

# Driving Performance Results At American Express

ADDRESSING  
HUMAN VARIABLES  
MAKES PROJECT  
INITIATIVES WORK.

By Janet Young,  
*American Express*

About 80% of project initiatives fail because of the human variable. Provocative statement—or is it? Take a moment to reflect on a past change effort you have been a part of that has not gone well. Why didn't it go well? Was it due to the scope of the project itself? Was it due to a bad idea or strategy? Was it due to market forces or a lack of funding? Or was it due to the leaders not having a clear vision or losing interest in the effort? Was there a lack of clarity around goals or how the effort fit into other business imperatives? Or perhaps people threw down roadblock after roadblock—"that will never work here; we've tried that already." More than likely if we were to categorize all the failure points, the major causal factor would be due to the human variable, not the technical variable of a major change effort.

*Michael Hammer, who is largely responsible for the spread of the reengineering movement throughout the world, has acknowledged that 70% of the efforts to replace corporate hierarchies with "process teams" have been unsuccessful. The main reason, he claimed, is that he and others who promoted this management craze had failed to address the human side of the process. On November 26, 1996, the Wall Street Journal reported: "Gurus of the \$4.7 billion reengineering industry like Hammer forgot about people. Hammer commented, 'I was reflecting my engineering background and was insufficiently appreciative of the human dimension. I learned that's critical.'"*

—Daryl Conner, *Leading at the Edge of Chaos*

Studies have indicated that as many as 67% of total quality initiatives and 80% of reengineering efforts have failed to produce their promised results. (Studies cited included "Ten Reasons Why TQM Doesn't Work," *Management Review*, January 1993 and "Quality: How to Make it Pay," *Business Week*, Aug. 8, 1994.) A 1996 study conducted by the Amherst Consulting Group found that the top five obstacles to success include leadership, culture, communication, structure and integration.

Leadership obstacles include:

- Diminished support from senior management over the duration of an effort.
- Lack of middle management commitment and support.

Cultural obstacles include:

- Resistance to change and skepticism.
- Lack of trust and fear of job loss.

## FOCUS ON A SYSTEMS APPROACH TO YOUR CHANGE EFFORT—NOT JUST ON WHAT HAS TO GET DONE BUT HOW IT HAS TO GET DONE AND THE CONTEXT OR ENVIRONMENT IN WHICH YOU ARE OPERATING.

Communication obstacles include:

- Lack of coordinated communication process.
- Poor understanding of business strategy, goals, roles, priorities and expectations.

Structural obstacles include:

- Lack of resources to support an initiative.
- Limited change in structure and systems to support change initiative.

Integration obstacles include:

- Lack of integration and linkage between initiatives.
- Lack of clear strategic aims.

The human variable is often overlooked or relegated to the soft side—“Let’s have luncheons and skip levels with employees and show them we care.” But in reality, managing the human variable is just as critical as the due diligence that is paid to the technical, structural and financial aspects of change.

*Before you make a major change within your organization, you probably investigate the critical issues that will be affected. This process, called due diligence, typically focuses on financial issues. Nimble organizations recognize that it’s important to apply this fact-finding process to the human side of operations. They take into account the emotional, social and cultural aspects of any major change. This is called human due diligence.*

—Daryl Conner, *Leading at the Edge of Chaos*

The old adage is correct; work gets done through people, and if you want to bring about transformational change in your organization, you must proactively address the human variable in your deployment efforts.

It is a “pay me now or pay me later” situation, but you will pay—either through resistance and delays in the change effort or lack of active orchestration on the back end. Thoughtful planning on the front end, however, will mitigate the speed bumps that will slow down your change effort.

The human variable is not the soft side; it’s the hard reality of influencing and motivating employees to drive high performance change. So how do you do

this? How do you rally the troops without it denigrating into clichés and pep talks? How can you ensure you have your team rowing in the right direction, at the maximum speed and with desired results?

First and foremost you must plan. Focus on a systems approach to your change effort—not just on what has to get done but how it has to get done and the context or environment in which you are operating. Has your organization already undergone a significant amount of change? Conduct an organizational scan to determine its readiness level to absorb more change. Understand that change is a process that needs to be managed proactively as are the technical aspects of the project.

*If you hope to change complex human organizations, you have to consider every aspect of the enterprise, every possible leverage point. It demands a disciplined assessment of every component of the strategy, structure, people, processes and operating environment and an appreciation that isolated change anywhere in the system will falter and eventually fail if unsupported by a full arsenal of related initiatives. There is no place in the change process for fragmented actions and one-off decisions. Ignore the web of relationships that make up the organization, and you can fail in a hundred ways.*

—David Nadler, *Champions of Change*

### Defining Change as a Process

Managing change as a process focuses on the achievable results of the efforts you undertake. Conner in his book, *Leading on the Edge of Chaos*, calls this the “return on change.”

*Return on change is calculated by dividing the yield from an attempted change by the execution cost of that effort. Yield from effort reflects measurable movement toward accomplishing the key objectives of the change. Execution cost comprises four factors: 1) the expense involved in determining what to do; 2) the cost associated with how the human dynamics of change will be addressed; 3) the lost efficiency (productivity and quality) that typically occurs because attention is shifted from*

Figure 1. **American Express Change Process**

*day-to-day duties to the implementation process; and 4) the price of any new infrastructure necessary to support the effort (corporate structures, technology, people or training).*

Adopting a change management approach is a structured process designed to increase the likelihood of successes in managing the human variables associated with major change. Change management is a process that strives to move people from the current state through transition to arrive at the desired state. It is a lever for transforming your company as well as a critical leadership discipline that increases the speed and adoption of the change effort.

Thinking of change management as a process helps to outline the key steps needed to accelerate achievement of a desired state. A process is frequently defined as a set or group of tasks that come together to create a result that is of value to the customer. In a change management process, the question is who is the customer?

In one case the customers of the change process may be the employees, whose desired outcome might be an understanding of a new way of performing their job or an understanding of their roles in the change effort. Another customer may be the leader looking for Six Sigma to become the way business is done as demonstrated by fact based decision making, increased customer satisfaction or streamlined processes.

Just as in business processes, you can assess the performance of your change process. In business processes the performance may be around accuracy rate, degree of customer satisfaction or the cost of the process. Performance from the change process could be improved employee satisfaction, increased readiness/capacity to change, improved cycle time to implement the change or lowered cost of delays. Key results and/or measures from the change process should include:

- Awareness and understanding of the change.
- Skill attainment.
- Commitment or compliance with new way of working.
- Improved project completion rate.

- Improved fulfillment (adherence to new process).
- Accuracy (new procedure executed correctly).
- Fair treatment of employees (perception of fairness in regard to major change efforts).
- Timeliness (improved cycle time for implementing new change).

By adopting a deliberate, structured change management process, leaders have a road map to help translate ideas into reality—concrete actions that will drive toward the desired state and increase the organization’s capacity to change for future endeavors.

*Responding to change, like any other business activity, requires the right mechanisms and processes. It does not happen automatically.*

—Michael Hammer, *Beyond Reengineering*

The following is an example of how a change process model for a specific business unit was applied in the initial launch of Six Sigma at American Express.

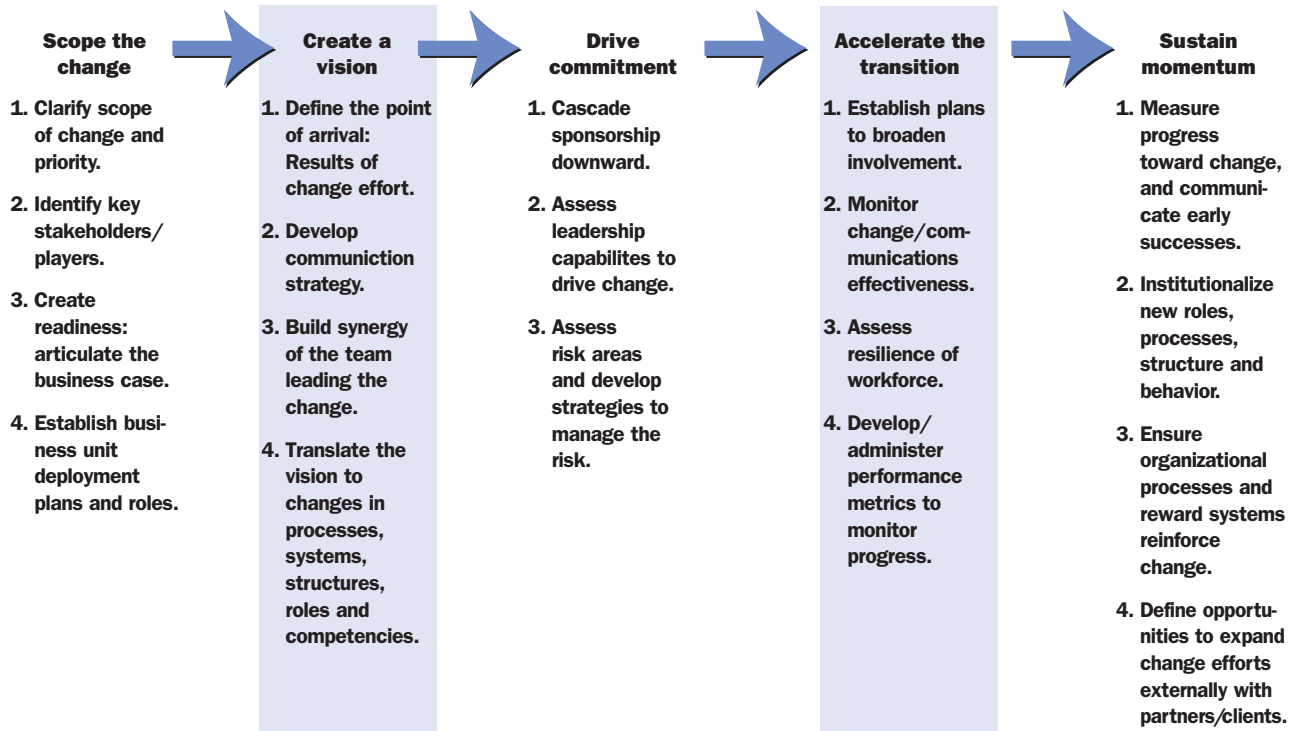
### Modeling and Applying the Change Process

*The most general lesson to be learned from the more successful cases is that the change process goes through a series of phases that, in total, usually require a considerable length of time. Skipping steps creates only the illusion of speed and never produces a satisfying result. ... But just as a relatively simple vision is needed to guide people through a major change, so a vision of the change process can reduce the error rate. And fewer errors can spell the difference between success and failure.*

—James Kotter, “Why Transformation Efforts Fail,”  
*Harvard Business Review*,  
March-April, 1995

The American Express Change Process (Figure 1) provides a systematic and disciplined process for managing change. The process is broken down into major phases of change and the key issues that need to be addressed in each phase (Figure 2, p. 22). The following describes examples of how we applied this process of change to launch Six Sigma.

Figure 2. **American Express Change Process by Key Phases**



The key to adopting any change model is to work from fact and develop a structured approach to ensure end results are achieved.

### Scope the Change

Scoping the change focuses on answering the questions, why are we doing this, and who is accountable for making it happen? The first step is to clarify the scope of change and how it fits into the organization's overall business priorities. When a business unit launches Six Sigma, an assessment should be carried out to determine what other change initiatives are underway in the organization and how Six Sigma is prioritized against the other initiatives. Research and experience in change management has shown that an organization can only undergo so much change at one time. The risk of introducing additional change is that the new initiative will have little chance of succeeding. Specific organizational actions can include:

1. List the major change initiatives currently underway in the organization.
2. Look at the timing and the population affected by the change.

3. Ask the business leader to prioritize the Six Sigma initiative relative to the other initiatives affecting the same population.

4. Have leaders articulate why they believe it is critical that Six Sigma be in the corporate DNA.

Once the business case has been established, the next step is to identify and define key roles that will be accountable for making the change happen. This can be accomplished through a stakeholder analysis that examines the role, readiness and accountability. A stakeholder analysis is a tool to drive your change efforts, communication, resource, implementation and training strategies. Determine who the stakeholders are, identify their role, list the impact on each stakeholder, identify stakeholder readiness, and orchestrate actions to minimize resistance and maximize commitment. Figure 3 shows an example of an approach to conducting a stakeholder analysis.

The impact of change must be predicted by asking what has to change for the stakeholder to successfully implement the project and what are the specific issues that will surface as a result of this business imperative?

- You must identify impact or issues relating to each stakeholder.

Figure 3. **Stakeholder Analysis**

**Stakeholders:** Anyone who has a vested interest in the project outcome and could potentially affect the success of the project.

- Identify the key stakeholders—be specific.
- Ask who is being impacted by the change.
- Ask who has a critical part to play in ensuring the success of the change.

**Key Roles in Change:**

Determine what actions can be taken to minimize risks and maximize commitment to the change to ensure effective implementation.

- Identify what role each person will play in the change.
- Be aware some stakeholders may have dual roles.

**Target:** Individuals or groups who have to change.

**Change Agent:** Individuals or groups who have to implement the change.

**Sponsor:** Individuals or groups who legitimize the change for the organization and commit the necessary time, money and resources to successfully implement the change.

Figure 4. **Communicating the Four Ps**

<b>Purpose</b>	What is the rationale for your business unit's adoption of Six Sigma? Why Six Sigma and why now?
<b>Picture</b>	What will your business look like in the future when Six Sigma is a part of the way your business operates?
<b>Plan</b>	How will you incorporate Six Sigma into your business unit operating plans?
<b>Part to Play</b>	What role will the employees play? Commitment to change increases when employees feel in control and have a part to play in the implementation effort.

Figure 5. **Effective Sponsorship Tasks**

**Am I an effective Six Sigma sponsor?**

<b>Purpose</b>	Clarify and communicate how Six Sigma drives attainment of business goals.
<b>Public role</b>	Include Six Sigma in every business meeting, with a focus on discussing its application to driving business results.
<b>Private role</b>	Meet one to one with direct reports to communicate your and their support for the program.
<b>Resources</b>	Make tough resource allocation decisions to free up high performing resources.
<b>Monitoring</b>	Meet monthly with Champions to discuss learning and surface barriers.
<b>Consequence management</b>	Ensure Six Sigma targets are included in goals at all levels.
<b>Organizational infrastructure</b>	Incorporate defect rates and cost of quality into management processes (for example, prioritization and resource allocation decisions).
<b>People management</b>	Fight the war on talent by recognizing, rewarding and retaining employees with Six Sigma competencies.

Figure 6. **Six Sigma Implementation Audit**

**VISION**

1. What is the vision for Six Sigma in your business unit? How broad an application is envisioned? For example, is it limited to specific quality type roles or a set of skills useful in many leadership roles?
2. How does Six Sigma support your business unit goals? Have business leaders clearly communicated the link between Six Sigma and the business unit goals?

**SPONSORSHIP**

1. What actions have your business leaders taken to demonstrate their sponsorship of Six Sigma (memos, meetings with Champions and Black Belts (BBs), including updates in regular staff meetings or town halls)?
2. Have your business leaders taken steps to include specific Six Sigma targets in the process owner goals or used any other means of establishing the process owner’s accountability for supporting Six Sigma?

**ORGANIZATION INFRASTRUCTURE (Process, systems and structure)**

1. How are BBs and Champions selected? What is the selection process?
2. How are BB projects selected (process and criteria)? How do you know they are working on the projects that will have the greatest impact?
3. What process metrics have been established? What are the plans to establish new metrics?

**ORGANIZATIONAL READINESS (Employee/organizational skill/will)**

1. What orientation activities, training or updates have business leaders (non-Champions) received to help them understand Six Sigma and the potential contribution it can make to your business unit? Which have been most effective? Have these activities been sufficient?
2. What communication vehicles (town halls, newsletters, memos) have been used in your business unit to communicate to all employees about Six Sigma?
3. What form of reward and recognition has your business unit considered and/or used to recognize the contributions of BBs? Are there any blue box recognition programs that you feel do not adequately include or support Six Sigma contributions?

**ORGANIZATIONAL ALIGNMENT (Cross functional alignment with key partners)**

1. Do your key processes have multiple owners? If so, has this caused any problems in implementation of Six Sigma?
2. What are other complexities you have experienced in the implementation of Six Sigma in your business unit?

- You must determine what might create resistance among the stakeholders.

**Create a Vision**

This next critical phase is one that is often misunderstood and frequently skipped; yet it is essential to set the change effort on the right journey. Creating a vision is not coming up with lofty mission statements, but asking why you are entering into this change. If you don’t have a clear picture in your mind, how you will enroll others in your journey?

This phase answers the question, what will it look like? Vision creates clarity of direction and sets the stage for change by saying, “This is how our world is changing and here are the reasons why we should set new goals.” A clear vision motivates people to take action in the right direction and establishes a sense of urgency that is necessary in gaining needed cooperation. A shared sense of urgency extinguishes feelings of complacency and inertia within an organization

because the need to change is fully understood. But a vision is only good if it is communicated, understood, embraced and acted on.

A key step in creating a vision is developing a communication strategy. Effective change communication should be simple and direct, constant and consistent. It should utilize multiple forums of communication (meetings, memos, newsletters and face to face) and should be a two-way endeavor. Create an open door environment. Accept candor and feedback from all constituents. A key tool for communicating change is for every leader to have a stump speech around the Four P’s (Figure 4, p. 23).

**Drive Commitment**

The drive commitment phase of the change management process answers the question, what needs to happen to make this change work? One of the first action steps is to develop plans to cascade sponsorship downward throughout the organization. This is done

Table 1. **DNA Teams To Help Drive Commitment to Change Effort**

Goal	Outcomes	Team
<b>PROJECT MANAGEMENT DISCIPLINE:</b>		
To ensure all Black Belts (BBs) and Champions are adhering to the project management methodology and discipline to help drive results	<ol style="list-style-type: none"> <li>1. Customized project management forms for the Six Sigma methodology</li> <li>2. Up-skilling/training plan for BBs (current/new hires)</li> <li>3. Coaching/subject matter experts for BBs</li> <li>4. Recommendations for reporting/tracking of projects based on project management methodology</li> </ol>	
<b>PERFORMANCE MANAGEMENT:</b>		
To define performance management goals, measures and action steps for BBs, Champions, process owners and leaders to ensure commitment and accountability for Six Sigma results	<ol style="list-style-type: none"> <li>1. One page plan for Six Sigma goals</li> <li>2. Quality goal with defined metrics/drivers</li> <li>3. Orientation/training on goals</li> <li>4. Monitoring process for goals</li> <li>5. Goal-rating recommendations</li> </ol>	
<b>BLACK BELT READINESS/RETENTION:</b>		
To develop program and processes to ensure BB readiness and retention to ensure all BBs are incredibly successful (current and new)	<ol style="list-style-type: none"> <li>1. Targeted training strategy for new and existing BBs on hard/soft skills (PowerPoint and Visio)</li> <li>2. Town hall schedule, topics, follow-ups</li> <li>3. Pulse check surveys and action planning</li> <li>4. Buddy system for projects</li> <li>5. New BB orientation (leverage building business knowledge)</li> <li>6. Certification process</li> </ol>	

by the senior management’s active communication of its expectations of their direct reports in sponsoring Six Sigma. Figure 5 (p. 23) highlights specific examples of what a leader can do to demonstrate strong sponsorship. This is adopted from Daryl Conner’s book, *Managing at the Speed of Change*.

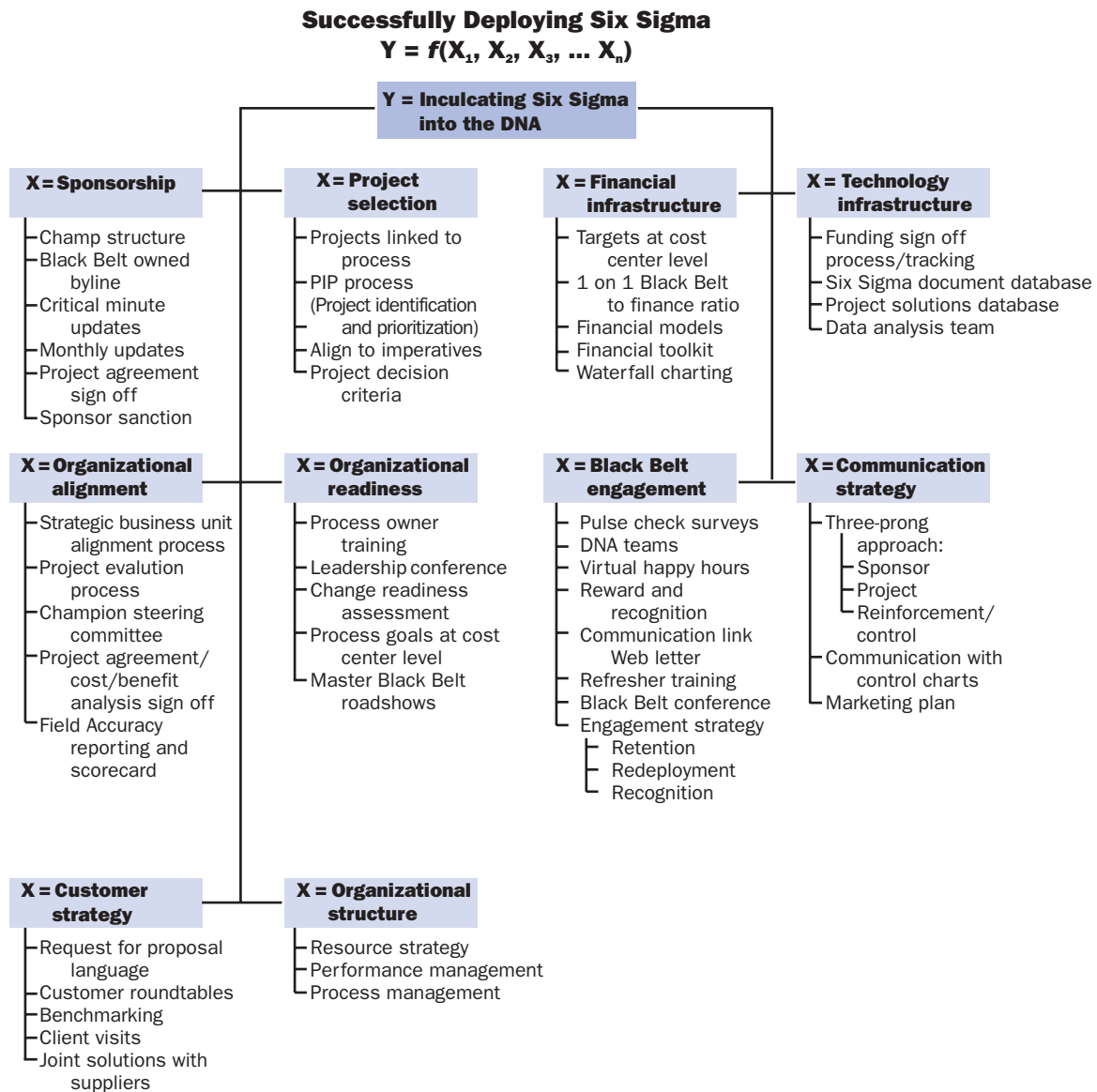
The second critical step is to assess risk areas and develop strategies to manage the risk. In the language of Six Sigma, this means examining all the critical Xs that need to happen to achieve the Y of successfully implementing Six Sigma. This includes issues dealing with surfacing resistance to the changes that occur with the implementation of Six Sigma.

Resistance can occur at any level. Leaders may resist the reallocation of resources that become BBs or the visibility of defects identified in processes they own. Employees who are not BBs may resent the attention and training that the BBs receive. The first step in dealing with resistance is to surface it. Two-

way communication with the BBs and Champions is one way of surfacing barriers and areas of resistance. Conducting interviews with a representative sample of people in key business units is another way. Figure 6 is a sample of the type of audit we conducted to determine specific steps we should incorporate in our Six Sigma change plans.

From the perspective of integrated change, the key to changing the operating environment is to change every aspect of the organization that creates and sustains it. Attempts to change the environment won’t last unless they’re supported by the formal structures; the business processes; the measurement, appraisal and reward systems; the selection and staffing practices; and the design of the organization’s core work. That is why it is critical to assess these risk areas and proactively develop action plans to deal with any speed bumps that will slow your change effort. Figure 7 (p. 26) is a summary of the critical Xs we found as we conducted our implementation audit.

Figure 7. **Critical Factors To Successfully Implement Six Sigma**



**Accelerate the Transition**

This phase of accelerating the transition answers the question, how are we going to manage this effort on an ongoing basis? In some of the business units, there may be a need for a transition team specific to the business unit to ensure that sponsorship, communications and implementation risks are dealt with effectively. This phase is where you want to broaden

the participation in the change effort. With Six Sigma this can be accomplished in several ways. First is through training. Offer Green Belt training to all employees to enroll them in the change effort. The other is to form DNA teams. The term “DNA teams” was coined to signify our vision of hardwiring Six Sigma into our corporate culture, our corporate DNA. These change teams are comprised of BBs, Green Belts, process owners and Champions. The

## IN THE DISCIPLINE OF SIX SIGMA, LET THE DATA SPEAK.

Figure 8. **Critical Minute Speech**

Often we meet each other in the halls or elevators and need to give a 30-second update on our work. Here is a template of questions that may help you prepare a critical minute speech now and on future projects.

### Ask yourself these questions:

1. Why is this important (link to vision)?  
*We found in our analysis that...*
2. What is my next critical step?  
*We hope to improve our cycle time (or reduce defects) by...*
3. What is the eventual outcome?  
*The intent is to...*

### Example of an elevator speech:

*We looked at our analysis and found that more than 20% of the customer reports are not needed because they go to people unrelated to the account. We hope to eliminate that waste and improve effectiveness by freeing up time on the systems and resources. The intent is to reduce that waste significantly in the next few months and set up a process that keeps it in check.*

goal of each of the teams is to help deepen the commitment of the change effort for the organization and implement specific actions and infrastructure elements to reinforce the change effort. Table 1 (p. 25) is a sample of the types of teams that can be formed.

### Sustain Momentum

The last phase, sustain momentum, is about renewal and recycling, taking the learnings from the change process and starting the process all over again. What have we learned? How can we leverage the learnings? Communication of early successes while maintaining realistic expectations will be important in this phase. This phase answers the questions, how are we doing and where do we go next? The goal here is to keep the energy and excitement alive to help the organization adopt and institutionalize the change. One key action step is to celebrate the successes. This can be formal communications around Six Sigma success sto-

ries or it can be as quick as making sure you take time for the critical minute speech for key Six Sigma participants at every staff meeting. Figure 8 gives an example of how to frame a critical minute speech.

A second key action step in sustaining the momentum is to ensure organizational processes and reward systems reinforce the change. In Six Sigma this is especially salient in terms of the retention/engagement of the BBs who are the key brain trust in achieving the Six Sigma results. A critical DNA team can be focused on developing a BB engagement strategy, the purpose of which is three-fold:

1. To develop an environment that is motivating and engages the BBs to work at their optimal level and ensures they can grow and progress and be incredibly successful in their Six Sigma role.
2. To provide a redeployment strategy for individuals who wish to return to the business after their 18-month assignment that is fair, equitable and in compliance with all HR policies.
3. To provide career enrichment/retention opportunities for individuals who choose to remain in the BB role.

Managing a significant initiative such as Six Sigma using a structured change management process has enabled us to proactively address the critical human variable in the change effort. It wasn't easy, but we took the time to assess the speed bumps up front, assigned accountabilities, kept the Six Sigma community engaged and communicated every step of the way. Having done so, we are positioned to proceed to the next level, involve more of our population in the Six Sigma way of doing business, and show how Six Sigma can be used as a decision making tool. It's about managing all the critical variables to drive high performance results.

So does it work? In the discipline of Six Sigma, let the data speak. The business unit that adopted this change management process achieved 43% of the overall Six Sigma benefits for the company. Project completion rates and average per project savings were higher than any other business unit, and 25% of BBs were promoted. However, the most important result was the process improvement we implemented to enhance our customers' experience with our products and services. 