisclosed Relationships

Buchanan and Holt had reportedly been involved in a romantic relationship for several years, dating back to their time at Walmart and Sam's Club, where both held leadership roles (Exhibit 2). The relationship was allegedly kept hidden from co-workers and senior leadership at Walmart, Michaels, and Kohl's despite the fact that they lived openly together in Dallas, Texas (Nassauer & Kapner, 2025a). Both Buchanan and Holt filed for divorce from their respective spouses in 2020, and court records from Buchanan's divorce indicated that the affair with Holt played a role (Nassauer & Kapner, 2025b).

Concerns regarding the ethical conduct and disclosure practices of Buchanan and Holt were not limited to Kohl's. During Buchanan's tenure as CEO of Michaels, the company attempted to recruit Holt for a senior leadership role; however, Buchanan did not disclose his personal relationship with her at the time (Nassauer & Kapner, 2025b). Although Holt ultimately declined the position and later became CEO of Conn's HomePlus and subsequently Bed Bath & Beyond, the relationship between the two reportedly remained undisclosed while they continued to work within the retail industry, recruit employees from each other's companies, and interact professionally while leading major retail chains.