



*Risk Solutions for
a Complex World*

INTEGRITY | COMMITMENT | EXPERIENCE



Handling Key Staff Defections

A Guide for Boards of Directors and Senior Management



Introduction

An orchestrated exodus of key executives to a rival company is a nightmare for a board of directors.

Any such defection tests the resolve of senior management, and can, if handled badly, lead to financial harm, the loss of confidential information and clients, and serious damage to reputation and morale.

Moreover, the risk of such defections is rising with the approach of Christmas and Chinese New Year, traditional times at which staff change roles coinciding with their bonus payment. Directors should take account of the threat now.

The Risks

A wide range of companies are at risk of “group grabs”, including financial services businesses, insurance companies, corporate services providers, banks, head hunters, architects, real estate agents, and even law firms and professional services organisations.

The circumstances of defection vary, but often include certain factors – middle-ranking employees who feel vulnerable after a takeover, the emergence of a cash-rich new player in a competitive industry, or a perception that instability could lead to lay-offs.

Of course, the free movement of staff between rival companies is normal. However, should any such movement be accompanied by unethical, or even illegal, activity, then it may develop into a major enterprise threatening situation.



Recently, SVA have noticed an increase in unethical activity, theft of corporate data and deliberate soliciting of staff in breach of their restrictive covenants often by serving directors or officers of the company.

Warning Signs

Spotting the danger is possible, if boards are alert. A small clique in the same department resigning together, unusual late-night or weekend work patterns, aggressive behaviour by a competitor, strange requests for access to confidential databases and client lists – all, and any, of these activities may hint at trouble to come.

The “matrix management system” can augment the risk, as multiple reporting lines, confusion over accountability, and an excess of people involved in decision taking means few executives can see the whole picture. Consequently, no one may spot the threat until it is too late.

What to do?

The first reaction to a mass defection is often panic and paralysis, not least as the defectors and their backers may launch hostile action when the company’s defences are down – over a long holiday such Christmas or Chinese New Year, or during the annual management meeting. Key decision makers may not be able to respond at pace.

Worse, legal advisors and external counsel may hesitate to recommend decisive action, at least until concrete evidence emerges. Some may advise that such behaviour is the “industry norm”, or that “nothing can be done”.



Doing nothing is not an option, though, as the company's future is at stake. Indeed, taking no action is a decision in itself, and amounts to a tacit admission of defeat.

Rather, the management team must gain the initiative, by assessing damage and formulating a rapid response; even tardy action can contain the harm. The correct response is to think clearly, and to act swiftly.

This stage is typically when SVA becomes involved. The goal is to shift from a defensive stance towards active efforts aimed at anticipating and countering hostile initiatives – and thereby to protect company interests.

In order to prepare a plan, SVA's team of experts will assess the scale of the crisis, identify steps to limit its impact, and take action against defectors, and the puppeteers behind them.

The Crisis Containment Team

One key step is the establishment of a crisis containment team, comprising senior executives, external counsel, and other advisors.

This team would take charge of day-to-day crisis management, and would coordinate any response. Its membership requires careful vetting, to ensure that no participants are sympathetic towards the defectors.

SVA plays a role on this team by holding disparate departments together, by coordinating strategy, and by organising daily progress meetings, at which senior figures take key decisions, all aimed at freeing up management time to concentrate on core business activities.



Staff Interviews and Intelligence Gathering

A concurrent step is investigating the conspiracy in play. SVA's expert team would interview staff members, with support from human resources, in an effort to identify those "friendly" to the company, and those in the rival's camp.

These interviews are crucial, as a "second wave" of employees is often preparing to depart, and may feed information to the hostile party. Moreover, interviews can identify operational intelligence, such as letters of employment, details of cash advances, and communications to certain employees.

Electronic Evidence

A concurrent step would be the collection of electronic information. Mass defections take time and resources to organise, and so leave traces on computer systems. Before departing, defectors may copy confidential information, or delete files, especially emails.

In this context, SVA's data forensic analysts can retrieve and examine electronic evidence, such as deleted files, so as to seek evidence of theft of intellectual property or breaches of fiduciary duty. Any unusual use of external storage devices, such as "thumb drives", always leaves a trace.

The SVA team can then package this information as evidence in support of legal action, or of formal reports of malfeasance to the authorities.

Drawing Up a Timeline

An additional requirement is the preparation of a precise timeline of events, prepared with sophisticated charting tools, which logs key incidents in the months leading up to the exodus, and sets them against other evidence of the conspiracy.

This process involves looking at unusual working patterns, and telephone calls or meetings between defectors and individuals at the rival firm, in concert with human resources and the information technology (“IT”) and security departments.

A timeline will help observers understand the genesis and development of the conspiracy, assist in planning counter-measures, and comprise a key piece of evidence in any legal action.

‘Tis the Season...

Christmas and Chinese New Year are traditional times at which people seek new roles.

Of course, staff will always join rivals if offered large financial incentives to do so. All the same, bringing across both valuable information and a substantial number of colleagues can threaten a business.

SVA has the experience and operational capacity to deal with key staff defections, efficiently, legally, and ethically. We can mitigate the impact of any exodus, help implement counter-measures against hostile parties, and develop contingency plans to reduce exposure and minimise the risk of any such defections.



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If SVA can be of any assistance, please do not hesitate to contact us on either (+852) 2528-1230 or via our 24-hour crisis response hotline (+852) 9196-2350.

About Us

Steve Vickers and Associates (SVA) is a specialist risk mitigation and security consulting company. The company serves corporations, high net-worth individuals and insurance companies around the world. SVA assists clients both in mitigating risk and when necessary to respond swiftly and effectively to incidents and crisis situations.

24-HOUR CRISIS RESPONSE HOTLINE

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