



## Susan-Says®: Minimize Employee Competition.

By Susan Wilson Solovic, CEO SBTV

Many small businesses are unwilling to share confidential information about their business operations with employees for fear they will use what they learn to go to work for a competitor or start their own business. It is a legitimate concern as unfortunately I've seen it happen in my own family business. A long time employee went behind my father's back, stole business files, and started a competitive enterprise.

Similarly, a small insurance agency owner told me he was delighted to find a capable, part-time assistant who joined his agency full-time. The employee easily integrated into the staff and became a valuable part of the team. Later, the assistant studied for and obtained her own insurance license. After learning about every aspect of the business, the assistant quit the agency and launched her own competing firm. Because of her close contact with the customers, many of the clients left the insurance agency and followed her.

Small businesses often have fewer employees who perform many functions. Smaller staffs and a closer relationship between employee and management in small and medium sized businesses often create an atmosphere where more confidential business information is accessible by employees. It can be one of the great rewards and benefits of being part of a small business team.

“Service businesses can be especially vulnerable to employee competition” advises Chris Kelleher, founder of The Law Firm for Businesses. “Many businesses could suffer a loss if a key employee decides to launch their own firm or is lured away by a competitor.” Kelleher suggests business owners consider a combination of pre-employment agreements when adding new employees; “Depending on state laws, you may be able to protect confidential information and possibly even stop former employees from competing against you for a while if you have the proper documents in place.”

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Kelleher says having employees sign appropriate documents can be very important especially if there is an innovative or creative element in the work assigned to an employee. “In general, most techniques or inventions that an employee creates while at work is the property of the employer, but it is still a good idea to have employees sign an agreement which transfers all rights to anything the employee invents or creates as part of their employment” Kelleher explains.

Beauticians, broadcasters, doctors, personal trainers, and salespeople are often being required to sign contracts containing restrictions on revealing confidential information or limiting future competition. A recent survey by the Society for Human Resource Management revealed 51 percent of current and new employees are asked to sign non-disclosure agreements. There are a lot of areas where it is important for the entrepreneur to protect their confidential or proprietary business information. Your customer lists, suppliers, or costs are vital to the success of your firm and are matters you want to keep confidential. Having a confidentiality agreement that outlines what employees may not disclose and having each staff member sign it is an important step in providing an employer with protection. It also a good idea to remind employees on a regular basis the types of information they are not to share with anyone.

Some employers ask staff to sign a non-compete contract agreeing not to seek employment with a direct competitor or start a competing business for a set time in a specific geographic region. Laws in different states treat non-compete agreements differently, so it is important to check with your attorney about the laws in your area. It is not enough to have these signed contracts and agreements in place, it is important to remind departing workers of their responsibilities and the terms of the agreements they signed during an exit interview.

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