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The cost of disappearing knowledge

By Janis Foord Kirk

The last time Jim Geraghty was downsized, his employer soon realized that he'd taken something of value with him when he left.

"A couple of weeks later, the company called me," Geraghty recalls. "They said, 'Would you mind consulting for us? We still need you in the projects that you were involved in.'"

His ex-employer, an office products manufacturing operation in Mississauga, was missing Geraghty's marketing expertise and his contacts—in short, his knowledge.

You can't see it, taste it or feel it. You can't package or wrap it. Yet, knowledge is the key commodity of our modern era. And it can easily evaporate into the ether when employees leave.

Unless executives and managers come up with a way to stem the flow of disappearing knowledge, says Dr. David DeLong, author of *Lost Knowledge, Confronting The Threat of an Aging Workforce* (Oxford Press), their organizations are at risk—and in one way or another, the rest of us could be, as well.

"Unfortunately, many employers don't have a clue that it's happening," DeLong says. "Or they know they have knowledge shortages, but they don't know what to do about it."

A knowledge shortage is not the same as a labour shortage or a skills shortage, he maintains.

Labour shortages occur when there aren't enough low-skilled workers to meet the demand and every other retail store or restaurant has a "help wanted" sign in the window. Skill shortages are the bane of electronics firms that can't find people to design new chips or hospitals that can't recruit enough doctors or intensive care nurses.

Knowledge shortages are more critical, says DeLong, a consultant and research fellow at the Massachusetts Institute of Technology's AgeLab. They occur "when you lose an engineer who has knowledge of your company, the context, the products and markets, and you can't replace that engineer with someone with the same depth of knowledge."

Should this engineer make widgets or toothpaste tubes, the risk of lost knowledge is likely manageable, although certainly annoying. Machines may not function smoothly, operations may be disrupted, quality control may suffer. If the engineer in question works for a major utilities firm, however, or in the nuclear or aerospace industries, tragic accidents can occur, he says, and the consequences could be catastrophic.

Knowledge disappears from companies when people like Jim Geraghty are downsized, or when key people decide to change jobs. It also vanishes when people retire.

And according to Statistics Canada, about a third of public sector employees, nearly 28 per cent of utilities employees, more than 39 per cent of educational services workers and about 26 per cent of workers in mining, forestry, fishing and oil and gas are nearing retirement age now.

In sectors like these with mature workforces, "the threat is increasing," DeLong says. "Turnover happens everyday, but in the next five to ten years the problem will grow. We're going to lose so many people so quickly it's inevitable that a critical mass of knowledge is going to leave."

Peppered throughout DeLong's book are examples of organizations that didn't respect knowledge as an essential commodity and lived to regret it. Perhaps the most graphic of these is his reference to NASA's (National Aeronautics and Space Administration) Lunar Program, which lost critical knowledge during the downsizing craze of the 1990s when Saturn 5 engineers were encouraged to take early retirement.

"If we want to go to the moon again, we'll be starting from scratch," one NASA manager confided to him. "All of that knowledge has disappeared. It would take at least as long and cost at least as much to go back."

A few progressive organizations have begun to assess critical knowledge and create strategies to retain it, or transfer it to others before people leave their employ. It's a rather complex process, in part because knowledge is an abstract commodity and knowledge shortages are "very patchwork in their qualities," DeLong explains.

"You can't say it's society wide, or even industry wide," he says. "It will happen within a particular department or particular function. Within a company you may have one plant that has a major problem of exponential knowledge loss and another plant that has already been through this or may have avoided it because they have a younger workforce."

The remedies DeLong suggests overlap various human resources practices: recruiting, retention, employee development and training. Phased-in retirement and mentoring programs are essential, he says.

“You can’t address this with one program,” he cautions. “It demands a holistic solution. You can’t say, let’s introduce a mentoring program and that will solve our problems. Or let’s improve our training or get better at recruiting. It requires a broad-based strategy and a commitment from leadership to implement it.”

Until knowledge retention strategies become commonplace, certain people will benefit, thanks to one fascinating aspect of knowledge: It can be lost to organizations and companies, but not to the person who possesses it.

Employers scrambling to rehire lost knowledge will continue to help build the consulting practices and businesses of people like Jim Geraghty, who now owns and manages TellSell Marketing Services Inc., based in Oakville.

The firm that downsized him was his first client, Geraghty says. “I ended up consulting for that company for three years. It was a lot more profitable and a lot less frustrating.”

Janis Foord Kirk is a speaker and author of Survivability, Career Strategies for the New World of Work.