



Our Perspective

Why Check Senior Hires?

The answer to this question is: because business is about people. Any firm, corporate or professional, is represented by the people it employs, and they safeguard - or undermine - its reputation and performance.

"It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently."
Warren Buffett

Moreover, as any senior business leader knows, managing people can be the most challenging aspect of running a business. But if you can get the right team around you, the results can be impressive. Checking senior hires, or positive vetting, is all about getting the team right.

Although the quality and associations of a company's staff is a critical factor for consideration by stakeholders, they will often skimp on background checks. Research suggests that up to 42% of hires don't make it past six months. This makes recruitment expensive. Yet, in our experience, about one in ten people we check have sufficient issues to cast doubt on them as a hire in the first place. It is cheaper, and easier, to verify a candidate's qualifications, experience and references *before* signing on the dotted line, than it is to follow the formal processes to remove them from their position - and in all likelihood pay them a settlement to go.

We find that there are a range of reasons why clients come to us to check on prospective senior employees. These include:

- **Initial Public Offering (IPO):**
Ahead of a public listing, we work with AIM Nominated Advisers ("Nomads") and Corporate Financiers to conduct due diligence on their client directors. Savvy investors bolster the boards of portfolio companies to increase City confidence ahead of a flotation. They appreciate the difference a strong management team can make to the bottom line.
- **Equity Investments:**
This extends to investors acquiring a company, or backing an external or internal management acquisition. In our experience, best practice is for investors to carry out background checks on the managers of the business as part of their risk

assessment. General partners often like to reassure their limited partners and other stakeholders that they are investing prudently.

- **Business Development:**
A step change in the development of a business can mean different skills are required. Candidates with a corporate background may really

struggle in a more entrepreneurial environment. Discreetly assessing their capabilities can lower overall recruitment costs.

- **Globalisation of Business:**
Background checks are often carried out during the recruitment process for senior executives, particularly where they will be working in a pressurised environment and/or in a high-risk jurisdiction. Codes of corporate governance and best practice also often dictate that such checks should be made. Yet a pile of CVs landing on your desk can make you appreciate how global the economy is and the power of the internet. Multinationals are now truly global meritocracies, attracting the best talent from all over the world. Good candidates will often have worked in numerous countries or indeed continents. Tracking down references can be problematic. On a recent vetting assignment ostensibly confined to China, we were obliged to extend our research to Europe and the United States to verify a candidate's bona fides.

What are the common pitfalls?

Why conduct background checks if a candidate's qualifications can be verified, their references are good and your headhunter's report is favourable?

First, can you be confident that the research and references you normally rely on are objective? No one ever volunteers as a referee someone who dislikes or doesn't rate them, and headhunters can be more interested in selling the candidate than offering a cold, clear-eyed view. Does your network cover the jurisdictions in which the candidate has worked? How detailed is your headhunter's report, and does it dig deep enough to capture the views of junior as well as senior former colleagues?

For example, we recently looked at a senior candidate who was given a good personal reference

by his former CEO, but, we established, had been let go for “having his hand in the cookie jar” once too often. His departure had been the subject of a so-called ‘compromise’ or confidentiality agreement. While such deals are commercially understandable, they are akin to kicking the corporate can down the street. Problematic employees are passed on to the next employer for them to discover at their leisure. The involvement of third party investigators to conduct thorough background checks can often highlight such issues.

What happens if issues are brought to light?

A non-favourable background check need not preclude a candidate. Where issues arise as a result of background checks, they can broadly be put into two camps. The first is work-related, and will most often result in the candidate’s removal from a short-list. The second, more of a grey area, is the personal camp. Checks can uncover circumstances that explain anomalies in a CV, or assist an employer to support the candidate better in the workplace - but don’t have any impact on the individual’s ability to do the actual job in hand. Forewarned is forearmed.

Why we do what we do

At Kasalana we have a client-centric approach to business intelligence and believe in giving our clients what they need. The information we supply is openly asked for and freely given. With an ethical approach to intelligence, we support improvements in global business practices and security.

All our business intelligence is individually sourced and produced at the time of commissioning to answer the specific needs of our clients. We work honestly and transparently using a global network of resources to provide timely and accurate intelligence to international clients.

Case studies

To read case studies about our background checking and other services, please go to www.kasalana.com.

Consultation meetings

If you would like a free consultation with Kasalana, please email info@kasalana.com quoting reference OP3C.

Who we are

Formed in 2005, Kasalana is a specialist business intelligence company that conducts investigations globally on behalf of clients from industries including automotive, aviation, construction, consumer products, defence, energy, engineering, financial services, insurance, legal, manufacturing, media, medical, mining, retail, services, technology and telecommunications. We provide due diligence, business intelligence, strategic and market intelligence, asset tracing and litigation support, corporate investigations and merger and acquisition support services. Our clients include FTSE-100 and Forbes 500 corporations, global financial institutions and leading private equity houses.

Prior to forming Kasalana Sam Pope was Head of Business Intelligence, Deputy Director of Corporate Investigations and EMEA Director of Fraud & Forensic Services for a leading global security risk management company, where he led a team of 40+ investigators. A former defence journalist, Sam has extensive experience of investigating fraudulent activity including asset misappropriation, bribery and corruption, intellectual property fraud, false accounting, securities and investment fraud, regulatory and anti-trust violations. He frequently works in close collaboration with clients’ other professional advisers. He is a member of the *American Society for Industrial Security* and the *Association of Certified Fraud Examiners*.

Gareth Crooker joined Kasalana in 2010 after working as Director of Corporate Investigations, South-East Asia, for a leading global security risk management company. He has been a business risk consultant for more than 20 years and specialises in pre-investment and compliance-driven due diligence and business intelligence. Gareth has also conducted bespoke strategic research and analysis into the political, commercial and security risk environment in Europe and the Former Soviet Union. As well as his native English, Gareth has near-fluent French and Spanish, together with basic Italian and Dutch.