

Employee Background Verification Systems: Implementation Challenges

Debolina Dutta

Samir Tiwari stared at the reports received from the external background verification agency with a growing but familiar sense of trepidation. As a Human Resources (HR) manager of the Financial Services business vertical of a leading IT enabled services company, the gamut of his responsibilities covered all aspects of employee engagement, performance appraisals, promotions, transfer and handling attrition. Out of all his responsibilities, he intensely disliked having to handle cases of involuntary attrition of employees.¹

Conducting exit interviews to understand reasons for an employee leaving the organization was a usual part of his job. He however, did not like calling in unsuspecting employees to have a discussion on how they were no longer suitable to continue work in the organization. These discussions were usually conducted when all evidences corroborating the decisions were available. The present case highlights one such issue. In most of these cases, the employees were terminated with immediate effect and even worse, a termination letter which stated unambiguously the reason for the employee exiting the organization.

Samir read the background verification reports and with a feeling of depression, started to prepare himself mentally for the next few gruelling and emotionally draining hours ahead.

¹ Employee termination for factors like indiscipline, violation of code of conduct, absenteeism without approval or poor performance is termed involuntary turnover – also referred to as termination, firing or discharge. It is considered as involuntary because it not the employee's decision to leave the company.

This case has been prepared by Debolina Dutta, FPM (Industry) student of IIM Indore as a basis for classroom discussion rather than correct or incorrect handling of a managerial situation. The names, figures and locations used in this case have been changed to maintain individual and organization confidentiality.

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The Context

Bharat Services Limited (BSL) is one of the top three IT services organizations in India, headquartered in a metropolitan city in India. In 2011, it had annual revenue of over US\$ 4Bn, over 80,000 employees and clients across the globe. BSL has seen a meteoric growth in the last decade of IT services outsourcing, based on high levels of customer satisfaction and repeat business. Customers are also highly appreciative of the culture of transparency and honesty demonstrated by BSL and its employees.

The organization is structured with 'verticals' aligned to business domains, and 'horizontal' (Technology services, ERP, Data warehousing etc.) cutting across these verticals. The financial services vertical of BSL comprises 15,000 employees, with over 80 percent of this population based in India.

The high performance culture of BSL was focussed on customer centricity founded on principles of honesty and integrity. Multiple stories abound about how the founders of the company during the initial days of growth, had walked away from a multi-million dollar deal when there was an expectation of kick-back. Over and above this, - stories were regularly heard of employees being terminated on grounds of falsifying medical or travel expenses. A recent termination had been done when it was discovered and proven that an employee had favoured a specific vendor while awarding the contract for the canteen services. Another termination had been done when the internal audit team substantiated that a certain project manager was inflating the duty log of his project team members and thus increasing the revenue being accrued from a client. These incidents and stories reinforced the perception that there was a zero tolerance for any behaviour which was questionable or unethical.

BSL has also instituted a strong "Ombuds" program to encourage whistle blowing by employees on any aspect of employee behaviour which flouts the defined 'Code of Business Ethics'. The Ombuds team is headed by a Senior Vice President, that works independently, and report all the cases received and the determined resolutions directly to the Board of Directors on a quarterly basis.. The Board has empowered the Ombudsman to work guided only by the organization policies, culture and interests and not get influenced by any of the business decisions or functional leaders. Internally, the employees trusted the Ombuds system and reposed great faith in its independent and non-biased functioning.

The organization required all employees to annually get assessed on the 'Code of Business Ethics' which covers all aspects of internal and external interactions with employees, customers and vendors. Organization systems involving any financial interactions were built to exhibit levels of transparency in decision making hitherto never seen earlier in Indian companies. BSL followed the SOX² compliance guidelines for financial reporting and Corporate and Auditing accountability. All senior executives were required to take responsibility for accurate financial reporting and issues of conflict of interest. The systems for selection of vendors and relevant payments were made auditable to prevent kickbacks or any other white collar crimes. The Ombuds team all held responsibility for investigation on priority any whistle blowing regarding financial irregularities. All policies are regularly communicated through the organization intranet and expected behaviours highlighted through large posters that are displayed in public spaces throughout the organization. The common theme within all of these messages is "There are NO Shades of Grey!"

Employee Background Verification Process

To ensure that employees hired into the organization

factually represented all information about their credentials, experience, education etc., it was a norm to conduct a background verification check on any/all information provided voluntarily by the candidate in the employee application form. After 2005, the verification check became mandatory for all employees. Prior to 2005, verification had been initiated primarily on project account request and for ensuring the necessary client compliance. Hence, it was likely that there were employees prior to 2005 whose background verification checks had not been done. However, post 2005, when an employee joined a new project account of BSL, the verification process got initiated when the concerned employee has no background verification clearance.

The recruitment tool within BSL allowed the candidates to key in their confidential information (PAN Card, salary details of the current and previous organizations etc.) along with uploading the supporting document proof directly through the candidate login. No one from the HR team or the BSL organization had rights to edit the data keyed in by the candidate. This information was fed directly through interfacing software to the external background verification agencies' database. Once the candidate completed keying in all the required information, uploaded all the supporting documents and confirmed their acceptance for initiating the background verification process, the process initiation got flagged to the agency.

The mandatory checks required by BSL were identity check (PAN Card, Passport copy submitted as proof), education check (formal education certificates and mark sheets submitted as proof), previous five years employment proof (if applicable, the candidates had to submit copy of appointment letter, relieving letter and last three months salary slips). In addition to these background verification checks, some clients of BSL required customised checks to adhere to the compliance needs of employees working on these accounts. For example, many of the US companies outsourcing their projects to BSL required that every employee working on their projects be cleared by a criminal database check. The list of checks was especially stringent for any employee working in the Financial Services Division of BSL. The clients sometimes customised the checks for

² The Sarbanes-Oxley Act of 2002 (often shortened to SOX) is a legislation enacted in response to the high-profile Enron and WorldCom financial scandals to protect shareholders and the general public from accounting errors and fraudulent practices in the enterprise. The act is administered in USA by the Securities and Exchange Commission (SEC), which sets deadlines for compliance and publishes rules on requirements. Most vendor companies having dealings with top firms in USA tend to adopt similar compliant practices.

vendors of different countries, based on the trend reports received from background verification failures in different countries³. Verification checks in the US included SSN (Social Security Number), county and criminal report checks, and federal report check, credit report checks for positions of fiduciary authority or substance abuse testing, apart from education check. Some additional checks in India included police verification, residence proof verification etc., apart from the checks conducted by BSL.

In all cases of candidates getting employment at BSL, the verification process is initiated along with the conditional offer release. All checks are generally completed within 3 weeks of initiation and generally before the candidate joined. In the majority of the cases, the final employment check is conducted after the candidate joins BSL, as most candidates do not reveal their future employer details to the current organization they are working.

The Background Verification agency sent the report on the checks along with a final status of "Green" (all checks cleared), "Orange" (some clarification required) or "Red" (Major discrepancy reported). In case of "Orange" reports, the HR team gets the necessary clarification from the candidate/employee and forward it to the verification agency for re-initiating the check, removing the discrepancy and getting a "Green" report. For the cases which came back as a "Red" report, i.e. a major discrepancy was found between the information submitted and verification done, the employee was called in for a discussion and informed of this major discrepancy. The employee was provided sufficient time to provide corroborating proof to repudiate the verification report and substantiate the information provided in the application and verification form. If the employee was unable to furnish the same, or if the employee concurred with the verification report, the employee was informed that the current employment was being terminated and the termination letter stated an "unclean" exit on grounds of integrity.

Padmanabhan Vardharajan

The first case today on Samir's desk was of Padmanabhan Vardharajan. He was a senior delivery Manager in the Insurance Vertical and headed a very prestigious account within BSL. Padmanabhan had joined BSL nearly 12 years ago and had a meteoric rise within the organization. He was a hard task master and high achiever, having excellent client management abilities. The delivery team he led was over 300 people strong and the entire team respected him for his sharp technical skills and his excellent people management skills. The project account had grown rapidly in the last two years and, under Padmanabhan's management, a large multi-million dollar transformational project was expected to be signed shortly. The management and the customers were exceedingly happy with his performance, and Padmanabhan was expected to become the youngest Vice President in BSL in the next promotion cycle.

The background verification for Padmanabhan had got initiated due to an "Ombuds" complaint received. During some informal conversations, a member of Padmanabhan's team had got a feeling that Padmanabhan's high school mark sheet and certificate was not genuine. Padmanabhan had casually indicated that he had spent a year studying for the prestigious Engineering entrance examination, instead of being enrolled and wasting time in a school, which had led him to get a seat in one of the prestigious engineering institutes in India. After completing his engineering, Padmanabhan had gone on to get a management degree from one of India's premier Management schools. His education verification had been done for both his Engineering and his Management degree, but not extended to his high school degree. The "Ombuds" complaint resulted in initiating another verification check and this time, extending the check to the verification of his high school education credentials, based on the details Padmanabhan had filled in his employment application form. The background verification report indicated that Padmanabhan had been enrolled in the school but had been absent for the entire session of the classes. Additionally, the report indicated a case of forgery in the high school mark sheet and the certificate.

³ <http://www.fadv.com/apac/asia-pacific-screening/>

Samir carefully re-read the reports again and with a heavy heart, called the vertical head to inform him of the findings on Padmanabhan's case.

"You're not serious, are you?" questioned Rajan, the Insurance Vertical head. "I hope you are not planning to terminate him on this trivial issue? Who cares where he did, or did not do his schooling? After all, his graduation and MBA credentials are impeccable. You do know that our signing a very large contract is contingent on Padmanabhan being around to deliver it. Whatever you are planning, promise me you'll keep this under wraps for the next few months?"

Shabnum Puri

The second case on Samir's desk was the case of a new hire in the Banking Sub-Vertical. Shabnum had joined the organization 2 months before from a small start-up firm. She had a total of 3 years of experience post completion of her engineering degree. Preliminary feedback on her performance in the project had been found to be good.

The reason this hire case came as a "Red" report was that the agency found the relieving letter submitted by Shabnum to be a fake. The HR manager in the start up firm had denied issuing the letter and even claimed that the signature on the letter was forged, while his name had been used. The HR manager claimed that Shabnum had not completed her exit formalities in the organization and had been absconding for the last 2 months.

The Discussions

Shabnum was the first to come in for the discussion with Samir. She looked cheerful and Samir was not sure how to start the conversation. Starting with some pleasantries, Samir came to know that Shabnum, an only daughter of uneducated and aged parents, had recently got engaged, after she had joined BSL. Shabnum happily mentioned that her fiancé was supportive of her decision to financially support her old parents, even after her marriage.

The revelation from the Background Verification Agency hit her like a bolt from the blue. At first, she refuted

any claim of faking the relieving letter. However, on being shown the mail from the HR manager of the start up firm, she broke down and admitted to submitting a false relieving letter.

"What could I do, Sir" she pleaded," they were just not agreeing to relieve me. They wanted me to stay on for another 6 months at least, till the project was delivered. But I could not give up the chance to join such a good company like BSL. I can show you the resignation mail that I had submitted. When they refused to give me a relieving letter, even after I had served 1 month notice, I did not know what else to do. Please Sir, my parents depend on me. And my engagement ..." she broke down again.

Quickly ending the discussion, Samir postponed the meeting till Shabnum composed herself. He then called Padmanabhan and requested for a meeting.

"What's up Samir? An urgent discussion? Come on over, I'll squeeze out some time. Anything for you." said Padmanabhan cheerfully.

Walking over to Padmanabhan's office, Samir rehearsed what he needed to say. After hearing him out, Padmanabhan stared at him incredulously.

"You cannot be serious about this. Yes, I did not formally attend high school as I was attending the coaching classes for my engineering degree, which was in another city. But I had paid the fees and I did get my final high school mark sheet from that school. All of this is water under the bridge now. I've graduated from the most prestigious engineering and business school in the county, I've worked here for over a decade and always been a top performer, and I'm bringing in more business than any of the other delivery managers here and about to sign the largest deal this company has ever seen. How on earth does it matter what I did or did not do in high school? That over 20 years ago - surely there is some statute of limitations or something which limits how far back you can dig into my past?"

Samir explained that the verification agency had proven that the high school mark sheet was a forgery and in all likelihood, Padmanabhan had not given the examination. Padmanabhan stared at him stonily.

The Dilemma

Walking back to his cabin, Samir mulled over what both Shabnum and Padmanabhan had admitted to.

Shabnum came from an extremely needy background and had forged her relieving letter only under duress. Should she be penalised for the arm-twisting behaviour of her previous organization? If she was terminated, the impact to business may not be very high, but it would demolish her career, as with a relieving letter from BSL citing 'Termination' it would be extremely difficult for her to get another decent job.

On the other hand, the organization depended very heavily on Padmanabhan. There was nothing in the policy about 'statute of limitations' and the information on BSL application form was the guide to check if the information provided was true. The high school information provided in the application form was clearly

fraudulent. But did it matter? Should he initiate termination proceedings for Padmanabhan? If so, should he do it after the new client deal was signed and keep this 'under wraps' as requested by Rajan? Should he inform the client and how could he tell the client, who was bound to question the veracity of the verification check which was done earlier and which Padmanabhan had cleared.

Surely there should be some shades of grey?

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