Realizing value with a supply chain planning Center of Excellence

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Why now is the time to build your Center of Excellence

A more agile, less fragile supply chain. Reduced costs. More loyal customers. Happier planners. The benefits of implementing an advanced supply chain planning solution are many and varied.

But implementing a new supply chain technology is just the beginning of your digital supply chain transformation journey. To realize the full potential of your powerful new solution, you need specialized expertise. You need to drive and manage change. You need to have and provide visibility to the wider organization. You need to evolve and innovate as your business changes. And, perhaps most important of all, you need to win the hearts and minds of the people who'll be using the technology day to day. Because if you don't, they won't.

Still, too few companies think beyond the initial implementation and risk winding up over reliant on the vendor's services organization or external consultants to support them. While those support mechanisms are necessary and undoubtedly valuable in the short, or even medium, post-implementation timeframe, the secret to shrinking time to value from your technology investment, is to become self-sustaining as quickly as possible.

Enter the supply chain planning Center of Excellence (COE) – an internal powerhouse purpose-built to drive value and continuous improvement from your supply chain planning solution.

But what is a COE? Why do you need one? What does it look like in your organization? Who should be a part of it? How do you convince others of the value?

For the answers to those questions and much more, read on!

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Chapter 1:
What is a COE?

01

According to Gartner, "A Center of Excellence is a physical or virtual center of knowledge, concentrating on developing expertise and resources in a supply chain function, capability or process to attain or and sustain performance across the supply chain."[1]

Despite the broad nature of that definition, companies often make the mistake of thinking that their supply chain planning COE is only good for providing technical support. But, while deep knowledge and understanding of the supply chain planning technology in question is a fundamental competence of the COE, the technology itself is just one piece of the puzzle.

The COE is a collective of cross-functional experts who both possess, and are able to share, a holistic view of the business needs and how the supply chain should be aligned to corporate strategy.

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In its Hype Cycle™ for Supply Chain Strategy, 2022 Gartner® states that one of the five major use cases for a supply chain COE is to provide 'expertise as a service to the organization'.[2]

A 2022 survey of Kinaxis customers illustrates the many ways in which their COEs deliver value to the organization.

A COE accomplishes many functions

Be the source of best practices
87%

Provide technical support to end users
81%

Support continuous process innovation
77%

Provide standardized processes
74%

Provide governance
74%

Provide authoring and admin functions for solutions development
65%

Provide oversight and change management expertise on business transformation
58%

By breaking down siloes, driving standardized processes, championing innovation and nurturing talent, a well-designed, well-organized, well-staffed supply chain planning COE acts as the 'glue' that keeps the supply chain tightly aligned with the goals of the wider organization.

Chapter 2:
Benefits of a COE

02

"Data shows that organizations using one or more COEs are two to three times more likely to report exceeding their goals (revenue growth, margin and return on assets [ROA]) in the prior fiscal year than organizations that do not have COEs"[3]

It's no surprise to us then that 93% of the supply chain organizations surveyed by Gartner in its 2022 Hype Cycle for Supply Chain Strategy have one or more COEs. In this report, Gartner analysts state "despite the inflationary pressures, we predict that the use of COEs as a method for driving change in supply chain will continue".[4]

Research from Supply Chain Insights also shows that companies with supply chain COEs have the power to be more strategic, proactive and agile. Moreover, organizations that invest in building a supply chain COE enjoy significantly greater alignment between teams. For example, 83% of companies with a COE have reported strong alignment between Finance and Operations, compared to just 50% of those without a COE.[5]

What's not to like?

Chapter 3:
Types of COE

03

Supply chain COEs come in all shapes and sizes. So, which one is right for your organization? It all depends on where you're at on the maturity spectrum.

According to Gartner analysts, a simple analogy for building a supply chain COE is the construction of a house from the ground up. They state, "The business context acts as the strong foundation on which you can build the formal structure of your COE.

Once the contextual foundation is laid, the organizing model, scope and scale, and supporting network of partners act as three main pillars to facilitate the stable execution and function of the COE. Both the contextual foundation and organizational pillars inherently support and reinforce the supply chain COE mission, but the COE mission itself contributes to the fortification of the COE. It is the metaphorical roof that protects the COE from the elements of lack of adoption, decreased engagement, obsolescence and scope creep."[6]

COE mission

Organizing model
Scope and scale
Network of partners

Business context

Building a supply chain COE from the ground up

Gartner classifies three main types of COE[7]:

- **Decentralized** - Decentralized COEs are often used in organizations that are divided into business units with differing supply chain characteristics. This could be, for example, where profit and loss statements, and business functions are distributed into regions or product-specific business units. Organizations with decentralized COEs are still focused on improving the business but are differentiating those initiatives at the local level and are not connected to an enterprise view of supply chain, if there is one. In many cases, the teams working on initiatives may not be formally identified as forming part of a COE, but instead as project teams of subject matter experts (SMEs) that work either full- or part-time, and are funded by the business.

- **Centralized** - Centralized COEs are most often used by organizations targeting large-scale changes at speed, such as wide-scale standardization, innovation or cost reduction. They do this by concentrating the expertise that exists in the business, into one team of full-time professionals that can prioritize and deploy that expertise toward enterprise initiatives.

- **Center-Led** - Center-led COEs are used by supply chains seeking to balance the needs of individual business units with the desire for some level of global standardization. They achieve this by having a small central staff (either full- or part-time) with a core, prioritized list of cross-business standardization initiatives, augmented by part-time teams from business units to provide subject matter expertise. Each business unit spends some of its resources working on the global projects, and the remainder developing and implementing projects within its own business units, separate from the rest of the supply chain organization..

Kinaxis customer research highlights a marked shift towards a centralized model, with 76% operating this model in our 2022 survey, compared to 57% in 2018, suggesting that our customers' maturity levels are increasing.

Chapter 4: Building the business case

04

You know that building a supply chain planning COE is going to accelerate and augment the value from your supply chain planning technology investment but you need resources. How do you convince others that your initiative will deliver a healthy ROI?

Fortunately, this should be an easy sell!

By demonstrating the following hard and soft benefits, you'll be able to present a compelling business case for your COE:

- **Cost savings on professional services** or consultancy fees (based on project budget, weekly run rate and the timing of the transition from external support to your COE)

- **Potential cost savings on end user training** through a 'train the trainer' approach

- **Time and opportunity cost savings** from faster deployment of new capabilities

- **Rapid and widespread user adoption** driven from the COE, leading to accelerated return on investment

And the good news is that these benefits increase exponentially with the size of the project and number of end users!

Chapter 5:
Who's who
in the COE?

05

Now you've got the investment (go you!), what are the critical functions of your COE and who should perform them? While there are no hard and fast rules here, you'll likely want to cover the following bases:

Business Champion

- Ambassador in business division keeping the implementation team accountable for success and results

- Owns process and related KPIs

- Understands the drivers for change and articulates the benefits

- Approves future process, helps prioritize process changes and roadmap of improvements

COE Solution Lead

- Owns the end-to-end solution design

- First point of escalation for super users (solution-related issues)

- Works with COE Process Lead, IT and super users to design solution and enhance business processes

- Very knowledgeable in the tool

Super Users

- Network of experts in the tool, acting as local solution experts and process owners

- Primary points of contact to end users for resolving business solution-related questions

- Support project team with requirements definition and testing of solutions

- Support change management plan and all change and go-live activities

- Localize training materials and conduct training for business users

COE Process Lead

- Business owner of the technology solution, responsible for business process decisions, approvals and endorsements

- Focuses on strategic changes in the solution – authors enhancements, coordinates process improvement and process adherence

- Works with IT and Business Champions to design and enhance business processes

COE IT Support

- Trained in the tool

- Data Admin, User Admin and System Admin roles

COE Change Agent

- Owns local deployment plan and support activities

- Responsible for training, super users, details of the processes

- Coordinates change requests

- Supports communication, training and change-related activities

What's important is that you have a blend of skills and knowledge to ensure business objectives are well understood, business processes are adhered to, technical aspects are considered and executives are aware of, and support, the COE's activities.

To begin with, you may have fewer people, each wearing multiple hats or you might split these responsibilities across several individuals from different teams – and that's OK.

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Chapter 6:
Are you ready
for a COE?

06

Creating a COE requires careful consideration of readiness, mission, resource acquisition, skill development and supporting functions. One of the main pre-requisites is to conduct a COE readiness assessment.

Questions to answer include, but are not limited to:

- Is there sponsorship at the executive level to help define and drive the mission of the COE?

- Do the resources exist within the organization to support a COE, or is external hiring required?

- Is there a developmental path to build the necessary skills, and if not, can one be built?

If the answer's "yes," then you're off to the races!

But, before that, a few words to the wise.

Ensure the mission and mandate for the COE is well defined, communicated and understood organization wide. It can be easy for this group of experts to become the catchall for special projects and become the go-to group to solve emergency problems. The mission of the COE needs to be protected.

Beware scope creep in this group. Unless part of the COE mandate is to provide first and even second-level support, this team should be focused on solving highly technical and complex business requirement problems. If the team is engaged in solving problems outside of this scope, it's likely that skills and/or responsibility definition are lacking in other areas.

And with that, you're all set to take the first steps on the path to self-sustainment!
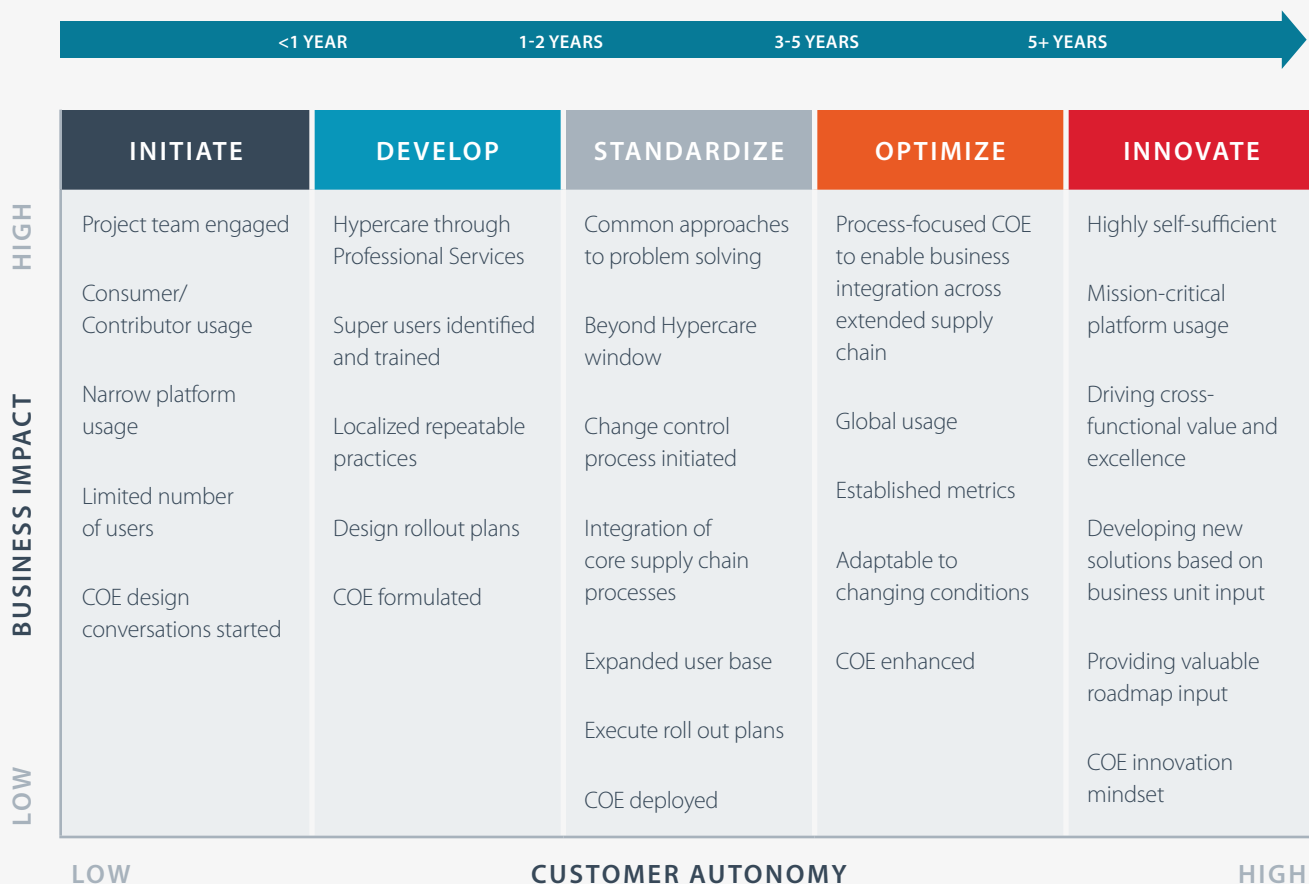
Chapter 7:
The journey to
self-sustainment

07

Rome wasn't built in a day and, as with many new undertakings, you need to learn to walk before you can run (and ultimately fly!) with your supply chain planning COE. Don't worry though. Although achieving full autonomy is likely a multi-year endeavor, there'll be plenty of incremental wins along the way. From baby steps to giant leaps, the different stages that a customer COE will transition through over time are depicted below.

	<1 YEAR	1-2 YEARS	3-5 YEARS	5+ YEARS	
	INITIATE	**DEVELOP**	**STANDARDIZE**	**OPTIMIZE**	**INNOVATE**
HIGH	Project team engaged	Hypercare through Professional Services	Common approaches to problem solving	Process-focused COE to enable business integration across extended supply chain	Highly self-sufficient
	Consumer/ Contributor usage	Super users identified and trained	Beyond Hypercare window		Mission-critical platform usage
	Narrow platform usage	Localized repeatable practices	Change control process initiated	Global usage	Driving cross-functional value and excellence
	Limited number of users	Design rollout plans	Integration of core supply chain processes	Established metrics	Developing new solutions based on business unit input
	COE design conversations started	COE formulated	Expanded user base	Adaptable to changing conditions	Providing valuable roadmap input
			Execute roll out plans	COE enhanced	COE innovation mindset
LOW			COE deployed		

BUSINESS IMPACT

LOW · **CUSTOMER AUTONOMY** · HIGH

Chapter 8: Kinaxis gives you wings!

08

At Kinaxis®, our goal is to help your organization become self-sustaining through the creation of your own RapidResponse® Center of Excellence.

Our Services team looks at your RapidResponse deployment as a journey that will drive effective change management while maximizing user adoption. We'll support you during your deployment and after your go-live and, to truly maximize RapidResponse value and enable you to grow your business and operating models, we'll build, inform and train your COE team and ambassadors.

Subscription-based Learning includes a learning architect who will develop a customized service plan for you. The plan will include: a stakeholder map identifying COE super users, change agents

and ambassadors, a selection of appropriate standard training, and a training program for the COE team. You'll also gain access to the Kinaxis Learning Center, which contains all available standard Kinaxis training materials.

We can develop a **Customized Learning Program** for your organization. We'll set up a dedicated training lab in a mirrored environment of your live system using a snapshot of the system with real data. This enables us to create training exercises tailored to your day-in-the-life processes, complete with your data, workflow and challenges.

Our **Change Management** services can help you manage and communicate the change related to implementing RapidResponse. Organization and job profile design will help you to get the most value out of the new way of working.

And, as more users gain hands-on experience and expand their skills, your COE members and administrators will rapidly become the primary source of support and driving value.

In a nutshell, we'll help you succeed, hand in hand, every step of the way.

As more users gain hands-on experience and expand their skills, your COE members and administrators will rapidly become the primary source of support and driving value.

Conclusion

Implementing a new supply chain planning technology is just the start of your digital transformation journey. Setting up a COE ensures that your supply chain stays in touch, and in tune, with the wider organization to drive meaningful performance improvements, continuous innovation and sustainable business value.

You'll need to lay solid foundations based on clear objectives and a realistic assessment of your current maturity level. You'll need to make important decisions around the right organizing model and the scope and scale of your COE's activities. And you'll need to recruit the right folks with the right mix of influence, knowledge and skills.

And with that, you'll have the power to realize the full potential of your technology investment. So, what are you waiting for?

Learn more at <u>kinaxis.com</u> or reach out to your Kinaxis contact.

www.kinaxis.com

Endnotes

1   Alan O'Keeffe, Ken Chadwick, Caroline Churnakov, "Best Practices in Organizing Supply Chain Centers of Excellence," Gartner, 2021. (Requires Gartner subscription to view)

2, 3 & 4 Noha Tohamy, "Hype Cycle for Supply Chain Strategy, 2022," Gartner, 2022. (Requires Gartner subscription to view)

5   Lora Cecere, "Driving Supply Chain Excellence: Insights on the Use of a Supply Chain Center of Excellence", Supply Chain Insights, 2015.

6 & 7   Alan O'Keeffe, Ken Chadwick, Caroline Churnakov, "Best Practices in Organizing Supply Chain Centers of Excellence," Gartner, 2021. (Requires Gartner subscription to view)