

# CULTURAL ASSESSMENT

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This document includes the cultural assessment and executive summary of a company from the aerospace industry and will be protected using a pseudonym of “Penly”

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# Penly Program Cultural Assessment

## *Executive Summary*

### OVERVIEW

The Penly program is a world-class operation, [REDACTED] Its people are proud of the level of excellence and craftsmanship that they bring to their work and what they produce.

With great pride comes high standards. The people who work in the Penly program are committed to living up to the standard of quality and excellence that they and others expect from Penly airplanes. The people who work on Penly s are committed to doing the job the right way, a commitment that apparently requires personal sacrifice, e.g., long hours away from family, to make sure that the work gets done right.

In a phrase, people love their work, but they do not like how they work. Throughout the organization, people point to where things can be done better—in some cases, a lot better. One significant point of contention is between improving production processes to deliver quality product and the tyranny of delivering the plan day-after-day. For most, it is seen as an either-or situation.

In the Penly program, people have constructed a reality in which they are not responsible for anything in the program that does not work well. Co-workers blame one another the problems and say that they have no ability to change how things are done. Those interviewed frequently said something along the lines of ‘This isn’t my plan,’ as if that got them off the hook. People seem to give themselves permission to be self-righteous and to invalidate others and other groups. “Others” includes those in a different role, of a different tenure, from another era, or any other characteristic that serves the need.

The accomplishment of delivering high-quality to Penly is undermined by finger-pointing and blame. People experience being powerless—and they play some role to ensure that this condition persists—to make any impact in *the way things are*. People are resigned to the way things are and are firmly embedded in the condition. Predictably, the program’s executive management will struggle to lead a breakthrough in quality and profitability inside of such a condition. What is needed and wanted are a personal transformation for the formal and informal leaders, a transformation of the context for the Penly Program—and maybe all of Penly —and re-designing the work environment and how the work gets done.

## **DISTINCTIVE ELEMENTS OF THE CORPORATE CULTURE**

- Great Pride in What Is Being Built
- What Was Is Better than What Is
- There's No Time; Just Follow the Plan
- Get Through the Day
- Production Takes Priority Over Improvement
- "That's Not My..." (When Convenient)
- We're Really Just Penly (but not as Good)
- *They* Don't Get It

## **SIX CRITICAL SUCCESS FACTORS WHICH ENABLE TOP TIER PERFORMANCE**

1. A Context of Building Something Magnificent
2. The Three Aspects of Integrity (hygienic, systemic, ultimate)
3. A Framework of Responsibility & Accountability
4. Organized around Breakthrough Performance
5. An Aligned Leadership Coalition
6. Mobilizing and Aligning Key Constituencies

## **LEVERAGE POINTS AND OPPORTUNITIES FOR ACTION**

1. Establish a *Context of Building Something Magnificent*, e.g., we enable families and friends to be together and facilitate global business
2. Create a bold, inspiring and challenging future around "The Penly Way"
3. Infuse accomplishment, acknowledgement, and appreciation as elements of standard operation
4. Launch a focused initiative to deliver quick, sustainable wins in quality and safety
5. Build a foundation of integrity around Penly's quality commitments and standards
6. Generate a culture of alignment, responsibility and accountability, and honoring each other's contribution
7. Engage the teams on the lines in *Rapid Work Redesign*®

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## PART 1: INTRODUCTION

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### THE PURPOSE OF A CULTURAL ASSESSMENT

Every organization of any significant size—whether a commercial enterprise, a non-profit, or a government agency—operates within its own distinctive culture. Corporate culture is recognized as the singular determinant of corporate effectiveness and can be an arbiter, or at least an important factor, in long-term success or failure.

Webster defines “culture” as:

5.a: the integrated pattern of human knowledge, belief, and behavior that depends upon the capacity for learning and transmitting knowledge to succeeding generations. b: the customary beliefs, social forms, and material traits of a racial, religious, or social group; also: the characteristic features of everyday existence (as diversions or a way of life) shared by people in a place or time. c: the set of shared attitudes, values, goals, and practices that characterizes an institution or organization. d: the set of values, conventions, or social practices associated with a particular field, activity, or societal characteristic.

The simplest construct for corporate culture is whatever is reinforced and rewarded within a corporation. Corporate culture could be thought of as the set of unarticulated rules for success inside the enterprise. The following are nine distinctive elements of corporate culture that come together to create the organizational paradigm that shapes and informs what people think about, how they see their work, and what actions they take.

Culture is the condition in which people think, act, and work within the organization; it acts like a force-field, shaping and reinforcing what people think and do. It shapes the perceptions, thinking, and actions of the people within the company. Given that all performance in an organization is reliant on the actions of individuals and the cumulative impact of the action of many individuals, the corporate culture can be considered as the singular determinant of long-term, strategic corporate success.

When a company’s corporate culture, or paradigm, becomes the fixed and absolute view of reality, or “how things are and ought to be,” rather than simply one way to view the world, the organization loses flexibility, increases waste, and slows execution. When a company’s typical way of working becomes the only way of working, the organization loses creativity, frustration rises with a loss of satisfaction, and innovation disappears. When the enterprise’s point of view becomes the way that it is, possibility is lost, and opportunities are missed. Much of management’s attention is devoted to the tools and techniques that squeeze more out of the existing paradigm. In most organizations, the corporate culture is a mechanism for reinforcing past successes and avoiding past failures. Strategies, processes, systems, and structures are all too often artifacts of the corporate culture and of past success.

When the competitive external environment changes faster than the organization's internal environment, the old culture impedes success in the marketplace. Internally, however, the existing patterns of perceptions and corresponding ways of thinking and working are validated and reinforced, and the old culture persists. What were once successful strategies are updated and honed. What were proven processes are improved. What were effective systems are refined and re-built. What were solid structures are re-balanced. All the while, corporate performance deteriorates.

No matter how successful a company has been in the past, it cannot develop and implement powerful strategies and effective plans if it is operating with strategies, culture, processes, systems, and structures that no longer fit the demands of the marketplace. In order to regain competitive advantage, the company must transform itself by generating a new future for the enterprise that is founded and has competitive advantage in the marketplace of the future. Commensurately, the corporate culture must be harmonic of the marketplace of the future, a corporate culture that empowers and enables people to invent new ways of competing and to change the rules of the game in the marketplace, as well as in the enterprise.

Unless the existing culture is revealed, accepted, and owned, any attempt at cultural change will simply be lipstick attempting to cover up the old culture. The supposedly new culture will unwittingly inherit aspects of the old one that can undermine the effectiveness of the change effort.

It is first necessary to assess and identify the existing culture and distinguish it for what it is: a Vicious Circle of self-reinforcing rules and procedures, processes and practices, patterns of perception, action, and thinking that come from and perpetuate the past and leave room only for the predictable. Having identified the existing culture, leadership must then be willing to relate to it as merely the current paradigm for doing business in the company — “a way of working” rather than “the way it works” or, even, “reality” — and then take responsibility for how they, and everyone else in the organization, participate in and reinforce that same culture.

Only then is it possible to begin to design a corporate culture from the future to which senior leadership is committed, a culture that can be the source of competitive advantage, as opposed to being an attempt to fix, change, or improve on the past. In a culture by design, people's actions naturally express and build the vision. In other words, a culture by design pulls for the realization of the vision, strategy, and intended results. This gives access to extraordinary accomplishment and to producing results that are beyond the predictable.

## METHODOLOGY

Insigniam's methodology for identifying and assessing the corporate culture is based on the following principles:

- ✓ **An organization can be viewed as a network of ongoing conversations;**
- ✓ **People's behaviors and actions are correlated to the world as they perceive it or, said differently, how it occurs for them;**
- ✓ **The way the world occurs is in many ways, if not totally, linguistic; that is to say, the way the world occurs is screened and shaped by the conversations in which people are engaged in and the patterns of those conversations—what they speak and to how they speak and listen—which mostly come from and perpetuate the past.**
- ✓ **The patterns of conversation of the people of an organization (both the content of those conversations and the structure of the conversations) can give insight to the corporate culture, a filter on, and boundary to the conversations of people inside the organization.**

Thus, by identifying the patterns of conversation in which people are engaged within the enterprise, we can assess the existing corporate culture. We do this by conducting extensive individual interviews with the people of the organization in all functions and at all levels of the organization.

We completed 119 individual interviews at Penly . Each interview was designed and was intended to identify and reveal the network of ongoing conversations that correspond to the corporate culture of the organization. The survey questions were tailored to focus on individuals' perceptions and ways of working, how work gets accomplished in and through the system, and provide an assessment about what works and what does not work at Penly .

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## PART 2: DISTINCTIVE ELEMENTS OF THE CORPORATE CULTURE WHICH EXISTS IN THE PENLY 'S PENLY PROGRAM

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The distinctive elements of Penly corporate culture are set out below. These elements are not listed in a particular order but are grouped together for emphasis. The elements are not expressed in the words of the interviewees but rather as threads of recurring concepts that can be discerned as the network, patterns, and structures of ongoing conversations giving actionable access to the corporate culture. Exact quotations from employee interviews are included underneath to illustrate and support each element. The distinctive elements name give identity to a part of the background for the actual conversations in which people are engaged and for the actions that people take at work.

### 1. GREAT PRIDE IN WHAT IS BEING BUILT

People are proud of working at Penly . They are keenly aware of and feel a connection to the company's products, its distinctive status within the aerospace industry, and its impact on global travel. Penly is full of people that love airplanes and produce equipment for Penly at rates that no other company has done before. People hold a deep sense of pride, uniqueness, and true craftsmanship in knowing that *nobody else can do what we do*.

Pride for one's work at Penly has three distinct components: 1) Pride in the Penly/Penly legacy; 2) Pride in Penly/Penly airplanes; 3) Pride in the people who work at Penly and for the ██████████ community. Penly employees believe they are a part of something bigger than themselves, especially the generational legacy of their work. Many express a hope that their children will become part of that legacy.

### 2. WHAT'S BEEN IS BETTER THAN WHAT IS

Employees who have joined Penly in recent years find themselves working to live up to the high requirements and standards of the job, as well as to the impressive—and sometimes daunting—legacy that previous generations of Penly and Penly employees established. Long time employees revel in sharing the story of their careers at Penly, including how they progressed through the ranks working on different s. People at Penly learn to hold those who preceded them in high regard, men and women with exemplary skill and deep commitment. The 'old-timers' in the ██████████ facilities—those who have spent decades building airplanes for Penly—hold strong memories of what their work used to be like.

The 'good old days' memories serve as a constant reminder to many of how much more difficult the work seems to be today. The long-tenured often revere the skillsets and commitment to excellence of past colleagues, characteristics many claim to be absent in the those who have more recently

joined the company. People lay blame on their newer coworkers for gaps in quality and delivery. Waves of new hires, different from the kind of worker Penly would have honored with a job in the 1980s and 1990s, violate for many long-time employees the image of what Penly once was and are the reason Penly does not deliver on time and at quality like it could and should.

3. **WE'RE REALLY JUST PENLY (BUT NOT AS GOOD)**

Penly is revered inside Penly. [REDACTED]

[REDACTED], Penly's ways of working and performance are still held as the benchmark for the work of Penly. With each passing year—and nearly anytime a performance metric is missed—the distance between the Penly mystique and the present-day Penly reality expands. In a Sisyphus-like struggle, Penly employees seek to live up to the stories, standards, and successes of previous generations. For many, the best of what Penly can be is embodied by an earlier version of the business. Simply, Penly is seen as the standard for success and the best version of what's possible at the [REDACTED] facilities.

4. **THERE'S NO TIME, SO JUST FOLLOW THE PLAN**

The mantra within Penly's Penly program is “follow the plan.” What matters most is to remain doggedly focused primarily on production. Floor employees and middle management see “follow the plan” as a command, plea, and a mutually agreed upon metric of—as well as key to—success at Penly. Middle managers look to shop-floor employees through the filter of *‘are they following the plan?’* inspecting for instances in which an employee deviates from course and/or makes requests or proposals that contradict or conflict with what has been planned, fly in the face of what's planned for. When the plan is at risk, communication between management and the shop floor becomes one-directional; the moments in which employees are told what to do outnumber those where there is a two-way, collaborative dialogue.

Overtime is used as a means to meet increasingly challenging timelines. Interestingly, while people still lament the amount of time they put into their jobs, some employees actively disobey their managers when told to go home. In service of delivering the plan, people will stay on the production line to fulfill their part of their team's metrics. Cost containment is put to the wayside to meet production targets, fueling management's anxiety about excessive costs and putting further pressure on adding new resources.

## 5. **SURVIVE THE DAY**

Walking into a Penly facility means stepping into a dense network of accountabilities, reporting structures, and hand-offs between groups all of which is intended to ensure that the daily metric for success is met. People have no doubt whatsoever of what they are accountable to deliver, though many are often in doubt about how they will deliver what is expected and what resources they will have to get the job done. The best one can hope for—and often all that is requested from management—is to deliver the day, for what ails us will be there tomorrow to potentially address.

Each day people know what they are supposed to do and the metric their team needs to hit. These metrics are largely responses to failure to perform or issues that requires immediate attention. Putting out today's fire takes precedent over addressing the long term issues that have persisted, relatively unchanged, for decades. 'Working to succeed' takes a backseat to 'working not to fail' as people in the organization focus on the problem at hand.

Accomplishment has been diluted to nothing more than delivering the daily plan. People do that through sacrifice, often laboring long hours and weekend after weekend in order to do what they think they need to do to get the job done. People in survival allow no time to provide nor to receive acknowledgement or appreciation for one's contributions or efforts.

## 6. **PRODUCTION TAKES PRIORITY OVER IMPROVEMENT**

Penly's work is enormous, complex, and inspiring. Moreover, it calls upon the dedication of its employees and asks that they give tremendous amounts of their time and effort. Working at Penly is not a casual affair; it is a hurried sprint to meet daily targets and the metrics of timely manufacturing. Though front-line employees, management, and executives all agree that issues like quality, safety, training, and reducing production missteps are critical and need to be addressed, those issues are never dealt with adequately. Instead, the tyranny of the daily plan and production trumps people's attention. At the end of the day, the number one (and perhaps only) priority is getting planes to the customer.

## 7. **THAT'S NOT MINE (WHEN CONVENIENT)**

Despite the high commitment level of Penly employees, many experience being unable to impact the direction of the operation. The size, scope, complexity, and bureaucracy of Penly, as well as the regular involvement of Penly in daily work and audits, introduces hurdles to people being able to make much impact outside of one's own work station. In a context of 'just meet the plan' and such complexity, people are often frustrated when their well-meaning ideas, proposals, and/or offers to contribute to improve

operations are not adopted by management. With many feeling powerless in this regard, people experience having no say in the operation. This is expressed in ways such as “that wasn’t my idea,” “I didn’t hire that person,” or “that’s not my plan.” Such frustration is often accompanied with questioning the motives, rationale, or even qualifications of management and leadership to properly run the operation.

People at all levels of the organization and of all tenures, roles, or aptitudes are able to pick and choose where and how they want to be recognized as a part of what makes the operation work. Additionally, an individual can choose to present themselves as an unaffected bystander simply doing what they can in the face of having no say in the matter of Penly’s success. In the end, many people relegate themselves to being a good soldier, i.e., they will take their orders, deliver on their accountabilities, but not own the result or the condition of the operation they help perpetuate.

#### **8. THEY DON’T GET IT**

The misunderstood are rarely understood. At Penly, every constituency has a scapegoat and everyone has a foil that prevents or thwarts progress, contribution, or being appreciated. For the long-tenured people, the new hires do not understand what it takes to deliver quality like Penly did in the old days. For the new hires, the long-timers do not realize they are stuck in their ways and old viewpoints. New managers struggle to have their supervisors realize how difficult it is to get people to work in the right ways, while senior executives shake their heads muttering, “Why are they making this so difficult?” In short, people are both wedded to their opinions about how things are and/or should be, as well as clear that others do not see something which is as plain as day.

At Penly, it is the coworkers’ who are a source of what challenges the company’s performance and success. Every constituency has a scapegoat. All parties, however, have a good reason for why things haven’t worked out the way it’s all been planned: because some other groups fail to ‘get’ what it’s really like, what it takes to succeed, or how valuable and informed one’s perspective really is.

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### PART 3: LIKELY IMPACT ON PENLY AND ITS FUTURE

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The Penly program is a world-class operation. [REDACTED] Its people are proud of the level of excellence and craftsmanship that they bring to their work and what they produce. With great pride comes high standards. The people who work in the Penly program are committed to living up to the standard of quality and excellence that they and others expect from Penly.

The people who work on Penly's are committed to doing the job the right way, a commitment that apparently requires personal sacrifice, e.g., long hours away from family, to make sure that the work gets done right. At Penly, the coin of the realm is understanding that the continued success of the Penly program—and ensuring that success will be realized—rests on the shoulders of the people that show up to work every day with that commitment.

Awareness has increased concerning the need to improve quality and safety. Resources are being added, and solutions to gaps in production are being considered from many angles (even Penly's). The people of Penly will continue to do anything they need to do to get fuselages out the door. Fundamentally, the business will continue to produce for Penly at levels that evidence a productive relationship, even if it may not be at the level of performance that both parties want.

People love their work, but they do not like *how* they work. Throughout the organization, people point to where things can be done better—in some cases, a lot better. One significant point of contention is between improving production processes to deliver quality product and the tyranny of delivering the plan day-after-day. For most, it is seen as an either-or situation that calls for sacrificing quality at the expense of production. Hope remains that changes will happen, but organizational biases mean that production will take precedent over attempts to make large-scale changes to improve the manner in which the business runs.

In the Penly program, people have constructed a reality in which they are not responsible for anything in the program that does not work well. Co-workers blame one another for problems and say that they have no ability to change how things are done. Those interviewed frequently said something along the lines of 'this isn't my plan,' as if that gets them off the hook. People seem to give themselves permission to be self-righteous and to invalidate others and/or other groups. 'Others' includes those in a different role, or a different tenure, from another era, or any other characteristic that serves the need.

People complain that their attempts to make the business better, e.g., adding more resources or changing processes, are met with persistent denials. Communication between shop-floor employees and middle management stagnate as people speculate as to why budgets or shift schedules are the way they are, despite the attempts they claim they have made to communicate the nature of their problems.

The accomplishment of delivering high-quality s to Penly is undermined by finger-pointing and blame. People experience being powerless—and play some role to ensure that this condition persists—to make any impact in *the way things are*. People are resigned to the way things are and are firmly embedded in the condition. Predictably, the program's executive management will struggle to lead a breakthrough in quality and profitability inside of such a condition. What is needed and wanted is a personal transformation for the formal and informal leaders; a transformation of the context for the Penly Program—and maybe all of Penly —re-designing the work environment and how the work gets done.

Likely, Penly will continue to feel a pinch in profitability and cost as hour after hour of overtime is used to cobble together a solution to failures and to properly account for what it takes to deliver work. People will continue to feel justified in questioning their new colleagues' competency as new waves of employees are brought in to meet the inevitable increase in rate. Most of the organization will continue to describe the prospect of more business with Penly as a looming breakdown (causing more hours, more quality problems) rather than the victory it represents for their company. People will be left wondering why their calls to fix things are not heeded, yet they will continue to churn out fuselages despite resignation that anyone will listen.

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## PART 4: THE SIX CRITICAL SUCCESS FACTORS

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Organizations that have produced a breakthrough and transformed strategically, organizationally, and at the individual level are united by a set of critical success factors. These critical success factors not only help hasten the breakthrough in performance, they serve as pillars around which the people of an enterprise can organize their conversations, actions, and commitments.

1. **A CONTEXT FOR BUILDING SOMETHING MAGNIFICENT**

Establishing an overriding context and commitment within the organization that something magnificent is being built is cardinal to enabling top tier performance. This context can be described as what the organization is ‘up to’ and it becomes palpable amongst its’ employee population, in the network of conversations, and for customers, vendors, and stakeholders as they come in contact with the company, its people, and its work.

2. **THE THREE ASPECTS OF INTEGRITY**

Integrity is often associated with the morals of a society, the ethics of an organization, or the laws of a state. This is an insufficient foundation to cause a breakthrough in performance. Breakthroughs involves harnessing integrity at each of its three levels:

- ✓ **HYGIENIC:** do people do what they say they will do, by when they say they will do it, in a manner consistent with how one would expect it to be done?
- ✓ **SYSTEMIC:** are processes and systems consistent with and in service of the purpose / ambition?
- ✓ **ULTIMATE:** are people’s actions consistent with that for which we stand and that which we value?

When integrity exists as a virtue rather than a necessary condition of performance, it is easy to sacrifice integrity when it appears one can increase performance by doing so.

3. **A FRAMEWORK OF RESPONSIBILITY AND ACCOUNTABILITY**

A core cultural value and operating principle of personal responsibility and individual accountability provides the requisite framework for individuals to take a stand for and commit to bold results that are beyond one’s span of control. Without such a framework, finger pointing, credit taking, excusing failures, and dwelling in resignation become the currency of people’s conversations.

4. **ORGANIZED AROUND BREAKTHROUGH PERFORMANCE**

Being organized around breakthrough performance is about aligning the commitments, conversations, structures, and processes of an organization around the context of building something magnificent. Out of this springs creativity, new possibilities, game-changing initiatives, and empowered and inspired people who bring about an entirely new level of performance, leadership, and collaboration. From this, several unlikely, remarkable, and business-critical results emerge that mark the beginning of a new era.

5. **AN ALIGNED LEADERSHIP COALITION**

An aligned leadership coalition embodies the future and it demonstrates this in everyday conversations, interactions, and operations. Executives and managers constitute themselves as leaders to cause the unpredictable and share leadership across the organization in pursuit of a common commitment.

6. **MOBILIZING AND ALIGNING KEY CONSTITUENCIES**

An organization displays top tier performance on the court, or more accurately, in the marketplace. Within the organization there are key constituencies to be aligned and mobilized, such as managers, geographies, and various manufacturing facilities and plants. Additionally, top tier players engage with and powerfully align with key stakeholders and constituencies outside the walls of the organization like customer partners, critical vendors, and key suppliers. Together, all of these groups can work together to deliver much more than the results of today.

In retrospect, the genesis and realization of a transformation often appears simple. Penly's path to handle coming rate increases *while at the same time* improving quality and safety will take many forms. Its leaders and employees will need to take a fresh look at how to get it all done on top of their day-to-day accountabilities. Causing a breakthrough for these efforts can start simply: people putting aside their complaints and listening intently to the opportunities their colleagues share to mobilize new groups, put integrity into the business, and create something magnificent.

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## PART 5: HOW TO MONITOR THE EVOLUTION OF CORPORATE CULTURE

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### THE NINE DISTINCTIVE ELEMENTS OF CORPORATE CULTURE

When appraising an organization's culture, assess it against these nine elements by asking (1) what are the stated/formal principles, (2) what are the actual practices of people within each element, and (3) what are the unspoken background drivers? Each of these is an area to be measured and examined when transforming an organization's corporate culture.

1. **Language and Conversation:** vocabulary, content, and key phrases create an enterprise's network of conversations. The success, longevity, and culture of an organization are all found in the conversations in which the people of the enterprise traffic.
2. **Customer Orientation:** how much of the work of the enterprise is about serving the customer *versus* fulfilling the requirements of the company's processes, rules, or protocols? For too many organizations, customers are simply an end to which products and services are delivered, not a North Star around which processes and conversations center.
3. **Values:** values are that for which a firm stands as an ongoing concern and/or they represent the common denominators that people consider aspirational and inspiring in that particular organization. Consider what the company holds in high regard: what are the qualitative objectives for measuring the values in action?
4. **Accountability:** are people organized for results, processes, tasks, or effort? What are the incentives for fulfilling on one's accountabilities? Accountability can be thought of as 'count-on ability.'
5. **Traditions, Rituals, and Artifacts:** those items that are status symbols in the enterprise, or those things which give people a sense of belonging, pride, or inspiration impact the conversations and actions of people in an organization.
6. **Leadership Dynamics:** how the workforce views leaders, leadership and the recognized leadership practices of an organization impact how people work, speak, interact, collaborate, and complain.
7. **Unwritten Rules for Success:** those who learn and master the unwritten rules for success—the taboos, status symbols, pathways, and behaviors—are those who rise and perpetuate the existing culture.

Examine carefully which of these empower and disempower people in the organization.

8. **Decision Rights and Process:** the systems and processes for determining who makes which decisions, at what pace, and by consulting whom shape how work gets done and are critical elements to monitor within a culture.
  9. **Legacy:** the past of an organization often impacts its present and future. Attending to any major close calls, game-changing successes, or founder and/or a senior-most executive's values or approaches is important.
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## PART 6: LEVERAGE POINTS FOR ACTION

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Nothing is accomplished without action. In the following pages, suggested areas of focus are presented which, if acted on, can address the challenges and capitalize on the opportunities outlined in this assessment.

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### 1. ESTABLISH A CONTEXT OF BUILDING SOMETHING MAGNIFICENT, E.G., ‘WE ENABLE FAMILIES AND FRIENDS TO BE TOGETHER AND FACILITATE GLOBAL BUSINESS’

Teams that operate at their best are informed and inspired by the past, but not beholden to trying to replicate it. People at Penly look back to the past often, sometimes as a way to gauge how things have devolved, other times as a way to point out how things have not fundamentally changed in decades. In both cases, does the past serve as the model of how things ‘should / shouldn’t be around here?’

Language matters, as well as the way in which people in an organization describe their circumstances, their customers, and the breakdowns they face. Language is the way people define the boundaries for how they relate to those matters and impact the opportunities they see to act upon. If, for example, late 19<sup>th</sup> century railroad executives had defined their customers as ‘travelers’ rather than ‘train riders’, then the invention of the automobile would have not occurred as a threat to their business but rather a new means to serve customers. Similarly, the language people at Penly use to describe the past supports their assessment of *something’s wrong* with how things operate, and the opportunities they see before them are largely relegated to pointing to another group in the business as the culprit of what ails the company. People at Penly must be up to more than simply trying to resuscitate the past or avoid it all together.

“Without vision, the people will perish.” (The Book of Proverbs)

The opportunity for the Penly program is to create a new context that calls for the very best contribution of each of its employees; one that does not engender comparison to past accomplishments, but has people look forward to what *could be*. Today’s work is about overcoming today’s challenge and hitting the next metric to ensure planes make their way to Penly. There will always be an element of urgency to peoples’ work, but casting these daily metrics underneath a bigger, more inspiring calling can transform the organization. A new context for the business does more than remind people of how special it is to get to work at Penly, or the impact of Penly on the [REDACTED]. Instead, it calls them to share new ideas, and act in new ways in the

present to fulfill on an inspiring, challenging purpose *today*. People then come to know success of their role as acting consistent with that context.

Organizational culture is a singular determinant in the success or failure of organizations of any size. It is the accountability of senior management to shape and manage the corporate culture such that it aligns people's actions towards the accomplishment of powerful and inspirational outcomes. Executive management's job is to give voice to an inspiring and challenging future and to provide an environment in which the people of the enterprise can make their maximum contribution to realizing that future.

## 2. **CREATE A BOLD, INSPIRING, AND CHALLENGING FUTURE AROUND 'THE PENLY WAY'**

The functions and shifts that come together to produce fuselages for Penly must be working from the same playbook and from the same set of clear expectations if they are to succeed in transforming their effectiveness. The Penly program, as the largest segment of the business, would do well to create a *Penly Way* to empower people to move on from how they think the company should be run and instead take a stand for the kind of company they are committed to working for. Creating a Penly Way offers people of the organization the chance to start over and take those pieces of their past experience that they want to continue. Also, it allows them space to think critically about what it will take to succeed against the challenges they face today.

The *Penly Way* can be holistic, defining everything from how individual employees are expected and empowered to behave to what Penly means for the aerospace industry. Possibilities include:

- Defining what makes the company unique (as distinct from others in the industry and especially as distinct from Penly).
- The priority of considerations that guide decision-making. Consider "safety, then quality, then timeliness," as one possible ranking of priorities.
- How all employees are expected to be treated, and how they are expected to act in the face of a breakdown. Determining to whom they communicate breakdowns and what managers are expected to do with those breakdowns engenders confidence that their voice is heard.
- Commitments to employees that hold Penly accountable to provide the kind of working environment people want. For example; Given the significant amount of hours logged by employees, committing to what is and is not an acceptable amount, would speak to many people's concerns about their career at Penly.

### 3. INFUSE ACCOMPLISHMENT, ACKNOWLEDGEMENT, AND APPRECIATION AS ELEMENTS OF STANDARD OPERATION

People have the experience of giving themselves over to their work, of doing whatever needs to be done to ensure production stay as high as it can be. They do not speak poorly of Penly, exhibiting to its employees the level of commitments the employees have for the company. Missing from the experience of many people at Penly is being an accomplished, valued contributor to the company. Employees work hard, but they are left to look for themselves at what they can be proud about in their role.

The task of transforming complaints about quality into success stories about quality is served by a body of employees who feel that their efforts to make the company better will be heard and appreciated. Opportunities to make changes in the business are clearest to the people closest to the work, and exploiting these opportunities is a function of having them galvanized to do them. Infusing accomplishment and enthusiasm may take many forms; sometimes it may mean looking deeper at peoples' requests for more resources, in others it may mean reexamining how Penly characterizes daily targets (as victories rather than emergencies to fix, for example), and in others it may mean simply acknowledging peoples' sacrifices and saying 'thank you' as a matter of business. Likely, the best approach will be allowing the people of the Penly program to create the kind of environment that draws out the best version of every one of its employees.

I have become convinced that unless a company learns the importance of the human element in its enterprise, they're going to be a mediocre company. They just aren't going to get outstanding results. The striking thing I saw at Ford during the '80s was the extraordinarily positive force you unleash when you energize people by getting them involved in what you're trying to do by asking them for their opinions.

And you need to work steadily with your management group to convince them that they will be better managers if they abandon autocratic approaches and instead adopt a participatory approach, where they identify a problem that needs a solution or a program that needs to be undertaken. You figure out all the people who are going to be affected by that and have them participate very early in the process of getting information pulled together.

*Donald Peterson  
Former Chairman & CEO,  
Ford Motor Company*

#### **4. LAUNCH AN INITIATIVE TO DELIVER QUICK, SUSTAINABLE WINS IN QUALITY AND SAFETY**

People see incremental changes in quality and safety, but still see much improvement to make in those areas. The organization is ready to see more than an incremental change, even a localized breakthrough in quality or safety in one area of the business would demonstrate what is possible for the entire organization. A swift breakthrough in quality could galvanize people of the organization to take on the challenge to cause a similar kind of breakthrough in their own group.

This kind of effort calls for a dedicated group of people from a diverse set of constituents. There is no single agent of quality at Penly, not even those with “quality” in their job title. A breakthrough in quality across the Penly program and, more generally, Penly, is only possible through the concerted efforts of people who can impact many stages of the work.

People on these teams must commit to singular breakthrough as a unit and operate under the context of shared commitment, of working, and of sometimes failing, *together*. In addition to taking ownership and driving a new level of quality, this kind of team demonstrates that looking over to another group and seeing partners supporting a common commitment is possible.

#### **5. BUILD A FOUNDATION OF INTEGRITY REGARDING PENLY’S QUALITY COMMITMENTS AND STANDARDS**

One of the most frequently cited issues facing Penly is the need to improve quality. While meeting rate increases occur as a daunting challenge, very few people doubt that they will be met, in large part due to the tremendous commitment people have to get the job done, no matter the obstacle. People’s commitment to quality and the commitment they hear from senior leaders about the need to improve quality is contrasted by the lack of attention to quality in their daily work. This is a lack of *systemic integrity*, as cited above; Penly’s processes and systems are not consistent with the commitment for quality.

Embedding integrity across the Penly program’s work is a significant initiative. It requires aligning all elements of the business to ensure that quality emerges. The manufacturing processes, incentives, contract negotiation efforts, shift schedules, and budget approval process, for example, must be oriented to deliver quality and aligned with each other to deliver the levels of quality possible for the organization.

6. **GENERATE A CULTURE OF ALIGNMENT, RESPONSIBILITY & ACCOUNTABILITY, AND HONORING EACH OTHER'S CONTRIBUTION**

Penly is in many ways an organization of hand-offs between groups. In a very real sense, the effectiveness of the business is a function of how one line passes its work to another. Work can become seamless or frustrating depending on how these 'in-between steps' happen. These kinds of environments can devolve into splitting the hairs of work into ever-smaller segments; those that are 'mine' and others 'not mine.' It becomes easy for people to cast large elements of their work as 'not mine' when the inevitable breakdowns emerge and second guessing begins.

For this reason it is critical for the men and woman of the Penly program, and, more broadly, Penly as a whole, to become facile with *alignment, responsibility, and accountability*. Alignment is not agreement; it is the willingness to get behind something that one did not create or have a say in and to take a stand for the success of that initiative even when reservations about it remain. Responsibility is not blame, nor is it working to fulfill the success of one small part of the business. It is recognizing that one's actions and inactions contribute to the *entire* business, both what does and what does not work about it. Accountability does not appear simply when one knows what to deliver, but requires that people across an organization look to its biggest commitments and ensure that the necessary accountabilities to fulfill them are in place.

Imbedding a culture in which alignment, responsibility, and accountability emerge helps shift people's focus from 'who screwed up' to 'where can I make a difference?' It displaces finger-pointing and gives space for people to honor the contributions of their colleagues—colleagues equally committed and hard-working as everyone else.

“Building a company's vision requires 1% vision and 99% alignment.”

*James Collins and Jerry Porras*

7. **ENGAGE THE TEAMS ON THE LINE IN RAPID WORK REDESIGN®**

People working in the Penly program see great opportunity to increase quality and safety. Doing so will translate into a greater ability to meet rate increases. Leaders of the program know that they must improve, as well. A rapid, wholesale redesign of the production process can leverage the expertise of employees on the shop floor to make both incremental and transformational changes.

Rapid work redesigns do not assume that what worked in the past is appropriate for today's challenges. They begin with the intention to fulfill the biggest context that people of the organization can stand for and ensure that the systems, accountabilities, and

reporting structures are designed to support the organization's definition of success. Participating in a rapid work redesign is a collaborative act in which all parties have equal voice and are expected to raise challenges and offer solutions. It also serves as the forum in which to broker the kinds of conversations amongst people of different groups so needed for Penly to realize its extraordinary potential.

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## APPENDIX I: ILLUSTRATIVE QUOTES FROM THE INTERVIEWS

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Below are quotes that are illustrative of themes that we heard from many people in our interviews.

### **GREAT PRIDE IN WHAT'S BEING BUILT**

- ✓ “I'm very proud that we're a part of one of the biggest companies in the world, in the world of aircraft especially...Not everybody gets to say every day, “I build for a living.” And that sounds very cool to me.”
- ✓ “How amazing it is, to take some sheet metal and rivets...and have a machine that goes through the air at 600 miles an hour carrying people at 41,000 feet? I think there are people who don't realize what an accomplishment it is, and how many times a day we do that. So, just working in the factory is exciting.”
- ✓ “We absolutely ... We get the job done. It's the work ethic that's in place here, [REDACTED] That's why it's successful. It's the people.”
- ✓ “The people care a lot. A very, very, very high percentage of people that work in this building and the other areas that feed us, they all really care, they want to build a quality product. Such a very high percentage wants to do good work.”
- ✓ “I'm super proud of what we build and what we put out the door every day. It's awe-inspiring and... I never get tired of looking at it and smelling the factory and watching a plane fly and thinking about where it came from so I'm enormously proud of that.”
- ✓ “I'm just proud of what we do for the communities that we operate in and what our brand is as a company.”

### **WHAT'S BEEN IS BETTER THAN WHAT IS**

- ✓ “Penly, like I said, they've been around for a long time. They're a global economic force. They're a household name. I'm glad to be a part of the program. I hope maybe one day I'm one of those guys who my grandkids could say, “My granddad worked there [REDACTED].”
- ✓ “They've been building that plane for generations. We've had generations of families that have come and worked and gone through here.”

- ✓ “I would say our history [made the company successful in the past]. We've had the history, first off. We were Penly. We've been lucky enough to gradually grow into the role [of a Tier One supplier].”
- ✓ “That's the difference today with...Here's our reputation today...today we have a reputation to deliver product. Yeah, great. Until recently, that's been great.”
- ✓ “I thought that was because it used to be everybody would get their training from Penly, Penly was the preferred employer.”
- ✓ “I came from Penly. I had [over 20] years there, and probably about 15 years as a manager there, before I came over here. It [micromanaging] wasn't that way there.”

### **WE'RE REALLY JUST PENLY (BUT NOT AS GOOD)**

- ✓ “Well, I'm just proud to say I build Penly [REDACTED]. That's a worldwide recognized company that ... you just say Penly and you think of quality. And that's what we try to do.”
- ✓ “And there's a lot of dedication to make sure that we don't fail and we are not the dark spot in the company.”
- ✓ “Well, it's the best-selling in the world, so we're doing something right. I take pride in [the fact] that we really beat ourselves up on quality.”
- ✓ “We've got a product that we need to build at the highest quality, the best rate, meet all their demands, because they (Penly) can go somewhere else.”
- ✓ “I think our people are, everybody who works in the Penly program, are proud of the end item. You know that when you step foot on a plane with your family most likely you're on a Penly [REDACTED] and you contributed to that flight.”

### **THERE'S NO TIME, SO JUST FOLLOW THE PLAN**

- ✓ “Communication is more just like a dictation...It just seems like it's dictated and you just do it. There's not a whole lot of why or input to get you there. They're distant.”
- ✓ “It's [follow the plan] a hammer. And it's not for thinking... Where I come from, no. You analyze the issue, get to the root cause, you come up with the solution. You don't throw dollars at it and you do it methodically.”
- ✓ “I can probably name five of them sitting right here right now that are working...150 standards [this week], so they can make their plan for the week.”

- ✓ “I'm a first level manager, I'm not an analyst. I should not have to sit there and figure the fricking hours every hour, every day, day in, day out, and figure realization. Nobody gives a hoot about realization because I'm pushing product.”
- ✓ “[We hear], “People and parts ain’t no excuse, make your plan.” That drives behaviors, my blinders are on and I'm gonna make my plan. I'm not gonna work stuff that doesn't matter to get hours, but I'm gonna get my hours and look like a hero and my line is crushed. Cause I bled it dry cherry picking. That's the type of behavior it'll drive.”
- ✓ “We just don't listen, I don't think they take the time to listen, because the almighty metric has to be met.”

### **SURVIVE THE DAY**

- ✓ “We have always been able to make a plan and have our support teams execute it. People out here will work all hours to do whatever it takes.”
- ✓ “I tell my managers, "Hey, you guys need to get out of here. Hey, don't work 12 hour days if you don't have to." But obviously they know if they have something they need to get done, they're going to stay without my direction.”
- ✓ “The Penly kind of way to get recognition is to solve a problem. Of course, you know, the old joke has always been, "the problem with firefighters is if you run out of fire they turn into arsonists.”
- ✓ “Well, we have employees that when they're here every day and they'll step up and go above and beyond. We have a repair mechanic that from the time he enters the door at six AM, I don't think, he does not stop. He's constantly moving and if there's a problem or an issue, he'll step up and say I'll go take care of it. So attitudes like that.”
- ✓ “What will get you high praise is ... Solving a significant problem. We use the term fire fight. If you clean up a fire, you will get high praise and recognition.”

### **PRODUCTION TAKES PRIORITY OVER IMPROVEMENT**

- ✓ “It is jaw-dropping the volume of products we deliver on a daily basis.”
- ✓ “I don't think we plan ahead well sometimes. We're busy fighting fires in the things that pop up that we don't have the opportunity to do as much as possible to you know, to plan better how will be doing our plans.”

- ✓ “I think we're missing out on investing and seeing the long game. I think that some of our vision is nearsighted. I think we look at our annual operating plan, but sometimes we fail to look at the five-year plan.”
- ✓ “So, where's our safety and quality? It was by-product, it didn't matter, cause you had to make delivery to keep your job and you had to make your plan. So, we created a culture of bad behavior.”
- ✓ “We went too far, instead of trimming the trees we killed the root system. It drove delivery, delivery, delivery plan, delivery plan. What did we leave in our wake? We left quality standing out there, we left safety. Shame on us. Cause it was focused on the plan. Delivery, metrics.”

### **THAT’S NOT MINE (WHEN CONVENIENT)**

- ✓ “Tribal knowledge says I do it this way, even though my plan paperwork says this, but it doesn't work in the planning. But I don't think that feedback ever goes back to planning, unless someone steps in and say ‘Hey, this doesn't seem right. Why would you fit the door before you trim it or whatever. Why don't you trim it then fit the door’ or however the work statement is.”
- ✓ “It is schedule-driven, followed by quality, I think. It seems like they want to make FOB but usually the FBO gets jeopardized because of skin changes, because of quality. It just seems to be never ending. I think in the first part of the year they ... well, first 11 days we scrapped 9 skins. To me, that's unacceptable but, it just seems to be the norm.”
- ✓ “I see too many groups doing the same thing. So group A is trying to get this problem solved, group B is trying to solve the same problem. And it isn't until the end, maybe, somebody says, "Hey, you know, they're working on this too." So I think we have a lot of people going off trying to solve the same problems and there's not viability so the coordination doesn't happen. Coordination and consolidation.”

### **‘THEY DON’T GET IT’**

- ✓ “The people that do the work, actually executing the work don’t really understand all the requirements from a compliance standpoint, they just do the work and wait for someone else to tell them it’s right or not.”
- ✓ “You should focus on your build plan. People first. Focus on your people. Your build plan, your quality, your safety. You get all of those, and I shouldn't have to put it on a frickin' chart for you. It should be ingrained in you.”

- ✓ “I don't think that a certain number that somebody decided was right should dictate the health of a product line. We need to be looking at hours per unit, flow, and delivery.”
- ✓ “The only thing I would add is: listen to people. It's not just about the 1% that are executives or the 10% that are in leadership positions. The ideas sometimes come from everywhere.”
- ✓ “So, it makes it real difficult out there with new hires. I've gotten rid of two or three new hires just in the last three or four months that have come into my area, just because they simply couldn't pick up on it, and no work ethic. They don't think there's nothing to do, they just try to hide, or sit around, or do whatever.”

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## APPENDIX II: THE INTERVIEW QUESTIONS

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1. Name?
2. Title?
3. Years at Penly?
4. Tell me about your role and scope of responsibilities. What are you accountable for, what are you measured on, etc.?
5. What are seven words that describe Penly's Penly Program?
6. What has made the program successful in the past?
7. What gets in the way of the program being as successful as it could be?
8. What kind of things get in your way of being able to make your maximum contribution?
9. What are some of your pride points about the Penly program, whether from the past or current?
10. What does Penly and its employees need to focus on to make the most of the Penly-Penly contract signed in the Fall of 2017?
11. What will get someone high praise from their boss, manager, and/or colleagues?
12. How well coordinated are the groups and teams within the Penly Program at Penly?
13. How would you rate the level of management and leadership at Penly?
14. How would you rate the level of communication across and throughout the program and Penly, more broadly?
15. If things keep going the way they are going, how would you predict things will be for the program a year from now?
16. On what opportunities is Penly and/or the Penly Program missing out?
17. What is the most satisfying aspect of working on the program?
18. What do you have to put up with to work at Penly?
19. Is there anything else we should know or you would like to tell us?

