Centers of Excellence: Empowering People to Manage Change

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Payoff
Centers of excellence—horizontal units based on related skills or disciplines—offer organizations the flexibility they need to respond to the rapid change that characterizes business and technological environments. This article describes the center of excellence model and its implementation at Texas Instruments' information technology organization.

Problems Addressed
Historically, organizations have bounced from centralized organizational structures to decentralized structures and back again. The cycle of restructuring has been endless; only the specific forms of redesign have changed.

Against this backdrop, today's information technology (IT) managers attempt to add value to the bottom line of their business units. While facing reductions in staff, they are challenged to maintain or even increase customer satisfaction and productivity.

IT managers look to structural change as the answer to the multiple challenges they face. The efforts of many managers to apply the latest quick-fix or management tenets often fail, however, because they aim to implement changes designed for the organizations of the 1950s, not the 1990s.

In the past, change flowed along a reasonably predictable course. Individual contributors in the IT organization adjusted to change by working harder and smarter, and by introducing technology that helped them stay ahead of change. Today's organizations, however, are facing high-speed random change that affects the direction, focus, strategy, and behaviors of the organization and its members.6

Several similar organizational structures have been designed to facilitate random change: the learning organization, the horizontal organization, the shamrock organization, the STAR (i.e., strategic goals in a constant state of transition and renewal) organization, and the high-velocity organization. One additional, evolving design is the Center Of Excellence (COE). This article describes the Center Of Excellence and reports on Texas Instruments' experience with it.

Conceptual Model of the Center of Excellence
Organizational design and restructuring have traditionally involved the transfer of control—the control of people. Yet organizational redesign is not about controlling people. It is about providing a strategy and structure that facilitates the growth of people by giving them the opportunity to do their best work. True organizational restructuring enables people to use their unique talents and abilities to the best interest of the business or institution—in other words, it empowers them.

The concept of a Center Of Excellence is designed to prevent businesses from repeating past mistakes and stop the constant transfer of control over people. However,

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Effective implementation of a center of excellence can only be accomplished by change agents who have abandoned the mind-set of the 1950s.

The center of excellence model concentrates on the acquisition and development of the skill sets that foster the distinctive competencies the organization needs to remain competitive. Two mutually dependent imperatives are key to the success of today's organization:

- An organizational structure must be implemented that ensures fast mobilization and development of intellectual property (i.e., time-based competition).
- The organization must engage and keep the customer's attention (i.e., customer satisfaction).

Most organizations have focused more on the second imperative than on the first—that is, they focus on the execution of projects (i.e., engagement of customers) rather than on investing in the development of their people. This pattern is not the result of a lack of desire to invest in people or poor management per se; rather, it stems from a lack of focus. Organizational leaders and managers are human, and they can only focus their attention on a limited number of tasks.

Lack of focus on the development of people has caused many organizations to perform poorly in their ability to engage customers. The end result is that they not only lose customers, they lose their people too. Many companies never recover from this costly spiral.

**Characteristics of a Center of Excellence**

The Center Of Excellence model provides a framework for creating an environment that allows organizations to address the imperatives for success in the 1990s and gain competitive advantage. The mission of a Center Of Excellence is to place people resources where they are needed most by the business and to ensure that people are trained appropriately and have the necessary experiences and background to succeed on projects.

A center of excellence is defined by the following characteristics:

- It is a logical grouping of related skills or disciplines.
- It is an administrative entity focused on the well-being and development of people.
- It is a place where individuals learn skills and share knowledge across functional boundaries.
- It is a physical organizational unit in which members are all together or a virtual unit that is only a learning and communications vehicle.
- It matches resources to demand.

Appropriate placement, training, and development of human resources necessitates that the center of excellence be staffed with a forward-thinking coach who is able to stay ahead of the need curve. To ensure that there is an equal emphasis on the two organizational imperatives to success—time-based competition and user satisfaction—the responsibilities of the coach must be separate from those of the organization leader or project leader.
Separating the coach’s responsibilities not only helps achieve this equality of emphasis, it promotes the cultural change process by sending a clear signal to the organization that management is serious about valuing its people resources. When people feel valued, they add value to the customer. The center of excellence is about valuing people.

**IT Transformation at Texas Instruments**

Like many IT organizations around the world, the IT organization at Dallas-based Texas Instruments is faced with increased pressure to perform and deliver at greatly reduced cycle times. To meet the challenge, the IT organization commissioned a project to reengineer information technology at Texas Instruments. The project is known by the acronym RITTI. The IT leadership team recognized that a transformation of the IT environment requires a concurrent engineering approach involving several elements:

- Organization.
- People.
- Business processes.
- Technology.

The team realized that each of these elements alone would not guarantee successful business leadership for the IT organization or its customers. Considering these elements together, however, could achieve major improvements.

Three major strategies address the elements:

- A process strategy necessitates that the team map, understand, and address entire business processes versus piecemeal patch work.

- An architecture strategy based on Texas Instruments' component-based applications development methodology and object-modeling techniques separates the presentation level, the data level, and the logic (i.e., business rules) level. The methodology is facilitated by Composer and Arranger, two business products of Texas Instruments Software, as well as by repository technology currently being jointly developed by Texas Instruments Software and Microsoft Corp.

- An organization and people strategy promotes the ability to develop, deploy, and retain the critical skills needed to compete.

Texas Instruments has successfully implemented the Center Of Excellence concept to achieve an equality of focus between the development of human resources and the engagement of customers and to allow the IT team to develop the talent needed to refine and execute the three transformation strategies. Unlike many organizational leadership bodies whose members assert that people are their most valued resource, the leadership team at Texas Instruments wanted to back its words with actions.
Horizontal Skills-Centered Units

Texas Instruments' IT organization went from a vertical functional-department structure to a horizontal skills-centered Center Of Excellence structure that sources people to vertical project teams across the organization. The center of excellence structure separates the traditional elements of control between two distinct roles: a center of excellence coach and a project or organization leader.

To ensure that everyone understands the roles and the accountability within the center of excellence structure, the IT organization rewrote organizational processes to reflect the new roles. The processes were published and then explained during open discussion meetings. Some of the major processes rewritten for the IT organization at Texas Instruments include:

- The performance-evaluation process.
- The development planning process.
- The compensation planning process.
- The staffing and assignment process.
- The knowledge-capture process.
- The cost-management and labor-tracking process.

Originally published in October 1994 by an implementation team, the processes were refined in June 1995. Each process is currently owned by a center of excellence coach who is responsible for leading any further refinement activity. Both the coach and project or organization leader work with center of excellence members to ensure that each individual understands—from both a project standpoint and a self-development standpoint—the requirements of success within the organization and the market.

Responsibilities of the COE Coach

The center of excellence coach has no responsibilities outside the center of excellence. The responsibilities of the coach include:

- Training, developing, and assessing center of excellence members in support of projects.
- Mentoring center of excellence members in their areas of expertise or discipline.
- Facilitating and enabling the exchange and sharing of ideas and information.
- Recruiting and facilitating the assignment of individuals to projects.
- Managing the base salaries of center of excellence members.
- Providing administrative support to center of excellence members.
- Managing costs within the center of excellence.
Responsibilities of the Project or Organization Leader

The project or organization leader/manager has the following responsibilities:

- Attaining performance objectives for all project milestones.
- Forecasting time-phased and skills-based resource requirements.
- Providing technical project direction and setting task-level priorities.
- Validating center of excellence core competencies and future skills development.
- Providing coaches with feedback from team members' performance evaluations in support of the performance-evaluation feedback process and the promotion and base-salary adjustment process.
- Initiating and participating in the corrective-action process regarding performance issues.
- Managing and distributing variable compensation to project members.

Human Resource and Other Support Programs

The Center Of Excellence at Texas Instruments is supported by three human-resources-related processes that are of great importance to the individual and the organization. These are:

- The staffing and assignment process.
- The performance-evaluation process.
- The compensation planning process.

The following sections summarize the significant characteristics of these processes.

The Staffing and Assignment Process

Under the staffing and assignment process, administrative responsibility for individuals resides with only one center of excellence. Individuals are encouraged to remain with their project assignment until completion of a major phase or milestone. They are also encouraged to participate in a wide range of assignments that provide exposure across the IT environment.

An open process for communication of assignment opportunities helps individuals achieve maximum exposure across the organization. Assignment changes are discussed with all involved parties (i.e., the individual, the project or organization leader, and the coach) before they occur.

The Performance-Evaluation Process

Performance review sessions are held with the coach when individuals change assignments, or at least annually. They are initiated by individuals and based on feedback
the coach obtains from various project or organization leaders. In addition, individuals are expected to collect 360-degree feedback throughout the year. As much as possible, performance review sessions are separate from the compensation review process.

**The Compensation Planning Process**

COE coaches manage the base pay (i.e., salary) of center of excellence members. Base pay is determined according to the individual's competency level within the skill set/discipline, customer results, skills acquisition, teamwork, and knowledge sharing. Project and organization leaders manage variable compensation based on superb execution of tasks that map back to a key customer or organizational success criterion. All leaders are compensated based on attainment of performance objectives and staff development, not organization size.

**Recommended Course of Action**

Many IT organizations are limited in their ability to enable the type of business change required by their customers. These organizations must take care not to repeat the historical change pattern of centralization and decentralization.

Random change warrants implementation of a learning organization that is based on the Center Of Excellence model. Successful implementation of a center of excellence depends on several factors.

**CSFs for Implementing a Center of Excellence**

A successful implementation has the following:

- Leaders who are visibly committed to the change in focus.
- A clearly articulated vision.
- Benchmarking activity that facilitates learning.
- Clear communication of the reason for and benefits of the change.
- Involvement of as many organizational members as possible.
- Thorough communications planning throughout the transition.

A center of excellence implemented along these lines provides the flexibility organizations need to meet the two imperatives of success:

- It engages the customer.
- It provides continuity to an individual's career and development while adding value to the bottom line of the customer in a timely fashion.

Organizations should not waste their and their peoples' time with repeated reorganizations. An organizational design that is flexible, responsive to random change,
and customer-focused will outlive the next technology wave. The center of excellence model offers a fix, not another management fad.

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