They're Retiring – Now What?

Retaining Organizational Know-how

Tools for action.

A February 6, 2008 *Management Forum Series* presentation by

Dr. David DeLong

Synopsis by Rod Cox

"The changing workforce is every manager's problem."

- Within the next 10 years, the 20-34 age group will increase by 9%, the 35-49 pool of prime workers will shrink by 8%, and the 50-64 group will increase by a whopping 34%. With traditional retirement on the horizon for such a large segment of the workforce, where will employers find qualified employees?
- Within the next two years, 50% of utility workers and 60% of petroleum engineers in the US are eligible for retirement. 50% of nurses are eligible for retirement within 15 years, way outstripping the replacement capability of nurse training institutions. Oregon expects an increase of 36% of workers age 55+ by 2015 vs. total workforce growth of 7%. Nearly 90% of Oregon management positions are currently held by people 55+.
- In the next 20 years, Oregon will become the 4th oldest state in the US and will have the same age demographics that Florida now has with 20% of residents +65.

As a leader in your organization facing these enormous demographic shifts, what are the economic costs of doing nothing? Where will you find talent? What are your succession plans and do they include the most critical roles? Are you building a retention culture?

David DeLong argues that the situation is urgent and that waiting to take action is not an option. *"Now is the time to focus on tools for retaining and transferring know-how to bridge the generation gap, accelerate development of future workforce and leadership, and achieve performance goals."*

Dr. David DeLong has consulted and taught in countries around the globe. He is a research fellow at Massachusetts Institute of Technology's AgeLab and is also an adjunct professor at Babson College. His published work has appeared in leading journals and magazines.

Dr. DeLong has a well-earned reputation as a master facilitator. This Executive Forum synopsis includes material from his insightful and focused presentation as well as from his Oxford University Press book:

Lost Knowledge: Confronting the Threat of an Aging Workforce: ISBN 0-19-517097-0

"In a knowledge-based economy, effectively developing and applying intellectual capital is the key to creating value. Thus, the potential costs of losing knowledge should be intuitively obvious. But knowledge is a multi-dimensional concept and its value is determined by circumstances, so diagnosing lost knowledge is more complicated than it first appears."

"For a growing number of organizations the impacts of an aging workforce have become a serious concern, and the problem is complicated by its patchwork quality. One thing confusing the picture is that the impact of demographic changes is going to affect industries, organizations, and professions differently. In the United States, for example, the federal government, energy, education, manufacturing, health care, and aerospace and defense sectors will be faced with very high rates of retirement eligibility in the next few years."

While acknowledging that individual retirement patterns will vary by industry and work unit, DeLong observes that *"the average age and level of work experience in many sectors is going to drop significantly in the next decade. Unfortunately, research shows that even when leaders in industry and government recognize the problem, most do not know what to do about it. They need an answer fast, however, because the hidden costs of lost knowledge are becoming a huge drain on organizational productivity and, in some cases, a threat to sustaining competitive advantage."*

"And," notes DeLong, *"the problem is going to get worse."* However, he doesn't leave us stranded. By examining six myths about the changing workforce, and introducing five keys to retaining organizational know-how, he gives a clear picture of what organizations should be doing today.

A Changing Work Force: Six Myths and Six Facts

Myth #1: Baby Boomers Can't Afford to Retire. Lots of studies, including those by AARP, predict this based upon several projections: that Boomers will lack the financial resources to retire, and that of all couple's aged 65, there is a 25% chance that one will live to be at least 97.

> **Fact #1: Boomers Are Going to Stop Working Like Other Generations.** History and data shows that people don't necessarily do what they plan to do in retirement. What will change is their motivation and approach to work. Baby Boomers will retire if they don't feel respected, energized and engaged. And many will feel forced to retire.

Myth #2: Generational differences make knowledge transfer impossible. Underlying this assumption is a concrete fact: there is indeed generational diversity between Gen-Y (under the age of 26); Gen-X (27-43); Boomers (44-62); and Traditionalists (63 and older). Unfortunately, there is tremendous finger pointing between the groups, both ways. Boomers may be inclined to look at Gen-Y as "the people who go to work to be difficult." And Gen-Ys may see Boomers as technologically inept. One cause of this gulf is the tendency for people's experience with technology to shape how they think and interact.

> **Fact #2: Overcoming generational differences is critical for knowledge retention.** We can't afford to turn away from this generational conflict; the cost is too high. We can't use "them" as an excuse. Gen-X and Gen-Y are our future employees, customers and leaders. For the transfer of knowledge to occur, there needs to be two-way mentoring so that we can build bridges between the generations. For example, the learning style of a Gen-Y (very used to electronic methods of learning) is unlikely to match the learning style of a Boomer (very

used to classroom learning.) Trying to "be" another generation will likely alienate it, but we can certainly respect those who are different.

Myth #3: Senior Executives *really* are concerned about the aging workforce, but nothing is happening. Awareness of demographics is important. It is politically correct to be concerned and there is plenty of "lip service" going around. But the reality of the issue is, it is not about being nice to old people. Some people <u>should</u> retire.

Fact #3: Leaders really do care about future workforce capabilities, but they often don't know how to get there. Consider the potential strategic impact of critical knowledge loss:

- Decreased innovation*: "Losing experience and expertise when senior people retire . . . can slow down and reduce the quality of innovation which is central to many [organizations'] business strategies today."*
- Less capacity for growth: *"Increased retirements make the task of assimilating new employees more difficult because the availability of potential mentors is greatly reduced. Losing specialized knowledge can slow down growth plans."*
- Less efficiency coupled with increased costs*; "bigger messes take longer to clean up."*
- Decreased competitive advantage; loss of critical market relationships.

Our task is to identify people with critical knowledge and find out how to engage them as well as tap their knowledge; in other words, to integrate the knowledge and the workforce. Future workforce capabilities are built on three Rs:

- Retirements (who are we losing?)
- Retention (the mid-career employees who are the next generation of leaders)
- Recruitment (attracting new talent)

A good place to start is to work from the future backward. Begin all discussions of workforce initiatives in the context of strategic business objectives with an emphasis on the capabilities that are needed to drive the business. Focusing too much on one "R," or seeking a "silver bullet," is dangerous. There is no silver bullet. What we need are holistic solutions that look at:

- the organization's current capabilities
- it's future capabilities
- it's envisioned future performance
- the capabilities needed for that performance.

The capability gap is the spread between current capabilities and needed capabilities. The questions to ask are, what are we committed to in the future, and what are the capabilities required?

Myth #4: Turnover doesn't matter. People always leave and organizations survive. Turnover is inevitable and not all attrition is bad. We need the fresh ideas and energy of younger employees. We've lost knowledge in the past and we've survived.

Fact #4: Turnover really does matter. Where knowledge is a critical asset – especially the deep knowledge gained through years of experience – attrition has incredible costs. We are now losing knowledge that didn't even exist a generation ago. Today the U.S. could not replicate its successful 1969-1972 man-on-the-moon expeditions because deep knowledge about the Saturn delivery rocket disappeared as key scientists retired and, unfortunately, the schematic files were lost. This illustrates the myth that if we have knowledge, we can retain and transfer knowledge.

When the people who know how to connect the business processes are no longer there, the business inevitably suffers. In your organization, who are the people whose loss, if suddenly gone, would seriously hurt organizational performance? Note that this is not tenure or age related. The loss could be many people at many levels and could include relationships, as well as knowledge. Often, the loss is buried deep in the organization where it escapes ready detection yet evidences itself through lost customers, lost not-on-the-books processes, lost awareness of critical file and document locations, and decreased performance.

The essential elements of organizational knowledge – always interacting – are human (individual capabilities), structural (processes, systems and procedures), and social (relationships and the capacity to collaborate). Losses in any of these areas inevitably creates loss in all of them. Turnover is linked explicitly to strategy and performance impacts. Unfortunately, in most companies there is scant awareness of increased expenses because of knowledge loss.

Myth #5: Good people always want to work for great companies like ours. We've always attracted good people. We've been able to support growth because of our high performing talent. We've been making changes to accommodate Gen-Ys. We have lots of nice benefits for veteran employees. We're a great place to work!

Fact #5: Don't assume continuity in your talent pool. Where is your talent coming from for key roles in the future? What are your assumptions about future turnover: How are you accelerating skill development in key roles? Are succession planning and career development in sync?

Myth #6: The changing workforce is not *my* problem.

Fact #6: ***" Everyone – especially functional and line managers must create the values and culture*** *that support behaviors needed to share, capture, and apply tacit knowledge derived from experience . . . In practice, improving knowledge retention must be a line management concern because that is where the challenges of knowledge are best understood."*

Five Keys to Retaining Organizational Knowledge

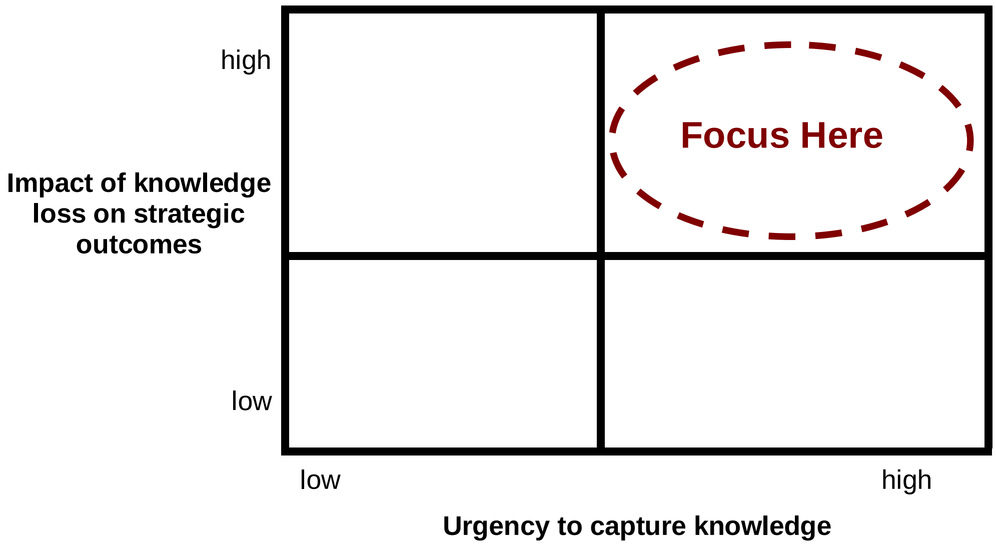
1. Perform triage: establish knowledge retention priorities

Accept the fact that you're going to lose more knowledge than you want to. But you need to have a good idea of the risk. What's your evidence of a problem; i.e., what's the cost of failing to retain know-how? More costly mistakes? Longer to train new hires? Less capacity for innovation? Reduced growth capacity?

Knowledge transfer is improved when:

- the most critical risks are identified
- there are effective knowledge sharing relationships
- there is clarity about motives to reassure veteran employees
- mentoring is an evolving practice
- readiness goals are set and progress is measured

The grid below can be used to parse out priorities.



[These next four "keys" to knowledge transfer are adapted from Steve Trautman's work on "peer mentoring." For more details see: Teach What You Know: A Practical Leader's Guide to Knowledge Transfer Using Peer Mentoring by Steve Trautman, Prentice Hall, 2007.]

2. Clarify who is doing what: the roles and responsibilities.

We fail when we don't clarify the roles of managers and mentors. These differ from organization to organization, but as they interact with and pertain to an apprentice, the roles need to be very clear.

Mentoring responsibilities might include:

- getting a workstation set up
- introductions to the rest of the team
- assessing what the apprentice already knows
- developing a training plan
- teaching specific topics from the plan
- monitoring the quality of work
- providing "big picture" context around the project
- discovering and teaching to the apprentice's learning style
- giving consistent, timely feedback.

As a means of clarifying roles, at the first meeting with the apprentice the conversation might include:

- establishing roles for the mentor, apprentice, supervisor and/or manager
- discussing high level team objectives
- defining skills to be learned and introducing the training plan
- discussing priorities
- considering contingencies
- planning for regular communication

"Mentors don't have to be nice, but they have to be willing to teach what they know."

3. Identify specific knowledge to transfer: create a skill development plan

Just what knowledge do you want to transfer? "To know the job" is too broad and too vague. The training needs be broken into components that are keyed to specific, needed outcomes. From these components, skills can be identified and trained. Each of the skills starts with a verb; i.e., they are actionable.

Sample Skills from a Training Plan

- Enter/update a defect into the bug tracking system
- Add a document to the Sharepoint site
- Check in and out a file from Perforce
- Create a weekly status report
- Run the game on their debug/development kit

After listing out the skills – always framed as "producing an outcome" – make sure that each one can be explained in 1-3 hours.

There may be obstacles to this approach. You may not be used to thinking of work as something you "do." You may find that it is difficult to explain things in small nuggets. There may be complex dependencies and relationships to consider. But if your goal is to truly transfer knowledge, this approach merits consideration.

4. Stop filling the apprentice's bucket with a fire hose: manage the knowledge transfer process

Experts tend to teach using a fire hose. In doing so, they overload the apprentice's short-term memory, reducing the likelihood of transfer to long-term memory. It's as though the training had never taken place. Rather than focusing on the most amount of information to transfer, consider the reverse. What's the least amount of information necessary to do the job?

When you are entrusted with transferring knowledge, don't try to wing it. Take five minutes to pull together a meeting agenda:

1. Explain the meeting purpose
2. Explain the relationship of the training to the job
3. Outline the main points
4. Note jargon
5. Identify practice opportunities
6. List other resources

You'll find that this increases focus; is more efficient; is clearer; maximizes the learning capability of the apprentice; and increases the odds that the meeting will accomplish what you want.

5. Did they get it? Evaluate effectiveness of the knowledge transfer

A time-proven way to assess the knowledge transfer is through open-ended questions that can't be answered with "yes" or "no." At the beginning, the questions might be around "What do you know?" In the middle, "What did you learn?" And at the end, "What are you going to do?"

Many mentors resist open-ended questions because they don't want to hear the answers, or don't want to spend the time, or are afraid that they've wasted their time, or assume that the apprentice "got it."

But most apprentices like open-ended questions. It gives them a chance to show that they understand; helps confirm that they've "got it" when they may be in doubt; moves the training into their long-term memory and creates space in their short-term memory bucket; and reduces the chances of wasted time should the apprentice not have understood. Every mentor/trainer is familiar with the "smile and nod" that is used as a protective device when people don't get it. Open-ended questions minimize this risk.

Before you start the training, ask: "What do you already know about . . . ?", or "Tell me about your experience with . . . " These questions can be used virtually every time you want to transfer knowledge. They give both parties the opportunity to recognize the apprentice's experience with the subject matter.

While you're teaching, warn your apprentice that you're going to ask for a paraphrase from him/her as a means of ensuring that the knowledge is being understood. "What did you hear me say?" "Walk me through those last few steps." Stop every ten minutes or so to let the knowledge sink in. Avoid asking "are you with me?" (See "smile and nod" above.)

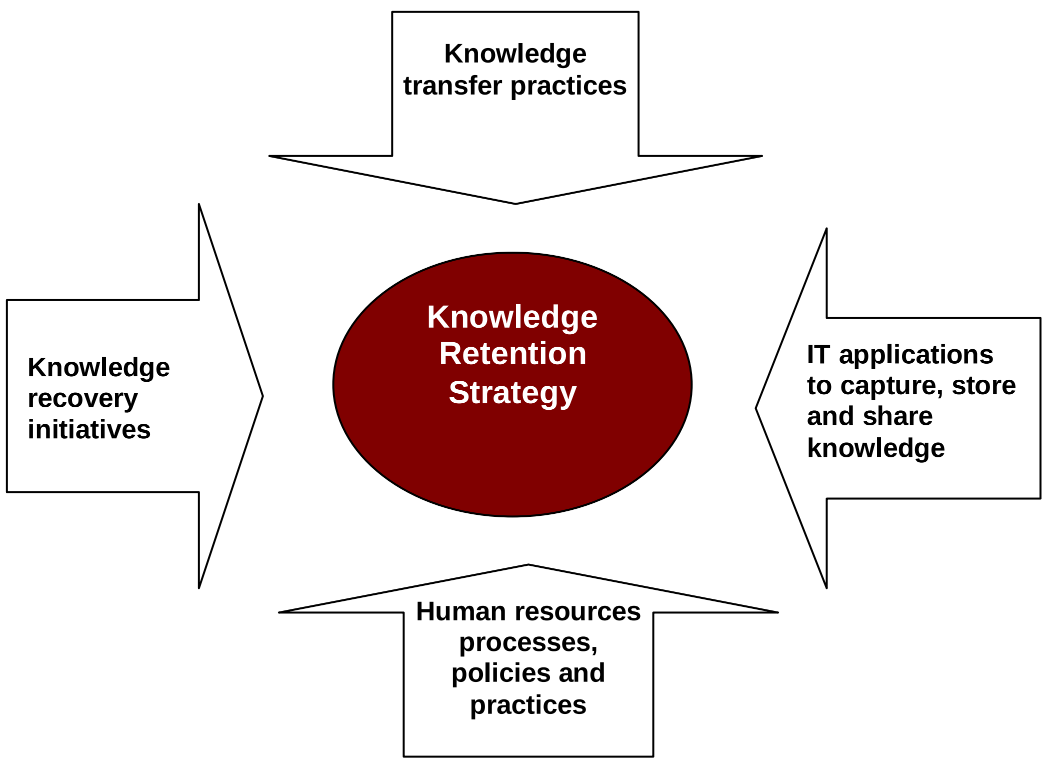
When you've finished teaching and before your apprentice leaves your work area, double check to be sure that all of the next steps are clear. "What are your action items?" "Tell me what you're going to do when you leave my office?"

What should your organization be doing today? A framework for knowledge retention

Knowledge retention and knowledge transfer won't happen automatically. You will need to teach mentors how to transfer the knowledge.

Watch for mentor burnout; don't add mentoring to existing responsibilities. Instead, replace some of the existing responsibilities with mentoring.

A good knowledge retention strategy will pull together the several critical practices, initiatives, applications and processes.



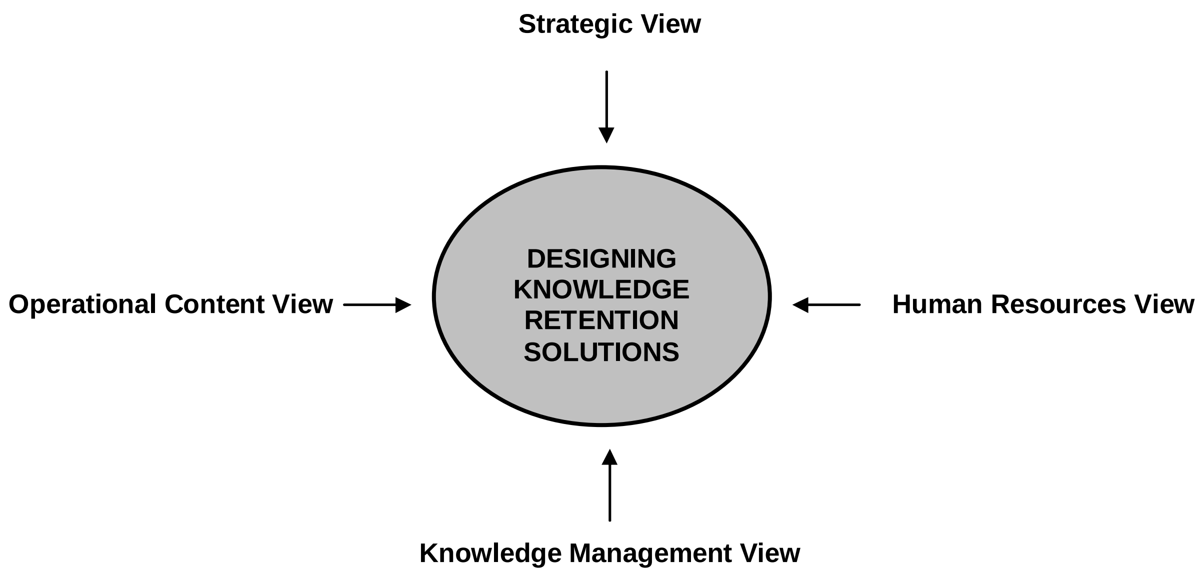
Get started. Now! Waiting only reduces your options.

Your organization may already have items/practices/procedures in place to enhance critical knowledge retention and capability building for new employees. What do you have in place and are using fully for current employees? What is already in place but not used well? What is not in place but is needed?

- Changing demographics and threats of knowledge loss are strategic business issues. Don't assume that your managers "get it." Communicate the threats continually.

- Evaluate current processes and practices for retaining knowledge critical to innovation and business growth.

- Be forthright. Are you prepared to serve your changing employee and customer base? From aging Boomers to Gen-Ys?
- Link your knowledge retention initiatives to your organization's strategy.
- Take a systematic approach to addressing workforce capability and knowledge retention problems by integrating four perspectives:



"Ultimately, taking a strategic approach to knowledge retention can help you manage the risks of lost knowledge by reducing costly surprises. It will also help develop more of a future orientation, which will be essential to address the challenges of sustaining workforce capabilities in the years ahead.

Retaining organizational knowledge is not just a short-term management problem. Like the quality movement, it represents a philosophical approach to business that will become a prerequisite for remaining competitive in the years ahead. Retaining knowledge to sustain performance in the face of changing workforce demographics is a management challenge that is here to stay for at least the next two decades."

Resources:

Lost Knowledge: Confronting the Threat of an Aging Workforce, by David DeLong, Oxford University Press.

Teach What You Know: A Practical Leader's Guide to Knowledge Transfer Using Peer Mentoring by Steve Trautman, Prentice Hall.