

How to increase agility and innovation with a center of excellence

by Jeroen Bet, Strategy Director and
Emily R. Kessler, Associate Strategy Director

Summary

A customer-centric center of excellence (COE) is a low-cost, fast-moving innovation framework that supplies inclusive solutions based on holistic customer insights in siloed organizations. Luxoft has successfully launched and managed COEs with a small number of contracted staff inside large enterprises.

Innovation and agility

The recent pandemic showed that many businesses were unprepared for rapid changes in market conditions and consumer behavior. The sudden and unforeseen market disruption proved to be a catalyst for businesses to adapt to the new normal. Small businesses are usually more agile in making those changes. For example, a restaurant once relying on in-house dining was able to quickly shift its business model to non-touch delivery and pickup during the pandemic. Larger enterprises, however, cannot pivot as quickly.

Market disruptions are more significant for larger enterprises as they struggle due to their lack of an innovation framework, a clear adaptive program and lower agility. They rely heavily on long-term strategies and road maps, making it difficult to respond quickly to unexpected shifts. When disruption occurs, these businesses struggle to adapt to shifts in consumer behavior and market conditions, particularly when there is no emergency scenario to guide their response.

Cost-effective, human-centered innovation can make a difference

Failure to adapt to changing market conditions and consumer behaviors is even more apparent in larger, siloed organizations that have cut their innovation labs or departments. Usually staffed by newly hired innovators, innovation labs or departments can create an additional silo within an already fragmented organization. Employees in those organizations may view these innovation labs as wasteful expenditures or threats to the status quo, leading to resentment and limited buy-in from the rest of the business. Consequently, these labs are often disbanded due to high costs and diminishing return on investment, leaving organizations without a dedicated, centralized innovation hub.

How can larger, siloed organizations, which hope to reduce costs but lack innovation capabilities, prepare

themselves for disruption and solve big, thorny organizational challenges?

There are four prerequisites for an organization to solve this challenge:

1. Go beyond siloed thinking and aim to gain a holistic understanding of customer needs that crosses departmental boundaries
2. Be cost-effective in creating new, adaptive, customer-centric strategies
3. Be agile enough to execute an adaptive strategy
4. Execute the adaptive strategy quickly to address both current and future changes in consumer behaviors

A customer-centric center of excellence

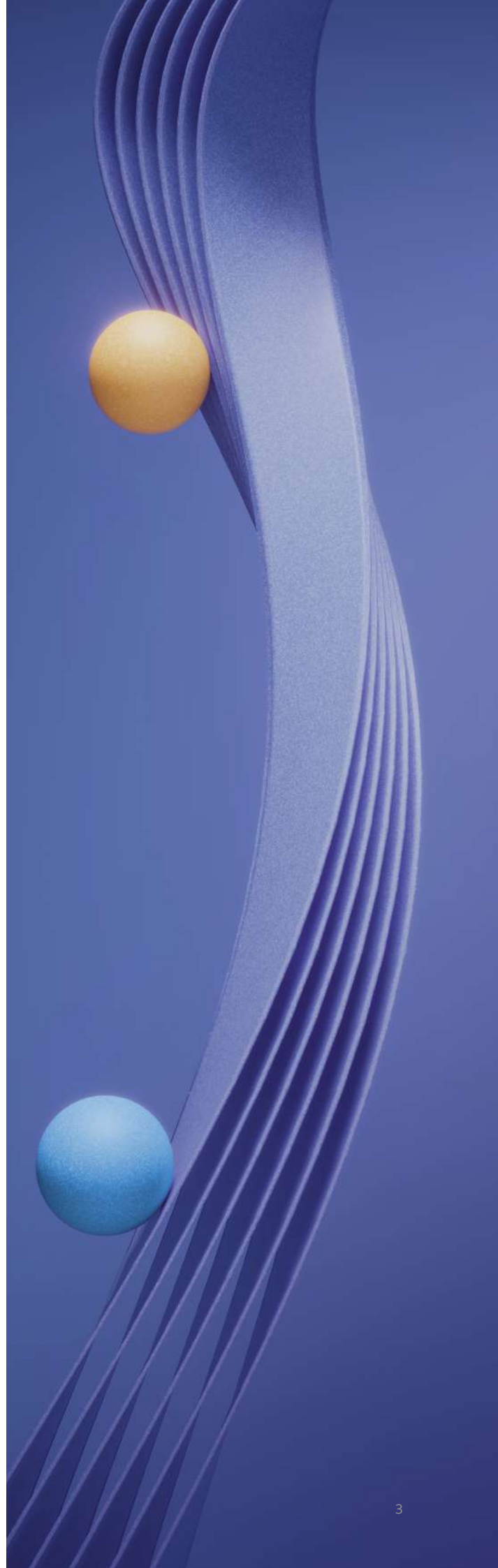
One way we at Luxoft have helped companies solve enterprise-wide challenges over the last three years is by implementing a customer-centric center of excellence (COE).

What is a center of excellence?

A COE is a group of employees from different business units or departments who share specific area expertise and best practices to support a specific strategy or business goal within an organization.

In practice, this means that employees from across the organization with a specific skill set, focus or function come together to share information and collectively solve business problems outside of their current siloed environment. This gives them the opportunity to act quickly in response to challenges in a cross-functional, cross-departmental manner, while at the same time having the ability to involve their extended network whenever additional input or abilities are needed.

A customer-centric COE brings together employees who adopt a customer-centric approach to business challenges, creating innovative solutions and tackling big, thorny organizational issues. Problem-solving may occur in various forms, such as a short project, design sprints or hackathons, and it involves active collaboration with other teams across the organization. These business challenges can have an external target audience (e.g., changes in consumer behaviors) or internal (e.g., optimization of current processes) and may be prioritized based on their impact.



In our experience, we have seen these **benefits of a customer-centric COE:**



Cost-effectiveness of innovation

By tapping into the knowledge of an existing pool of employees, companies can leverage their workforce without the cost of new talent



Acceleration of innovation

A customer-centric COE can accelerate innovation by bringing together knowledge from divergent functions and departments, enabling a quick assessment of viable and feasible solutions that can be prioritized



Innovation buy-in

Because a COE is made up of current employees across the organization, there is a greater chance they will get buy-in from their colleagues outside of the COE. These COE members can become advocates within their own departments for human-centric solutions and the COE as a concept



Organizational knowledge-sharing

Knowledge of customer behavior, departmental expertise and cross-functional knowledge can be shared among the COE members, who can then adopt the best current practices



User-centric activities

The COE can give the business a competitive advantage by creating strategies to rapidly respond to changing consumer behaviors based on shared customer knowledge. This enables the development of better products, services and experiences that your customers will use and buy



Silo dismantling

A COE brings together individuals from various functional levels and positions, breaking down departmental boundaries to gain a holistic view of the customer journey, including pain points, wants and needs. These individuals collaborate to identify and develop effective solutions

Challenges of a COE

Despite the potential benefits of a COE, organizations may face challenges in establishing and effectively operating such a team.

- **Business viability:** The resources needed for a COE may not be available due to a lack of skilled professionals or due to a lack of employees who have the bandwidth to lead a COE. However, this challenge can be mitigated by augmenting staff with external resources. Luxoft has successfully launched and managed COEs with a small number of contracted staff inside large enterprises
- **Employee retention:** COE members will come and go, and with them, knowledge may be lost.
- **Employee engagement:** In today's business environment, where employees often attend numerous meetings and have a heavy workload, we found that many COE members appreciated our human-centric approach to meetings. They found the experience of being part of a customer-centric COE to be refreshing and engaging, providing a welcome break from their day-to-day work

Benefits of engaging an external party to build and operate your COE

Collaborating with an external partner can help organizations build and operate a successful COE more efficiently and effectively while also gaining access to specialized expertise and a fresh perspective. Benefits include:

- **Access to specialized expertise:** An external party can bring specialized expertise and capabilities that the organization may not have in-house, such as emerging technology knowledge, cross-industry insights, methodologies like Agile or Design Thinking, and best practices in change management
- **Objectivity and new perspectives:** External parties can bring an alternate perspective to an organization's challenges, free from any biases and preconceptions that might exist with employees embedded in company culture and history. They can also provide an objective assessment of the organization's capabilities and identify areas for improvement
- **Cost-effectiveness:** Building and operating a COE can be complex and resource-intensive. By hiring an external party, organizations can avoid the cost of recruiting new and training existing staff
- **Faster startup:** An experienced external party can help the organization establish their COE more quickly, avoiding the trial and error that may come with initiating new systems, processes, tools and practices

A customer-centric COE may be the answer for your business when you need a more strategic, customer-centric approach to innovation and a cost-effective way of dealing with future market disruptions. It brings together employees from across the organization to address big organizational challenges in a unique way, spurring innovation that can gain faster buy-in and run more efficiently.

About **the authors**



Jeroen Bet

Strategy Director, Luxoft Smashing Ideas

Jeroen is a Strategy Director with an extensive background in user experience. He joined Smashing Ideas in 2019 to manage a design thinking community of practice for a life sciences enterprise client. While doing this, he facilitated numerous workshops in both the problem space and the solution space, unearthing innovative insights from unmet user needs. In his work, he manages engaging ideation sessions that give organizations the solutions they need to realize their goals.

In his career, Jeroen has worked with companies like Expedia, Costco, Amazon and Microsoft to get teams “unstuck” and provide clear paths forward through finding the core problems as well as desirable solutions that are viable and feasible.



Emily R. Kessler

Associate Strategy Director, Luxoft Smashing Ideas

As an Associate Director of Strategy at Luxoft Smashing Ideas, Emily uses a combination of design, strategy and social science tools to help teams identify the right problems to solve and reach better solutions more efficiently. She has led a team of diverse practitioners within a design thinking center of excellence for a life sciences enterprise client to address big organizational challenges and spur innovation. She has also directed large-scale initiatives to simplify and optimize internal processes from a human-centered perspective that led to greater buy-in, reduced costs and increased effectiveness for clients. Emily also holds a master's degree in Organizational Change Management and has earlier experience in leading social sector organizations.

Visit luxoft.com or contact our team for more information
on how we can help you build and manage a bespoke COE
that meets your organization's specific needs and goals.

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