



*Full Service Pre-Employment  
Screening, Testing & Verification*  
www.hrfc-pa.com

## **MANAGING THE HUMAN RESOURCE RISK**

**By Mark Hinton**

Let's face it, owning a business today is about managing risk. Whether it's the traditional fire, wind, hail kind of risk or the more perplexing and subtle kind of risk like the economy, we all have a huge exposure to elements both within and outside our immediate control. Prudent managers spend a significant amount of each working day assessing new threats to their continued operation and devising new ways of dealing with these threats. The reward for performing this task effectively is that you get to do it again tomorrow. Failure can quickly reduce a going concern to industrial waste.

Of all the sources of risk facing your business today, none is more immediate and more emotionally charged than the risk associated with the actions of your workforce. It's the human factor and you've had it since you hired your first employee. Simply put, the continued success of your business can well rest on what an employee says or does. Actions taken, or not taken; words spoken, or not spoken; deeds done, or not done, whether with or without your knowledge or approval can, and most probably will, be used to your detriment if the outcome is undesirable or financially harmful to someone.

Because human error is a significant risk to businesses everywhere, management techniques have been developed which afford protection for all but the most serious offenses. The first line of defense for most managers is the purchase of insurance. Insurance transfers the uncertain impact of a negative action to a third party, in this case the insurance company. Naturally, insurance costs money. Increasingly today, big money. That's why insurance should be the risk management option of last resort.

Before paying an insurance company to assume a risk it is much more effective to avoid the exposure all together. In order to avoid a risk you must first recognize the hazard. In this endeavor, information is key. As it relates to the workforce, this means knowing as much as is legally permitted about an individual before you hire them. Then acting on that information.

While a thorough background investigation can mean different things to different people, all efforts should be focused on answering one basic question, "Is this person fundamentally who and what they represent themselves to be?" There is no "one size fits all" answer to this question. Different jobs demand different levels of investigative effort. As a general rule, entry level positions don't require the same degree of prudence that skilled positions warrant. Nevertheless, all investigations should begin with a positive identification of the individual and should at least include a review of criminal records in the individual's current county of residence.

More involved investigations can include education and employment history verifications, a driving record review, testing for the use of illegal substances (drug testing), and a broad scale research of criminal records in any jurisdiction that an individual has lived or worked in the past several years. What is done and to what extent is a function of each employer's level of risk tolerance, time allotted to the task, and budget.

As important as what is to be done is, who's going to do it? We've all heard the adage that an individual who represents themselves in a court of law has a fool for a client. The same can be said for background screening. In almost all cases background screening should be contracted out. The simple fact is that while nine out of ten people may be straightforward and forthcoming, one out of ten isn't. Conducting your own investigation, presenting the results and defending your actions are much more likely to result in hard feelings and potentially emotion charged confrontation than if you can say, "We didn't perform this investigation but we will gladly give you a copy of the report (as required by law) and you can contact the reporting agency and lodge any complaint you feel is warranted." The ability to distance you and your company from the results of the investigation is a tremendous advantage. Even if the investigation can be performed more economically internally the savings will rarely, if ever, offset the added potential for heated confrontation. And since we're talking about risk management, remember that by outsourcing this service you have every legal right to hold the company performing the investigation accountable for the accuracy of their work. Assuming you're dealing with a licensed and reputable firm, their errors and omissions insurance will afford your company a measure of protection you simply will not have if you perform the screening internally.

Like any business endeavor, the success of your screening program is largely determined during the planning phase. A program with well defined parameters coupled with a sound action plan will yield tremendous returns starting with the first person you don't hire.

**Mark Hinton possesses over 28 years experience in the risk management and pre-employment screening business. He is cofounder and CEO of Dallas, Texas based HR First Contact ([www.hrfirstcontact.com](http://www.hrfirstcontact.com)).**