



# Knowledge assets — targeted transfer to mitigate risk

By **Dr Kate Andrews**, Principal, KNOWABLE

- *Knowledge risk is not evenly spread throughout an organisation*
- *Focus on knowledge which is unique to the individual and critical to the business*
- *Effective knowledge transfer takes time — it's too late to act when an employee is walking out the door*

Today's organisations are powered by knowledge, and this introduces an important challenge for good corporate governance. There is a danger that we may *unknowingly* lose access to important corporate knowledge. Who in your organisation is lying awake at night worrying about the sustainability of your knowledge assets? Should it be you?

Unique and highly specialised knowledge and expertise increasingly differentiate firms in their respective markets and business success depends on continued access to these resources. Yet knowledge is an intangible asset — it is fluid, dynamic, invisible and slippery. Clearly, when our prime assets are intangible, new management priorities and risks are introduced. You may recognise some of the following indicators of potential knowledge risk. Does your organisation:

- have a heavy reliance on the knowledge and experience of a few key people?
- have highly experienced staff at or near retirement eligibility?
- struggle to understand what important staff actually know?
- take too long to get new staff up to speed?
- have a critical project finishing and key people moving to other roles?

This article explains how to identify where *knowledge risk* exists in your organisation; and

guide you to minimise the risk through a targeted knowledge transfer process.

The key points are as follows.

- Knowledge risk is not evenly spread throughout organisations — you are likely to have particular knowledge risk hotspots (and we will show you how to identify where they are).
- Targeted knowledge transfer is the prime tool to mitigate knowledge risk. Benefits of knowledge transfer include: retention of valuable, 'can't buy' knowledge when key staff leave; reduced handover risk through a structured knowledge transfer effort; and better support for your key staff by building knowledgeable teams around them.
- It's not all or nothing: effective knowledge transfer focuses on unique, critical knowledge rather than trying to transfer everything known by everyone!
- Start now. Knowledge transfer takes time. Some knowledge can be documented; other dimensions of knowledge can only be transferred person-to-person.
- We can't force people to transfer knowledge, so we need to find ways to make the process motivating and personally satisfying for them.

## Knowledge risk defined

We were the first to use the term knowledge risk (which we introduced in 2003) to describe the loss of knowledge critical to a firm's performance. Potential impacts of knowledge risk include loss of efficiency, mistakes and re-work, reinventing the wheel, unwanted variation in service delivery and missed opportunities through loss of insights.

### Example

We have long-term highly expert staff who will leave us soon. We're not sure what and how much capability we are going to lose when they go. What's valuable and what isn't? What should we be doing now to minimise knowledge loss? We're nervous but don't know where to start.

Many organisations have a poor understanding of knowledge risk. A traditional

approach focuses attention on *head count* (staff expenses on the payroll) rather than *head contents* (the valuable knowledge and skills that it needs to keep operating). In the knowledge era, it is the head contents that are more significant.

**Factors contributing to knowledge risk**

Many of us will think immediately of the ageing workforce demographic. If we have a significant cohort of highly knowledgeable baby boomers, we have an obvious risk. In effect, our stable, long-term workforce has provided the safety net for an inadequate focus on knowledge. We have had the luxury of knowledge on tap, with significant corporate memory available just by asking our most experienced, long-term people. However, our safety net is breaking down.

While baby boomer retirement may be the tipping point, there are several factors that amplify the knowledge challenges. The mobility of generations X and Y also puts pressure on our knowledge sustainability. Our existing model for expertise development (requiring a decades-long investment of gradual knowledge acquisition) will not work when staff move organisations frequently.

Downsizing, restructuring and cost cutting (including reductions to training and corporate documentation development) further compromise knowledge stability. The rise of the specialist knowledge worker is another factor. Increasingly, managers and even close peers do not understand and could not do the knowledge worker’s job. The prime task of knowledge workers is to manipulate information and knowledge (for example, think of those who solve complex problems in your organisation). Because they rely overwhelmingly on a fine grade of judgment and experience-based insight, knowledge work processes are difficult to

document and convert to procedures. Finally, the increasing use of transient project teams, outsourcing and reliance on contractors and consultants for business critical activities dilutes our own corporate knowledge resources.

**Factors amplifying and reducing knowledge risk**

A key factor in knowledge risk is that the risk is not evenly distributed, either across or within organisations. You may have an ageing workforce demographic and low knowledge risk, depending on the knowledge characteristics of your organisation. Consider the descriptions on the continuum — which point on the continuum in Figure 1 best describes your organisation?

Later in the article we will guide you to identify *where* knowledge risk exists in your organisation (your risk hotspots).

However first we will introduce targeted knowledge transfer as the method to mitigate knowledge risk. We’ve also anticipated some of the questions that may be raised in your mind about knowledge transfer and will respond to these.

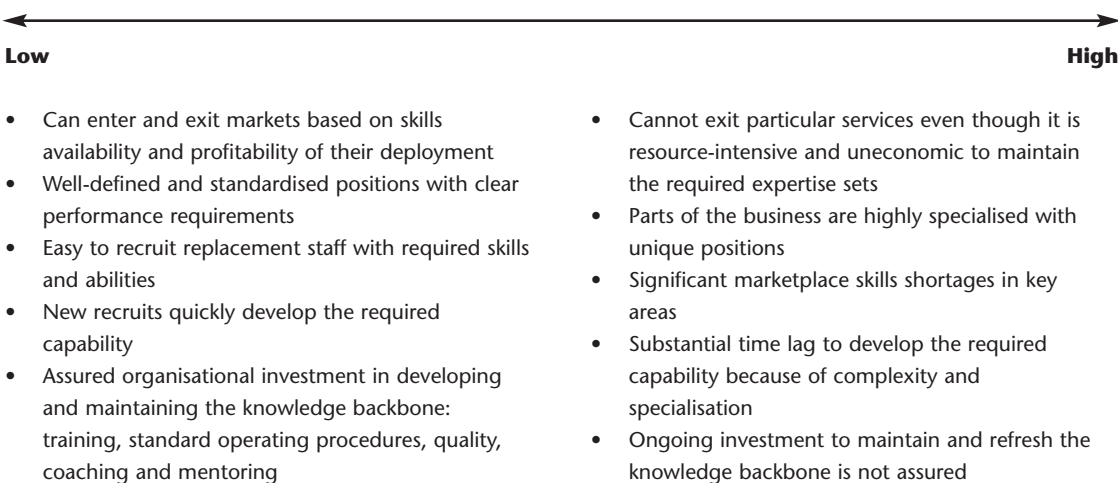
**Introducing knowledge transfer**

Knowledge transfer is the process of passing on knowledge from its origin to others who will benefit from it. It increases the availability and longevity of important knowledge (particularly knowledge that you ‘can’t buy in’). Knowledge transfer is the prime tool to mitigate knowledge risk.

Knowledge transfer focuses on *unlocking* critical knowledge so that it reaches the hands and heads of people who need to know it. In this way it supports expert performance by boosting the value of what is individually and collectively known. The benefits include:

- retention of valuable, ‘can’t-buy’ knowledge when key staff leave

**Figure 1: Knowledge risk continuum**



- reduced hand over risk through a structured knowledge transfer effort and
- better support for key staff by building knowledgeable teams around them.

Importantly, some aspects of important business knowledge are able to be documented (written down); other aspects are highly context-specific and can only be transferred effectively person to person. In real life, knowledge transfer is most likely to stick if a combination of methods (documentation and person to person) is used.

### Knowledge transfer barriers, myths and traps

In our experience, even those organisations who are deeply concerned about potential knowledge loss from imminent staff retirements *do nothing*. The reaction is nervous immobilisation (rather like a deer caught in the headlights).

Here are some of the issues that we think contribute to inertia.

#### **It's impossible to capture all those years of experience**

I agree. Targeted knowledge transfer focuses on capturing the showstopper knowledge — the specific business critical knowledge, rather than attempting to capture everything. Further, using a targeted knowledge transfer approach selects transfer methods that will work.

#### **'Old' knowledge has passed its use by date — we want new blood and fresh ideas**

Knowledge transfer is not about continuing to do things the same old way. Instead, this process ensures that knowledge which has high business value continues to be available to the organisation to use as appropriate.

#### **Knowledge is power here — people won't be willing to share what they know**

We have first-hand experience consulting to an organisation that was assessing knowledge transfer readiness at the same time it was making staff redundant. Knowledge really was power — in the words of one staff member, 'I'd be a mug to share what I know; it'd mean my job'. It is true that staff who are disaffected and unhappy are very poor knowledge sharers and recipients: 'trust is the

bandwidth of knowledge sharing'.<sup>1</sup>

However, much more commonly we encounter people who are passionate about their job and very interested to leave a knowledge legacy.

Have you:

- explained the business reasons for sharing knowledge
- asked people to share knowledge
- identified what knowledge they should share, with whom
- made it easy and personally satisfying for them to transfer knowledge and
- shown ongoing interest and enthusiasm for their knowledge transfer efforts?

In the absence of an emphatic yes to each of these questions, it's not surprising that our people don't routinely embrace knowledge sharing.

#### **We can hire key people back post-retirement if we need them.**

One of our clients lures engineers back for projects with the promise 'You'll get to move lots of dirt!' However, even this attractive promise may not work when the fishing is too good.

Our startling observation is that even when staff with unique knowledge return post-retirement, their overwhelming focus remains on business-as-usual service delivery rather than targeted knowledge transfer. We may be stretching the elastic to keep them at work, but there will come a

time when they work for us no more. We still haven't mitigated the risk associated with the loss of their critical knowledge, we've just postponed it. At some time the elastic will snap back and the knowledge will be lost.

#### **We already have a handover process and conduct exit interviews**

The knowledge transfer process complements the existing handover process. It supports identification of special expertise, and the development of a plan to retain the expertise. While in handover the departing person usually works with incoming staff or a substitute, knowledge transfer may be appropriate to a wider audience (that is, the work team, or people in different teams). Handover usually focuses on immediate issues and priorities; knowledge transfer is associated with long-term benefits.

Exit interviews typically occur immediately before the departure of staff. At *a minute to midnight*, it's way too late for targeted knowledge transfer.

The emphasis is on relevance not completeness: we want to concentrate on the few, highly critical knowledge sets rather than try to transfer a little bit of everything.

### Our experts have already transferred all critical knowledge to their teams

Treat this guarantee cautiously. Trust, but verify: team members usually have a very different view, pointing to continuing heavy reliance on the expert's experience-based, undocumented knowledge. Ask them.

### We don't know where to start

Read on. We will now turn to identifying knowledge risk hotspots in your own organisation.

### Identifying knowledge risk in your organisation

Knowledge risk will not be evenly distributed in your firm.

Some jobs require very little firm-specific knowledge, or what is required can be readily picked up. It's relatively easy to recruit new staff and they become productive quickly in this type of role. Given these characteristics, knowledge risk is low.

Other jobs require substantial amounts of knowledge that is specific to your particular business (for example, knowledge about your important customers, risks or assets, machinery or equipment, suppliers or processes). Even if you recruit someone with a similar background they *can't* bring your firm-specific knowledge with them. The term 'can't buy knowledge' refers to knowledge that is only known to those who have lived in a particular role or undertaken particular tasks.

So the first challenge is to identify the job roles with *high* knowledge risk. These prompt questions will help you to isolate particular roles and people to consider.

Where does critical knowledge sit in relation to:

- the highly specialised, firm-specific knowledge that defines you and your business
- processes that are most important to the outcomes valued by your stakeholders
- managing your key risks
- managing your key assets
- keeping the confidence of your key clients and stakeholders
- understanding how to get the best out of important equipment or machinery
- essential projects
- understanding the 'big picture' — how different parts of the organisation come together

Now look at the organisation's structural chart.

- Where are the highly specialised one-off positions (the 'lone wolves')?
- Where are there significant experience gaps; that is, very senior and very junior with nothing much in between?
- Where do the critical, long-term projects occur?
- Where do whole-of-organisation problems without a natural home end up?

- Where are the people who solve the unsolvable problems?
- Which people can't move to another role in the organisation because their existing knowledge is so important to us? (A contact recently described this as people in 'crabpots')
- Which people can't go on uninterrupted leave, because no one can fill the gap?

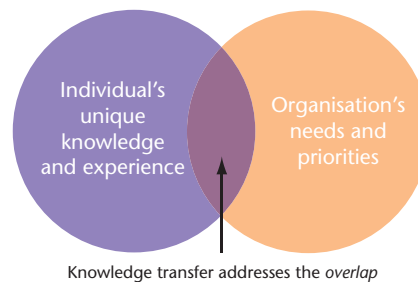
For identified roles and people, consider the knowledge footprint. To what extent is the critical knowledge currently captured in processes, procedures and methodologies? To what extent is it held in the heads of others? If the footprint is minimal, knowledge risk is high.

### What knowledge?

Once you have identified particular roles and people, the focus turns to specifying what knowledge needs to be transferred. The emphasis is on *relevance* not *completeness*: we want to concentrate on the few, highly critical knowledge sets rather than try to transfer a little bit of everything.

More specifically, we want to identify the staff member's firm-specific knowledge that is not widely available, either in written format or reflected in the capabilities of other staff. The overlap between these specialist capabilities and the firm's priorities is the target for knowledge transfer planning as shown in Figure 2.

**Figure 2: Identifying what knowledge to transfer**



### How do we transfer knowledge?

We have seen the need to focus your efforts on jobs, roles and tasks with high knowledge risk (that is, those with a high component of critical, firm-specific knowledge that is not widely held or captured in the firm).

Because we are used to thinking about 'information', the question posed in the heading above often focuses on 'capturing knowledge'. However the rule here is to think 'knowledge transfer' not 'knowledge capture'. While it is possible to document some aspects of knowledge, once written down, knowledge has lost much of its complexity and richness.

*Information* (or explicit knowledge) can be captured and written down (for example, in procedures, training materials, case studies, checklists and guides).

*Tacit knowledge* is different. It is built up over time and through experience. Because it is highly personal and context-specific, tacit knowledge is difficult to transfer from person to person, let alone team to team or site to site. Tacit knowledge always resides in a person, and is described by terms like 'gut feel', 'insight' 'intuition' 'judgment' and 'a feeling for things'. The knowledgeable expert has over time developed the ability to recognise and distinguish subtle patterns of variables that inform the application of the expert's skills. The two-word answer most used by experts? *'It depends.'*

To minimise tacit knowledge loss, the emphasis is on transfer, not capture. Tacit knowledge is transferred by close personal contact: mentoring, coaching, master-apprentice relationships, problem-solving, observation, teaming, and work shadowing. Knowledge transfer takes time — so start early.

### Other approaches to knowledge risk management

This article has taken a *person-centred* approach to knowledge risk. That is, our starting question has been: What is the critical and unique knowledge held by this particular person or role? We then work to transfer knowledge from the person or role directly to the heads and hands of those who need to know.

In the long term, there are benefits in moving to a *knowledge-centred* approach to knowledge risk management. In the knowledge-centred approach, the starting point is the knowledge that is most critical to your organisation's future. The knowledge transfer focus then becomes the systematic development and retention of knowledge in these critical domains.

### Getting started

Here are our suggestions for getting started.

#### Start now

The closer you are to the staff member's exit the less risk you can mitigate. As time diminishes, you have fewer options and it will cost you more dollars, focus and staff resources. In addition, the closer to exit, the greater the likelihood that target staff will have psychologically switched off (particularly in readiness for the 30 plus year holiday we call retirement.)

#### Don't leave it to chance

While much informal information sharing happens every day, take deliberate actions to facilitate transfer of the critical (*right*) knowledge

to the *right* people at the *right* time and in the *right* way for the organisation.

#### It's not all or nothing

Find the light and shade, focus on the showstoppers — the unique, can't-buy knowledge that is critical for the organisation to retain.

#### Identify the triggers for knowledge risk management

- What actions should be triggered when our most knowledgeable staff signal that they will depart?
- What contribution to our corporate knowledge assets should we expect from post-retirement staff?

We are surprised that even the most highly experienced technically proficient staff approaching and post-retirement are commonly deployed on *business as usual* activities, with no increased emphasis on targeted knowledge sharing activities.

Of course, notice of intention to retire should spark consideration of *what knowledge* should be transferred, *to whom*, and *how* in the time before the expert departs. Similarly, any post-departure return to work should have an appropriate emphasis on targeted knowledge transfer. Otherwise, we are postponing rather than managing the risks.

#### Make it personally satisfying for the knowledge holder

It's self-evident that we can't *make* people transfer knowledge. If we are to successfully engage them in the knowledge transfer process, we need to tap into their intrinsic motivation, personal satisfaction and desire to leave a knowledge legacy.

#### Related topics

Related topics in intangible asset governance are information governance, and research and development portfolio alignment, and intellectual property management (including due diligence).

*Dr Kate Andrews can be contacted at (07) 3356 0471 or by email at [kate.andrews@knowable.com.au](mailto:kate.andrews@knowable.com.au).*

*[www.knowable.com.au](http://www.knowable.com.au)*

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#### Note

- 1 See Sveiby K-E, 2001, 'Knowledge Management — the Viking Way', <http://www.sveiby.com/articles/vikings.htm> [14 October 2009] ●