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Keeping the know-how of a retiring generation

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If the average age of the scientists in your company's R&D department is 48, surely there is no need to worry yet about losing expertise if one of them retires? Wrong, says David DeLong: "I want to know which of the key people are 56, 58 or 60 – who is getting ready to walk out the door."

Mr DeLong, a consultant and research fellow at MIT's AgeLab and author of a book* on the implications of an ageing workforce, is one of several experts urging organisations to work harder at ensuring that the knowledge held only in employees' heads is not lost when they leave the company or retire.

It is not just the ageing workforce that organisations need to bear in mind, experts say. Over the next few years, the oldest of the 76m to 78m US baby-boomers will reach retirement age, and the post-second world war population bulge is repeated elsewhere.

Stir in other demographic trends, such as the falling birth rate in some European countries, and that ought to be enough stimulus for organisations to recognise the need to capture and retain the knowledge and expertise that is never written down – one of the main aims of a set of practices known as knowledge management (KM).

"For a long time KM has been a solution looking for a problem, and it has finally found it," says Mr DeLong.

Judging by a global study** of 1,400 workers aged between 40 and 50, conducted last year by Accenture, the experts have failed so far to instil a sense of urgency. Nearly four in 10 respondents said their organisations did not have a formal process and/or tools for capturing their workplace knowledge.

When it comes to retiring, 27 per cent said they expected to be let go without any transfer of knowledge and only 17 per cent expected an intensive, months-long process of knowledge transfer. "There was not a lot of clear focus about how to capture the knowledge in people's heads," says Peter Cheese, global head of Accenture's human performance practice.

Many companies are aware of the demographic issues but not sure how concerned they should be. "There is a specific worry, but there is still a lot of debate across the organisation," says Scott Shaffar, director of knowledge management at Northrop Grumman's integrated systems business. "Is it a crisis, or something that will gradually affect us – because it is really hard to predict when the baby-boomers are going to retire given the changing financial conditions that are out there."

Northrop Grumman is very similar to many other aerospace companies and to some of its customers, says Mr Shaffar, as a large proportion of its workforce are baby-boomers

Unfortunately, implementing effective KM has been a task beyond many companies, in part because they have put too much faith in IT as a solution. Mr Cheese says the technology has not been flexible enough to support the very real challenges of KM, and companies have often focused on technologies that act like libraries – giving a structure and taxonomy to corporate information – when KM is really about tacit knowledge retained by individual employees.

This "social context of knowledge" is often overlooked, says Eric Lesser, an expert in human capital issues at IBM Business Consulting Services and author of a report*** on ageing workforce issues.

"Performance in highly competitive marketplaces requires workers armed with knowledge that goes beyond the explicit information contained in manuals and databases. There is an increasing need to tap into the experience, intuition and social networks of employees," says Mr Lesser.

What Mr Cheese calls the "touchy-feely stuff" is every bit as important as IT in achieving this. "Technology can enable and help, but if a company does not have a culture of knowledge sharing and collaboration, all the technology in the world isn't going to help," he says.

But KM's touchy-feely side makes it particularly hard to achieve a neat, measurable return on investment in the supporting technology. Additionally, the costs of lost knowledge are largely hidden, and do not show up on balance sheets, says Mr DeLong.

"Managers as a whole have not been educated to see intellectual property as an asset in the way that money is," agrees John Kay, a member of the management group at PA Consulting Group. "If the average company managed its money in the way it managed its IP, it wouldn't be in business."

For too long, he says, companies have talked about KM as if it is an end in itself, but it can only be a means to an end – improving the company's business performance. "Like

IT, KM has set itself up as a discipline in its own right. Managers have been intimidated by the way it is discussed."

There is, finally, the question of who takes responsibility for implementing KM within organisations. Some companies have appointed, at boardroom level, knowledge managers who can influence the direction of the company, says Mr Kay, but others in the role have been glorified IT managers, who can organise the information but cannot influence the cultural aspects of KM.

"Authority is distributed, so it's very difficult to put it in," he says. "Like the issue of how to get benefits out of IT, it's part of everybody's job."

It is little wonder, therefore, that most companies' achievements in KM have been more discrete than all-embracing. "We've worked with many companies that have managed this issue well within key knowledge domains – such as R&D, engineering, and field service," says Jim Murphy, research director at AMR Research. "It seems that many are just beginning to deal with the issues on a much more global basis – for all employees [people with domain knowledge, relationship knowledge, and key intellectual property in their heads]."

Experts such as Mr Kay and Mr DeLong point to several instances of companies that have recognised the need for effective KM. BP wins praise on the technology side for its expert locator system that helps employees find the right specialist within the company on a given issue, such as a particular type of oil drilling problem.

The UK oil major is also commended on the touchy-feely front for making it part of a specialist's job to help a successor, rather than simply getting on with his or her new job. Mr Kay contrasts that approach with the attitude in some parts of the UK civil service, where "people are deemed to be the expert in a field at the instant they step into it".

Mr DeLong cites the in-depth interviews carried out by Rolls-Royce, the UK aero-engine group, on soon-to-retire Concorde engine designers, to ensure their expertise was preserved for future customers – irrespective of Concorde's own retirement. But getting experts to articulate their knowledge is no simple process, he warns, noting how one US organisation spent $1m on videotaping retiring experts but did not think about how future users would access the information they needed. The tapes now sit on a shelf, unused.

IBM has been active in the KM field, too, both on its own account and on behalf of its customers. Internally, its ThinkPlace intranet tool, devised by Nick Donofrio, executive vice-president for innovation and technology, helps the company to marshal and share innovation, and is combined with several cultural and management approaches including incentive and recognition schemes.

Then, last September, Big Blue announced new consulting services to help organisations prepare for the potential loss of highly valued skills and knowledge as the baby-boom generation reaches retirement age.

Nevertheless, nothing illustrates better the struggles many companies have had with KM than the prevalence of what is euphemistically termed “knowledge recovery”. In plain English, this means bringing back people whose knowledge has been lost, as contractors and consultants.

One US study found that 60 per cent of organisations have been doing this, says Mr DeLong, not that companies are too keen to talk about it – “nobody wants to advertise that they’ve made a mistake”, he says. Mr Kay at PA says he is often called in by companies that have lost knowledge or are about to do so, and says this shows they have failed to build KM in to their cultures.

Mr Shaffar at Northrop Grumman agrees that “there is not a lot that can be done if someone announces they are retiring in a few months time” and says a long-term strategy is necessary to try to ensure this situation does not arise.

For a company such as Northrop Grumman, he says, knowledge resides in practices, and there are groups of employees which represent each practice. “So the question becomes not so much one about individual retirements, but what happens to the practice as a whole as a result of the impact of retirements.”

There are some hopeful signs. Mr Murphy at AMR identifies a resurgence of interest in KM as companies recognise the need to get it right, because of the twin pressures of retirements and compliance issues. There is also, he says, a better understanding both of the limitations of the technology, which might account for 10 per cent of a solution, and of the need for companies to take a holistic approach.

But, in the face of inexorable demographic trends, there is much more for companies to do on the non-technological side of KM. Succession planning, traditionally limited to very senior posts, needs to be pushed further down the organisation, says Mr DeLong.

Northrop Grumman is one company that has stepped up its succession planning activities. The company has been hiring recently, but Mr Shaffar says that, as a result of downsizing in the past, there is a big gap between its baby-boomers and the new “millennials.” This raises questions about where the next generation of leadership will come from.

Another idea, recommended by Mr Kay, is a “friendly-leaver” policy for early retirees, ensuring that successors are fully briefed, and advocates creating a culture in which older people feel it is an important part of their job to bring on a new generation. This could be encouraged through financial incentives or simply, in a professional context, by the feeling of enrichment at having helped a younger colleague.

Perhaps the biggest challenge, especially for big companies with a long history of downsizing, job cuts and corporate upheaval, is to develop or rebuild the trust that encourages employees to share knowledge rather than hoard it.

This has particular resonance in the context of an ageing workforce. At best, companies have a little more time to deal with capturing tacit knowledge if workers stay on longer, says Mr Cheese at Accenture, but the issue will become all the bigger if they do not deal with it, as retirees will depart with even more information in their heads.

“The downsizing issue is likely to send a signal to veteran employees that knowledge is the key to them staying in the job,” says Mr DeLong. “How you shift that sentiment and belief, so that older employees share their knowledge, is a real issue for organisations with that history.”

But perhaps soon-to-retire employees will take the contrary position, realising that the more they share their knowledge and remain involved with the company’s activities, the more useful they will be seen to be.

“People will share with their colleagues if it is presented as helping colleagues with their career and keeping their own legacy alive in the company,” says Mr Shaffar. “As people get closer to retirement, and are presented with an opportunity to be a mentor to a new hire, I think we find they are pretty available.”

*Lost knowledge: confronting the threat of an ageing workforce. David DeLong, 2004. Oxford University Press.
>**The Aging Workforce. Accenture, May 2005. See http://www.accenture.com/Global/Services/By_Subject/Workforce_Performance/R_and_I/AchievingWorld.htm
>***Gray matter matters: Preserving critical knowledge in the 21st century. Eric Lesser, 2003. See http://www-1.ibm.com/services/us/index.wss/ibvstudy/bcs/a1001915?cntxt=a1005263

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