

The Increasing Importance of Academic Credential Verification in a Tightening Economy



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While it is always important to conduct a thorough background check into a potential executive before making a hiring decision, it is becoming ever more important as the economy tightens and investor confidence decreases. For years, headhunters and professional background screening consultants have been uncovering executive resume fraud, credential inflation, and misrepresentation of executive educational credentials. The current economic downturn has created tremendous strain on the job market as unemployment rates rise and competition stiffens. As a result, an increasing number of individuals vying for top executive positions, and even those applying for lower level positions, may be inflating their academic credentials in an effort to stand out. Thus, it remains important to verify academic and professional credentials of potential hires or of senior decision-makers.

According to a November 13, 2008, article from the Wall Street Journal, a survey of 358 senior executives and directors at 53 publicly traded companies revealed at least seven instances of false claims that individuals had received academic degrees that they, in fact, did not have. In the past few years, misrepresentations made on resumes have resulted in top corporate officials losing their jobs at companies including retailer RadioShack Corp. and Usana Health Sciences Inc. In addition to these individuals losing their jobs, the entities themselves also faced negative media attention as a result of the executive's misrepresentation. According to media references, Sam Box, former president of Tetra Tech, Inc., was demoted to vice president after it was revealed that he did not receive a bachelor's degree that he claimed to have earned. A number of Tetra Tech's SEC filings identified Mr. Box as the holder of a bachelor's degree in civil engineering from the University of California. After receiving inquiries from the Wall Street Journal, the company said Mr. Box "admitted that he [did] not have a college degree."

A 2006 article from the Institute of Internal Auditors reported that many high-profile individuals have been exposed for overstating their academic credentials. "In 2004, Laura Callahan, a senior director in the office of the U.S. Department of Homeland Security's Chief Information Officer, reportedly made headlines when it was revealed that she received her doctorate from Hamilton University in Wyoming, where her studies consisted of a four-page paper and a five-hour correspondence course on business ethics." In this case, while the individual held a degree, the work required to receive the degree was far less than would be required in a reputable Ph.D. program. Additional examples include Sandra Baldwin, president of the U.S. Olympic Committee, [who] resigned in 2002 after it was revealed she had never received a doctorate from Arizona State University as she had claimed. In 2001, George O'Leary resigned as football coach at the University of Notre Dame five days after he was hired when the school learned that he had not received a master's degree from New York University and had not earned three college football letters as his biography stated.

An October 2007 article published in BusinessWeek indicated that businesspeople are often reminded of the high cost of even a little exaggeration, a material omission, or an outright lie on a resume and how it can lead to career catastrophe. In the article, Jude Werra, an executive of a headhunting firm, noted that it is alarming the number of hiring organizations who fail to conduct thorough background checks on their management recruits. He indicated that too many organizations believe that checking a few references is enough. The article reported that it was estimated about 16 percent of executive resumes contain false academic claims and/or material omissions relating to educational experience, up five percentage points from the levels witnessed between July and December of 2006. These figures, as well as the examples above,

further point to the need for verification by potential employers or investors.

It is possible that false statements and embellishments regarding educational achievements are what enabled an individual to obtain his/her first executive-level management position many years ago. Unless reopened during the course of a diligent background check, these misrepresentations may remain unnoticed. Not only can academic misrepresentations be costly for the executive involved, but they can also reflect poorly on and damage a company's reputation, including investor confidence in company officials making crucial decisions. When it comes to executive-level hiring that may cost a company in the high six figure range, not to mention the potential damage to a company if an executive is exposed committing fraud, it is absolutely essential that a company perform the necessary verifications before making an executive hire. This also holds true for individuals/entities making a significant investment in a company. Investors should verify the background of the decision-makers before entering into a business relationship.

A thorough background check should always include academic and credential verifications, especially given the current state of the economy and job market which could make applicants more likely to embellish and make fraudulent misrepresentations on their resumes. These verifications should be viewed as an insurance policy in the due diligence process, as companies risk getting burned if executives have at any time committed this type of fraud.



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