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BOTTOM-LINE SOLUTIONS FOR EXECUTIVES AND HR MANAGERS

## The Executive Imperative: Screening for Senior Positions

**The risks and liabilities for hiring executives are greater than for staff positions.**

By Ron Lashier, Vice President, HireRight

**F**rom the Radio Shack CEO who lied about his education to Michael Brown, the head of FEMA who misrepresented his previous emergency management experience, the news has been full of executives who have damaged their organizations because of falsehoods and convictions that could have been easily discovered through a background screen. Most companies conduct screens of some type on all new hires. However, as evidenced by these headline-grabbing incidents, many organizations seem to be giving higher-ups a free pass in the screening process, or at least treating them with a lesser degree of scrutiny. Perhaps some companies think executives are less likely to have ticks on their records, but in fact, since executives are the highest-profile and highest-risk employees, they should be held to higher standards when it comes to employment screening.

### **Why Screening Executive Candidates Is Important**

Screening executives introduces a unique set of requirements, as the risks and liabilities for executives are far greater than for most staff. Company executives have greater access to financials and other sensitive company data; more power and influence over the company and staff; and higher profiles and thus represent a greater risk for damage to the company's reputation and brand. And as high-salaried employees, they are much more expensive to hire and replace. In addition, executives have a

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unique legal liability, since they may have to represent the company in court, so problems in an executive's background affect the company's credibility and may open the organization up to high-stakes legal risk.

### **Regulations**

Certain regulations, such as Sarbanes-Oxley, Patriot Act, the Federal Deposit Insurance Act and other industry-specific mandates, pose even greater requirements for screening executives with fiduciary responsibilities and access. A company's executive screening process must be comprehensive enough to demonstrate that there are processes in place to prevent corporate fraud. Simply put, companies that are not adequately screening executives are placing their organizations in a position of great risk.

One company attempted to go public and neglected to perform checks on its board members. Once it began the IPO process, the company learned, through the press, one of

the board members had a rap sheet. To no surprise, this incident was a major hiccup in its IPO process and ultimately had an unexpected negative impact on the company.

### **Key Steps for Screening Executive Candidates**

The same comprehensive screening processes should be in place for executives as for other categories of employees — criminal checks, sex offender checks, credit checks, education and employment verifications, and motor vehicle checks — but there is additional due diligence to be done on executives to guard against the additional risks and liabilities inherent to their positions.

To meet due diligence requirements under Sarbanes-Oxley and other regulations, companies are advised to screen executives globally for a broad range of U.S. and international legal, financial and regulatory enforcement red flags. Companies should screen for sanctions against both the individual candidate and against the candidate's previous employers. International criminal, employment and education checks are even more significant for executive candidates, as they may be more likely than other staff to have worked or lived outside the U.S.

Civil court record searches can provide valuable information on any lawsuits or civil disputes, and a fictitious business name search identifies businesses the candidate may own or has owned. Also, a corporate party affiliation check determines the companies an appli-

cant has been a part of to ensure that the individual is not hiding any previous businesses or actively moonlighting.

Internet sweeps and periodical searches are also important to conduct on executive candidates. Periodical searches can indicate if a candidate has been involved in any headline-grabbing situations, as well as what the executive has said publicly for and about previous employers. An Internet sweep can turn up a broad range of information from news reports to unsavory blog postings the candidate may have contributed.

Executive candidate searches should also include more in-depth and back-channel professional reference checks. Recruiters should check the references that a candidate provides, but also check other references that weren't provided. According to Rod McDermott, managing director, McDermott & Bull, an executive recruiting firm based in Irvine, Calif., back-channel reference checks are critical for getting a comprehensive view and flavor for the candidate.

Said McDermott, "For example, we identified one vice president candidate who had stellar credentials, experience and references. However, when we spoke with other contacts we had in the industry and at his previous employers, we learned he had several pending claims against him including sexual harassment, discrimination and inappropriate expense account manipulation. As you may have guessed, our client passed on this candidate."

Background screenings shouldn't be a one-time occurrence but should be performed

### Steps for Screening Senior Executives

1. Screen candidates based on a global search.
2. Screen for sanctions against both the individual candidate and against the candidate's previous employers.
3. Perform civil court record searches.
4. Check corporate party affiliations.
5. Include an Internet sweep and periodical search.
6. Check in-depth and back-channel professional references.

annually and whenever the individual is considered for promotion to identify new problems on a high-profile executive's record. Recruiters must conduct these screenings thoroughly, but also in a timely, respectful manner to avoid offending or turning off a candidate. Screens should be presented as a standard procedure of the firm, as a matter of policy, on all employees.

### Conclusion

Because of today's technologies, some background screening providers can complete even the most comprehensive and data-intensive searches in just a few days, ensuring a timely hiring decision. In today's business environment, in which unethical corporate behavior and executive resume doctoring are too frequently seen, companies cannot afford to hire or promote key executives without performing the highest level of due diligence. **HC**

*Ron Lashier is vice president of national accounts for HireRight. Contact him at (800) 400-2761 or access the company's Web site at [hireright.com](http://hireright.com).*



5151 California Avenue  
Irvine, CA 92617  
Tel: (800) 400-2761 (inside the US and Canada)  
(949) 428-5800