

Economy Promises to Fuel Résumé Fraud

Practices Vary for Vetting Prospective Employees, but Executives Usually Face Tougher Background Checks

By CARI TUNA and KEITH J. WINSTEIN

The revelation last week that at least 10 senior executives and directors at publicly traded companies had corporate biographies claiming unearned academic credentials raises a question: How well do companies vet prospective hires?

Experts say while the vast majority of companies -- about 90% -- perform background checks on potential employees, the vetting process can vary widely.

Practices range from simply contacting references provided by candidates to hiring an outside investigator to check employment history, academic credentials, credit history, press coverage and legal and criminal records.

A fair number of job applicants misrepresent their credentials, surveys suggest. Kroll Inc., the investigative arm of Marsh & McLennan Cos., estimates that about 20% of job seekers and employees undergoing background checks exaggerate their educational backgrounds. In a 2004 survey of human-resource professionals, 61% said they "often" or "sometimes" find résumé inaccuracies when vetting prospective hires, according to the Society for Human Resource Management.

Experts warn that the prevalence of résumé fraud may increase as the economy worsens. As more people search for jobs -- and become increasingly desperate to land them -- hiring managers should be on guard. "Historically, when the employment market tightens, falsifications, elaborations [and] expansions tend to increase," says Peter LeVine, a professional background checker in Delray Beach, Fla.

Vetting may be lax at entry-level employers in high-turnover industries, such as retail and construction, where the cost of a background check may outweigh its benefits, says SHRM human-resource specialist John Sweeney.

At the executive level, vetting is generally more thorough, and has gotten stricter with the increase in regulatory scrutiny during the past several years, experts say. Since the 2002 Sarbanes-Oxley law, "you're under too much risk of embarrassment and litigation if you [mess] up," says Jay Gaines, a New York-based executive recruiter who specializes in the financial-services industry. "There's almost no excuse for missed errors."

Still, embellishments creep into C-suite résumés, too. Executive candidates most frequently lie about reasons for leaving a previous post, results and accomplishments, and past job responsibilities, a 2004 survey of consultants at executive recruiter Korn/Ferry International found. Academic credentials were the fifth-most frequently exaggerated type of information seen by executive recruiters.

One mistake companies make is not ascertaining how much vetting their executive recruiters do. Most search firms attempt to verify some executive credentials, but some "take a very hands-off approach," says Jenifer DeLoach, who oversees background checks for corporate clients at Kroll. "They find the candidate, and a background search ... is the responsibility of the client."

Recruiter Crist|Kolder Associates verifies candidates' professional backgrounds and résumés but stops short of criminal and financial background checks, says vice president Scott Simmons. Executive search firm Heidrick & Struggles checks degrees, job credentials and criminal records but typically performs a credit-history search only on candidates for chief financial officer and other positions with financial responsibilities, says managing partner Erik R. Lundh.

Executives who have been caught with inflated credentials often turn out to have embellished their records early in their careers, Mr. LeVine says. For example, people may claim degrees from universities they attended, but from which they never graduated.

Another fudge: A job seeker may say he served as chief executive of a company where he worked for four years; that doesn't necessarily mean he was CEO for all four years, says Lee Pomeroy, president of Executive References LLC, a background-checking firm in New York.

Inflated credentials can present a liability for companies when they affect critical executives. Gregory Probert, the president of Herbalife Ltd., lost his job earlier this year after The Wall Street Journal disclosed that his corporate biography listed a fake master's degree. Last month, Tetra Tech Inc. demoted its president, Sam Box, after Mr. Box acknowledged he hadn't earned a bachelor's degree he claimed. Last week saw the departure of Cabot Microelectronics Corp.'s chief information officer, James DeHoniesto, who had also claimed a fake bachelor's degree.

A 10th case of an inaccurate résumé surfaced Friday, involving the chief technology officer of Aircastle Ltd., an aircraft-leasing company in Stamford, Conn. George Washington University says that Jonathan Lang, the officer, didn't receive a bachelor's degree that Aircastle's initial public offering documents and Web site claim for him, even though Mr. Lang appeared to receive enough course credit in school. An Aircastle spokeswoman said that Mr. Lang "earned" the degree and declined to discuss why the university didn't issue one.

Maurice Schweitzer, who studies business ethics at the University of Pennsylvania's Wharton School, says companies should take a hard line on misrepresented academic credentials to "demonstrate a commitment to ethics."

"I think the most important thing is to make sure there's integrity in the system," he says