

Lost Knowledge—What Is the Cost?

Gail L. Trugman-Nikol

The potential loss of knowledge and expertise that could occur when baby boomers retire could be catastrophic. The problem is simply that most companies don't know how to best "transfer knowledge" from one employee to another or even how to start a project of this magnitude. In an

article titled "Cultivating Knowledge Transfer," Tom Stypulkoski wrote, "Between 2008 and 2025, 29 percent of the U.S. workforce will reach retirement age. . . . Because of these significant demographic shifts, the potential for critical knowledge loss in the workplace is significant and gaining momentum."¹

The recent challenge of our economy has forced many companies to restructure and produce more with fewer people. Our current workforce is exceptionally thin, stretching workers to their limits. While employees in Generations X and Y number nearly as high as the baby boomer generation, the focus of Generations X and Y on a work/life balance intensifies the pressures on employers. The last

There have been warnings for years about the unprecedented loss of knowledge and expertise that will occur when the baby boomers retire—which could bring a potentially catastrophic effect on businesses and government. Why? Most companies don't understand the most effective and efficient way to "transfer knowledge" from one employee to another or even how to begin a project of this magnitude. This article offers information on how to plan for this problem. © 2011 Wiley Periodicals, Inc.

thing companies can afford now is to unexpectedly lose employees and further erode knowledge. As a result, an important initiative companies should have on their agendas is to safeguard their most valuable asset: "the knowledge their employees possess." Many companies lack even an informal knowledge-retention program (Exhibit 1). I hope this article offers you information that will allow you to take what you learn and immediately apply it within your organization.

YOUR MOST VALUABLE ASSET

The most valuable asset in your business is not on your balance sheet. It is the assets that walk out the door nightly, taking valuable knowledge with them

about the tasks and processes, that run your business. What happens when this knowledge permanently walks out your door?

In a strategic planning meeting, one client said, "The successes of most jobs are in the mind of the employee performing the job." Look around

you; in your own organization, what would be the business disruption and impact if a key person left? I'm not talking only about management; remember that employees who perform basic, daily tasks are often the key to the success or failure of an organization! Unless you have successfully captured and transferred knowledge through cross-training, mentoring, or creating a Standard Operating Procedure (SOP) manual showing detailed workflows and steps, that "expertise" could be lost forever!

While retirement creates a loss of expertise, there are other factors, such as permanent, long-term, or temporary "knowledge drains" (see Exhibit 2). As an employer, you have the

Exhibit 1

Knowledge Retention

- 30 percent of companies acknowledge they retain knowledge poorly or not at all.
- 49 percent of companies say they do a fair job.
- 78 percent of companies say they do not have a specific person/team responsible for knowledge retention.
- 61 percent of companies don't have a formal knowledge-retention initiative started.

Source: Study conducted by Institute of Corporate Productivity, 2008.

Exhibit 2

Knowledge Drain Factor

- Permanent or long-term
 - Retirement
 - Long-term illnesses
 - Unforeseen accidents
 - Maternity leave/family medical leave
 - New employment/economy
- Temporary
 - Vacations
 - Business trips
 - Sick days

opportunity to plan for some of the knowledge drain factors, while for others you can't. Retirements, maternity leaves, and temporary drains can be planned for with cross-training or documentation creation. In the event of long-term illness, unforeseen accidents, family medical leaves, and new hires, you don't have notice. This leaves most employers in a quandary.

In September 2006, the *Ft. Lauderdale Sun-Sentinel* published an article that highlighted the Baby Boomer exodus. It

explained, "In order to prevent the loss of knowledge, managers must identify the knowledge at risk, develop a knowledge management program to gather, store and disseminate data and improve the company's career and succession plans."² In a book published in March 2010,³ Ken Ball and Gina Gotsill provide a chart indicating that 30 percent of companies either retain knowledge poorly or not at all, and that 61 percent don't have a formal knowledge-retention initiative started. You need to ask yourself why, in a period

of four years, companies have not started to look at the cost and risk associated with the loss of managing procedures and knowledge.

TYPES OF CONTINUITY TOOLS

Let's start by looking at the types of continuity "tools" that companies could and should have to help them identify the risks in their organizations (see Exhibit 3). Does your company have any or all of the tools listed in Exhibit 3? I will explain a few of these tools and clarify how to use them effectively in your company.

The *organization chart* shows levels of management and staff for each department. Many times, a company will look at the organization chart to review the current staff levels and analyze the need for increasing or decreasing levels of management and/or staff.

The *job description tool* is important for many reasons. Each employee has his/her own job description with a variety of subsections that might include job, qualifications, duties and responsibilities, and special or

Exhibit 3

What Are Continuity "Tools"?

- Organization charts
- Job descriptions
- Process analysis work-flows and charts
- Task-by-task documentation (SOP manuals)
- Technical videos
- Training

educational requirements. The job description is also used in the event you need to hire a replacement or move staff from position to position within your organization.

The *workflow analysis* shows, step by step, the workflows and processes that enable your business to run. Manufacturing companies may use workflow process analysis to show the production, receiving and shipping, or manufacturing processes. A workflow analysis enables the company to review these processes and uncover missed, duplicated, or unnecessary steps. Companies may decide to use video to familiarize technical personnel for particular positions or train them in new or difficult technology. For example, a company that produces fiberglass might utilize video to train employees in the technique of pouring fiberglass.

Imagine trying to explain, in words alone, how to take a mold, add mesh wiring over the mold, and pour fiberglass. A video can actually show how to move a mold and avoid the creation of air bubbles, and even show how and why air bubbles form. With the addition of narration, there is the opportunity to show and explain how each step is done correctly and the consequences of a mistake. Another example of video use might be in training sales representatives how a sales presentation is conducted and what key elements you want included.

I have listed some of the continuity “tools,” but how do you use them and why does your company need either documentation or video? (see Exhibit 4). I have listed a few reasons why companies have used video or written documentation. The question many companies ask is

“What tasks and processes need to be documented?” (Exhibit 5).

Look at Exhibit 5 for some of the tasks, functions, and processes that you might consider. I recommend that a company examine the tasks that impact the operational and accounting processes of the business. These might include payroll, journal entry, physical inventory, purchasing, shipping, or the recording of sales orders. During an audit, your accounting firm might report operational deficiencies such as poor documentation and recommend strongly that you start a documentation process. Why wait? Documentation of significant operational, account, and financial reporting processes, including a performance walk-through, may reveal whether procedures

are performed as prescribed, the kinds of exceptions or errors that occur, and the types of actions required to correct errors.

Exhibit 6 shows the value placed by selected financial professionals on documentation. Imagine being able to cut your training phase to two weeks. The cost savings is huge. In an article titled “Employee Retention: What Employee Turnover Really Costs Your Company,” Ross Blake describes the cost of turnover by employee level and the costs that companies don’t tabulate (Exhibit 7). Look at Exhibit 7 for these true costs! It is staggering.

I have discussed some of the hard costs of lost knowledge and expertise. I know you can’t stop people from leaving, but you can establish a program prior to their

Exhibit 4

Why Your Company Needs Documentation

- Provides a process road map
- Captures employee knowledge and expertise
- Provides performance consistency
- Reduces errors
- Adds internal controls
- Reduces costs associated with employee turnover
- Establishes succession planning

Exhibit 5

What Might Be Documented?

- Tasks that disrupt a business process workflow
- Tasks that are complex or difficult to remember
- Tasks prone to error
- Tasks that must be done consistently
- Tasks of any employee who has no backup

Exhibit 6

The Value of Documentation

These executives embraced documentation as a “continuity tool,” and here are their stories:

“One of my key employees was retiring. I was able to hire a new employee and have her operational within two weeks. The return on the investment is clear, as the training phase is decreased, and the productivity phase is almost immediate. The need for operational documentation has proven to be critical to my company.”

Anne Shybunko-Moore, president, GSE Dynamics, Inc.

“We got a quick return on our investment from Unique Business Solutions. Our administrative assistant took a family medical leave less than one month after her job was documented by Gail and her team. Unique’s documentation allowed us to seamlessly continue operations until her return.

Larry Siedlick, CEO, Sunrise Medical Laboratories

departure. Capture knowledge, expertise, work-around solutions, and best practices that your employees store in their heads but not in any file or document.

STARTING THE PROCESS

I recommend that you follow the eight steps in Exhibit 8 to successfully assess, identify, gather, and create a knowledge-transfer document for your company.

Let’s start with the three base documents. Using the organization chart, job descriptions, and the workflow process analysis, we can assess the tasks that can impact business stability if they are not done correctly and identify the key people handling the tasks. You have assessed and identified tasks and people. Now the next step is to get the buy-in from the staff.

Remember, this project is a lengthy process, and there are no magic pills that you can take to make this less time-consuming or less painful. Your staff holds the key to getting the project done, but you hold the key to explaining the project, benchmarks, and delivery.

Before you start this process, assign a project leader or a committee of leaders, depending upon the size of your company. These organizers are going to be your coordinators and timekeepers, assuring the success of this project.

Call a company meeting in which you will explain (a) why you are initiating this knowledge-preservation project; (b) what is needed from each person to accomplish the goal; (c) how they will work as a team toward the end goal; (d) what the expectations are to deliver the results needed; and (e) what the benchmarks and delivery dates are. Offer a template to follow

Exhibit 7

What Employee Turnover Really Costs Your Company

Most companies have no process in place to tabulate turnover costs. Seventeen nationally respected companies calculated the costs of turnover based on employees’ annual salaries. These costs are:

- 30–50 percent for entry-level employees,
- 150 percent for middle-level employees, and
- up to 400 percent for specialized, high-level employees.

A comprehensive program measures the following costs: exit costs, recruiting, interviewing, hiring, orientation, training, compensation and benefits while training, lost productivity, customer dissatisfaction, reduced or lost business, administrative costs, lost expertise, and temporary workers.

Source: Blake, R. (2006, July 24). Employee retention: What employee turnover really costs your company. Retrieved from <http://archive.managernewz.com/2006/0724.html>.

Exhibit 8

Starting the Process—Road Map

- Create
 - organization chart,
 - job descriptions, and
 - workflow process analysis.
- Assess the tasks at risk.
- Identify the employees with the knowledge at risk.
- Gather the information, files, and step-by-steps to be documented.
- Draft the document with the employee.
- Review the document internally and then by manager.
- Review the procedures for accuracy or needed changes.
- Finalize the document.

that includes screen shots, best practices, forms, step-by-step procedures, and scenarios that show an individual's expertise. In this meeting, dispel any concerns that this process threatens employee positions. When you ask *all* employees for their help, it removes the individual employee's suspicious thoughts, such as "Why is *my* job being documented?"

Give staff members a series of tasks to write. Ask them to type and save a file in your word-processing software. Give them time to work on the project and create realistic deadlines. The easiest way to record the steps is to write them down as they are performed. Remember, we all perform our jobs automatically, and when we are forced to slow down it is more difficult to miss small but important steps.

As each section is completed by a staff member, the files should be sent on to the project leader. The "leader" should assign someone in a different department to carefully go through the steps of the documentation to

verify the process and instructions. Because everyone works for the same company but is not in the same department, the second pair of eyes will bring a companywide perspective, not task-specific knowledge. It will be easier for that person to detect missteps or errors that might be in the documentation.

Upon changes or acceptance, the manager of the department must review the document. The manager will be able to determine if the task/process needs to be re-engineered or if it is correct. These same steps should be taken for every task that has been assigned.

The appointed project leader(s) will coordinate the files. Remember to store the files on the network where they are backed up nightly. Once all of the files have been completed, the project leader can coordinate the files in a number of different ways. All of the files should be stored on a secure network drive, seen only by the executive team and IT. If you have an intranet, store PDF files so that each

department can see *only* their files. Remember, you don't want all of your files seen by everyone. Don't leave yourself open to corporate espionage. If you don't have an intranet, discuss the best way to store your company files with your IT professional. I recommend that you have two printed sets of manuals for each department. One copy should be stored in the CFO's office and the other in the department manager's office.

FINAL RESULTS

Now you have all of this information. You have the ability to cross-train your current staff or train a new hire, within a faster training phase. Another value-added benefit of this documentation is you have a continuity tool that will help prevent a knowledge drain and business disruption in the face of employee attrition.

SUMMARY

Remember when you first got a PC and your IT folks kept hounding you to back up the system? You kept saying, "Yes, I'll get to it" and never did. One day you turned on the PC and got the "blue screen of death" and you knew you lost it all! Hold on to that feeling, because I want you to ask yourself what would happen if you lose a key employee and have no form of backup?

Articles and books are written constantly on the subject of the boomer exodus, knowledge transfer, and the effects on business. Business executives read them, think about the impact, and, in many cases, have all good intentions of doing something about knowledge retention.

Business gets in the way on a daily basis. While documentation is not a budgeted item, documentation provides value and protection for an organization on multiple levels. Lost knowledge has a cost. You can control your operational efficiency and

profitability with a knowledge management program.

NOTES

1. Stypulkoski, T. (2009). Cultivating knowledge transfer. Retrieved from [http://www.workforce.com/section/training-](http://www.workforce.com/section/training-development/feature/cultivating-knowledge-transfer/index.html)

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2. *Ft. Lauderdale Sun-Sentinel*. (2006, September 28).
3. Ball, K., & Gotsill, G. (2010). *Surviving the baby boomer exodus: Capturing knowledge for Gen X and Y employees*. Boston: Course Technology.

Gail L. Trugman-Nikol is president of Unique Business Solutions (<http://www.ubsassociates.com>), based in Hicksville, New York.