Industry Practice Note

Integrating Culture into Root Cause Analysis

ABS Culture and Conduct Steering Group
September 2025

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1. Introduction

Root Cause Analysis ("RCA") is a systematic approach to identify the underlying reasons for risk-related incidents or failures within Banks. This approach typically focuses on four areas – People, Processes, Systems, and External Factors. While identifying root cause(s) in these areas may address the immediate incident or failure on hand, Banks can consider adding a culture prism to the RCA framework for a more holistic analysis.

Conducting an effective culture assessment allows Banks to obtain insights on underlying culture issues. This facilitates the design and implementation of more sustainable solutions. This Industry Practice Note ("IPN") outlines an extended RCA process that integrates culture considerations, along with guiding principles and methods for organisations to augment their existing RCA frameworks.

Typical RCA Approach – People, Process, System and External Factors

RCA is an analysis to identify the root cause(s) of an issue or problem (herein after referred to as "incident") and implement more permanent solutions or remediation actions. Conventionally, most Banks adopt an approach that covers four components:

People	• This involves analysing individual actions that contributed to an incident, including risk awareness, decision-making, skills, competencies, and supervisory oversight. • Malicious intent is also considered, which may involve fraud, dishonesty, conflict of interests.
Process	• This examines the policies, procedures and workflows involved, including the adequacy of control effectiveness, checks and balances, and quality assurance. • The considerations behind the design of processes contributing to an incident, and how change management was conducted could also be evaluated.
System	• This involves analysing the technological and infrastructural aspects that led to an incident, including system design, implementation, maintenance, technical failures or limitations, and integration effectiveness. • Data integrity issues and security vulnerabilities are also key areas of analysis.
External Factors	• External events such as environmental conditions, regulatory changes, market or economy dynamics, competitor actions, or supply chain disruptions could be considered as contributory factors to an incident.

In many Banks, an RCA may follow a structured process involving these 8 steps:

Step 1 Define the issue or problem ("incident")	Identify and define the incident to determine scope of analysis. Include questions such as: - What happened? - When and where did it happen? - Who was involved? - What was the business impact (undesirable outcome)?
Step 2 Gather data and evidence related to the incident	Gather data related to the incident, such as behavioural observations, incident reports, employee feedback, employee performance data, timeline leading to the incident, customer complaints, service times, training records, surveillance data and other relevant information.

Step 3 Identify all the potential causes or contributing factors	Gather information from personnel involved to brainstorm and ask: - How did it happen? - Why did it happen? Identify and list all the potential plausible causes. Use methods like "5 Whys" to determine the causal drivers, including behavioural drivers like understanding the "Why" behind behaviours of the personnel involved in the incident.
Step 4 Analyse the data	Use the data gathered to identify patterns, trends, and potential causes. Consider both individual or isolated and systemic factors.
Step 5 Determine root cause(s)	Based on the data analysis, identify and pinpoint the underlying root causes of the incident.
Step 6 Develop solutions or remediations	Develop solutions or remediation actions that address the root cause(s) and prevent the issue from recurring. Solutions or remediation actions could include system or process control measures, and/or people related behavioural reinforcers.
Step 7 Implement solutions or remediation actions	Put solutions into action by executing remediation action plans. Communicate changes to stakeholders.
Step 8 Monitor for results post implementation	Continuously monitor the effects of the changes and review whether further remediation actions are needed. Conduct follow-up evaluations.

This IPN adapts from the above RCA approach to recommend good practices on how Banks can "deep dive" into the root causes of incidents, especially where "People" issues are identified as major contributory factors. Section 4 specifically outlines in detail how culture considerations can be incorporated into steps 3 to 6 of the above RCA approach.

2. Key pillars supporting effective integration of culture considerations into RCA

The integration of culture considerations into RCA aims to detect undesirable culture as a larger concern. To be effective, Banks must be willing to look beyond technical or procedural issues, and consider how peoples' behaviours and culture norms might have contributed to the incident.

A culture of open communication and psychological safety is essential for individuals to feel comfortable raising their concerns. This would help to prevent incidents from escalating. It also promotes a learning culture where mistakes are seen as opportunities for improvement. The following pillars are crucial for creating a conducive environment to integrate culture considerations into RCA.

Strong Risk Awareness and Positive Attitude	**Effective Problem Handling**	**Robust Governance**
Be aware of the incident. Exercise willingness to analyse the root cause(s) with a risk mindset.	Apply the know-how and rigour to analyse the root cause(s), including behavioural drivers	Implement solutions to prevent recurrence. Exercise strong oversight and accountability

3. When to integrate culture into RCA

The occurrence of certain incidents may stem from more than just individual errors, procedural gaps and system breakdowns. If incidents continue to recur, such persistent patterns of similar behaviours across multiple incidents or trends of prolonged misbehaviour could indicate a more deep-rooted culture issue.

The integration of culture considerations into RCA may be appropriate in the following scenarios:

What to Monitor	Examples
Recurring Issues	• Repeated control failure in a specific business unit • High employee turnover in a particular team • Deterioration observed from culture and conduct dashboard indicators
High-Severity Incidents	• Serious regulatory breaches or violations of internal policies • Major technology outage • Reputational damage
Concentrated Incidents	• Higher than expected number of incidents from a particular department • Numerous events of similar nature occurred within a time period. • Cluster of risk issues in specific areas (i.e. “hotspots”)
Conduct-Related Failures	• Lack of escalations by employees • Repeated complaints on mis-selling • Unethical decision-making

Banks may assess culture in a targeted way when analysing incidents. Sometimes, smaller groups within a Bank may have different mindsets and beliefs from the organisation as a whole. These "sub-cultures" can cause problems. By specifically examining the culture of the smaller groups involved, Banks can better understand the root causes of incidents and fix them more permanently. Such a targeted approach may be more purposeful than broad-brush efforts to shift culture.

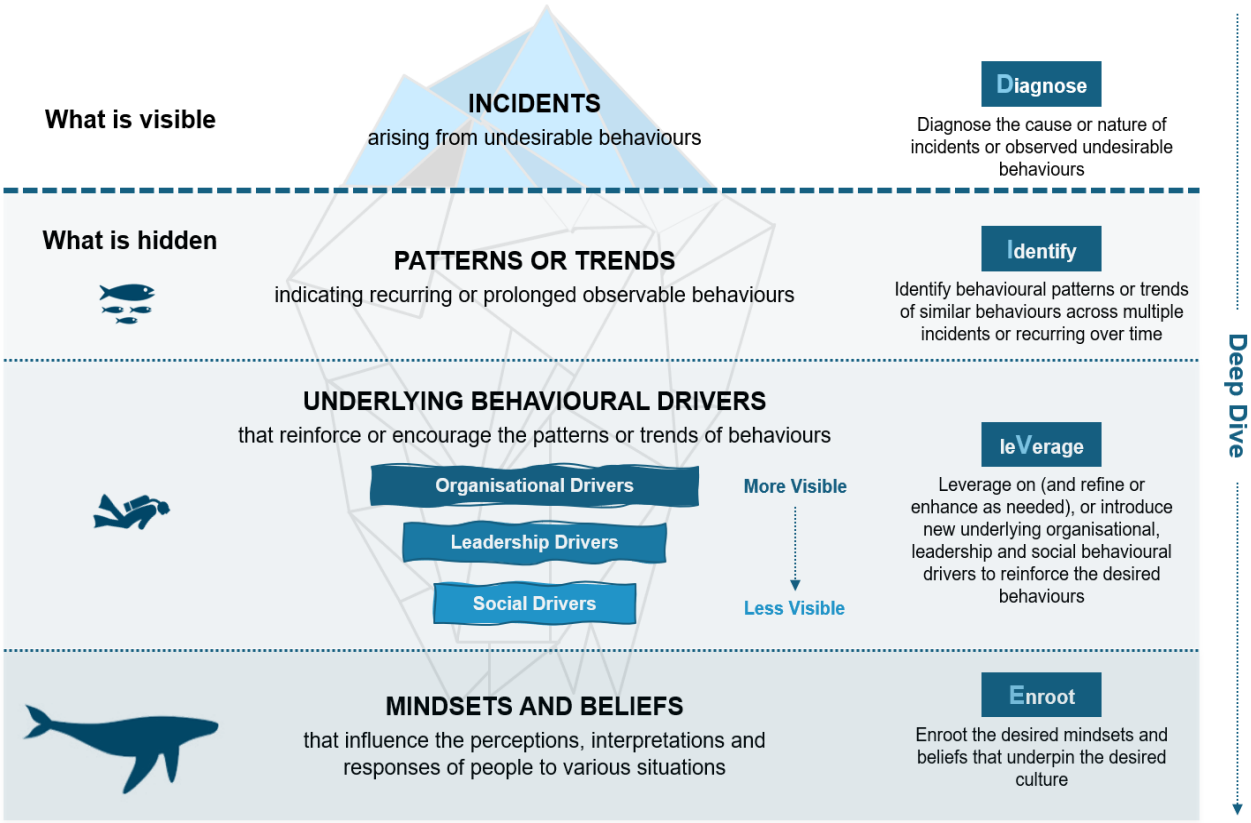
4. How to integrate culture into RCA and address outcomes

The occurrence of incidents may constitute behaviours that are easily observable. However, a “surface level” approach to conduct RCA may leave Banks vulnerable to the hidden layers beneath.

This section outlines how Banks can conduct a “deep dive” to uncover potential culture issues and the underlying root causes of incidents. A methodical **“DIVE” framework to Diagnose, Identify, leVerage, and Enroot** to carry out the RCA “deep dive” is depicted in the following Iceberg diagram. This is intended to provide a structure to facilitate ease of understanding. Banks may adopt the principles behind these recommendations and adapt accordingly.

This section also offers illustrative examples of proposed actions to address culture or behavioural concerns, depending on their level of entrenchment. The proposed actions should not be misconstrued as best practice recommendations, as the appropriate course of actions may differ depending on the organisational context and circumstances surrounding the relevant incidents.

By uncovering the hidden causal factors early with timely interventions, Banks could prevent issues from recurring or snowballing into more serious ones.



4.1 What is Visible – Incidents

Diagnose	**Diagnose the cause or nature of incidents or observed undesirable behaviours**

For the first level of RCA, Banks should diagnose the incidents and focus on observable behaviours and actions.

5 Whys

The “5 Whys” technique can be employed to drill down to the behavioural cause(s) of an incident. Repeatedly asking "Why" helps uncover a chain of contributing behavioural factors leading to the actions of personnel involved in the incident.

For instance, if an operation staff had sent Client A's documents to Client B by copying the wrong email address, asking "Why" multiple times could reveal underlying behavioural issues with the staff. For example, the operation staff may have lacked awareness of the consequences of their actions, or they may have a lackadaisical attitude, leading to non-deliberate oversight.

4.2 What is Hidden – Patterns or Trends

Identify	**Identify behavioural patterns or trends of similar behaviours across multiple incidents or recurring over time**

Beyond looking into the behaviours of the people involved in individual incidents, it is imperative to identify patterns or trends, as similar behaviours across multiple incidents or recurring over time could be indicative of deep-rooted underlying issues.

The occurrence of certain incidents may stem from more than just individual errors, procedural gaps and system breakdowns. If incidents arise from similar behaviours or continue to recur, such persistent patterns or trends could indicate a more deep-rooted culture issue causing the prolonged misbehaviour.

Extending the example above, if a particular operation team has logged a high number of emails sent to incorrect recipients (relative to other operation teams), this may send a signal that a further deep-dive into culture considerations is warranted. For additional use case examples, please refer to *Industry Practice Note: Data Driven Approach to Managing Culture and Conduct Risk*.

Banks may perform data analytics on the historical incidents captured in their risk management systems to suss out potential hotspot areas. Common behavioural drivers noted from an increasing number of similar incidents could uncover systemic root causes or the ability to pre-empt issues.

4.3 What is Hidden – Underlying Behavioural Drivers

leVerage	**Leverage on (and refine or enhance as needed), or introduce new organisational, leadership and social behavioural drivers to reinforce the desired behaviours**

Upon identification of patterns or trends, further rigour to extend the RCA may be necessary. Banks should deeply examine three interconnected drivers – **Organisational, Leadership, and Social** – to uncover the underlying behavioural drivers that reinforce or encourage the observed behavioural patterns or trends. Each driver may provide insights into why problems occur and assist Banks in devising remediation activities beyond superficial fixes.

After examining the behavioural drivers, Banks should then consider whether to:

- Leverage on existing behavioural drivers (initiatives) if they are fully effective, or
- Refine existing behavioural drivers (initiatives) if they are not fully effective, or
- Enhance existing or introduce new behavioural drivers (initiatives) if they are inadequate to encourage the desired behaviours and discourage undesired ones

Dimension	What to Assess
Organisational Drivers	Policies and controls are only as effective as the systems that reinforce them. Assess if the organisation systems make it easier to do the right things (or the wrong things): • **Incentive Structures:** Did performance metrics encourage excessive risk-taking or discourage speaking up? • **Resource Allocation:** Were teams given sufficient capacity, training, and tools to comply with policies? • **Governance:** Did risk committees or oversight functions have the authority and independence to challenge business decisions?
Leadership Drivers	Leadership sets the tone, whether intentionally or unintentionally. Examine if leaders reinforce the right behaviours through their own actions, or inadvertently propagate the wrong ones: • **Decision-Making:** Did senior leaders sideline ethical considerations to prioritise short-term results? Are there any signs of decisions made stemming from their implicit tolerance of "the ends justify the means" behaviour? • **Actions:** Did senior leaders communicate in ways that undermined fair treatment of customers and employees? • **Accountability:** Were senior leaders held responsible for culture failures, or did accountability stop at middle management? Did the senior leaders ensure proper closure of risk issues to avoid future recurrences?

Dimension	What to Assess
Social Drivers	As culture lives in the daily interactions and unwritten rules among employees, it is important to evaluate the behaviours the social environment rewarded and punished: • **Psychological Safety:** Did employees fear retaliation for raising concerns? • **Peer Pressure:** Did teams develop harmful shortcuts that became normalised practices? • **Onboarding:** Did new hires learn "how we really do things here" from peers rather than formal training?

A robust examination of underlying behavioural drivers could lend additional depth to the RCA. For example, scrutinising the patterns or trends of incorrect email recipients could reveal organisational drivers such as a heavy workload, stemming from understaffing caused by cost-cutting measures. This could further point to a deeper-rooted issue of senior leaders prioritising financial performance over various considerations (leadership driver).

See table below for more illustrative examples of issues that may be associated with Organisational, Leadership, and Social drivers. It is worthwhile to note that Organisational drivers tend to be more easily visible as part of the RCA, compared to Leadership and Social drivers.

Organisational	Leadership	Social
Poor Communication / Teamwork Poor transparency in communication may lead to misunderstanding, or misalignment of objectives and risk appetite. Similarly, poor collaboration (or a distorted culture of competition) may cause conflict, departments working silos, or lack of trust.	**Ineffective Leadership** Ineffective leadership styles, such as micro-management or lack of accountability, may give employees the impression that the organisation does not value employee empowerment. Unfair treatment by senior management also signals a potential issue, which may cause an erosion in trust and ethics amongst staff.	**Blame Culture** A culture where individuals are blamed for mistakes, rather than focusing on constructive improvements to prevent future errors prevents learning and improvement. This can lead to employees hiding errors, hindering effective RCA from being conducted.
Over Commitment on Compliance A culture of blind compliance may lead to employees following procedures mechanically, without understanding the underlying rationale, leading to potential errors or oversights.	**Low Ethics** A culture that tolerates unethical behaviour could increase the risk of incidents stemming from a lack of integrity, and may manifest in the form of senior management not prioritising ethical behaviour, leading to a cascading effect across the organisation. This can involve cutting corners, prioritising personal or organisational gain, or ignoring compliance regulations.	**Fear / Low Psychological Safety** A culture of fear discourages employees from reporting errors or near misses, potentially leading to more serious incidents later. Low psychological safety prevents open communication and inhibits effective teamwork. Staff may be reluctant to raise concerns or propose alternative solutions due to fear of negative consequences, thereby stifling innovation and proactive risk management

Banks may use different mediums when engaging the employees to gather their inputs and uncover issues, such as using interviews to probe into individual experiences, focus group discussion to explore attitudes and social dynamics, and surveys for broad, quantifiable data collection.

Interview	• **Ideal For** – Exploring sensitive topics, understanding individual perspectives, or gathering in-depth insights. • **When to Use** – When there is a need to understand the "why" behind individual's behaviours. Example: To uncover the reasons of why individual employees resigned.
Focus Group Discussion	• **Ideal For** – Exploring attitudes and emotions in a social context, or understanding how group dynamics influence behaviour. • **When to Use** – When diverse perspectives are desired or when there is a need to explore the social context of behaviours or attitudes. Example: To understand how certain leadership styles influence employees' willingness to speak up.
Survey	• **Ideal For** – Gathering quantitative data from a large sample, or identifying trends and patterns. • **When to Use** – When there is a need to quantify behaviours of a large population, or to test specific relationships between variables. Example: To identify the prevailing behaviours and current state of culture.

4.4 What is Hidden – Mindsets and Beliefs

Enroot	**Enroot the desired mindsets and beliefs that underpin the desired culture**

To uncover the deepest layer of the iceberg, Banks would need to examine the prevailing mindsets and beliefs that influence the perceptions, interpretations and responses of people to various situations. Behavioural issues can only be effectively addressed if Banks enroot the right set of mindsets and beliefs at the foundational level to underpin the desired culture.

Organisational values are typically set at the highest level, before being cascaded down to the rest of the Bank. Ideally, the various functions and departments that make up the Bank would adopt aligned mindsets and beliefs. However, complete alignment is often a challenge, given differing priorities.

For example, an organisational value of creating lasting, positive stakeholder impact could stand in conflict with the mindsets and beliefs of a sales function that prioritises sales figures over positive customer outcomes. Similarly, an organisational value of constant experimentation may be incongruent with support functions whose mindsets and beliefs revolve around maintaining the status quo and "sticking with what we know".

In the examples above, the respective function would likely revert to their natural behaviours if their mindsets and beliefs are not corrected. It is imperative to:

- Identify the extent to which organisational values have been effectively cascaded down
- Whether the mindsets and beliefs in each function (i.e., their "sub-cultures") align with or deviate from organisational values
- Enroot mindsets and beliefs that underpin the desired culture

Addressing RCA Outcomes

Effective problem handling requires an open mind to accept the RCA outcome and the commitment to oversee the resolutions. The resolution efforts would ultimately be driven by the pervasiveness of the behaviour or action being observed.

Where the outcome of RCA indicates that designing for more robust underlying behavioural drivers is necessary, it would be crucial to establish accountability mechanisms to ensure that corrective actions are properly implemented. These corrective actions have to be customised so as to address the organisational, leadership and social drivers that contribute to the behaviours of concern.

Some examples of potential actions are highlighted below:

- Appoint leaders who would change or enroot the right mindsets and beliefs within the function.
- Improve communications with greater transparency of information flow. Provide regular and timely updates on key developments to relevant impacted teams.
- Foster collaboration with shared key performance indicators and establishing cross-functional squads.
- Conduct meaningful conversations to foster better understanding and collaboration between the three lines of defence, including attributing joint accountability of outcomes across units.
- Conduct skip-level meetings managed by independent department to minimise potential suppression of feedback.
- Increase awareness of speak-up channels, conduct education campaigns, and provide training on effective communication and conflict resolution.
- Design training programmes to incorporate principles and ethics, instead of purely focusing on technical compliance.
- Reinforce ethical guidelines and compliance training. Conduct regular ethics audits and analyses into reported violations.
- Establish clear consequences for unethical behaviour and promote a culture of accountability and transparency.
- Implement social cues, such as recognising failures as a learning opportunity, as opposed to an avenue for assigning blame.
- Establish “amnesty” periods, during which self-declaration of errors is not penalised.
- Redefine the sales function as a client advisory function with the mandate to serve long-term client interest.
- Establish “innovation zones” where employees can experiment with new ideas without fear of failure impacting performance reviews. Encourage pilot projects with focus on learning and iteration and celebrate success.

There is no “one-size-fits-all” solution for culture issues. Corrective actions suitable for an organisation may not yield the same results in another due to differing contexts. The above potential actions would need to be tailored based on the specific circumstance to achieve the desired outcome.

5. Conclusion

In conclusion, this exploration of integrating culture into RCA underscores the significance for Banks to gain a deeper understanding of incidents and their broader implications. Recognising culture's role in RCA fosters a more comprehensive perspective. It lays the groundwork for sustainable improvements.

By embedding culture considerations into RCA, Banks can look beyond conventional approaches and identify culture deficiencies that contribute to recurring issues. While this IPN advocates for a structured approach for integrating culture into RCA, it is important to acknowledge that this is a nascent area of study.

The recommendations presented here are for exploratory purposes and not intended as binding industry requirements. Further research and practical application are needed to refine these concepts and develop best practices. This exploration highlights the potential of culture-focused RCA to nurture a stronger ethical organisational culture within the Banking industry, ultimately fostering a resilient environment upholding the highest ethical standards.

Summary of this IPN

A. Why integrate culture into RCA

Traditional RCA focuses on immediate causes (e.g., individual errors, process gaps, or technology breakdowns) but often misses deeper culture drivers. Adding a culture prism to RCA provides a more holistic understanding, leading to more effective solutions.

B. When to conduct cultural assessment

Not every incident requires deep culture assessment. Such assessment is most valuable for:

- Recurring issues
- High-severity incidents
- Concentrated incidents
- Conduct-related failures

C. What to look out for

- Assess three interconnected cultural drivers – Organisational, Leadership and Social.
- Determine the values, mindsets and beliefs that influence these drivers.

D. How to integrate culture into RCA and address outcomes

- Use the “5 Whys” technique to drill down to the behavioural cause(s) of an incident.
- Seek to uncover issues with underlying behavioural drivers by using appropriate medium (e.g. interview, focus group discussion or survey).
- Examine mindsets and beliefs that set the foundation for cultural drivers, and enroot them to drive effective changes.
- An open mind to accept the RCA outcome helps with serving the commitment to oversee the resolutions.
- Establish accountability mechanisms to ensure that corrective actions are properly implemented, which should be customised to address the organisational, leadership and social drivers.

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