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The 'Rogue Employee' and Dogs That Eat Homework

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Everyone knows that old chestnut, "The dog ate my homework," used by children to explain a failure to turn in an assignment with an explanation that 1) is impossible for the teacher to disprove, and 2) instantly absolves the child of blame.

Enter the "rogue employee." Have you ever noticed, when companies become the focus of a compliance scandal, that one of the first instincts of the company spokesperson is to blame the bad act on the proverbial rogue employee? It usually goes something like this:

"We regret that the actions of a single rogue employee, Mr. BadGuy, were contrary to the values of this company. Our long-established principles of integrity, honesty, truth, motherhood, and apple pie have been offended by the scandalous acts of Mr. BadGuy. We condemn the actions of Mr. BadGuy. Mr. BadGuy has left the building."

If only it were that easy, we wouldn't need corporate compliance programs.

If I were a card-carrying member of the Global Rogue Employee Association, I would resent how companies instantly jump to the conclusion that one of their ranks is always the responsible culprit. Especially since this conclusion is typically reached within 24 hours of the breaking scandal and, curiously, before any meaningful investigation can be conducted into what actually happened. It may be just a matter of time before the Global Rogue Employee Association sues somebody for slander. Because all this blaming gives rogue employees a bad name. [Cue Bon Jovi song here.]

A quick search produces a gold-plated list of companies that have placed blame for their respective scandals, at least initially, on their rogue employees:

- Barings (whose ex-bad employee now calls himself, wait for it . . . ["The Original Rogue Trader"](#))
- [JPMorgan Chase](#)
- UBS
- Siemens
- Boeing
- News Corp
- KPMG, currently embroiled in a "bag-of-cash-exchanged-for-tips-in-the-parking-lot" insider trading case

This leads to the inevitable question: What exactly *is* a rogue employee? What are the circumstances under which a company should be allowed to cry, "The dog ate my homework!" and get a do-over?

Some experts, such as Massachusetts Institute of Technology professor Susan Silbey, say that the rogue employee is a dangerous myth, because ["a rotten barrel yields rotten apples"](#) [PDF]. Blaming misdeeds on an employee gone wild, they say, is an attempt to deny the flaws in the system and culture that spawned the bad acts in the first place.

The reality is that rogue employees exist, but are rare. "Psychopaths and other villainous types exist in every organization and they do cause hugely disproportionate damage," says Bryan Cave partner and corporate culture expert Scott Killingsworth, "but the majority of misconduct is committed by ordinary people succumbing to temptations or incentives or pressures, or getting the wrong signals about what is expected of them, and then exploiting a lack of controls."

Here's my definition:

The rogue employee commits a bad act that is (i) contrary to a credible “culture of integrity,” (ii) despite a well-implemented compliance and ethics program, and (iii) there was nothing the company could have reasonably done to stop or detect the act.

For instance, Barclays—which lost its chairman, CEO, CFO, COO, and GC (not to mention the head of a division who “shredded” a damaging culture report and then denied it ever existed)—would not qualify for the rogue employee defense. Same for Wal-Mart, which is alleged to have institutionalized its system of bribery in Mexico and, when the scheme was discovered via whistleblower, reportedly tried to “hush it up.”

But there is light at the end of the tunnel by way of Morgan Stanley, which last year managed to escape blame for its (rogue) employee in China, who was found by the U.S. Department of Justice to have received multiple training sessions and reminders about the firm’s Foreign Corrupt Practices Act policy—but went ahead and bribed anyway. For added measure, he even used his compliance training as a roadmap for how to avoid the company’s controls. Now *that’s* what I call a rogue employee.

Time will tell whether KPMG’s “rogue employee” defense will hold. But at times of crisis, company spokespeople would do well to consider the above definition before prematurely looking for a stray dog with a mouthful of algebra assignments.

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