

# More than words

## Why greatness has to be about more than just a clever acronym

The term “center of excellence” is now integrated into the business vocabulary. But what does it mean and how does one generate a center of excellence (or CoE as business pundits who never tire of new acronyms call it)?



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To be a CoE, a business area must be at a world-class standard and aspire to continue to develop. It must benchmark itself over time and measure its own trends; yet it must also vigorously pursue external benchmarking in all pertinent areas. It must select key performance indicators and add new KPIs and areas for improvement as business develops.

In supply chain, you may for instance start to measure inventory accuracy and inventory turns; the next step might be to measure obsolescence and scrap; the next step could be to measure cash-to-cash cycle (the delay from when a supplier is paid for a part and the company receives payment for the same part); the next step could be to set up and measure a closed loop materials cycle for sustainability where customers return a product for reuse or retrieval of parts.

### Extremely strategic

In this example it quickly becomes clear that the measurements and areas for excellence go from very tactical to extremely strategic. At the same time, they go from fairly easy and standard to measure, to requiring design and maintenance of very complex tracking systems.

Innovation becomes a prerogative in a CoE; not just the incremental improvements and innovation in execution, but also strategic innovation.

In a supply chain, a CoE could, for

instance, explore how the supply chain may support increased sales, new product development or customer intelligence gathering. Developing a CoE is a team sport. Great teams start with great leaders, yet all players are aligned and participating.

The culture is typically one of humility towards any task. There will be a can-do attitude, but no arrogance. Instead of statements such as, “I can do this in my sleep,” a more typical statement would be, “There is always room for improvement.”

The CoE will foster both an environment of training and learning. Realizing that the worldwide bar goes up every day and that business requirements change, the group is set to learn and develop. Innovation becomes an important function, and innovative thoughts are shared freely and celebrated.

### Learn from success

There is a significant discussion in the business world about whether to learn from one’s failures or from one’s successes. To develop a CoE is to learn from the successes. The CoE must develop from the best business unit functional areas. The area must be significantly important to the success of the overall business, such that it pays off for the company to have truly great players dedicated to that area. Do not send the Little League team to play against world champions.

Finally, not everyone is in a situation to develop a CoE. The constraints, for instance, of running franchise operations may just be too hard to overcome. It never hurts, however, to think about what it takes to be the best in the world, even in our personal lives. ●



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