

# Cultivating Knowledge Transfer

A central goal of any comprehensive workforce planning strategy must be to focus on 'knowledge transfer productivity,' which is the organization's ability to effectively and efficiently convey vital information from employee to employee in a way that keeps projects going at full speed, even in the face of employee attrition.

**By Tom Stypulkoski**

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Talent management is one of the most significant challenges all businesses face today. Human resources executives are increasingly focusing on this issue as they try to maximize their ability to attract and retain talent necessary to achieve future business objectives. Many point to the huge number of baby boomers fast approaching retirement age as the predominant cause of the projected talent management crisis.

Between 2008 and 2025, 29 percent of the U.S. workforce will reach retirement age. This issue is greater internationally, where the percentage will reach 36 percent on average for industrialized nations and greater than 50 percent in some countries. Because of these significant demographic shifts, the potential for critical knowledge loss in the workplace is significant and gaining momentum.

While this event is important in and of itself, the situation is significantly compounded by the current recession. As in past recessions, companies are forced to restructure to produce more with fewer people. This time, however, the stakes are higher.

Restructuring was much easier to achieve in the 1970s through the 1990s when the country was enjoying technology-driven productivity enhancements significant enough to bridge headcount reductions. We have now reached a saturation point. Our workforces are already exceedingly thin, workers are already stretched to the limit and new technology is not evolving fast enough to compensate for workforce capability lost to layoffs.

To compound matters, companies implementing workforce reductions of 5 percent or greater will typically experience subsequent increases in voluntary turnover by 4 to 5 percent, according to a University of Wisconsin School of Business study. Overworking employees, particularly high performers, could prove catastrophic in a highly competitive labor market, especially with Generation X and Generation Y, two workplace age groups that are much more mobile and focused on work/life balance than have been the baby boomers. Intensifying workforce productivity pressures and additional unexpected terminations will create knowledge erosion that could be devastating to a company's ability to maintain a competitive market advantage.

## **Past practices insufficient?**

Many HR executives have begun addressing these increased talent management pressures by taking workforce planning to the next level, generating more creative

recruitment sourcing options to improve talent acquisition and expanding senior-level succession planning processes to ensure necessary future leadership.

The talent acquisition crisis now thrust upon us, however, has created a uniquely “super-competitive” environment in which each company’s financial success will depend upon how readily and consistently it can adapt to market shifts and strategic demands to differentiate itself from its competition. To accomplish this, HR departments will need to embark on innovative strategies to manage workforce knowledge requirements and ensure this process becomes a predominant component of both short- and long-term business objectives. Good questions have been raised about HR’s ability to take on this new role.

A 2007 study by the Corporate Leadership Council of over 16,000 senior executives, 2,600 HR staff members and 101 chief HR officers indicated that there was a significant gap between HR skill sets and the HR activities believed critical to a company’s strategic effectiveness. The majority of executives considered workforce planning, workforce engagement and succession planning as the three HR activities that had the greatest impact on a company’s success in achieving its strategic objectives. Yet those same executives cited these three activities as the ones where HR functions showed the least proficiency. Chief HR officers clearly have their work cut out for them, as they will have to evaluate and possibly retool their internal HR capabilities if they want to have a strong participative seat at the strategic planning table.

### **A solution in knowledge transfer productivity**

Companies that want to achieve a sustainable competitive advantage for the foreseeable future will need to enhance their workforce planning processes. These can no longer be viewed as supportive activities. Instead, they must be considered a primary component of a company’s strategic planning process. A central goal of any comprehensive workforce planning strategy must be to focus on what I’ll call “knowledge transfer productivity”—the organization’s ability to effectively and efficiently convey vital information from employee to employee in a way that keeps projects going at full speed, even in the face of employee attrition. Knowledge transfer productivity needs to become part of an organization’s cultural fabric, an activity that engages all management levels. The goal is simple: to continually identify, evaluate, transfer and sustain the information held by the organization’s “critical knowledge holders.”

A “critical knowledge holder” is defined as any job incumbent who has knowledge that is either important or critical to a company’s strategic objectives, unique in the market, requires substantial training to obtain and/or is very company specific with important tacit knowledge.

Unfortunately, many companies are not yet up to this challenge. A 2008 study conducted by the Institute of Corporate Productivity found that 30 percent of companies acknowledge that they retain knowledge poorly or not at all, and just 49 percent say they do just a fair job. In addition, 78 percent of companies say they do not have a specific

person or team responsible for knowledge retention. Sixty-one percent don't have a formal knowledge retention initiative under way.

Companies in general and HR departments in particular will need to enhance their capabilities quickly to implement meaningful management processes to transfer knowledge. An effective and comprehensive process comprises the following key initiatives:

1. Conduct ongoing workforce demographic analyses and turnover and retirement projections.
2. Train management to identify critical knowledge holders and prioritize knowledge transfers.
3. Use the information gathered from the first two steps to generate talent-gap analyses tied specifically to long-term strategic objectives.
4. Start knowledge retention processes to enhance current workforce capabilities and anticipate the planned and unplanned loss of critical knowledge holders. Technology platforms capable of capturing both explicit and tacit knowledge should be used to expedite knowledge transfer.

The information generated in the first two initiatives will enable a company to map its existing talent and knowledge to plan strategically for short- and long-term gaps. The key in this process is understanding that the problem is not a lack of people to do the organization's work, but the lack of knowledge and skills that the organization needs. This approach allows organizations to understand how expanding the knowledge of existing workers can fill strategic planning needs, offer opportunities to existing workers and minimize labor expenses.

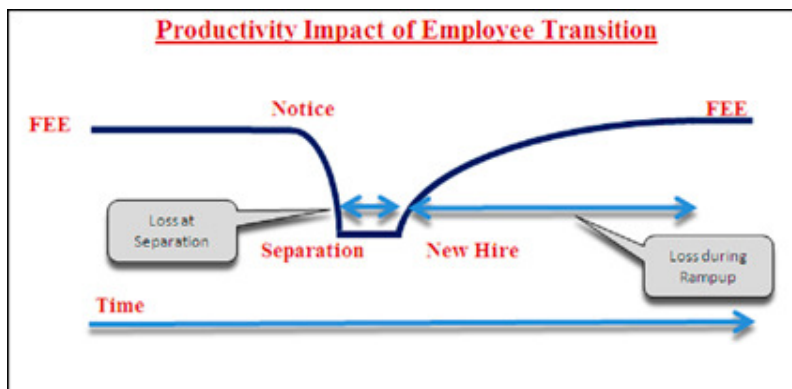
Once the critical knowledge holders and talent gaps are identified, the critical component of workforce planning takes place: knowledge retention and knowledge transfer. Accomplishing this will require in-depth planning between HR and functional management to:

- Pair an organization's critical knowledge holders with learners in order to fill identified gaps.
- Evaluate pairings to determine the most effective way to transfer that knowledge.
- Manage vacancies effectively.
- Evaluate transfer processes using feedback from both critical knowledge holders and learners.

When determining which transfer processes should be implemented, it's best to avoid using a "one size fits all" approach in the name of administrative simplicity. The focus is to optimize the knowledge transfer, not to standardize the process. Classroom training, Web-based training, one-on-one mentoring and group mentoring are examples of common knowledge transfer processes. However, the knowledge transfer can be effective only if the knowledge holder and learner are comfortable with the proposed approach. Some people, for example, assimilate knowledge better in a free-flowing group brainstorming environment, while others work best in more formal training sessions. HR and functional management need to take into consideration the types of skills being transferred, the amount of explicit versus tacit knowledge involved, the employees' mind-sets and generational differences. No matter what transfer process is implemented, however, technology should be viewed as a priority to ensure, at a minimum, that vital institutional knowledge is being captured for future use and reference by the knowledge learners.

So far we've discussed how costs can be lowered by effectively managing headcount while maximizing knowledge transfer for planned or expected attrition. However, maintaining workforce stability in the long term requires the same diligence for unplanned attrition as well. This means implementing the knowledge retention and transfer processes on an ongoing basis to optimize productivity during all types of employee transition. Let's examine its impact.

The graph below depicts a scenario for lost productivity when an employee resigns:



Once a fully effective employee (the "FEE" in the chart above) gives notice, companies will typically experience a significant loss of his or her engagement and productivity until the separation date. Then, for a period of one to three months during the job-vacancy period, productivity from the position is at its lowest. Job responsibilities are either set aside or other staff members attempt to pick them up. This, of course, affects their own productivity levels. Once a successful replacement is hired, there is an initial bump in productivity, but the productivity curve then flattens over a period of months until the new employee is fully effective. The average learning curve for employees before attaining full effectiveness will obviously have a wide range, based on a job's complexity and technical requirements. However, assuming that an individual is a

critical knowledge holder in vital position, a time frame of six months to up to one full year can be typical.

Let's put this in perspective by looking at a workforce of 1,000 employees with a 10 percent voluntary turnover rate. Assuming only half of these terminations are in the critical knowledge category, with an average time to reach full effectiveness of 250 days (about eight months), it still adds up to 50 fewer employees and 12,500 days of less than 100 percent productivity from the workforce.

By focusing on accelerating the learning curve to fill the gaps left by voluntary terminations, companies can bring about dramatic improvements in productivity for every work group affected, ensuring that everyone stays on track in achieving their strategic objectives. The next step for companies is to apply the same knowledge transfer techniques to counter the job disruptions caused by layoffs, internal transfers, restructurings and acquisition integrations. By doing so, they can maximize the application of their institutional knowledge and increase their ability to generate a sustainable competitive advantage.

It's also vital to train the management team in conducting an effective knowledge-gap analysis. Managers must develop their workforce assessment skills and the ability to identify critical knowledge holders. They must become adept at evaluating what institutional knowledge is important and how urgent it is to capture it. Investing in effective management training will drive consistency in the development of a critical knowledge holder database that will enable HR to generate a successful talent-gap analysis.

## **Conclusion**

The next two decades will be a decisive period for companies looking to increase their market share, especially as we exit the recession. In order to have a sustainable competitive advantage, organizations will have to implement strategic workforce planning that successfully integrates technology-supported knowledge transfer capabilities. Only then will organizations be able to maximize the productivity of their knowledge workforces in what promises to be an extremely competitive and shrinking labor market.

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