



**ETHISPHERE**<sup>®</sup>  
GOOD. SMART. BUSINESS. PROFIT.<sup>®</sup>

## **Root Cause Analysis: A 2018 BELA Research Report**

# Table of Contents

---

Preface - Letter from our Executive Director	3
Case Management System Usage – Sophisticated Systems Underutilized	4
Case Study: Insights In Action — Dell	6
Root Cause Analysis – The Good, The Bad And The Ugly	7
Case Study: Insights In Action — Lilly	9
Capturing Sources Of Pressure	10
Process and Training of Investigators – Getting Everyone on the Same Page	11
Case Study: Insights In Action — Boeing	12
Communicating the Results of Investigations	13
Recommendations & Conclusion	15
Methodology	16

# Preface

---

In 2017, root cause analysis – why it matters, how companies are (or are not) doing it effectively, and how to use the data – was an issue of concern for almost every member of the Business Ethics Leadership Alliance (“BELA”) community. Part of this was driven by headlines about corporate scandals, including the significant emphasis put on root cause in the internal investigation report into the issues at Wells Fargo. Part of it came from the guidance the Department of Justice issued in February 2017, which specifically directed regulators to consider root cause analysis with a set of pointed questions: “What is the company’s root cause analysis of the misconduct at issue? What systemic issues were identified? Who in the company was involved in making the analysis?”



These conversations led us to adopt this topic as a research priority. We began with a survey, launched in the fall of 2017, that was developed in consultation with a group of BELA companies particularly interested in root cause practices. The methodology section at the conclusion of this report provides details on how many companies participated, which industries they represented and their relative size. Following survey completion, we conducted a variety of in-depth interviews with BELA companies to better understand the application of their root cause approaches in practice.

In this report, you’ll find the summation of all those pieces: the survey data, relevant metrics from our Ethics Quotient data set, applicable data from our ethical culture survey work, and our thoughts on what that this unique blend of data collectively tells us about effective root cause analysis. We have also integrated the findings from our BELA member interviews (with attribution) to include even more color around the tactical implementation of their root cause analysis and how it further enables continuous improvement across the ethics and compliance programs. Finally, you will find citations to related materials you can explore on the BELA Resource Center in the Center of Excellence on Speaking Up and Effective Investigations.

Finally, this report would not be complete without drawing clear conclusions and offering recommendations. To that end, we have included recommendations for the BELA community to consider in this report. As you evaluate your current root cause approaches, use this as a starting point for future discussion and transformation. Regardless of where you might be in development of your root cause analysis process, we hope you find these insights useful, and we look forward to continuing the conversation around this critical area.

Best,

A handwritten signature in black ink that reads "Erica Salmon Byrne". The signature is fluid and cursive, with the first name being the most prominent.

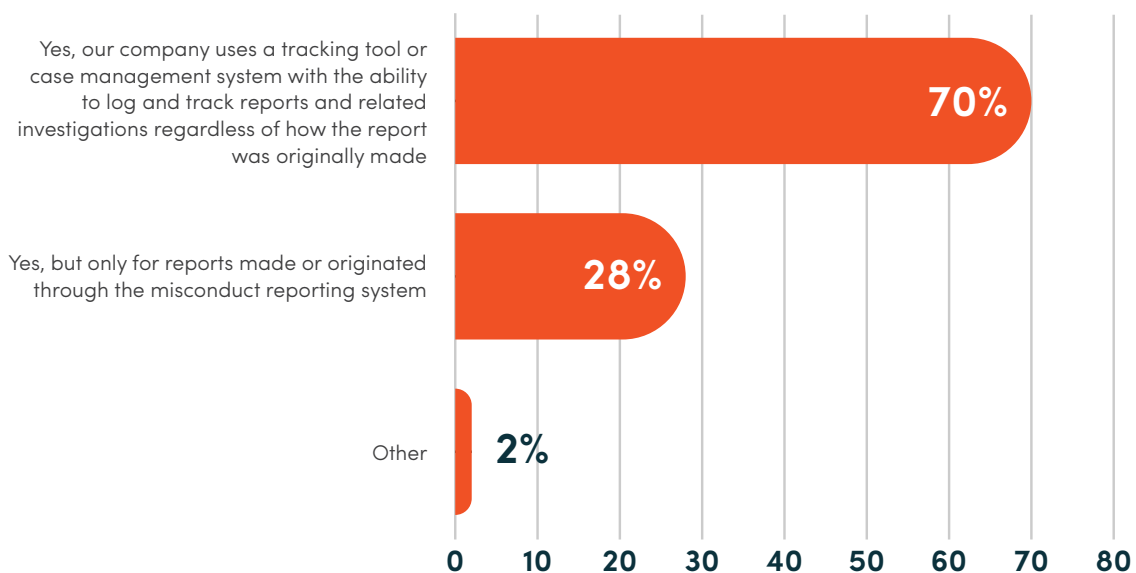
**Erica Salmon Byrne**  
Executive Director, BELA

## Case Management System Usage – Sophisticated Systems Underutilized

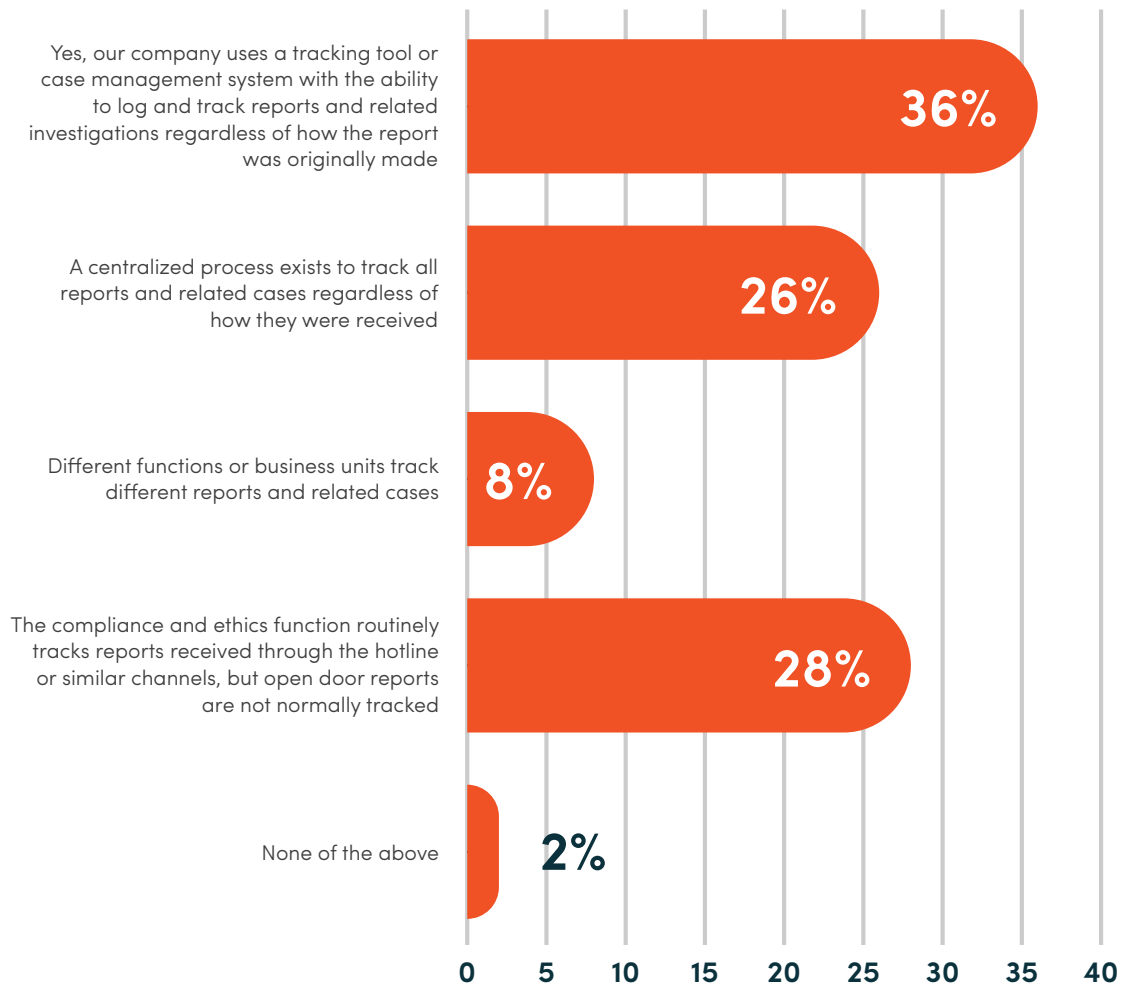
Before a company can implement a meaningful root cause analysis process, it must have the technology in place to support its usage across control functions. Without this foundation, it becomes a tremendous challenge to conduct root cause analysis. In other words, while you might be able to conduct root cause analysis on individual investigations tracked in an Excel spreadsheet, it becomes exceedingly manual to do any kind of trending on those root cause determinations. One of the more interesting findings from the survey was around the use – or lack thereof – of case management systems to track all concerns raised, regardless of the way in which they came to the attention of the ethics and compliance function or to whom they might be assigned for investigation. In the survey, 70 percent of respondents indicated that they have the capability to track all employee issues and concerns, regardless of the manner in which an employee might raise it (i.e., to compliance, via the hotline, to Human Resources, or to a manager). Yet only 62 percent indicated that they actually use their systems in that way. This discrepancy was in line with what we saw among the 2018 World's Most Ethical Companies honorees as well, with 86 percent of that group indicating they have a system that allows holistic tracking, but only 79 percent indicating that they use it to its full capacity. What many organizations have instead is a multi-system situation, where each control function – Compliance, Legal, HR, Internal Audit, Loss Prevention, Health and Safety, Quality – tracks in different systems that do not necessarily integrate with each other.

In addition, a full quarter of companies that responded to our root cause survey are only tracking hotline calls in their case management system, in spite of the fact that 62 percent of employees in our ethical culture dataset who raised a concern said they raised it through their managers. This is a missed opportunity to gather far more data on what is happening across the organization, as “open door” reports can be easily overlooked in this scenario, unless the individual involved pursues other reporting mechanisms.

### Does your company have a system or tool to manage reports and subsequent investigations?



**Indicate how your company tracks reported incidences of ethical misconduct.**



Interestingly, the #MeToo era may be changing this. A number of BELA members have indicated they are moving rapidly towards an integrated case management tool driven by requests for information from their governing authority (audit committee or otherwise). These entities are wisely demanding a full view of all issues raised, regardless of channel or source, which is most easily managed with a single integrated case management system that is used by all relevant control functions.

This technology challenge is a key first step in any root cause implementation, since it is difficult to do meaningful root cause trending analysis when investigation information is housed in multiple systems. All the requisite control functions may well be doing root cause analysis, but if they are not sharing data, extrapolating those trends out becomes an overwhelmingly manual process.

## Specializing to Prevent Future Misconduct at Dell

Every organization deals with occasional déjà vu moments after an investigation – haven't we heard this story before? How did this happen again?

At Dell, the ethics team wanted to reduce the number of those situations their investigators encountered. Now, work on investigations doesn't end when the factual findings are delivered. In some ways, the hard work really begins at that point. Last year Dell adopted a comprehensive root cause analysis program, which the company calls "post-investigation remediation." Although the remediation process is relatively new, it has already been employed after several investigations in different parts of the globe, with strong success.

### Two-Stage Process Allows for Specialization

Dell's investigations process was already well-established. Given that fact, Director of Global Compliance Kristi Kevern explained how her team has added remediation as an additional step after the most important investigations. "The main focus of our investigators is getting to the truth – finding out the facts of the incident," she explained. "Now, the remediation team comes in to close the gaps – whether control weaknesses, system issues, management tone, or a combination thereof – that might prevent the same issues from occurring in the future."

This two-stage process, with the remediation team functioning separately from the investigators, allows the investigators to remain specialized and focused on conducting investigations. Once they complete their work, they hand off their findings to the remediation team, who, according to Kevern, have "controls, process and audit experience. Those remediation team members work in combination with experts that we pull in from other business units, such as finance." This means that the remediation team is able to focus on identifying and implementing preventative measures.

With that in mind, Kevern clarified, "We look to the business functions to do the heavy lifting on identifying solutions." That echoes insights from other companies: solutions have to involve business-side input if they are to stick.

However, follow-through is key. "We meet biweekly with them to oversee deployment of changes," she explained. "Eventually, we'll have quarterly touchpoints and management accountability scorecards to make sure that things don't go back to the status quo."

### Focus on Opportunity

Kevern said that the team has so far focused on identifying and reducing opportunity for misconduct with systematic fixes, a key component of the fraud triangle. "Pressure could be external, or from the employee's life, but opportunity is wholly internal, which really boils down to controls and processes," she said.

Kevern listed a few possible changes that might result from the root cause analysis, including:

- Organizational changes
- Role and responsibilities changes, especially in functions such as sales at highest risk
- Process or system changes
- Management or tone changes, and training opportunities

### Scaling Up, Starting with 'Big Fish'

Although the program is relatively new, the initial response within Dell has been positive. As Kevern put it, "Right now, we're focusing on the big fish. We have a healthy number of investigations each year, as you would expect with a company our size, and we're prioritizing those with the greatest exposure for the company. I expect this program to expand."

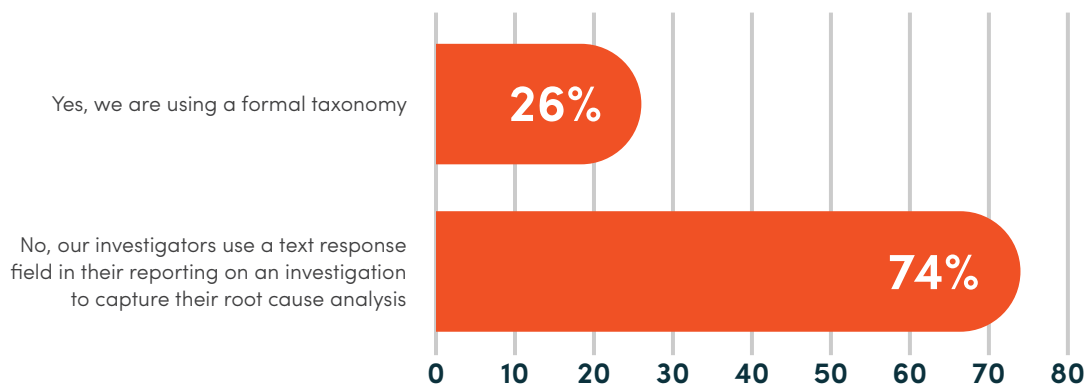
As more investigations get put into remediation, and more resources are added to the team, Dell expects the remediation program to become a core part of the company's strategy for reducing risk and ensuring they operate ethically around the world.

## Root cause analysis – the good, the bad and the ugly.

The survey results were mixed on the question of current root cause analysis practices. Twenty percent of respondents indicated they are conducting root cause on all investigations, with 24 percent saying they are conducting this analysis only on investigations conducted by compliance, and 18 percent indicating they conduct it only on some other subset of investigations (handled by compliance or otherwise). Nearly 40 percent of respondents indicated they are not doing root cause analysis at all. When asked the follow-up question of “why not,” the majority of those respondents indicated it was due to technological challenges, often driven by the lack of consistent case management system usage across their organization, or a missing functionality in their current case management system.

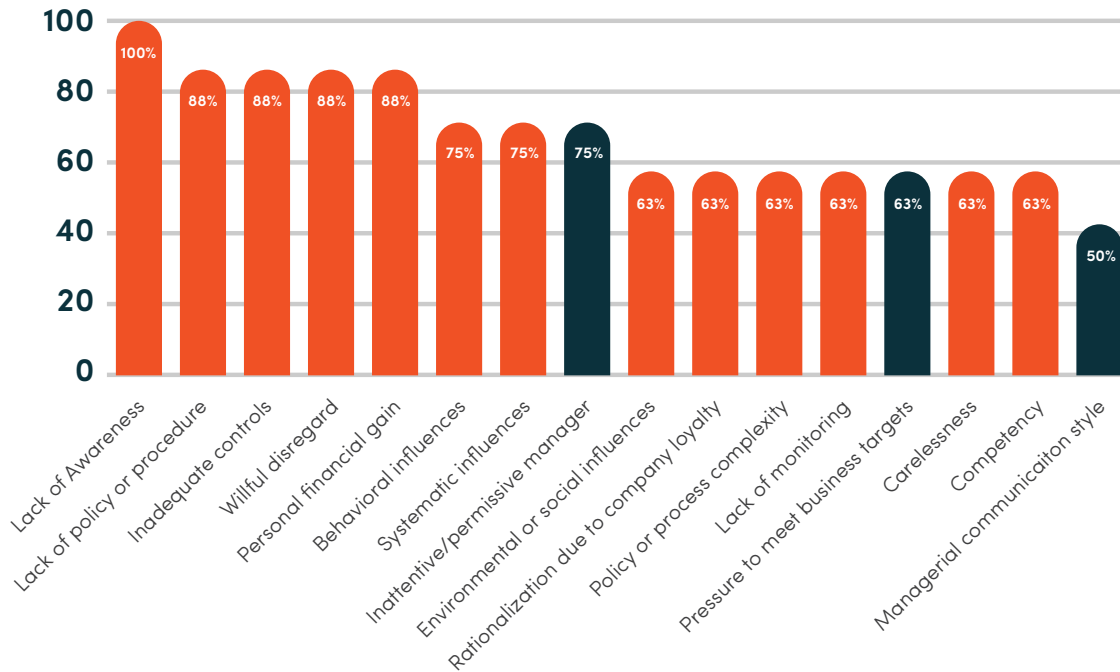
Of those companies who are routinely conducting some level of root cause analysis on at least some subset of investigations, the majority are using just a text box to capture findings, leaving the analysis itself to the discretion of the investigator. While this is a fine first step, and allows for the free thought of the investigator, sole use of text boxes can make meaningful trending a challenge. After all, DOJ Guidance 2.17 asked about the identification of systemic issues, which is hard to do with investigator-dependent free form language in a text box.

### Does your organization have a formal taxonomy for your root cause analysis?



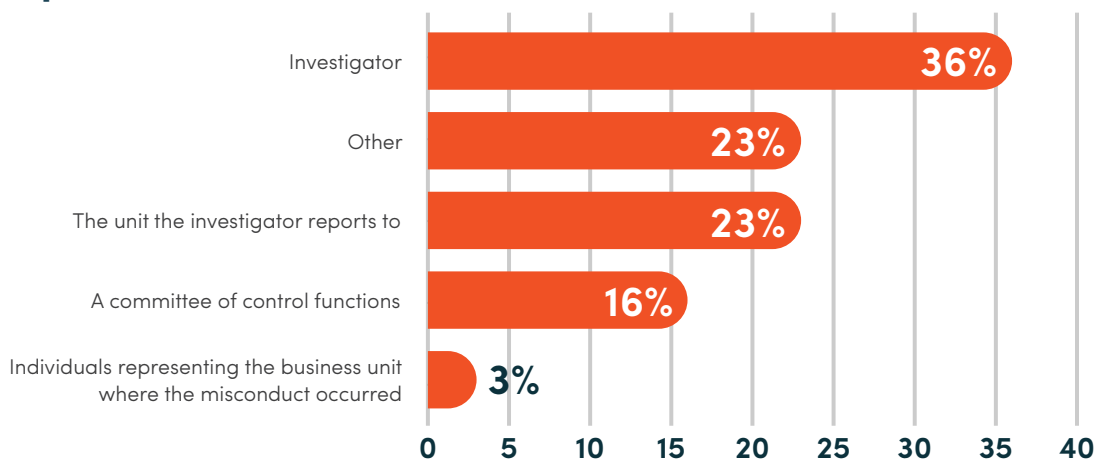
Just 26 percent of respondents leveraged a formal taxonomy in place, with a drop-down menu that allowed an investigator to select root cause(s), often with follow up free form text to expand on that selection. The practices of that subset of respondents, however, showed significant sophistication, as reflected in the diversity of categories reflected in the chart below. Significant research on potential root cause categories has been conducted by the academy, and much of it is reflected in the practices of those companies doing formal taxonomies. In addition, 57 percent of respondents allowed for multiple layers of analysis, allowing an investigator to choose both influences and contributing factors, another best practice. We have also heard from BELA companies who are conducting root cause not just on substantiated cases in terms of “what went wrong” but also on unsubstantiated concerns. Even if wrongdoing isn’t found, investigating why somebody felt a need to report behavior can often raise interesting opportunities for culture insights or expose gaps in employee knowledge and training.

### Which of the following root cause categories does your taxonomy include? (Multiple select)



Of course, categorizing root cause is just one step; the Guidance suggested reviewing who is involved in determining root cause. Thirty-six percent of respondents indicated the investigator has that choice on their own, with 23 percent pulling in the unit the investigator reports into, whether that is Human Resources, Internal Audit, Ethics and Compliance, etc. Another 16 percent have implemented a committee process to get diverse viewpoints on the proper root cause. Another opportunity for improvement lies in audit practices, with diverse audit practices amongst the respondent group. Forty-three percent indicated they don't audit either the results of investigations or root cause determinations.

### Who is involved in your root cause determination process? (Multiple select)





## Managing Risk on Every Rung of the Ladder for Success at Lilly

For many companies, the concept of root cause analysis is a relatively new one, introduced to reduce financial exposure and risk. However, at a pharmaceuticals giant like Eli Lilly & Co., being able to detect problems early, establish what went wrong, and devise solutions isn't simply a business imperative: it can be a matter of life and death. As Steve Guymon, Senior Advisor, Ethics and Compliance at Lilly, explained it, "The manufacturing side of the business, they've been doing this as long as we can remember. It can affect product quality, which can put lives at risk."

Of course, even though the manufacturing side of Lilly's operations had been doing root cause analysis for a long time, other functions such as ethics and compliance have a renewed focus on root cause analysis. "Our renewed focus to improve capabilities of root cause analysis and continuous improvement followed the Department of Justice's guidance for Evaluation of Corporate Compliance Programs. The issuance of the new FCPA guidance also helped." These not-so-gentle nudges from regulators gave the assurance functions such as audit and ethics and compliance the support they needed to get buy-in from the rest of the business.

### Taxonomy

Now, Lilly's root cause program is several years old, and has gradually evolved. According to Guymon, the company was once working with a root cause taxonomy that included 38 categories of potential root causes. As time went on, these categories were simplified into common themes, arranged onto what Guymon describes as a five-step ladder: process, process documentation, training, leadership oversight, and finally human factor, a category reserved for situations when other process were insufficient to contain a bad actor.

Another key evolution over the program's lifetime has been who gets involved in root cause identification. "Early on, only the investigators or those in the assurance function were identifying the root cause," Guymon says. "We've learned it's essential that those with business and process expertise are involved, and most importantly in developing the

**"We've learned it's essential that those with business and process expertise are involved, and most importantly in developing the preventative action so that we can manage the recurrence risk."**

preventative action so that we can manage the recurrence risk."

Currently, only investigators associated with the ethics and compliance team, as well as those with the human resources function, employ the five-step ladder. Eventually, Guymon says Lilly plans to continue cross-learning to align processes with the financial audit and manufacturing quality audit root cause processes, although he estimates that this is at least a few years away.

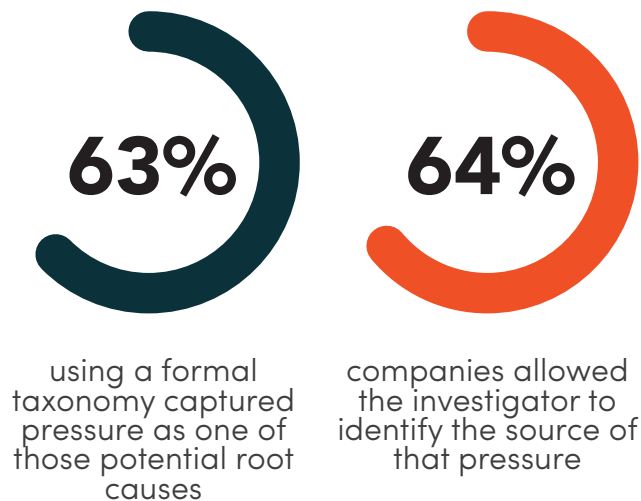
### Training

As the program is still evolving, Guymon says that there the ethics and compliance team continues to develop skills in root cause analysis. "Six Sigma is big across our organization," he said, and tools employed include the "five whys," time-analysis assessment, and Ishikawa or "fishbone" mechanisms. All ethics and compliance staff, as well as the human resources team, are using the five-step ladder.

Even though the program is still a work in progress, Guymon claims that it is already having an impact at Eli Lilly, particularly in the relationship between assurance functions and others in the business. "The better we get at root cause, the more the linkages between the business and this process have become clear. The ability to say, 'Why did this actually happen?' encourages our relationship with the business side."

## Capturing sources of pressure

To us, one of the most interesting elements of the data around root cause taxonomy to us was on the question of pressure to compromise standards. Respondents to our survey indicated that companies are taking this pressure question seriously; 63 percent of those using a formal taxonomy captured pressure as one of those potential root causes, and 64 percent of those companies allowed the investigator to identify the source of that pressure.



This makes sense. Some of the most consistent data points we find across companies in our culture work relate to how employees experience pressure to compromise standards in order to hit goals. In response to the question “Do you experience pressure to compromise the Code, the law or company policy to achieve business objectives?” 31 percent of respondents in our dataset respond yes. Of that group, 75 percent claimed the pressure they felt was moderate, strong or declined to answer.

In other words, over a quarter of the employees we have surveyed feel pressure to compromise ethics to hit business objectives. The most common sources of that pressure are middle managers, senior leadership, and direct managers. However, there is variation by industry. In some companies, co-workers are a top-three cited source, especially where goals are established for groups or teams; in the hospitality industry, the most likely source of pressure is customers.

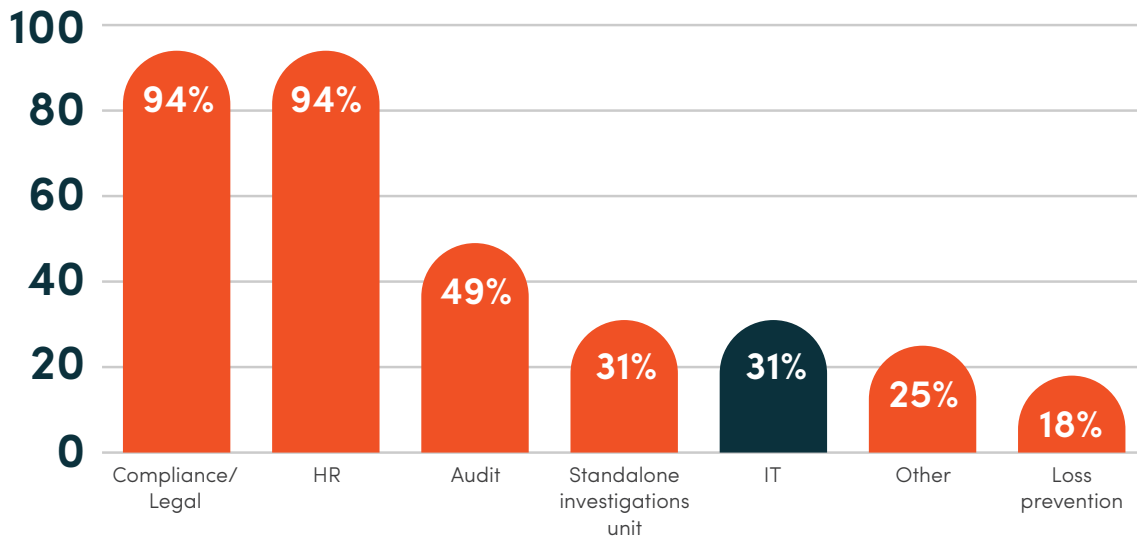
It’s important to note that the source of pressure is very rarely a manager who is actively encouraging employees to swindle or steal. Much more common are managers who are simply extremely focused on business objectives such as sales targets or production quotas, and who are neglecting to emphasize equally (or at all) the importance of hitting objectives the right way. Including pressure as part of root cause analysis allows companies to identify where that message may be missing.

Demographic breakdowns of employees make this information even more insightful. Pinpointing specific sectors of employees – in some instances by geography, or often by their tenure at the company or job function – who are feeling pressure, allows for tailor-made responses, such as retraining managers in a particular region or examining communications in a certain business function. Specific, informed responses are more efficient with resources and effective at reducing pressure.

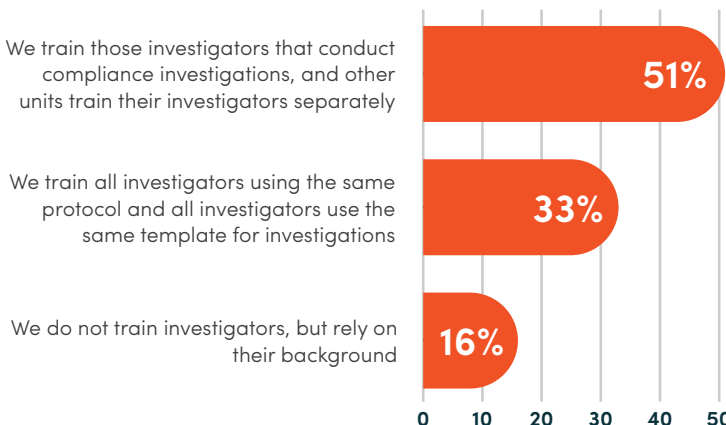
# Process and Training of Investigators – Getting Everyone on the Same Page

As one would expect given the global reach of the BELA member companies, there is a diverse set of functions doing investigations depending on the topic. Respondents indicated a wide set of control functions can get involved, with all the usual suspects plus IT. Given that wide range of potential investigators, process becomes important to ensure consistency. Sixty-nine percent of respondents have a written investigation process in place which states “who looks at what” and a standard template for all investigators to follow; 20 percent have a process in place but no template. Thirty-three percent provides training investigators together, no matter their function.

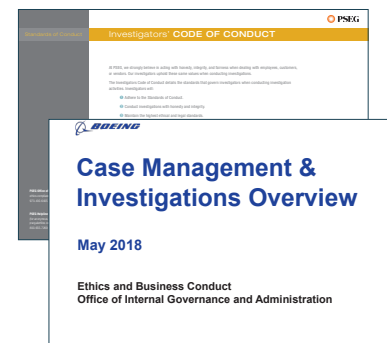
## Which of the following groups routinely conduct investigations at your organization? (Multiple select)



## How is your organization training investigators?



## Additional Resources



Additional resources available on the BELA member site.

## Boeing Targets the Social Context of Misconduct

When it comes to root cause analysis, Boeing tends to come up often in discussions of companies leading the way. There's many reasons for the maturity and sophistication of their program, but one of them might be their slightly different mindset.

"We don't really call it 'root cause' analysis, actually," says Norm Good, Director, Ethics and Business Conduct and Corporate Investigations for Boeing. "We call it contributing factor analysis. When you think about employee misconduct, it's more of a social science. What contributing factors created the environment that allowed the misconduct to take place?"

This distinction, between the root cause of a problem and the contributing factors that permit it in the first place, may be the next evolution in root cause identification. Rather than targeting a single factor, Boeing targets the social context that permits misconduct, identifying issues that better controls alone cannot fix.

### Same Training, Same System

Over the course of our interviews, Ethisphere found that one leading practice of companies doing root cause work was to get all functions of a company working with parallel methods and systems. Boeing exemplifies this practice.

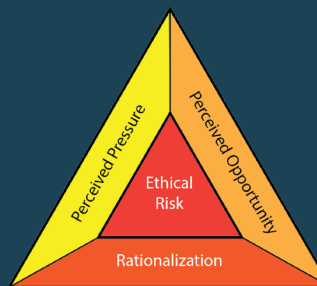
"What used to be known as human resources investigations is now part of my team," Good informed me. "Everybody in the Office of Internal Governance & Administration is using the same system and root cause taxonomy. Investigators are also trained together, whether in corporate audit or ethics."

By unifying both investigator training and the underlying system, Boeing is able to ensure consistency across the organization, and much better aggregate investigation results to identify trends. Pinpointing trends in misconduct equips companies to more easily identify the underlying cause of many issues: culture.

### The Contributing Factor Universe

Good, who has a background as a police investigator and a graduate degree in Economic Crime Management, told us that Boeing's program relies heavily on social science around fraud, such as Cressey's fraud triangle. The fraud triangle implies that any

fraud requires three contributing factors: individual rationalization, social pressure, and an opportunity.



"Fraud Triangle" by David Bailey is licensed under CC BY 2.0

Good breaks the three triangle legs down. "All contributing factors really come down to three areas: individual factors, social factors, and systematic factors. Underneath each of these are a variety of more specific causes.

When we're interviewing, we look for these three things." In general, the investigators are expected to find at least three contributing factors to any given investigation—some combination of opportunity, personal motive, and social pressure or permissiveness that combined to permit fraud. Of the three, as with most companies, Boeing focuses most of its efforts on the "opportunity" leg—how can systems be built and enforced such that opportunities for fraud don't exist?

### Using Investigations to Bolster the Business

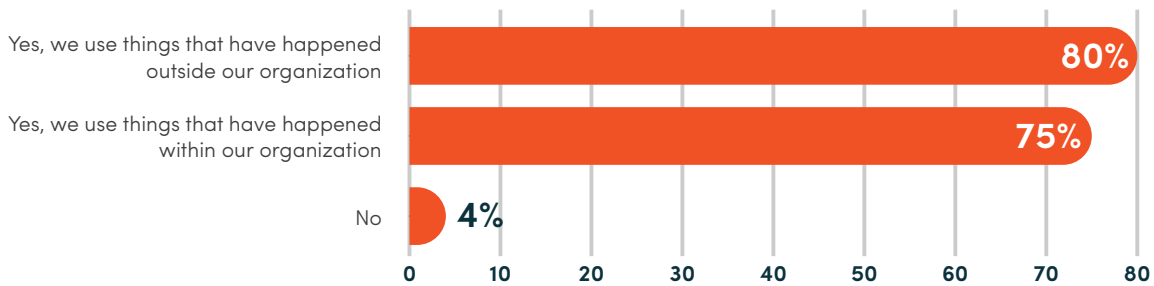
For Boeing Senior Vice President Diana Sands, head of their Office of Internal Governance & Administration and the chief compliance officer, the emphasis on contributing factor analysis provided the company a chance not only to reduce fraud, but to improve the consistency and quality of Boeing products. Above all, according to Good, "We're looking for opportunities where we can actually help employees where they might be struggling." That might mean clarifying or simplifying processes—or even identifying where cultural issues or business pressure have contributed to unethical conduct.

A cooperative attitude is key. "It's about sharing what we've learned with the business. It's a partnership," Good clarifies. "We don't demand that the business must do anything. We identify potential solutions."

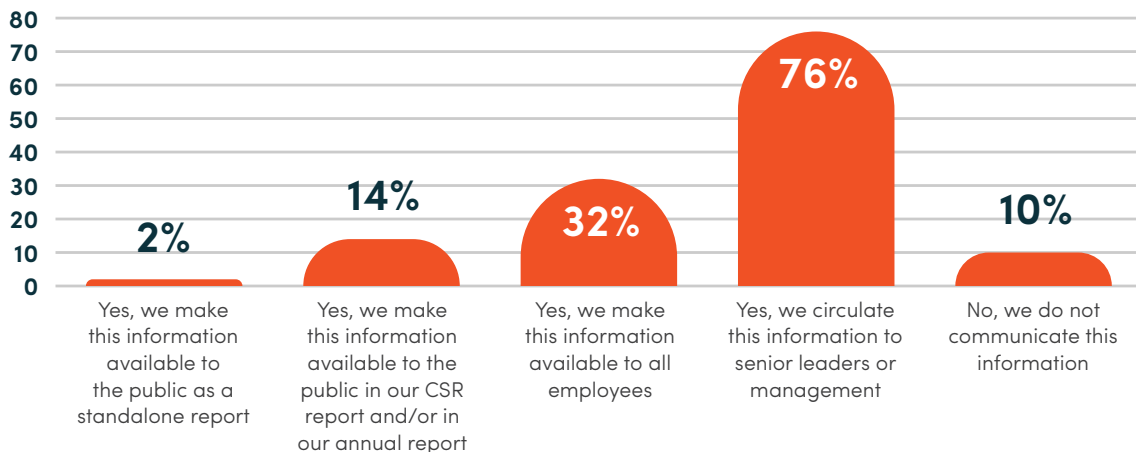
# Communicating the Results of Investigations

Once the investigation is done, and the root cause determination has been made (or not), the last component of this process for many companies is to close the loop with reporters, witnesses and the employee population at large. We have heard from many BELA members that they are trying to make follow-up a final piece of their process, with one member noting that their case management system does not allow a case to be closed without full follow up with the reporter (if known) and any material witnesses. Many companies also share the stories of what happens, with identifying facts removed, to employees; we saw this practice amongst respondents to this survey as well. Eighty percent of respondents use stories of things that have happened outside their organization with employees, and 75 percent use real company stories for internal communications. In addition, 76 percent circulate statistics and trending data to senior leaders and 32 percent share that data with all employees.

## Does the compliance and ethics function include examples of real-world ethical or compliance dilemmas or issues in their communications? (Multiple select)



## Separate from reports to the Board, does your organization communicate how many concerns were reported, and the results of reports and investigations? (Multiple select)



## COMMUNICATING THE RESULTS OF INVESTIGATIONS

As Al Rosa and Rady Johnson discussed in their conversation on Integrity Matters, our monthly BELA podcast, sharing as much as possible with employees is a best practice; when investigations are a “black box and a mystery, it is such a missed opportunity; it leaves a void that is filled by a fearful and suspicious environment.”

That is likely why nearly every 2018 WMEC honoree (95 percent) communicates the number and types of reports received to some stakeholders, compared to 89 percent of 2016 WMEC honorees. While still among the minority of companies surveyed, the number of 2018 WMEC honorees now sharing this information broadly with employees has more than doubled since 2016 (32 percent and 14 percent, respectively).

*WME 2018: Separate from reports to the Board or other governing authority, does your organization communicate how many concerns were reported, the types of concerns reported, and the results of reports and investigations? Please select all that apply.*

	2018 - %	2017 - %	2016 - %
Yes, and we make this information available to the public as stand-alone report	9%	6%	11%*
Yes, and we make this information available to the public in our CSR report and/or in our annual report	23%	16%	
Yes, and we circulate this information to all employees	32%	20%	14%
Yes, and we circulate this information to senior leaders or management	87%	88%	79%
No, we do not communicate this information	5%	2%	11%

*\*Answer option for 2016 is “Yes, and we make the report available to the public”*

## Recommendations & Conclusion

---

Based on the responses we have seen to the survey, as well as our data from surveys, BELA roundtable discussions, and other input, we have a set of recommendations for the BELA community to consider as companies begin to grapple with how best to establish and expand their root cause analysis work. Given that root cause analysis is a relatively nascent practice in most of our organizations and the field at large, these should not be taken as definitive or in any way final. Rather, Ethisphere seeks to start a conversation by setting down some practical recommendations. Consider:

- Start with technology. Can you get all functions on, and fully employing, an integrated case management system?
- Focus on people. Train all investigators, in all functions, with a standard template, and make sure investigators have cross-functional access so that they can properly address all dimensions of an issue.
- Look at process. Begin to standardize a taxonomy of root causes. This will be a long-term project, but having a set taxonomy is the best way for you to begin tracking root cause trends across time, functions and geography. Be prepared to adapt, expand or even streamline your taxonomy based on how your program evolves.
- Allow for nuance. Ensure that investigators can identify multiple root causes, or contributing factors (see Boeing example), including pressure to achieve business targets from a variety of sources. No ethics and compliance failure can be boiled down to a single root cause, and your system and taxonomy should reflect that reality.
- Be as transparent as you can be. Follow up with employees impacted by an investigation, including if known the employee who initially reported an issue. Share the data around investigations and close rates as broadly as you can. Transparency encourages future reporting and improves perceptions of organizational justice.

# Methodology

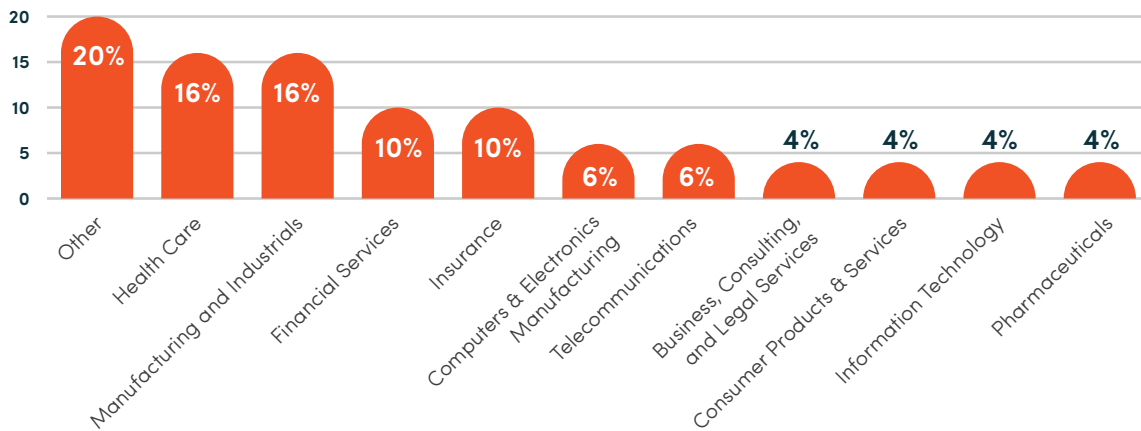
The survey underpinning this report was comprised of approximately 25 questions of single select and multiple select question types. Not all questions were given to every respondent on account of the skip logic attached to certain questions. Respondents were not required to answer every question. Partial completions were not factored into our analysis.

The questions contained in the Root Cause Practices survey included:

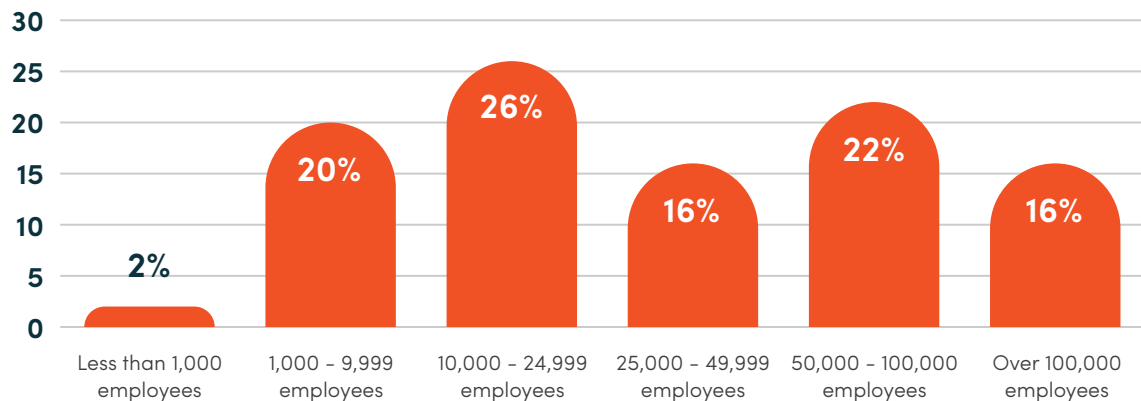
- 19 questions covering root cause practices
- One question for collecting open-ended comments
- Five questions collecting respondent demographic data: one question on type of organization, one question asking about the organization’s primary industry, one question requesting the respondent to identify their job title, one question on the approximate headcount of the organization’s workforce, and one question on the organization’s total annual revenue in U.S. dollars.

In total, 117 BELA member companies were invited to participate in the survey, and 51 BELA member companies completed the survey. We thank each of them for their participation; our thanks also to the companies who supported the survey question development, as well as the case study participants who provided additional detail and insights.

## Respondents by Primary Industry



## Respondents by Approximate Headcount







6991 E. Camelback Rd., Ste. B-350 | Scottsdale, AZ 85251  
Phone: 888 229 3207 | Fax: 480 219 7670

[www.ethisphere.com](http://www.ethisphere.com)

