When a New CEO Comes In, Will Risk Walk Out?

How to Create Effective and Enforceable Restrictive Covenant Agreements
10.9.07

The breadwinners of the biggest companies leave at alarming rates when a new CEO is placed from the outside, according to a recent issue of Harvard Business Review. Not surprisingly, executives closest to the CEO carry the most potentially damaging knowledge about the company. Because CEO turnover is at an all-time high, according to a recent Booz Allen Hamilton study, more than ever, it’s important for management to ensure that high-ranking executives are under effective and enforceable restrictive covenant agreements.

Employers need to be prepared to respond swiftly upon learning that an employee intends to join a competitor. Employers are well advised to review their legal options with counsel; they may have legal rights that extend far beyond the four corners of a contract. The appropriate response to an employee departure may include everything ranging from a demand letter to a lawsuit. In this day of increasing employee mobility, a prompt response can make all the difference.

This article appeared in the October 09, 2007 online version of Directors & Boards.