



FAMA LABS RESEARCH: HOW TO IMPROVE QUALITY OF HIRE

Here at Fama, we've spent the better part of a decade helping organizations better understand what makes a good-quality candidate, and helping customers hire. That's why we're proud to introduce a new team at Fama, "Fama Labs," dedicated to finding new data-driven ways to improve the talent acquisition process and outcomes.

WHAT IS FAMA LABS?

At Fama, we know great people make great companies.

Our mission is to help organizations identify great hires and avoid problematic ones. Great hires embody their company's values; elevate belonging, connection, and equity; and improve the human experience.

Traditionally, employers turned to background checks, drug testing, and reference checking solutions to ensure they have a great hire. That meant uncovering criminal activity and other issues, like drug use, that would prevent someone from successfully doing their job.

While these solutions are still widely adopted, it's time to adapt our screening tools and technology to keep pace with how we live and work. Today's workforce is much more nuanced and requires the addition of new strategies and solutions. This includes incorporating our online life. That's why we have reimagined the way organizations screen talent through the use of modern online background checks.

The reality is that the data that's powered this transformation in the world of screening has many additional applications. We put a team together focused on how we can leverage

THIS IS THE GOAL OF FAMA LABS.

our data to explore the outer edges of what's possible, helping our clients solve other critical business issues, such as finding the right candidate for a role.¹

In this first ever report, we'll walk through the methodologies and findings of Fama Labs' first – and second– research projects. The first topic was chosen because it's one of the most common questions our customers ask: "As the seniority levels go up, does the amount of toxic and adverse content flagged in publicly available online content go down?"

The second topic explores whether or not we can predict the quality of a hire with online screening?

These are the results.

¹ Fama's independent third party research shows that quality of hire is a top concern for hiring teams in 2023.

FAMA LABS FIRST ASSIGNMENT: WHAT JOB LEVEL HAS MORE FLAGS

With Fama Labs formed, they started with a simple question: as the seniority levels go up, does the amount of toxic and adverse content flagged in online presences go down? In an effort to understand just how many flags senior executives have compared to their more junior counterparts we selected an anonymous pool of 1,000 candidates, analyzed millions of publicly available data points we collected to identify possible workplace misconduct. We then cross referenced candidates' work history including current and previous titles and their level of education along with other relevant data points with professional networking sites.

This is what we learned.

THE RELATIONSHIP BETWEEN SENIORITY AND MISCONDUCT

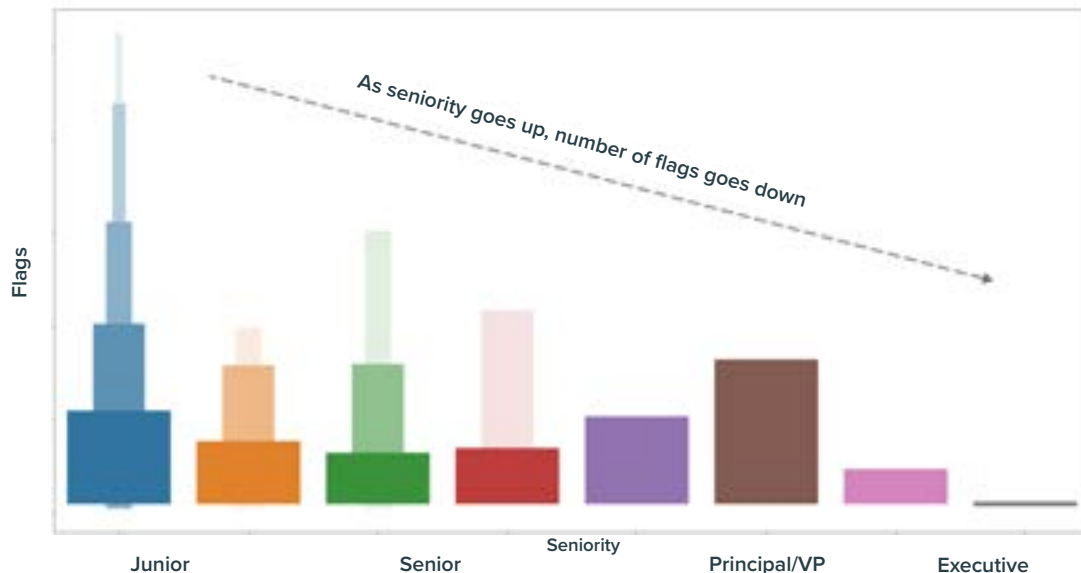
Senior leaders are responsible for setting the tone on culture, excellence, and execution. Leaders are there to coach, push through difficult times, and shepherd the future of their respective organizations.

Culture is a strong indicator of overall business performance. Between 2009 and 2015, *the companies recognized on Glassdoor's "Best Places to Work" lists outperformed the S&P 500 by over 84% and the overall market by over 115%.*

That said, one bad executive can lead a company down the wrong direction and lead to significant legal, financial, or reputational harm. This is the main reason why executive screening and diligence is one of the largest and fastest growing areas of business for Fama today.

So, what does the data show us?

Relationship between seniority of the role vs. number of flagged social media articles and posts



The 1,000 candidates represented various levels of seniority and professional experience. The trend line shows as the level of seniority goes up (left to right on the horizontal axis), the amount of flagged content goes down (top to bottom on the vertical axis). The more senior the candidate, the fewer flags statistically appear within the online web presence. That said, there were a few other very interesting takeaways:

- The most senior executive-level roles - such as a CEO, CTO etc. - exhibit a comparatively less adverse social media presence.
- While the number of average flags tends to decline as seniority increases, there's a big spike of adverse behavior at the Principal and VP-levels.
- The highest number of adverse flags have titles relating to operations, software engineering, various types of analysts, product designers and teachers.

Overall we have found CEOs and CTO share a smaller number of adverse content compared to junior and mid-level candidates, however Principals and VPs exhibit considerably more adverse behavior on social media than CTOs and CEOs.

One important thing to note is that although our data shows executives have fewer adverse flags, it doesn't mean that those flags should be taken lightly. In fact, external data shows just how damaging - reputationally, legally, and financially - misconduct by executives can be for organizations. Specifically, the median loss among fraud committed by an owner/ executive was \$573,000 while the median loss among fraud committed by managers was \$180,000 and employees was \$60,000.

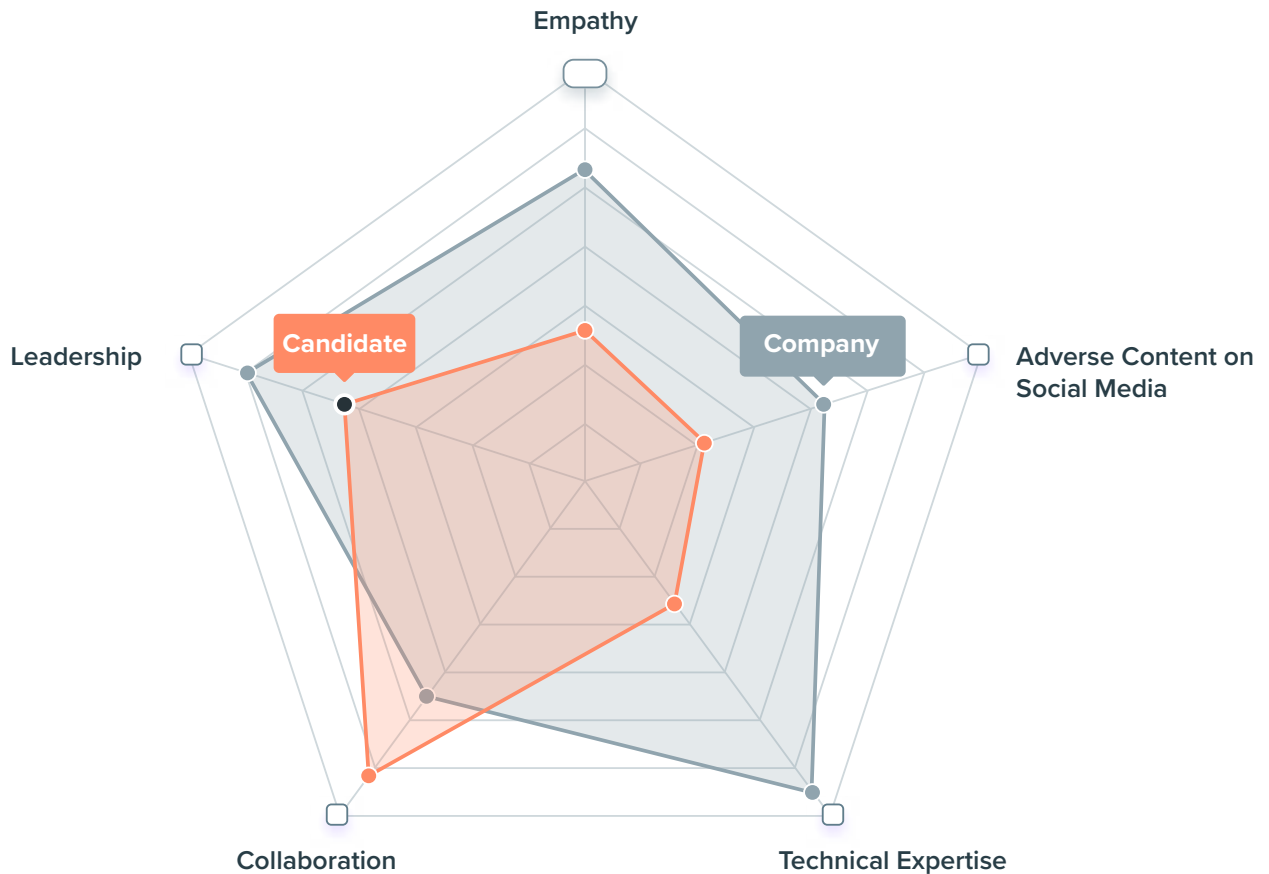
Companies need to ensure that their executives reflect their mission and values while working with integrity to ensure that those good qualities trickle down into the rest of the organization.

FAMA LABS SECOND ASSIGNMENT: PREDICTING QUALITY OF HIRE THROUGH ONLINE SCREENING

Beyond answering questions about consistent patterns in the global workforce, we started looking at other parts of the hiring funnel. What if we could leverage insights on a person's online presence to predict a fit with an organization? What if we could identify, after the first phone screen, a candidate that matches the 'ideal employee' for a company based on primary aggregate data - a person's words and actions? In other words, does the byproduct of our efforts offer us the ability to suggest "hiring recommendations" among your applicant pool purely based on the person's publicly available online content?

This is not dissimilar to how social media data is used by advertisers today to help brands sell products. To oversimplify, [Meta's](#) revenue model for [Facebook](#) is around telling brands what their 'ideal customer' looks like online and providing advertising opportunities to companies who want to target those customers. They do this better than almost anyone else by matching likely consumers online to a rubric of confirmed consumers, knowing that advertising to those likely consumers will net in higher return on ad spend (ROAS).

So we asked ourselves, can we do the same thing but for hiring? Can we predict the quality of a hire by matching a likely job seeker with an organization's 'typical' employee. Instead of comparing 'likeliness to buy' or 'long term value' of a potential customer, we looked at key values such as empathy, leadership, and even adverse online behaviors like misconduct. Advances in machine learning and artificial intelligence provide advance insights to help us better understand our job candidates.



Above is what's called a "professional affinity map." The gray area looks at the values and makeup of existing employees at the company, and the orange looks at the attributes of a recently-screened new hire. Notice how the visual puts the candidate against the median values of the organization? This will allow the hiring team to make even more informed decisions about the potential future impact of hiring a specific candidate over other applicants.

Again, the goal was to match a person to a company based on their online presence and the aggregated online presence of an entire organization? From a cultural and values perspective, the result proved "yes."

CONCLUSION

The global workforce is ever evolving. So, the way we attract and hire that workforce has to adapt to keep up. Through Fama's technology and our new Fama Labs team, we're excited to continue supporting our customers, researching what makes a good-quality candidate, and understanding how we can help our customers hire great candidates.

The Fama Labs team was excited to embark on their first mission to understand the connection between seniority levels and the amount of content flagged as potential misconduct. After reviewing the data, we were happy to discover that executives have less red flags online.



Executives set the tone for the company culture and overall success, and having executives that are hard-working, honest, well-meaning, and operate with integrity is imperative. It's so critical that companies have good-quality leaders that the process for hiring executives is dramatically different than hiring at any other level.

That said, just because the number of red flags are smaller among executives doesn't mean the flags that were discovered weren't significant or impactful.

In fact, research shows that misconduct among executives is significantly more damaging to organizations than misconduct among lower-level workers - reputationally, legally, and financially.

Our recent article [Workplace Misconduct in the News: Employee, Executive, and Investment Misconduct](#) shares examples of executive misconduct and why extra screenings should be standard for such important positions. For example, the former owner of the Phoenix Suns and Phoenix Mercury NBA and WNBA teams was forced to sell both teams due to misconduct. Even worse, the current Phoenix Suns CEO faces similar allegations of abuse with the general public now calling for his resignation. Another example of workplace misconduct by an executive is the former CEO of McDonald's, who was fired after his sex scandal back in 2019 but recently made headlines again when the SEC charged him for lying during their investigation.

While the number of flags may be smaller, the impact is so much greater. This is why it's so important for organizations to take the executive search and diligence process seriously by leveraging all the tools they can to ensure they are selecting a leader who can successfully do the job.

The team also completed their second project to understand whether online screening of the applicant pool could help companies understand if candidates were a culture and values fit for the organization.

Similarly, the data showed "yes." By reviewing the values and attributes of the organization at large and comparing that to a candidate's values and behaviors, the online screening solution was able to visually show how aligned the candidate is to the company without revealing any legally-protected information about the candidate

In terms of how this is a game-changer for organizations, it takes the idea of "pre-screening" to a whole new level. It allows companies to proactively and compliantly find the culture-fits among applicants before investing any additional resources in candidates.

Overall, hiring better quality candidates at all levels of the organization who embody the company's values; elevate belonging, connection, and equity throughout the organization; and improve the human experience allowing companies to become great with great people! With this work from Fama Labs, employers can now expand the use of online screening and implement it earlier in the hiring funnel - increasing efficiency and reducing the cost to hire.

