



2021 AESC-Mintz Group Survey:

Candidate Background Screening in Executive Search



Foreword

Background screening of candidates is a critical service for the executive search and leadership consulting profession. Mintz Group shares the same commitment to quality standards as do the Association of Executive Search and Leadership Consultants (AESC) members and is the preferred global background checking and investigations partner of the AESC.

We are pleased to share with you findings from our inaugural joint report on Candidate Background Screening in Executive Search.

This report, which will become an annual collaboration between Mintz Group and AESC, examines the state of background screening in executive searches, including what complaints and investigations raise red flags among AESC member search firms; approaches to background screening and who conducts them, challenges and consequences of the scope of background checks on an executive search; and the impact of technology such as Artificial Intelligence on investigations.

We want to thank all AESC member respondents from around the world who took the time to participate in the survey. We hope these findings will bring new insight as you consider this important step in the executive search process.



A handwritten signature in black ink, appearing to read 'Karen'.

Karen Greenbaum
President and CEO,
AESC



A handwritten signature in black ink, appearing to read 'Peter'.

Peter Lagomarsino
Managing Partner,
Mintz Group

Introduction

Candidate background screening sits at the intersection of legal and reputational risk, data privacy, information and technology—all of which are undergoing rapid change. Companies and their boards and management are held to higher standards of behavior today than ever before by employees, customers, investors, regulators, the media and other stakeholders. At the same time, pervasive social media networks and mobile's hyper-connectivity have created a digital archive of a candidate's actions, relationships and opinions that can be accessed and shared easily. Past transgressions—real or perceived—are easily discoverable and can quickly result in harsh public judgment. Background screening allows companies to mitigate this reputational risk by uncovering and evaluating potential issues before they become real problems.

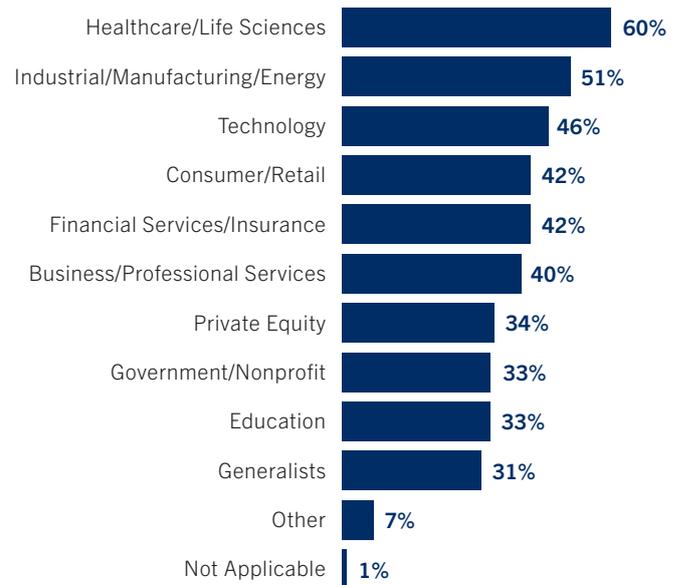
At the same time that background screening has grown more important, it has also become more difficult. Globalization has meant that a greater number of candidates have careers that span multiple countries, complicating information gathering. The rise of entrepreneurialism means that more candidates have been associated with newly established corporate entities about which there may be little publicly-available information. Data privacy laws covering how a candidate's personal information can and cannot be used pose evolving compliance challenges. The explosion of social media has exponentially expanded the amount of information to be screened and has provided many places for potential problems to hide. And new hot-button issues are constantly emerging; consider the speed with which “#MeToo” went from a hashtag to a movement.

To help provide additional insight into how background screening is conducted, the impact it has on the search process, and how consultants evaluate background screening providers, the AESC and Mintz Group conducted the following survey of AESC members in October and November 2021.

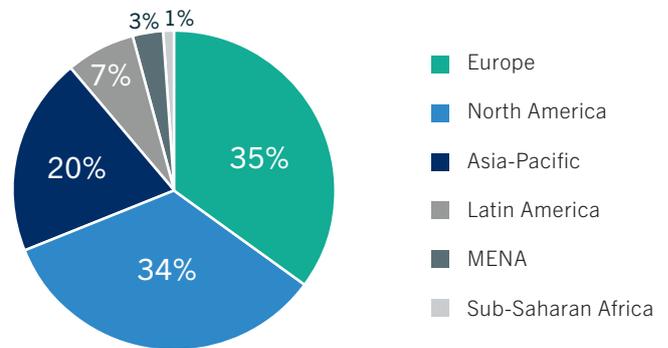
Survey Demographics

Ninety-one AESC members from around the world, representing a range of industries, responded to the online survey. A quarter (26 percent) of the respondents were from firms with more than 500 search professionals.

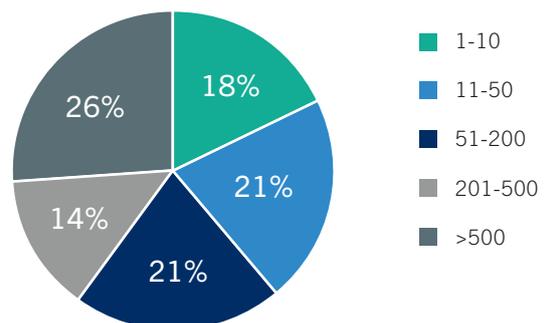
Which industries do you focus on?



In which region are you located?



How many search professionals does your firm employ globally?



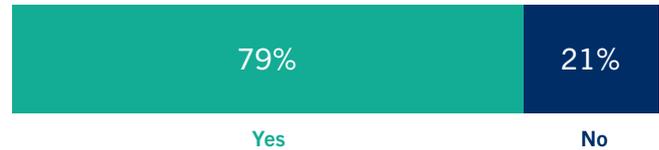
The Impact of Background Screening on Search

Background screening is an integral part of executive search, with nearly 80 percent of respondents indicating that their firm conducts background screening on candidates.

Background screening frequently has a significant impact on a search. More than a third of the time (36 percent), background screening uncovers information that either eliminates candidates from consideration or causes concern or discussion regarding a candidate’s viability.

Executive search consultants are most troubled by sexual harassment complaints or regulatory investigations. Of the remaining revelations about which respondents were asked, misrepresenting an educational degree was the most problematic—more so than offensive social media posts, omitting a past job from one’s CV or personal financial troubles.

Does your firm — internally or through a third-party — conduct background screening on candidates?



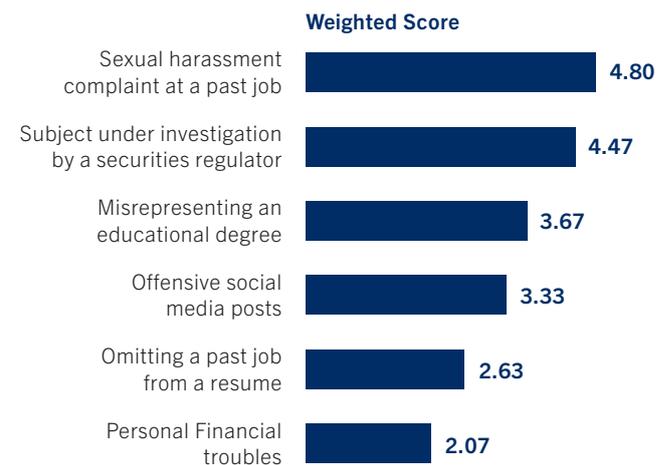
In approximately what percentage of searches does a background screening uncover information that causes concern or candidates to be eliminated?



Case Study

Having conducted more than 100,000 investigations, Mintz Group practitioners have identified patterns of omissions, hyperbole, and falsehoods on résumés. That’s why we advise our clients to trust, but verify. Consider the job candidate whose résumé didn’t disclose that he had served on the board of his sibling’s company—a pyramid scheme that had been shut down by regulators. And it’s not just smaller businesses that can be duped. In another case, a large U.S. financial firm asked us to perform checks on executives prior to promotion. We discovered that a deputy general counsel — who had been at the company for over a decade — had never been admitted to practice law. His previous two employers, both prominent law firms, had never properly checked his credentials.

Rank the following background screening findings from most to least important



Screening Process Mechanics

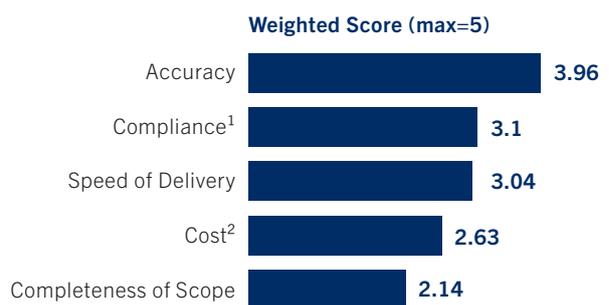
Executive search firms that conduct background screening are split on how they handle the task, with slightly less than half (47 percent) of those firms completely outsourcing the work to outside vendors, slightly more than a quarter (29 percent) handling the process in-house, and the remaining quarter using a mix of internal and external resources. When firms do use an outside vendor, they often use one vendor exclusively.

Does your firm use one background screening firm exclusively or do you use multiple firms? (Asked only of firms that conduct background screening.)



In evaluating the criteria considered when selecting an outside background screening firm, respondents value accuracy most of all, with 39 percent naming it the top priority. Completeness of scope—such as inclusion of non-English language sources, or of records that are relevant but which may not be included in a more cursory screening because they do not mention the candidate by name—is least important of the qualities listed.

Rank the importance of each of the following when selecting a background screening firm



¹e.g., using the correct consent forms, adhering to consumer reporting and privacy laws

²e.g., inclusion of non-English language sources or of records that are relevant but do not mention the candidate by name

The fact that completeness of scope is at the bottom of the list is not surprising. In the day-to-day process of managing searches, each of the other qualities comes under scrutiny from either the finance team or the legal department. In that environment, completeness of scope can easily appear to be a “nice to have.” However, insufficient completeness of scope brings with it the risk of errors of omission, particularly when a significant part of the candidate’s career has taken place in a non-English-speaking market.

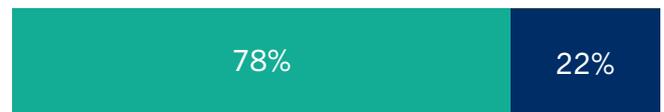
The consequences of incomplete scope on background screening can be seen in the problems survey respondents have had with their background screening providers. Respondents reported providers not having the needed competencies, such as foreign language capability (27 percent), and of missed red flags or other relevant information (23 percent) much more frequently than they complained of “false positives” (3 percent) or findings that the candidate disputed (13 percent).

The overwhelming majority of survey respondents (78 percent) want background screening reports to not just present findings but to distill those findings using rubrics such as color coding or risk categories so that decisions on candidates can be made quickly. This is not surprising, given the time pressures of search assignments. However understandable, the desire for automated conclusions may be at odds with the realities of today’s risk environment. Social media posts may need to be considered in context and in light of evolving societal standards. The implications of regulatory or legal actions involving the candidate may differ between jurisdictions. These and other complexities make it increasingly difficult to reduce the finding of background screening to a number or a risk category.

Have you had one or more of the following negative experiences with a background screening provider?



Which of the following statements most closely reflects your view:



- I prefer findings to be distilled into a user-friendly format, such as color-coding or high/medium/low risk categories, so that I can decide quickly without needing to review details
- I have the bandwidth to delve into details and context and come to my own conclusions

Case Study

It takes a well-trained eye (and certainly a human eye, not a robotic template) to recognize a red flag—a routine-looking shareholder lawsuit that sparks the attention of regulators, for example, or a divorce containing allegations of financial misconduct. For example, databases indicated that an old \$2,000 judgment was filed against an individual in favor of his former employer. Mintz Group investigators checked the court file and found a signed confession that said that the judgment was due to “money stolen from the employer.”

Mintz Group reports go back more than a few years. Many investigative firms choose an arbitrary time period, some as short as the last three years, when looking into an executive’s background. But executives can have long track records, and we often recommend going all the way back to college.

Artificial Intelligence (AI) in Background Screening

The dramatic increase in the amount of information analyzed in a candidate background screen—particularly due to social media posts—has led to growing interest in the use of artificial intelligence to speed processing and reduce human error.

However, artificial intelligence—in background screening and elsewhere—still has a way to go before living up to its promise as a low-cost, foolproof tool. Indeed, in the realm of executive search, awareness of AI in background screening is still just emerging. Virtually none (2 percent) of the consultants surveyed consider themselves to be familiar with the use of artificial intelligence in background screening, and nearly half of those responding (46 percent) were not at all familiar with this technology in investigations.

Successfully using emerging technologies in business processes requires a realistic understanding of the technology's limitations—especially since the claims of promising innovations are often a few steps ahead of reality. AI is no different. When used in background screening, AI in its current state of development can lead to false positives, bias against job applicants, and the omission of information that falls outside of the platform's algorithm. These potential shortcomings can to a significant extent be mitigated through human review.

However, the survey findings illustrated the extent to which many respondents are unaware of these limitations. Only about a quarter (24 percent) of respondents agreed that using AI in background screening increases the risk of false positives. Thirty eight percent either believe that AI algorithms pose no risk of bias or discrimination or are unsure if they do. Less than half (43 percent) agreed that AI algorithms are unable to process all the information that needs to be included in a background screening. And while most respondents (65 percent) indicated that screening findings generated by AI need to be verified by human review, a third either believe that such review is not necessary or are unsure.

How familiar are you with the use of artificial intelligence (AI) in performing background screening?

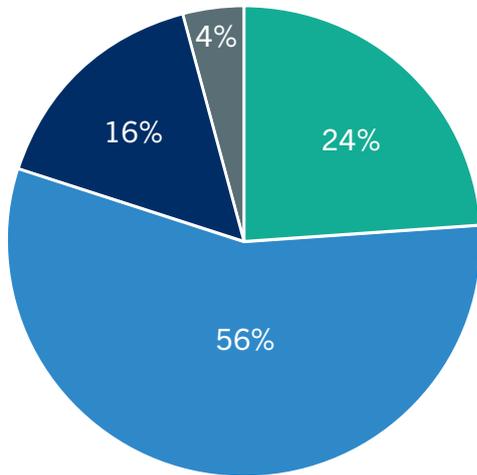


How strongly do you agree or disagree with the following statements pertaining to the use of artificial intelligence (AI) in background screening?

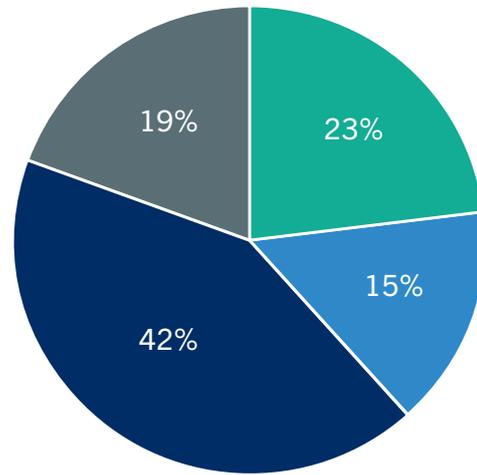
Note: Excludes respondents not familiar with AI

Legend: Strongly Agree (Light Green), Agree (Green), Neutral (Blue), Disagree (Dark Blue), Strongly Disagree (Grey)

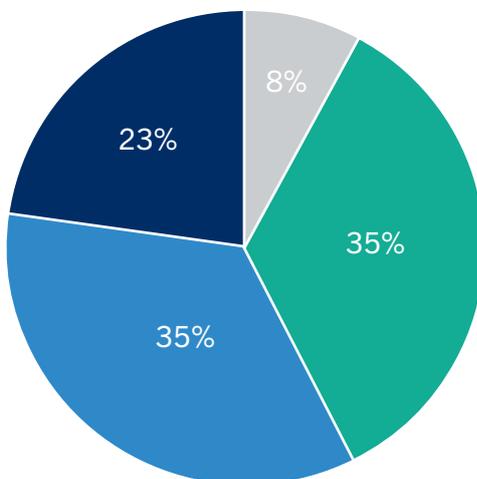
Background screening using AI technology is more likely to include false positives than screening done without AI



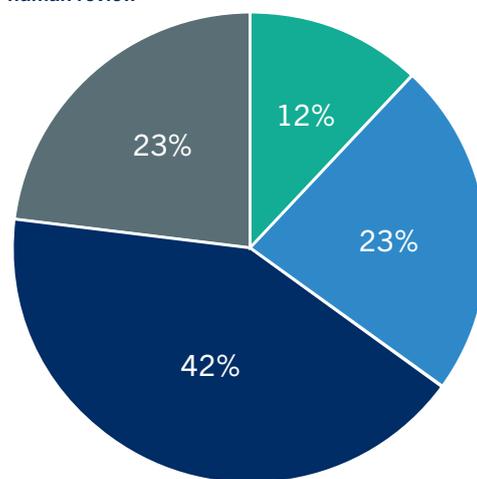
AI algorithms pose no risk of bias or discrimination toward job applicants



AI algorithms are unable to process all of the information that needs to be included in a background screening



AI technology is now sufficiently advanced that screening findings generated by AI do not need to be verified by human review



The Road Ahead for Background Screening

When it comes to background screening, the expectations of executive search professionals and their clients are poised to change significantly over the coming years, as employers will increasingly look to mitigate reputational risk in the face of social media's expanding digital archive, draw on a workforce from jurisdictions around the world, and navigate new regulations covering the use of a candidate's personal information.

In this environment, background screening will become more like cybersecurity—a function in which best practices are constantly evolving. “Excellence” will mean having the right oversight to ensure that as conditions change, screening continues to be scoped appropriately, technology is neither over- or under-leveraged and the screening process—whether conducted internally or through an outside vendor—provides thorough and reliable results in a world where the amount and type of information to screen continues to expand.

Search firms will need to accomplish all of this in the face of demanding client expectations, relentless competition for talent and continual cost pressures. But these challenges also bring opportunity: Search firms that successfully navigate the coming changes in background screening will have a competitive advantage in helping clients more effectively manage a key source of dynamic reputational risk.

The Experts



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Karen Greenbaum is President and CEO of the Association of Executive Search and Leadership Consultants (AESC), the global association representing the \$15b+ profession worldwide. AESC is dedicated to strengthening leadership worldwide. AESC's rigorous Code of Professional Practice guides its members, spanning 1,200+ offices in 70+ countries and beyond, to serve as strategic advisors on behalf of their clients. AESC Members are best positioned to provide companies with a competitive advantage—the ability to find, attract and develop the best talent in the world and ensure that executives are successfully integrated.



Peter Lagomarsino
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Peter Lagomarsino is Managing Partner of the Mintz Group. He co-heads the pre-hire and pre-deal due diligence practices and created a multi-language screening and verification service which background checks high volumes of people around the world. Peter has particular expertise in due-diligence standards and best practices for what constitutes responsible decision making before hires and business deals.

For more than ten years, Mintz Group has been collaborating with AESC and its global membership, providing expertise and guidance on due diligence and investigations around the world. Mintz Group serves as the exclusive investigations sponsor of AESC programming, including virtual AESC Conferences for AESC Members and their clients, as well as AESC Forums for executive research teams.

The strategic alliance between Mintz Group and AESC represents the commitment of both organizations to exceptional standards and service to the executive search and leadership consulting profession. AESC Members operate as trusted advisors to organizations around the world. As an AESC partner, Mintz Group exemplifies AESC standards through its thought leadership in practice areas that include background checking, integrity due diligence and workplace misconduct.

ABOUT AESC

Since 1959, AESC has set the quality standard for the executive search and leadership advisory profession. AESC Members, ranging in size from large global executive search and leadership advisory firms and networks to regional and boutique firms, represent 16,000+ trusted professionals in 1,200+ offices, spanning 70+ countries. AESC Members are recognized leaders of global executive search and leadership advisory solutions. They leverage their access and expertise to place, find and develop more than 100,000 executives each year in board of directors and C-level positions for the world's leading organizations of all types and sizes. Dedicated to strengthening leadership worldwide, AESC and its members share a deep commitment to the highest quality standards in executive search and leadership consulting—for the benefit of clients and the profession. We Shape. Connect. Educate. Learn more about us at aesc.org. For AESC's career service for executive-level candidates, visit BlueSteps at bluesteps.com.

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ABOUT MINTZ GROUP

For corporations, investors and the legal, financial and talent advisors who need actionable facts to assess risks, protect reputations and win disputes, Mintz Group is the partner of choice for due diligence, investigations and background screening, anywhere in the world. Since 1994, Mintz Group has developed a uniquely transparent and practical approach to fact gathering before hires and transactions, during disputes and after allegations. We provide impartial facts that are comprehensively researched, properly sourced and stand up to the toughest scrutiny in the boardroom or the courtroom. Headquartered in New York City, Mintz Group has 17 offices in eleven countries, with a team that has successfully conducted investigations in over 100 countries. To learn more, please visit www.mintzgroup.com.