

Issue: Retiring Employees, Lost Knowledge

A pilot program at American Express gives soon-to-be retirees less work and more time to pass along their expertise to younger generations

With baby boomers poised to leave the workforce, will the next generation of workers be equipped to run the show?

That question was on the minds of executives at American Express ([AXP](#)) in 2006, when the company assembled an internal team to anticipate problems and pose solutions stemming from demographic shifts in its workforce.

Before long, the group made an important discovery: Not only would a huge number of employees become eligible for retirement in the next five to 10 years, the company had done little to retain the wealth of institutional knowledge they would be taking with them. From the intricacies of key client relationships to mainframe computer languages no longer being taught in school, many experienced workers possessed critical know-how that, if lost, would be costly—if not impossible—for the company to replace.

This was a problem with no simple solution, according to Jim Rottman, head of American Express' workforce transformation group. Retiring employees would need incentives for infusing the company with their knowledge, and they would need time to do it. Their expertise would have to be translated and presented in a form that would appeal to the younger workers receiving it. And since it would be nearly impossible to elicit knowledge from all exiting employees, the company would have to target those with the most crucial skills.

PILOT PROGRAM LAUNCHED IN 2008

These parameters helped shape the American Express phased-retirement program, an initiative launched in pilot mode during the first quarter of 2008. Rather than retiring and leaving the company at once, participants gradually give up their day-to-day responsibilities, while replacing some of their free time with activities like mentoring and teaching master classes to their successors. In addition, they get more time out of the office doing whatever they want—be it planning for life in retirement or doing charity work. The phased retiree continues to receive a portion of his previous salary, benefits as usual, and the company in turn gets to hold on to some of its most valuable employees a year or more past traditional retirement age.

For now, the program is only being rolled out to employees in two of its business units: technology, because it was easiest to assess what skills needed to be passed on there, and finance, because that's where the company has some of its most important client relationships. Soon-to-be-retirees in these units can apply to be part of the program.

It's an easy sell to senior employees, says Rottman. "It allows them to pursue their personal passion while working at American Express," he says. "And it allows them to leave their legacy behind and get the next generation of leaders and experts ready." It also helps them avoid some of the emotional and financial hurdles of sudden retirement.

TECH TEACHING TOOLS A MUST

Tailoring the lessons of an older generation to Gen Xers and Gen Yers, on the other hand, has required creativity. "One of the things that we've really focused on is paying as much attention to the person who's transferring the knowledge as to the person who's receiving [it]," says Rottman. That means getting phased retirees to learn new teaching tools like "learning maps," or visual representations of systems and processes, and interactive media like wikis, instant messaging, and audio posted on a company intranet.

So far, Rottman says the response from employees has been enthusiastic. And since it has involved little or no extra cost to the company, and no apparent risk, the initiative is gaining support in the upper levels of the organization.

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Analysis: How Job Handoffs Should Work

More companies should design knowledge-transfer programs like the one being piloted at AmEx, says consultant David DeLong

We've seen two trends that are really making knowledge transfer in organizations today an increasingly salient issue. One is the major demographic shifts that are coming, which includes not only the retirement of baby boomers, but the increased turnover of highly skilled midcareer employees and the increased difficulties of recruiting, developing, and retaining Gen Ys, younger workers. These demographic shifts, combined with the explosion of technical, scientific, and managerial knowledge in the workplace in the past 30 years, means that when people leave organizations today, they are potentially taking with them knowledge that's critical to the future of the business.

There are several things that American Express ([AXP](#)) is doing well. First of all, they clearly know their workforce.

They've invested resources in understanding what technical and managerial capabilities they will need to support their strategy. They also have a good understanding of their age profile. They know which employees are close to retirement or are most likely to leave. This allows them to set up succession planning in a much more effective way and to drive it down further into the organization and reach critical roles that aren't necessarily at the C-level.

Secondly, they've invested in extending the careers of their older employees with this phased-retirement program. Organizations that have effective knowledge-transfer programs have to find ways to retain those knowledgeable older workers long enough to transfer the information.

GIVING EMPLOYEES NEEDED TIME

The third thing they've done is they've given those older workers the time and resources to transfer that knowledge by allowing them to redefine their roles and by making knowledge transfer an explicit part of their job before they leave the organization. Too often today, organizations don't have these conversations with their veteran employees about the importance of sharing this knowledge before they leave, and making it clear that it's highly valued.

For example, nursing is an industry that is suffering from this. With the aging nursing workforce, more and more nurses are leaving—leaving fewer nurses available to share their knowledge with younger nurses. This puts more and more stress on those veteran nurses remaining, prompting them to leave earlier out of frustration. American Express has thought about that [dynamic] and tried to create roles that will encourage people to stay longer.

In addition, they clearly have recognized that there are different types of knowledge that need to be transferred, and this requires different methodologies for doing it. Generally, we think of three types of knowledge: There's human knowledge, knowledge that's in peoples' heads; tacit knowledge, which is that experiential knowledge; and social knowledge, the ability to collaborate and get people to work with you.

EXPLICIT LINKS BETWEEN MENTORS AND APPRENTICES

The last thing that American Express is doing well here is they're linking mentors and their apprentices explicitly. We need to always involve younger workers early in any knowledge-transfer project so they can help define the information that they are going to need in the future.

There are a couple of issues that come up in this case that raise questions that I would pose to management at American Express if I were involved in this project.

One is to be aware of rhetoric. Effective knowledge transfer is not about leaving a legacy: It's about actually passing on critical know-how and know-what to the people doing that job after you. Leaving a legacy is an important value for veteran employees, and we want them to recognize that. But employees are very sensitive to rhetoric today because they've heard about too many new mentoring programs, too many new culture-change initiatives, and there's a lot of eye-rolling that's likely to occur when they hear this. So we have to make sure there's much more than lip service being paid to programs that try to transfer knowledge.

STAY FOCUSED ON STRATEGY

Secondly, we have to give our veteran workers the tools they need to transfer that knowledge. We too often assume that experienced employees naturally know how to teach. Why should we assume all of our employees know how to teach? We have to give them the tools to define what knowledge it is they want to pass on, how to coach their junior employees into communicating with them, and how to develop test questions to see if that knowledge has been passed on.

Thirdly, we have to make sure that we continually link our knowledge-transfer activities to the business strategy of the organization. How is this knowledge transfer going to support our ability to control costs, improve innovation, and support growth of the business? In other words, if we fail to transfer this knowledge, how is that going to undermine these objectives?

Finally, we have to recognize there are no silver bullets for transferring knowledge. There's no one way to do it right. We have to look at a range of solutions that include aligning our HR practices, evaluating the actual knowledge-transfer tools we use, and ensuring that we have IT tools that can support the efforts we're trying to make.

By David DeLong, president of Concord (Mass.)-based research and consulting firm David DeLong & Associates, and author of Lost Knowledge: Confronting the Threat of an Aging Workforce .



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