HR AS A STRATEGIC PARTNER: CULTURE CHANGE AS AN AMERICAN EXPRESS CASE STUDY

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A corporate culture is the combination of the values and characteristics that define an organization. It influences the way employees relate to each other, to customers, to shareholders, and to business partners. It drives behaviors and unites employees around a shared set of values. Companies with strong, formally articulated values that are focused on the needs of their constituencies have an important advantage over those without such values. American Express recently worked to strengthen its culture and renew its corporate values. I will focus on why this initiative was important, how we reviewed company culture and implemented culture change strategy, and what early results showed. © 2005 Wiley Periodicals, Inc.

Culture does not change because we desire to change it. Culture changes when the organization is transformed; the culture reflects the realities of people working together every day.

Frances Hesselbein (1999, p. 6)

As a strategic business partner, HR can have a powerful impact on a company's operational and financial outcomes by leading a cultural transformation. This role, which has been well documented (Beatty & Schneier, 1997; Beer, 1997), will be even more critical for HR in the future.

In this article, I discuss our experience as a strategic partner in a recent effort to strengthen American Express's culture and renew its corporate values. I will focus on why this initiative was important, how we reviewed company culture and implemented culture change strategy, and what early results showed.

The Importance of Corporate Culture

A corporate culture is the combination of the values and characteristics that define an organization. It influences the way employees relate to each other, to customers, to shareholders, and to business partners. It drives behaviors and unites employees around a shared set of values. It can lift our performance and improve our work environment.

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Companies with strong, formally articulated values that are focused on the needs of their constituencies have an important advantage over those without such values. For example, over its 155-year history, American Express has developed a strong sense of itself and what it stands for. Time and again, our people have demonstrated their deep commitment to a consistent set of core values that have become an invaluable asset. Our values have helped keep the company on course, regardless of challenges, and have helped American Express stand out in the marketplace.

Our Call to Action

Past achievements don't guarantee future success. Companies must regularly take the pulse of their organizations to ensure they have a clear sense of who they are, what they stand for, and what behaviors their people must exhibit for the enterprise to be successful. American Express put its values in writing in 1990, explicitly stating its commitment to customers, quality, people, integrity, teamwork, and good citizenship.

During the decade that followed, the company underwent substantial changes to strengthen its organization and improve its performance—including divesting businesses that were not core to its brand, reengineering to reduce costs and gain greater flexibility, globalizing lines of business, launching hundreds of new products, and expanding business through partnerships. By the end of the decade, the company also had a relatively new and larger workforce—75% of the company's 78,000 employees were not with American Express when the values were first codified.

In 2002, given the dramatic changes in the competitive landscape, customers' expectations, and the economic and geopolitical environment, American Express had to take even more bold moves to fuel growth over the long term. By improving the underlying economics of our business, lowering our risk profile, and increasing investments in business-building activities, we created a more flexible and adaptable business that was less reliant on robust market conditions to deliver strong results.

In light of these changes and the competitive landscape ahead, the time was right to take stock of our culture. The idea was not that we had to fix something that was broken. Rather, we wanted to ensure that our culture reflected and supported the behaviors needed to win in the marketplace and to accelerate growth. In addition, our CEO, Ken Chenault, wanted to inspire employees to stretch themselves and perform at the peak of their abilities.

Our Approach: Appreciative Inquiry

Appreciative Inquiry is, in my view, an exciting breakthrough, one that signals a change in the way we think about change. . . . We are looking at something important. AI will be of enduring consequence, an energizing innovation for the field.

Richard Beckhard, at a 1999 Academy of Management Meeting

By the time these words were uttered by Richard Beckhard, a founder of organizational development and a pioneering consultant on issues of managing change, appreciative inquiry (AI) had already emerged as a revolutionary approach to organizational change.

The original theory and vision for AI was articulated in 1987 by two professors at the Weatherhead School of Management at Case Western Reserve University. In their landmark article, "Appreciative Inquiry in Organizational Life," David Cooperrider and Suresh Srivastva (1987) called for a shift in the way people approach change. Rather than focus on problems to be solved and gaps to be closed, they hypothesized that whatever you want more of already exists in an organization (Hall & Hammond, 1998). Thus, they encouraged the search for the best in people, their organizations, and the relevant world around them. The key is to discover your strengths by asking people "unconditionally positive questions" about the organization (Cooperrider & Whitney, 2001).

This is in contrast to traditional methods for gathering information from employees, which tend to focus on problem solving and

lead to an expectation that management will solve the problems (see Figure 1).

AI's positive approach to organizational change appealed to us on many levels. First, our CEO believed that any change must reflect the realities and expectations of stakeholder groups, including employees, customers, and shareholders. Moreover, we wanted our approach to be forward-looking and aspirational. Therefore, in reexamining American Express's values and organizational behaviors, we decided to loosely follow the four stages of AI:

1. *Discovery.* In the discovery, or the inquiry, phase, one discovers and appreciates the best of what already exists in an organization.

We spent nine months conducting more than 30 focus groups with hundreds of employees representing all levels and businesses around the world. Our goal was to answer fundamental questions, such as:

- What are the best attributes of the company's culture today?
- What behaviors are most important to achieving business goals and to bringing the core values to life?
- What attributes should be emphasized more to help reach the next level as a high-growth company?
- What management processes can more effectively foster those desired behaviors and attributes?

- What can be done better to attract and retain highly talented employees?

The culture review revealed several clear trends. Chief among them was that American Express had strong core values that contributed greatly to the company's historical success and remain relevant today. Employees were resoundingly proud of the company's outstanding brand and reputation and how the company conducts business. They also cited a number of reasons they like working at American Express, especially the spirit of teamwork and mutual respect, the work environment, and opportunities for growth and advancement.

2. *Dream.* During the dream phase, the interview stories and insights are analyzed, and one begins to envision and articulate what the future might look like, either through a vision or a compelling strategy statement.

Asked to envision what American Express should look like in five years, employees said they would like to see a company that:

- outperforms the global market and has a significantly larger customer base;
- is faster, nimbler, and more proactive; and
- is in a position to attract and retain the most talented people through superior

Problem Solving	Appreciative Inquiry
"Felt Need"	Appreciating and Valuing
Identification of Problem	The Best of "What Is"
Analysis of Causes	Envisioning "What Might Be"
Action Planning	Dialoguing
(Treatment)	"What Should Be"
Basic Assumption:	**Basic Assumption:**
An Organization Is a	**An Organization Is a**
Problem to Be Solved	**Mystery to Be Embraced**
(Cooperrider & Srivastva, 1987)	

Figure 1. Organizational Development Chart.

advancement opportunities and more pay-for-performance incentives.

To achieve this vision, employees felt American Express needed a greater focus on two characteristics deemed critical to helping us grow the company:

- *A will to win*—Increase the focus on delivering products of superior value, understanding our competitors and capitalizing on their weaknesses, and knowing and serving our customers better than anyone else.
- *Being personally accountable for the company's success*—Deliver on commitments, but also challenge others—including your superiors—if you believe something is not right.

3. Design. In the design phase, images of the future emerge based on concrete positive examples from the organization's past.

Design/Part 1—Reinvention

Our HR team conducted "culture forums" with employees across the company to analyze the results of the focus groups and determine how to create a culture that brings the two new attributes to life. It was clear we had to better articulate the values and principles that guide business decisions, while emphasizing that our updated values represented an evolution, not a fundamental revision of the company's traditional values.

We decided to restate our existing values in ways that made them more concrete, actionable, and measurable than in the past. For example, "Treat employees with respect and dignity" became "We value our people, encourage their development, and reward their performance." In addition, we introduced two new values (having a strong will to win in everything we do and taking personal accountability for delivering on our commitments).

Design/Part 2—Implementation

With the new values codified, we developed an implementation plan that included a change management strategy that initially fo-

cused on shifting the mind-sets of leaders, many of whom, given the company's success, did not see a need for change. Since our employee satisfaction (as measured by an annual survey) was already on a continued upward trajectory, we were often asked, "Why fix it if it isn't broken?"

After announcing the changes in May 2003 at our annual senior leadership conference, we provided leaders with talking points and training materials to enable them to discuss the changes. This was particularly important because we didn't want people to misconstrue what the new values meant. For example, having a strong will to win does not mean winning at all costs. It means winning the right way, with absolute integrity in all we do.

This was followed by an employee communications plan that included an announcement from our CEO to all employees around the world and a broad effort to stimulate dialogue among employees about what the values meant to them and how the culture efforts related to their work. We also produced publications, an internal Web site, and even the obligatory banners and flyers, all of which highlighted and reinforced the culture work and the new values. Most important, we had to translate the words into actions so employees did not perceive the reintroduction of our values as merely an exercise in semantics.

HR cannot lead a cultural transformation on its own. Strong partnerships with business leaders are critical for success. We worked very closely with individuals and teams in the businesses to assess how to best implement cultural change in their respective areas, and reviewed management processes to ensure they were aligned with and helped support the behaviors we were trying to drive throughout the organization.

Over the following year, we established HR processes and tools to reinforce and maintain the behavior changes. We revised our leadership competencies (which spell out desired behaviors at various levels of performance) to reflect both the restated traditional values and the new ones. We also revamped the entire performance management process to make sure people are being evaluated, and ultimately compensated, according to these new competencies. For example, ex-

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cellence in personal accountability would mean that a leader "makes timely decisions on critical implementation issues" and "speaks up and shares views." A high performer in the will-to-win category "anticipates changing customer needs and seeks to create value for the customer" and "knows the business models and key levers that drive performance and profitability."

To ensure that our annual employee survey continues to accurately measure employees' perception of how well we are living the renewed values, we added new questions and recategorized others. We also increased our focus on retention by establishing quantifiable accountability at the senior levels of the organization for retaining high-performing vice presidents and customer service representatives.

On the recruitment side, we launched a new campaign that reinforced American Express's strong will to win in the marketplace through our brand and commitment to premium products and customer service excellence.

4. Destiny. The last stage of AI focuses on identifying ways to sustain an organization's strengths and, in a sense, create its destiny.

In many ways, we're still in this stage and will be for several years. One measure of success is imitation. For example, when our colleagues in the finance organization identified the need to transform their planning process, they understood that process changes must be supported by mind-set and behavior changes. They are now turning an unwieldy financial planning process into one that is more timely, flexible, responsive to external conditions, and focused on shared goals.

We also saw indications of early success in the results of our 2003 employee survey, which measured for the first time the company's two new values as distinct dimensions. Personal accountability scored 83% favorable, and will to win scored 66% favorable. In general, there is greater recognition that we must increase our focus on performance and execution. At the same time, employees continue to feel valued, motivated, and proud to be with the company.

The linkages between the cultural transformation and actual business performance improvements are hard to quantify. But I should note that 2003 and 2004 were outstanding years for American Express. There is no doubt that the right culture can make a great difference in a company's ability to compete, succeed, and grow.

The steps we took at American Express to renew our corporate values and strengthen our culture will undoubtedly help the company continue to earn the loyalty of our customers, attract and retain satisfied employees, and ultimately drive business growth in the future. And, I'm proud to say, HR was at the strategy-planning table every step of the way.

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