

# Raising the stand

## Organisational design: the role and form of the Centre of Excellence.

**T**he term Centre of Excellence (CoE) is becoming a popular way of focusing attention on problem solving in many organisations, but what exactly is a CoE? Does it add value, or simply create tensions between 'elite' and other workers? Perhaps more cynically, is it just another 'excellence' fad?

Kerrine Bryan and Ian Herbert answer some typical questions.

### What is a 'Centre of Excellence'?

The actual role and form of a CoE is largely dependent on the organisational and business context but the essential features we suggest should be as follows.

- A CoE should have a normal operational function and also be responsible for improving its own expertise and knowledge resources so that in turn workers can help other activity centres throughout the organisation to solve problems and improve in the future.
- The defining feature of a CoE is knowledge management, especially the tacit (verbal) knowledge that cannot be readily captured by technical manuals and which is constantly changing and adapting to operational requirements.
- The CoE may comprise a functional or cross-functional team looking both inside and outside the organisation to capture new knowledge and

practices. It may be set up as a physical or virtual team, but it will have a permanent rather than just a project status.

### What does this say about 'other' centres?

We mean that it is easy to overuse the 'excellence' label. We are using it here to signify a sense of being different rather than (necessarily) better than operational units, but of course the objective is to help everyone to improve. For example, if there are ten customer service departments, then nine may be 'routine' (Centres of Competence) and one might operate as a CoE. This should not mean that workers in the other centres are somehow less worthy, or are offering a sub-standard level of service, rather that the CoE will have a further role in developing its methods and techniques to establish best practice and disseminate this to the other teams.

Other centre categories might be;

- A technical or research centre not directly involved in day-to-day operations and which specialises in the production of technical manuals and training mainly involving explicit knowledge, ie that knowledge which has been standardised and codified such that it becomes the 'canonical' procedure for doing the job and approaching problems in the future.
- A centre of expertise (CoEx) the workers of which



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specialise in certain activities or problems not normally addressed by routine workers. Examples might be treasury management in a finance function. A CoEx will go beyond the routine (explicit) knowledge by drawing on the specialist tacit knowledge that its workers have built up over perhaps years of experience. However, unlike the CoE this knowledge will not generally be applicable for sharing across other centres.

These four basic categories are represented in figure 1 in relation to their leanings towards 1) the future rather than the present and 2) the use of explicit versus tacit knowledge.

## But in practice 'excellence', does seem to be a wide ranging term

It does have different meanings to different people in different contexts, hence the need to define the CoE in terms of both its generic form and the way that it relates to the rest of the organisation. The example below follows the development of a hypothetical field service operation as its range of products and customer types becomes more varied, with consequent tensions emerging in balancing the operational imperatives of service response time and repair efficacy against cost.

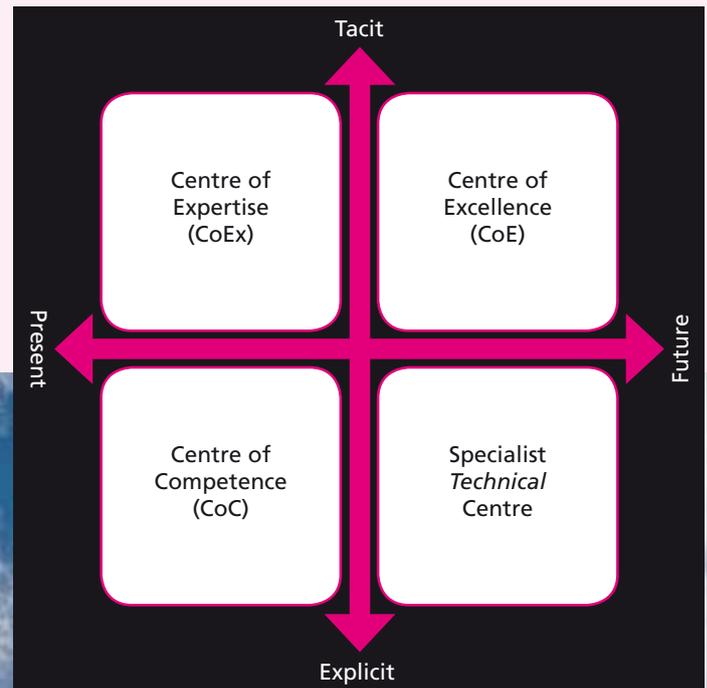


Figure 1 - The Centre of Excellence matrix

A CoE should have a normal operational function and also be responsible for improving its own expertise and knowledge resources



**Case study – Washco**

Washco was established in the mid-1990s to import and sell high quality domestic washing machines via the internet to retail customers. Later it created a commercial sales team to sell a larger version of the basic machines to launderettes (multi-site), as well as a range of specialist laundry machines to hotels. Commercial sales have mainly been in the more densely populated south of the country, although some have been placed across the whole country. All machines are made by a top European manufacturer with working lives approximately three times longer than normal although the purchase cost is consequently higher in comparison to Washco's competitors.

From the outset, Washco's business model was to offer better than average after-sales service using its own technicians. Initially, service calls were straightforward but, over time, the number of model variations in operation

has grown significantly. As the number of field service technicians increased to around one thousand, a number of different organisation structures have been adopted.

**1. 1995-2000 central control**

At first a single base in the middle of the country worked fine, but eventually average travelling time per visit increased and servicing became uneconomic. Moreover, training and personal supervision by the director of service became strained, especially as new models were introduced and the age of on-site machines increased from an average of under two years to around five years old.

**2. 2001 – 2003 geographical control**

Next, three regional service divisions were set up, each relatively self-contained and able to service all machines (north, south and east). This worked well, but proved costly, due to the wider range of

spares which each technician had to carry. Moreover, the smaller North division had relatively few commercial machines and its technicians did not have the opportunity to become familiar with a sufficient range of the common problems. In the South division a higher proportion of launderettes and hotels created problems because these customers insist on fast response times (24 hours, seven days a week) and more 'first-time' fixes. Technicians were spending more time on commercial machine servicing at the expense of the domestic customers, some of whom were equally quick to complain about what they saw as a deteriorating service, even though response times were mostly within the four working days in the service agreement.

**3. 2004 – 2006 customer focus**

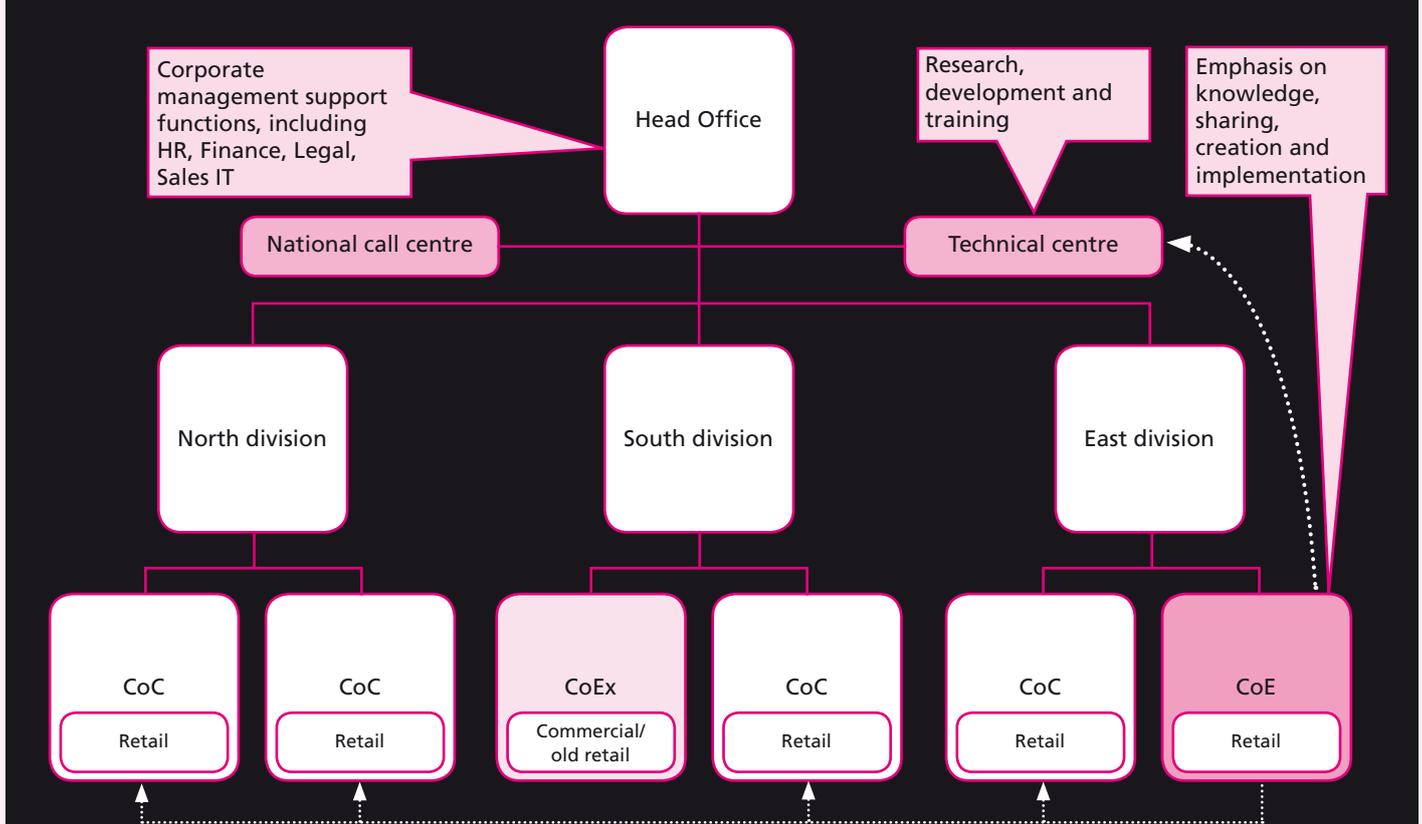
In response there was a move from the geographical format to customer type, ie home, launderette, and hotels. This

improved the first time fixes because technicians were servicing a smaller range of machines and hence their familiarity, with awkward faults increased. However, travelling time and costs rose significantly and overall there was little in the way of 'bottom-line' improvement.

**4. 2006 – 2010 matrix management**

In 2006 the structure was changed again. This time a matrix style was adopted with three regional managers, based on the former regional bases (south, north and east) plus, three sector managers, (home, launderette and hotels). Initially, service levels improved but, over time, there were 'priority' misunderstandings between the technicians and managers some of which escalated into full scale 'boundary disputes' between the managers. Eventually, the response times rose again and the rate of first-time fixes fell as experienced technicians left through natural turnover and

**Washco structure – Centre of Excellence Framework**



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incoming technicians were not getting anything like the right exposure to a wide enough range of non-routine faults.

### 5. 2011 best of all worlds?

The present approach based on the CoE model was recommended by another field service company (non-competing) who Washco's founding director Lucy Garner met at a trade dinner. Following an analysis of one month's service calls it was clear that Washco was not learning fast enough from the new situations that it was encountering. At a board meeting to discuss the problems and possible solutions the following objectives for a reorganisation were agreed;

1. To diagnose faults quicker and more reliably on site.
2. Achieve more first time fixes and order the correct parts when a repeat visit is necessary.
3. Focus on customer types and profile of machines by a central despatch team, overseen by a former technician, to be able to better match technician capabilities to each service call.

As a result there will be a reversion to line management control based on three geographic divisions servicing retail machines together with three technically focused centres and a new approach to specialisation of skills, but with greater co-operation and sharing of knowledge based on a CoE approach. Figure 2 shows the new arrangement. Note that there is not a formal dotted line shown between the CoExcellence and the CoExpertise because the technical issues affecting the latter would not usually be applicable to the more routine retail service calls.

At first Lucy was sceptical. In her opinion, people have a reluctance to 'give up' what they know, unless it is worth their while. However, she

accepted that something needed to be done as the other approaches had all proved to have some drawbacks and there were opportunities to increase new sales if a better standard of service could be guaranteed.

In response to Lucy's insistence that any change should be based on clear objectives, and an understanding of how things will work in practice, the Service Director prepared the following commentary.

1. Centres of Competence (CoC) servicing retail machines and simple faults on commercial machines. Washco, technicians have traditionally diagnosed around 85% of faults correctly on the first visit and been able to fix around 70%, although this has varied dependent on the structural imperatives at the time. The majority of technicians will be grouped into four CoCs with a target of diagnosing 95% of faults first time and repairing 80% of the diagnosed problems on the first visit (not all spares are carried by technicians). In the remaining cases, maybe because the machine model is new, the problem unusual or if major spares are required, then the technician will be expected to consult the CoE or in the case of commercial machines to transfer responsibility to the CoEx.

Field technicians in the CoCs need to be able to follow manuals and wiring diagrams to diagnose and fix problems fast. As they develop they will be encouraged to attempt new or unusual faults by talking to co-workers, consulting the CoE and feeding back into the system recurring issues but this aspect is likely to remain a small part of their overall role.

2. A specialist technical centre which will look at recurrent issues and improve technical support, especially as new

machines are introduced. These technicians will need to absorb verbal (tacit) knowledge from the field and codify this into explicit knowledge for the future by amending the field documentation (explicit).

3. A Centre of Excellence (CoE) based in the east division. These technicians will attend regular service calls but they will attempt to identify the root cause(s) of problems and 'capture' that experience for the future, perhaps in consultation with the Technical centre and the manufacturer. This emerging tacit knowledge will need to be made explicit wherever possible and disseminated across the firm. Although some knowledge will be informal (tacit) by nature and thus better communicated verbally to other technicians through training workshops, telephone calls whilst at service sites and perhaps through interdivisional secondments of technicians. The CoE technicians will be keen to share their knowledge and thus require a strong ability to explain and communicate.

4. A Centre of Expertise (CoEx) in the south division to undertake all commercial calls in the south and to undertake all second visits and repeat

calls for commercial machines across the country.

In addition to the required core competencies, expert technicians will have additional experience, knowledge, equipment and resources to deal with the commercial machines and some older retail machines. They will be focused on solving more complex and often situational problems (for example higher than normal humidity affecting the machines). Being able to identify likely service problems at the call despatch stage, together with a clearer understanding of individual expertise on the part of the despatch operators, will enable more efficient call allocation and also enable the specialist technicians to further their own knowledge.

Travelling time for these expert technicians will likely increase per call, but overall spend will be reduced by sending the appropriate person when there is anything other than a routine problem. The call despatch team will be trained to screen commercial faults into straightforward and potentially complex. These technicians will have specialist knowledge but their main focus is to fix the machines that are referred to

them, and build up specialist knowledge within the team.

### Conclusion

It is easy to overuse the 'excellence' label, however the case study and frameworks in this article help us to identify the main characteristics of a CoE, the main feature being knowledge management.

Non-excellent centres are not less worthy, nor are they offering a sub-standard level of service, rather that the CoEs will have a role in developing their methods and techniques so that best practice can be disseminated to other teams.

The CoE strategy is to underpin organisational structures and systems with an approach that:

1. Promotes communication and the sharing of problems.
2. Helps to locate or generate solutions – thus creating new knowledge.
3. Shares and disseminates new tacit and explicit knowledge.

Through the process of sharing problems, information and experiences, employees learn from each other, and have an opportunity to develop themselves and the organisation. This is what Wenger (1998) describes as a 'community of practice' (CoP).

### References and further reading

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