



Insights from The Clarion Institute

The Centers of Acceleration Boost

By the Partners of The Clarion Group

Companies throughout the U.S., both global and domestic, struggle with how best to provide high-level technical support and expert advice to their business units. Many organizations have tried to meet the challenge by establishing COEs (Centers of Excellence). More often than not, however, these pockets of expertise have failed to fulfill their promise.

As we've worked with our clients to help them achieve the leverage they want from these centers, we've found it helpful to talk of COAs (Centers of Acceleration), sources of meaningful help that truly accelerate the progress of each business unit that takes advantage of them. Before we look at the characteristics of our COAs, let's examine what organizations set out to accomplish with their COEs.

The Origins

COEs were originally conceived as shared services, where expertise could be aggregated for efficiency gains and made available to help business units. The premise was that certain functions had to be centralized because:

- Supply of the specialized expertise was limited due to market realities or company choice,
- The business units did not need the expertise on an ongoing basis; however they needed it to get started, to reposition and transform a business, or for technical and strategic advice from time to time.

So the COEs arose as a means of taking the specific, specialized expertise of a group and leveraging it across many business units.

The functions typically considered for COEs were of three types: administrative functions (Benefits, Diversity, Planning), functions more fundamentally rooted in the profit and loss equation (Research and Development, Pricing, Marketing), or any number of highly technical functions embedded in one of the broader functions (Benefits Design, Plastics Engineering).

Living Up to the Promise

How is it that such a clear and obviously good idea was so often ineffective when put into practice?

The problem was that many companies were cobbling the concept of COEs with traditional staff functions. This led to frustration because, although the staff areas possessed the necessary expertise, the COEs were often not effective in delivering this to the business units. To the contrary, the Centers actually seemed to be hampering the business growth of the units.

In part the problem lay in how the people in the business units perceived the COEs. They tended to think of the representatives as "corporate staff" who had more of a control role than an assistance role.

Another part of the problem lay in how the people in the COEs perceived themselves; they did not sufficiently distinguish their role or reorient their behavior from traditional staff to COE. While they possessed the needed functional expertise, they also held enterprise-wide accountability for their functions. As a result, they tended to serve that accountability first, which too often interfered with their ability to reorient themselves to serve the business units. They were simply too vested in their corporate-

level initiatives and policies to listen to the business units and to understand their needs.

The Result

At its worst, the behavior that resulted was predictable. Many COE staffers acted first to protect their areas of accountability by:

- Presenting themselves as the ultimate authority and decision maker;
- Dictating to business units what the units can or cannot do;
- Saying “no” without carefully examining the “what”; and
- Developing new enterprise initiatives without regard for whether they would help the business units achieve their goals.

When the COE representatives displayed this attitude, business unit managers started referring to them as the “corporate cops.” Needless to say, there was little value-added from this relationship.

Over time, we have seen the more successful COEs add value in many companies by sufficiently differentiating their strategic role from more operational or transactional responsibilities and distancing themselves from a corporate gatekeeper role.

What has continued to be a challenge, however, is keeping pace with the speed and diversity of business change. What the business needs most is the timely input of expert advice to help accelerate business growth and change at critical points of impact. Without this explicit business agenda, COEs tend to gravitate back toward the status quo and the majority mean.

Place Your Bets on Centers of Acceleration

When the COEs are allowed to shift their center of gravity away from the broader enterprise-wide accountability, and toward the changing needs of individual business units, they can thrive. To make this distinction even more clear to the organization, it is helpful to think of these as

Centers of Acceleration. COAs are agile and fluid in their focus, responding directly to the changing business agenda. Their purpose is to provide expert support to individual business units in a way that helps them accelerate growth and change. COAs organize their work around short-term interventions in response to and driven by business need.

An Intention Gone Wrong:

A corporate IT COE's mission is to ensure consistent enterprise wide definition and methodology around technology architecture. This it does very well. But, when internal technology-based applications and customer needs require that the technology is scalable and configurable meeting a situational and specific business need, it puts tension between the end-user's need for customization and the COE's need for clear roles, ownership and accountability, calling into question who is actually responsible for what.

A Finance COE excels at providing general ledger services and enterprise-wide financial systems. But when it is unwilling or unable to respond to a Product Unit's request for specific profitability analysis, the Product Unit is limited in its ability to grow products that provide the greatest profit to the company.

A corporate HR COE has a compensation expert. She is equipped to develop complex executive compensation schemes, considering tax law, regulatory concerns, internal equity, and external competitiveness. But, when the business unit has a specific need for an incentive plan for their sales force, this expert is not available to help because the enterprise-wide initiatives take priority. When she finally is available, her top priority is overseeing how the corporate incentive plans are administered by the business units.

When the helpful expert morphs into the person who assesses the business unit's implementation of the corporate program, who may have significant input into the evaluations of the business unit or the individual managers, and who measures success solely by what works at the enterprise level, the dynamic has changed. The business units quickly move into the mode of figuring out how to please the corporate visitor while at the same time working around the person and/or program to create something that better addresses their needs. While the CEO may appreciate that corporate control is being exercised, the business unit is making less progress, not more.

COAs succeed when they serve at the will of the business units who pull them into their business concerns as needed. COA representatives succeed when they are empowered to behave in a

way that reflects an intense desire to understand the needs of the business unit, to aggressively find a way to support that need, to work “in the dirt” with unit managers to build the solution, and then to get out of the way and let the business unit take the credit for its success.

Setting Up Your Centers of Acceleration

Here are a few of the critical success factors we have identified in working with clients to create effective Centers of Acceleration:

Keep your staff areas excellent. Competent staff in shared services and functional operations are critical both for the efficiency of the company as well as the reputation of expert areas. They are essential for many important purposes. They can be persuasive and critical to enabling the enterprise, even if their value-add is mostly visible to the CEO and COO. At lower levels, managers often cannot see or experience their value. To counter this, make sure that all users are more linked to enterprise-wide initiatives and policies, and that they see how and why those relate to the success of the business.

Be clear about the need and organize accordingly. Don't try to mix a COA with a staff unit, or even a COE. Staff units deliver ongoing shared services; they can be strategic but are more often transactional or operational in nature. COEs devote their deep competency to serve the longer term mission, vision and strategy with the enterprise as the primary focus. COAs are more agile, and provide immediate focus on specific business units by applying their expertise to high impact business initiatives.

Select only a few functions to be COAs and link them directly to the business mandate. It is imperative that a company very carefully select a very few functions for COAs. Centers are expensive, and they aren't worth much if you don't staff them with your best people. Just exactly which expert areas should be COAs depends on the business need over the next one to two years. To make that determination, we find it helpful to develop a Mandate with the business partners that links COA projects directly to the immediate needs of the business. In concept a COA should be viewed like a temporary swat team. The Mandate focuses their resources on high impact opportunities identified and driven by business leaders. This is the bridge to execution. The discipline of a one-to-two year horizon demands agility of COA resources and keeps focus squarely on business-led initiatives.

No SLAs for COAs. The minute you demand that a COA sign a Service Level Agreement with business units, you will diminish the COA's role. This is taking a step backward toward the behavior of a bureaucrat as opposed to an accelerator. SLAs are meant for those activities that are repetitive and which require regular cooperation between a staff area and a business unit. They do not apply to COAs. COAs are more akin to consultancies; they do whatever they can in the timeframe provided by applying their expertise to the situation to help the client get done what they need to get done.

Staff units and even COEs build the mechanisms that sustain organizations, but COAs can provide the fuel for the engine that allows the organization to move toward its goals.

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