What Reputation-Driven Organizations Can Learn From Boeing's Failures

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Four years ago, soon after the two Boeing 737 Max crashes, we published an article in HBR on the failure of Boeing's culture (https://hbr.org/2020/01/the-x-factor-of-great-corporate-cultures), little realizing the company's deepest issues would not be addressed. The article below makes similar points but focuses more on what other organizations can learn from Boeing's missteps.

Unlike his predecessor Dennis Muilenburg, successive Boeing CEO Dave Calhoun actually took responsibility for the company's recent quality glitches involving an Alaskan Airlines blown-out door plug, United Airlines shredded wing slat, and other critical quality and safety lapses. Also unlike the two previous 737 Max crashes, which killed 346 people, no fatalities were involved in the door plug incident. Still, regulators, airlines, investors, and the flying public are rightly raising serious questions about Boeing's viability.

While the cause of Boeing's two 737 Max crashes involving Lion Air in 2018 and Ethiopian Airlines in early 2019 is very different than missing door plug bolts and shredded flaps, testimony from whistleblowers, employees, and Dave Calhoun himself suggests the underlying cause is identical – the absence of a safety and quality culture.

There's no shortage of excuses for Boeing's culture failure – the McDonnell Douglas merger and resulting bean counter mentality; the loss of engineering focus and experienced assembly staff after moving 787 production from Everett, Washington to non-union Charleston, South Carolina; keen competition from Airbus; and the post-Covid departure of experienced engineers and technicians. But excuses tend not to appease either the public or key constituents like Domhnal Slattery, CEO of airline leasing company Avolon, who suggests the company needs a change in culture — and maybe leadership.

> *"I think it's fair to say that Boeing has lost its way," he said at the Airfinance Journal conference in Dublin. "Boeing has a storied history…they build great airplanes. But it's said that culture eats strategy for breakfast and that is what has happened at Boeing."*

Does culture really eat strategy for breakfast? That depends on how you define culture. The most descriptive and encompassing definition we've come across is the iconic "*culture is the way we do things around here."* That's a definition that could at times be superficial –

Friday beer bashes, for example, or a business casual dress code – which is why many of the world's most highly respected companies have a deeper, more nuanced, and more powerful definition of culture. It's a definition brought to light by asking the question: "But *why* do you do things the way you do around here?"

The answer to that "why" question is unique to each organization and often based on principles laid down by the founder or early leadership. We call that deeper level of culture *quiddity,* which literally means "whatness," and it remains powerful at organizations from McKinsey to Patagonia, Gensler to Chick-fil-A, and UPS to Ralph Lauren Polo.

Once upon a time, Boeing had a powerful quiddity-based culture

Quiddity was ingrained at Boeing thanks to its founder, William Boeing, and explains why it was one of the world's most respected as well as successful companies for decades. According to Boeing's son, *"while visiting the airplane building shop at the Duwamish shipyard in 1916, Boeing saw a set of improperly sawed spruce ribs. He brushed them to the floor and walked all over them until they were broken. A frayed aileron cable caused him to remark, 'I, for one, will close up shop rather than send out work of this kind.'"*

That's a statement of principle that can and should be woven into a company's narrative, internally and externally. But when pressures arise and a company's deepest principles, its quiddity, no longer serve as an anchor and isn't rehearsed, celebrated, and inculcated throughout the enterprise, culture can drift or be completely lost. That's what happened at Boeing, and their culture drift was so extreme that on their website vision page, even months after the two 737 Max crashes, corporate priorities were listed as:

- Market Leadership
- Top-quartile Performance and Returns
- Growth Fueled by Productivity
- **Design, Manufacturing, Services Excellence**
- Accelerated Innovation
- Global Scale and Depth
- Best Team, Talent and Leaders
- Top Corporate Citizen

Unquestionably, the safety and quality lapses at Boeing were and remain horrific, but for reputation-driven organizations (RDOs) there's an even deeper lesson than "don't make mistakes."

Isn't every enterprise a "reputation-driven organization?"

Reputation is obviously vitally important to organizations in every sector, whether for-profit or non-profit. But there's a continuum ranging from mass market manufacturers and retailers where reputational damage can be mitigated through advertising and PR and the public's short memory. Even massive social media giants like Meta (Facebook) and X (Twitter) regularly face reputational slingshots from Congress, legislators, and the public, yet remain largely unscathed. At the other end of the continuum are core RDOs. For such organizations – for example, large medical centers, engineering and construction firms, professional service firms, and, among others, selective colleges and universities – a quiddity-based culture underlying their reputation is especially important because these organizations:

- Don't typically deal in products or services that can be easily compared and evaluated against competitive offerings (e.g., physicians, attorneys, consultants).
- Don't offer standardized off-the-shelf deliverables because they respond to unique, distinctive, or complex client situations, problems, and challenges (e.g., large engineering and construction firms, academic medical centers).
- Rely on professional staff to deliver products or services directly to clients or constituents (e.g., colleges and universities, consultancies, hospitals).
- Tend to bear even greater risk than other types of organizations should their reputations suffer (e.g., engineering, construction, technical, financial, and manufacturing firms).

Placing reputation at the very center of practice

If "reputation is estimated to account for a quarter of market value,"[1] it may be even more significant for RDOs. That's primarily because their complex, difficult to compare, and often one-off array of products and services, force RDO clients and prospects to look more to the organization's reputation as a buyer's guide than would consumers of less complex, more standardized products such as AA batteries or toothpaste. So placing reputation at the very center of their practice provides these and other reputation-driven organizations with an extraordinarily powerful tool to attract the very best staff, take on the toughest challenges, and cement long-lasting affinity with constituents, customers, and stakeholders.

For RDOs and perhaps other organizations as well, reputation is the visible manifestation of culture, and quiddity is what keeps culture anchored and reputation intact.

How is quiddity determined, and what if there isn't one?

Because quiddity most often derives from founding principles and narratives, it may already be a fundamental part of the organizational culture. The recreational and outdoor retailer Patagonia is a good example via founder Yvon Chouinard's personal background and his building the company on his values. Consulting firm McKinsey is also a good example, although their quiddity and culture is more the result of Marvin Bower's later leadership than the founder's. For both Patagonia and McKinsey, the value of quiddity isn't simply a historical one, but that they build and sustain the culture around that history – telling it, celebrating it ,and employing it in recruiting, onboarding, and retention narratives.

Many companies, though, may not have a founding set of principles, and thus their culture is simply "the way we do things around here" with no strong foundation or anchor for behaviors. Should these organizations feel a quiddity would be beneficial, it's possible to be

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[1] *"The Impact of Reputation on Market Value," Simon Cole, World Economics, Vol. 13, No, 3, July – September, 2012.*

“back engineered” through archival research, depth interviews with past and current staff, and other techniques.

In either case, making quiddity come alive takes the form of a narrative or *backstory*, a celebration of founding principles and consequent achievements and milestones. The backstory is first and foremost an internal narrative because it serves as the source of meaning with which employees can identify and represents an entity they can belong to with pride. For RDOs, identity and belonging are critically important as, unlike many other kinds of organizations, employees themselves may either be the “product” or be perceived as the product even though there may be actual deliverables – a medical procedure, for example, financial plan, or college lecture.

It’s this second element of the quiddity backstory – its dissemination to clients, customers, and the public – that helps cement the three-way bond between organization, internal constituents, and external constituents, a bond that significantly helps fuel and sustain reputation.

Boeing’s quiddity backstory was remarkable and served to anchor an outstanding culture for over 90 years. It took only 20 years to destroy that heritage. So the lesson for RDOs is clear. If you have a quiddity, celebrate it and keep it alive; if you don’t, begin the process of developing one.

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