More Advance Praise for Continuity Management

Continuity management is the missing link in knowledge management that will mean significant increases in productivity and knowledge creation—cutting-edge thinking regarding knowledge as a corporate asset.

—Newton F. Crenshaw
Vice President, Eli Lilly and Company, E.Lilly Division

This book will be immensely valuable to managers at all levels of the organization. Beazley, Boenisch, and Harden offer creative solutions for how to harness intellectual capital and transfer critical operational knowledge to new employees. Continuity Management is right on target.

—Kathleen T. Ross, PhD
Executive Vice President, Organization Effectiveness and Public Relations, Arbitron Inc.

Continuity Management addresses one of the greatest challenges all managers face: job turnover. In addition to defining the problem and its impact clearly and concisely, the authors provide practical strategies for documenting and passing along key operating knowledge to new staff. This is a landmark book that is also a pleasure to read.

—Marc Scorca
CEO and President, Opera America

This is the first book to provide a realistic path to leading with “continuity advantage”—as integral to the success of a large-scale enterprise as it is to a start-up entrepreneurial firm. It is not a matter of employee retention, customer satisfaction, or maintaining knowledge bases. You need dynamic systems that build human sustainability—keeping your feet on the ground while positioning competence with vision . . . and avoiding the inevitable knowledge loss related to downsizing.

—Debra M. Amidon
Founder of ENTOVATION International, Ltd., and author of Innovation Strategy for the Knowledge Economy

Continuity Management—a how-to manual for building and managing effective knowledge organizations—will be essential reading for companies large and small.

—Gary Strack
President and CEO, Boca Raton Community Hospital
To Herbert Malcolm Beazley (1932–2001), my big brother, with gratitude for all our times together and with love. “Commodore.”
—H.B.

To Deborah, my beautiful and loving wife, and to Kylie and Kate, my precious daughters, who will always be Daddy’s little girls.
—J.B.

To my beautiful bride who makes me the man I am, my best friend, Angie.
To my angel daughter Madison, you are always my little princess.
To my baby son Bradley, may I raise you to be a tender warrior.
—D.B.H.
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Introduction

Scenario 1. Over the previous 12-month period, 70 percent of the employees in the sales department of your Fortune 100 company have left. More alarmingly, you discover that they have taken their knowledge with them, leaving a knowledge vacuum of stunning proportions that their successors are struggling to fill—while productivity drops and revenue plummets.

Scenario 2. An internal survey reveals that 25 percent of your employees intend to look for a new job within the year. But you have no way to harvest their knowledge—knowledge that is about to walk out the door when they do. And you don’t even know who will be leaving.

Scenario 3. Your organization is about to implement a downsizing program that will result in the termination of hundreds of experienced individuals with critical operational knowledge. When their terminations are announced, they will leave quickly and unhappily, and their knowledge will leave with them. What will the organization do without that knowledge? What will you do?

These scenarios are not imaginary. They have already happened. Scenario 1 is based on a 70 percent annual turnover in the sales departments of some Fortune 100 corporations in the information technology industry for the year 2000 (Web-programmers rule, 2001, p. 154). Scenario 2 is based on the results of a survey by Development Dimensions, International, the Pittsburgh-based human resource consulting firm, reporting that 25 percent of the workers surveyed intended to look for a new job within the year even though fewer than 10 percent were unhappy with their present jobs (Geber, 2000, p. 50). Scenarios 1 and 2 reflect the high turnover rates of the dot-com boom years and the heated economy of 1996 to 2000, whereas Scenario 3 is typical of the downsizing, mergers, and reorganizations of the economic downturn that followed.
These scenarios reflect an irony of the knowledge economy: Even as knowledge has become more valuable, its loss has become more likely. But the irony deepens: The less knowledge that is captured regularly, the more urgently it must be captured with an employee’s departure—at the very time when that employee may be unwilling to share it. These knowledge loss scenarios emphasize that the constant threat of knowledge loss may be a permanent feature of the Information Age. So, too, may be high job turnover. The high rates of the boom years may not be anomalous, but simply characteristic rates of the new knowledge economy. It may be the case that whether the economy is expanding and employees are job hopping or the economy is contracting and employees are being laid off, turnover will remain high. It is too soon to determine statistically whether high job turnover rates are a permanent or cyclical feature of the knowledge economy. Either way, however, job turnover poses a serious threat to knowledge continuity that must be countered. But it is not the only threat. Organizations in the public and private sectors of the U.S. economy face an unprecedented loss of critical knowledge for at least the next two decades from impending baby-boomer retirements. If not countered effectively, this threatened loss of critical organizational knowledge will disrupt corporate productivity, interfere with essential governmental services, and impede the growth of the American economy at least through the 18-year retirement cycle of the baby-boom generation. And perhaps beyond.

In the course of conducting the research for this book, we interviewed managers and executives from all sectors of the American economy—government, military, and the private sector—including organizations in both the for-profit and not-for-profit arenas. In virtually every case, we encountered the same question: “Is there something we can do to keep knowledge from walking out the door when employees leave?”

Our answer to that question became a confident, “Yes, there is.” To the obvious follow-up question of “What?” we came to respond, “Continuity management.”

This book expands on that two-word solution, continuity management, developing it into a comprehensive, highly effective means for preserving corporate knowledge and productivity even when employees leave. Operational knowledge no longer has to walk out the door with a departing employee. It can be harvested by the organization prior to an employee’s departure and transferred to the employee’s successor after that departure.
The growing concern with knowledge loss reflected in this often-asked question about departing employees and their operational knowledge grows out of an increased awareness that knowledge plays a critical role in the new economy and that threats to the preservation of that knowledge are threats to the organization itself. These threats take acute and chronic forms, both of which are more malignant than at any time in American history.

The Acute Threat: Catastrophic Knowledge Loss

The acute threat of knowledge loss arises from the impending baby-boomer retirements in the United States. The scale of this potential loss is so great that the U.S. Department of Defense and the U.S. Senate have declared it a crisis requiring immediate and decisive action to resolve. In a very real sense, the United States is facing a possible collapse of the operational knowledge on which it depends to maintain its productivity, its economic dominance, and its military might. The Bureau of Labor Statistics estimates, for example, that approximately 19 percent of the entire American workforce holding executive, administrative, and managerial positions will retire by 2008.

Half of the 1.8 million federal employees will be eligible for retirement in 2005, including a majority of those in the highly experienced senior executive service and 50 percent of the civilian employees in the Department of Defense. Yet inchoate attempts to deal with the effects of this impending knowledge collapse have focused on setting higher retention goals, developing more persuasive recruitment and retention techniques, and instituting better corporate training rather than on harvesting the knowledge of departing employees before they depart. Such tactics, even if successful, will merely delay the inevitability of the baby-boomer retirements and the timing of the knowledge collapse.

The Chronic Threat: Knowledge Depletion

Equal in importance to the acute threat from impending baby-boomer retirements is the chronic threat to corporate productivity, profitability, and competitiveness posed by the loss of critical knowledge from the millions of annual transfers, resignations, and terminations that characterize the transient workforce of the Information Age. When these employees leave their organizations, for whatever reason, their operational knowledge is lost to the
organization. In some low positions of the hierarchy, the lost knowledge is merely inconvenient for the organization. In higher, knowledge-based positions, however, it can be devastating.

Common sense suggests that organizations would provide for this inevitable contingency by developing systems to preserve the critical knowledge of departing employees and then to transfer that knowledge to successor employees. But they do not. Instead, organizations expect replacement employees to get up to speed using whatever knowledge scraps and data fragments remain in the files of the departed or the memories of their coworkers. In most cases, those scraps and fragments are incomplete and disorganized, and the information they contain is unhelpful or even counterproductive. This scenario of lost knowledge is repeated day in and day out in the departure of hundreds of thousands of employees in American organizations—and around the world—creating an organizational knowledge loss that is costly and enduring. Yet knowledge has never been more valuable.

The Value of Knowledge

Over the past quarter century, the American economy has moved from the Industrial Age to the Information Age and, in the process, from an industrial economy to what has been termed the knowledge economy. One of the indicators of this watershed transition is the amount of corporate investment in information technology. It was in 1992 that information technology expenditures exceeded, for the first time, expenditures on all other capital equipment combined (Manasco, 2000, p. 1). Knowledge has replaced capital as the scarce factor of production and so has become the dominant economic force in business. It is the new source of wealth—an asset category to be invested as carefully as capital itself.

As the importance of knowledge increases and knowledge loss accelerates, the negative impact of knowledge loss on organizations rises exponentially. The effects are predictable and costly. They include:

- Reduced efficiency
- Decreased productivity
- Increased employee frustration and stress
- Lower revenues
Together, these negative effects damage profitability, curtail innovation, impair responsiveness, and reduce the chance of surviving against quicker, more knowledge-savvy competitors.

The loss of knowledge that accompanies an employee’s transfer, resignation, termination, or retirement is the single most pervasive and costly source of knowledge mismanagement in corporate America today. On the basis of job transfers and job hopping alone, it costs American companies billions of dollars a year in lost work hours and productivity. Yet despite intense interest in the knowledge economy, no comprehensive management approach has yet been developed to address either the acute problem of the impending knowledge collapse due to baby-boomer retirements or the chronic problem of knowledge depletion due to employee departures. Why not? Not because knowledge continuity is effectively handled in corporate America. It is not. Nor because knowledge discontinuity is not a problem. It is. Rather, it is because only in the new century has the problem of lost knowledge reached critical proportions.

A convergence of seven forces has turned what was once a troublesome problem of knowledge loss into a critical one of knowledge depletion and collapse. These forces include:

1. The emergence of the Information Age and the knowledge economy, which have transformed knowledge into an asset and made it the basic economic resource. In the new economy, the crucial hiring question is not “Where did you work (and for how long)?” but “What did you learn (and what do you know)?”

2. The shift from relatively mechanistic organizational structures to more organic ones, which has ended job-function stability. Job roles and responsibilities are continually redefined by technological change and other environmental forces. They have been expanded to include more and more activities and more and more decisions, many of which are increasingly complex and increasingly important to the organization. Networks, systems, and relationships have replaced rigid procedures and strict protocols in the performance of work. In such an environment, knowledge is controlling, and the loss of that knowledge can be permanently damaging to an organization.

3. The emergence of data gathering and processing technologies, which have resulted in data and information proliferation and information overload.
The pressing need is not for more information, but for better distillation, interpretation, and organization of that information, which is knowledge. It is knowledge, not information, that can be converted into savvy action. Knowledge processing, preservation, and creation have replaced information processing as the primary challenge for many workers.

4. High employee turnover and brief job tenure due to job hopping and transfers, which create continuous knowledge discontinuities for the organization. This characteristic of the mobile workforce has made knowledge loss a chronic problem.

5. Layoffs and terminations due to downsizing, which create huge knowledge gaps in the downsized organization. Downsizing often results in the best or most experienced people leaving an organization as they accept early retirement or voluntary separations motivated by lucrative severance packages. When these employees leave, institutional memory goes with them. If their operational and organizational knowledge have not been preserved, the resulting knowledge loss substantially reduces the value of the organizational knowledge pool and handicaps their less-experienced successors.

6. Greater use of the contingent workforce (temporary and contract), which leads to frequent knowledge turnover and uncontrolled knowledge loss.

7. An emphasis on higher quality, continuous improvement, and organizational learning, which requires access to prior organizational knowledge, including the lessons learned from past successes and failures. Unless existing knowledge is preserved, new knowledge cannot be constructed from it and must be rediscovered with every new employee.

These seven forces have converged to create a new management imperative, one that is consonant with the unique demands of the Information Age: the preservation of corporate knowledge and productivity when employees leave by preserving the operational knowledge of departing employees before they leave.

**Countering the Threats: Continuity Management**

*Continuity management*, which is a shortened form of *knowledge continuity management*, is defined as the efficient and effective transfer of critical operational knowledge—both explicit and tacit, both individual and institutional—from
transferring, resigning, terminating, or retiring employees to their successors. Conceptually simple but extremely powerful, continuity management is an effective means of countering the acute and chronic threats of knowledge loss. It speeds the ramp-up of new employees, increases productivity, reduces the stress of job changes for new hires and incumbent employees, protects the organization’s knowledge base, improves customer satisfaction, and creates other competitive advantages.

Four of the most important management concepts of the new century require effective knowledge continuity to fulfill their potential: continuous improvement, quality maximization, recurrent innovation, and organizational learning. Without knowledge continuity, no organization can be termed a “learning organization,” because no organization hemorrhaging knowledge can maintain the essential knowledge base it needs to learn from its mistakes and build on its successes. Continuity management is critical to each of these concepts because it is about the creation of knowledge as well as its preservation. The analysis required by continuity management enables employees to identify their critical operational knowledge and to capitalize on their productivity leverage points. It clarifies job responsibilities, reduces nonproductive effort, and increases individual effectiveness. The analysis also identifies knowledge hoarders and employees for whom no redundancy exists and who, therefore, constitute a serious exposure for the organization.

Continuity management can be implemented at any level of an organization by any manager at that level or above. It can be scaled to fit teams and departments as well as entire organizations, and it can be implemented with varying degrees of technological and methodological sophistication. It can be productively integrated into existing planning, appraisal, and reward systems. Although organizationwide continuity management programs are more effective than localized ones, small-scale continuity management programs will nonetheless make a significant difference for individual managers and their teams, departments, units, and divisions. Some knowledge continuity is better than none and will produce significant rewards for managers and their organizations.

Overview

Continuity Management consists of three parts. Part I, “Knowledge Continuity in the Information Age,” examines the chronic threat of knowledge loss from job turnover and the acute threat from impending baby-boomer retirements,
why operational knowledge is both a capital asset and a commodity that can be harvested and transferred to successors, and how continuity management creates significant competitive advantages for individuals and organizations in the transient workplace of the Information Age.

Part II, “Confessions of a Continuity Manager,” describes a step-by-step implementation of continuity management using the literary device of a manager’s journal. It includes five get-started principles that underlie continuity management, five potential barriers to continuity management, and six steps to its implementation. It also describes a knowledge continuity assessment that managers can use to evaluate the extent of knowledge discontinuity in their organizations, and it explains the five process elements through which critical operational knowledge is harvested from incumbents, validated by their peers, and passed to successors.

Part III, “Knowledge Asset Management,” continues with the practical application of the principles and concepts of continuity management. It complements the book’s earlier focus on harvesting operational knowledge by focusing on the transfer of that knowledge to successor employees and on how that transfer can be achieved in the most effective way. It also describes the realignment of the organizational culture and reward system required to support continuity management, and it explores the integration of continuity management and knowledge management into a seamless process in the service of knowledge preservation and creation.

Business is a marathon. Success cannot be achieved by the sprinter who runs alone. The business marathon is made up of many races and many people. For each employee—for each runner—and for the organization as a whole, each race is a relay, and on the success of that relay depends the success of the organization. Competitive advantage in the Information Age belongs to the organization whose employees can hand off their knowledge to the next runner, who will hand off that knowledge to the next runner, and the next, in an endless succession of relays that preserve and pass on the key to victory in the marketplace: operational knowledge.

Our interviews with public- and private-sector executives, our analysis of organizations operating effectively in the turbulent business environment of the knowledge economy, and our study of the research on management, learning, productivity, and knowledge have provided ample evidence that continuity management is the missing piece in the complex mosaic of knowledge preservation, transfer, and enhancement that drives organizational success. Continuity management is an extraordinary opportunity for
managers to outflank and outperform their competitors by seizing the knowledge advantage.

As more and more stories of individual and corporate successes built on continuity management emerge, we expect an ever-deepening understanding of its potential, greater levels of sophistication in its implementation, and a more powerful integration of its concepts and principles into daily management activities. The coming revolution in preserving knowledge continuity between incumbent and successor employees to achieve organizational knowledge superiority and dominant competitive advantage has begun. This book is about that revolution—and how to lead it.
Part I

Knowledge Continuity in the Information Age

To understand both the urgent need for—and the great potential of—continuity management is to understand the radically different environment in which contemporary organizations are required to operate. The new context created by this environment is transforming the nature of management itself. It is a context defined by the transformation of knowledge into a capital asset, the unique nature of that asset, impending baby-boomer retirements and chronic job turnover that threaten the asset, and the relationship of knowledge continuity to productivity and innovation in the Information Age. Part I provides this contextual understanding and sets the stage for the design and implementation of continuity management described in Part II.
Knowledge Loss in the Information Age

Each generation of business leaders has had to deal with a characteristic threat to profitability and, sometimes, survival that came to define their era. War, inflation, depression, stock market collapse, foreign imports, and labor shortages were all serious threats to business enterprises in the past century that had to be countered if those organizations were to survive. The first decade of the new century offers no exception to the litany of threats; it merely adds a new one: knowledge loss. The loss of knowledge from departing employees poses a threat to the productivity and prosperity of contemporary organizations that is equal to the great business threats of the past century. Those organizations that can surmount this challenge by preserving their organizational knowledge base while job transfers, retirements, terminations, and resignations deplete the knowledge base of their competitors will be the business success stories of the century.

Knowledge Workers

Peter Drucker, perhaps the foremost management thinker of our time, coined the term “knowledge worker” in his 1959 book, *Landmarks of Tomorrow*. In 1994, he predicted that a third or more of the American workforce would be knowledge workers by the end of the century (Drucker, 1994, p. 53), a prediction that he confirmed in 2001 (Drucker, 2001, p. 2). Knowledge workers
are the members of the labor force whose skills are primarily intellectual rather than manual. They create and apply knowledge rather than make things. As the defining characteristic of work shifts from repetitive actions governed by strict instructions or simple techniques to unique actions that require complex decision making grounded in understanding, knowledge becomes increasingly important. And more and more people become knowledge workers.

This shift to knowledge work has significantly enhanced the value of knowledge to an organization. As Chapter 2 explains, knowledge is now the primary economic factor in production, a capital asset to be carefully preserved and wisely invested. But knowledge resides largely in the heads of people—people who leave and take their knowledge with them. When knowledge walks out the door with departing employees who have left no “copy” for the organization, the results can be devastating. Mounting knowledge losses can create a knowledge crisis for the organization. In fact, contemporary organizations are facing just such a crisis: an acute threat of knowledge loss from impending baby-boomer retirements and a chronic threat from terminations, transfers, layoffs, resignations, and job hopping.

**Acute Threat: The Impending Knowledge Collapse**

The generation born in the post–World War II baby boom has had a profound effect on public policy, the workplace, and society at large throughout its life. Between 1946 and 1964, about 75 million children were born in the United States. Today, the baby-boom generation totals approximately 83 million, including those born in other countries but now residing in America. At each stage in its life cycle, this generation has shifted the demand for public services, changed the market for a wide range of products, and altered the nature of the workforce. For nearly 20 years, policymakers, analysts, and social scientists have been concerned about the effect the baby boomers would have on the economy and the nation as they retired.

Technically, the year 2005 marks the beginning of the baby-boom exodus from the workforce. Beginning that year, every seven seconds, another baby boomer will turn 60—and reach retirement age—a process that will continue for the next 18 years. What will these retirements mean? They presage a hemorrhaging of workplace knowledge and knowledge-based experience at a time when such knowledge and experience is increasingly important to the American economy and to the organizations that comprise it.
The Private Sector

The Bureau of Labor Statistics has attempted to estimate the number of baby-boomer retirements that will strike the private sector annually and to identify the most affected industries. The bureau’s study indicates, for example, that 19 percent of the baby boomers holding executive, administrative, and managerial occupations are expected to leave by 2008. That’s almost 1 in 5 management positions. But some industries will be even harder hit. By 2010, “as many as 60% of today’s experienced management personnel will retire from the [oil and gas] industry even if various ‘golden handcuff’ incentives are initiated to retain perhaps 20% of them” (Clark and Poruban, 2001, p. 74). The Society of Petroleum Engineers estimates that the industry will lose 44 percent of its petroleum engineers between 2000 and 2010, a loss of 231,000 years of cumulative experience (Kornberg and Beattie, 2002, p. 19). Development Dimensions International, a Pittsburgh-based human resources consulting firm, projects that between 2000 and 2005, some companies (especially large, older companies) will see 40 to 50 percent of their executives retire, a decimation of management that will leave a knowledge void of unprecedented proportions (Geber, 2000, p. 50).

But many baby boomers—particularly in the management and executive ranks—are thinking about retiring before they reach 60, which foreshortens the retirement timeframe and amplifies the retirement threat from the baby-boom generation. According to the John J. Heidrich Center for Workforce Development at Rutgers University, 76 percent of the baby boomers would like to retire before they are 50 (working for fun, 2000, p. A1). Deloitte Consulting has discovered that by 2003, nearly one-third of its 800-partner firm will be over the age of 50—and some of the fiftyish partners are talking retirement (Geber, 2000, p. 48). The obvious prediction about the baby boomers is that they will not behave as a group; some will retire early and some will retire late. The sheer number of baby boomers, however, will generate millions of early retirees. Moreover, the general trend toward early retirement means that some of those in the generation following the baby boomers may themselves elect to retire early, exacerbating the effect of baby boomer retirements.

It is possible that estimates of early or “on-time” retirements are exaggerated because of future financial pressures that might force many baby boomers to change their minds about when they will retire. Their longer life spans, for example, might require more funding than retirement income
alone can provide if baby boomers are to maintain the high standard of living to which many of them have become accustomed. Or baby boomers may incur extraordinary expenses associated with aging parents that will force them to continue working. Perhaps one of these circumstances will mitigate the threat. Certainly, a broad array of federal policies and programs have been developed or modified over the past several years to encourage baby boomers to remain in the labor force. Changes to the Social Security system, for example, have raised the official age of retirement, laws prohibiting age discrimination in the workplace have been enacted, and changes to pension and benefit regulations have removed many disincentives to continue working beyond age 65.

Even if baby boomers do work later than preceding generations, however, they are not likely to remain in the same job. They are more likely to choose a different full-time career or a part-time career that will utilize their experience while affording them the opportunity to do more of what they want to do. Either way, they will have retired from their primary organizations, taking their knowledge with them. And when they do, the results can be disastrous. Bill Gates, cofounder of Microsoft, recounts the potential loss to Microsoft that might have occurred from the retirement of just one employee whose operational knowledge had not been captured:

A few years ago we discovered we were missing some blueprints for the existing buildings on our Redmond campus. We needed the blueprints as background for our next stage of construction. Our longtime head of real estate and facilities had just retired, so we had to call him up at home to see if he knew where the plans were. He directed us to an electrician who fortunately still worked with one of our outside vendors. Sure enough, the electrician had the blueprints. In fact, that electrician was the only person in the world who had all of the plans for all of our buildings.

Traditional societies often rely on one or two people to remember the group’s history and traditions, but modern organizations need a better way to record and pass on their folklore. Yet at Microsoft we were relying pretty much on oral tradition, too. Here we were, the largest developer of office space in the Seattle area, embarking on a period of construction in which we would put up between half a million and a million square feet of new office space a year, and our entire “knowledge base” of crucial information was being carried round in the heads of just a few people and in a few stacks of blueprints we didn’t even have on file. (Gates, 1999, pp. 236–237)
In a similar vein, an account executive for a multi-billion-dollar company told us the following story. “We lost a high-performing client manager to retirement,” this executive said. “When I took over the account, I discovered that we had also lost critical information relating to that account that we could not easily retrieve. With no continuity, I had to put off the customer for two weeks while I scrambled to recover the lost information. That didn’t bode well for the client—or for me—because it stalled their important project. What were we missing? Just the thing we needed most—knowledge.”

This loss of an experienced account manager to retirement exemplifies a mini–knowledge collapse. The phrase is not hyperbolic because the knowledge disappeared suddenly and with serious impact. It damaged the relationship with the client and delayed a major project. When these minicollapses are multiplied by the number of baby boomers eligible for retirement and the number of situations affected by the loss of their knowledge, they rapidly build into a knowledge collapse of major proportions. The depth and breadth of the baby-boomer knowledge base makes it a formidable corporate asset, one that cannot be easily replaced if lost and one that is currently at risk.

It can be argued that the knowledge base of the baby-boom generation is the single most valuable—and the most critical—organizational asset in America today, whether part of the public or private sector. Those organizations that fail to preserve baby-boomer knowledge are destined for rough sailing. They risk declining customer satisfaction, lost market share, lower revenue, and even potential bankruptcy. Such a scenario of companies fading on lost knowledge was highly implausible in the Industrial Age. In the knowledge-driven Information Age, it is highly probable.

The Public Sector

The public sector is no more insulated from catastrophic knowledge loss than the private sector. By 2005, more than half the federal employees will be eligible for retirement, including an astounding 71 percent of the senior executive service, which is composed of the government’s highest-ranking and most experienced career professionals (Walker, 2001c). According to the U.S. General Accounting Office, another 58 percent of federal employees at the GS-15 level (the highest-ranking managers beneath the senior executive service) and another 41 percent at the GS-14 level will also be eligible for retirement in the same year (Walker, 2001a). Debra Tomchek, director of
human resources management at the Department of Commerce, warns that “we’re going to have a crisis at the top” unless some strategy is devised to replace the knowledge lost from the retiring managers (Figura, 1999, p. 20). The Treasury Department’s chief information officer reports that the department is “approaching a crisis in information technology skills” because of its “highly experienced workforce, which is moving in great numbers toward retirement eligibility” (Figura, 1999, p. 20). A U.S. Senate Governmental Affairs subcommittee issued a December, 2000, report entitled “Report to the President: The Crisis in Human Capital” that carried similar warnings about the high risk of baby-boomer retirements (Walker, 2001a). Since the federal government represents 20 percent of the U.S. economy, provides essential infrastructure functions, and ensures the national defense, major disruptions in its ability to carry out these responsibilities would have a highly adverse effect on the United States and its economy.

State and local governments throughout the United States face the same problem as the federal government. Described by a State of Wisconsin Workforce Planning Committee as “the most significant talent and brain drain ever experienced by government,” 40 percent of all state and local government employees will become eligible to retire in the next 15 years (Wisconsin State Government Workforce Planning Team, 2001). The committee’s report described the impending baby-boomer retirements as a “big locomotive,” concluding that, “for the most part, states and municipalities are acting like they don’t even see the train coming.”

The Department of Defense faces a similar problem. The secretary of defense reported in May 2000 that “the Department of Defense is on the verge of a crisis that the rest of the public and private sectors will also encounter—a retirement-driven talent drain (Acquisition 2005 Task Force, 2000).” Furthermore, according to the report, it is “a crisis that can dramatically affect our Nation’s ability to provide warfighters with modern weapon systems needed to defend our national interests” (Acquisition 2005 Task Force, 2000). In 2005, 50 percent of the civilians who work in defense acquisitions and 39 percent of the total civilian workforce of the Department of Defense will be eligible for retirement. “In some occupations,” according to the Department of Defense, “half of the current employees will be gone by 2006” (Acquisition 2005 Task Force, 2000). Former Secretary of the Air Force F. Whitten Peters called the situation “a time bomb waiting to go off” (Grier, 2001).
Senator George Voinovich (R-Ohio), Chairman of the Senate Subcommittee on Oversight of Government Management, wrote in an op-ed piece for the *Washington Post* entitled “Dangers of an Aging Federal Work Force” (Voinovich, 2001), “The federal work force is in crisis. And nowhere is this erosion more evident, or potentially more dangerous, than in our national security establishment.... If we fail to respond to the formidable human capital challenges in our national security establishment in a thoughtful and deliberate manner, then our best strategies and billion-dollar weapon systems will afford us little protection in an already uncertain future.”

Impending baby-boomer retirements in Europe, Australia, and Japan portend equally grave problems for these countries as they deal with similarly massive retirements in the public sector. In Western Australia, for example, a staggering 78 percent of the senior executive service will be eligible for retirement by 2009, with 45 percent of them eligible by 2004 (Ministry of the Premier and Cabinet, 1999, p. 6). According to the government study that reported these figures, the number of potential retirees over the next 5 to 10 years is so great that consideration should be given to developing a “senior management vacuum scenario.”

As if the acute threat of baby-boomer retirements were not serious enough, it is exacerbated by a concurrent threat that is chronic in nature: knowledge depletion from high and continuing job turnover.

**Chronic Threat: Ongoing Knowledge Depletion**

The recurring loss of employees whose knowledge has not been harvested creates a chronic condition of knowledge loss that depletes an organization’s knowledge base and so destroys its ability to effectively build on that knowledge base. Employees leave for many reasons, but generally, those reasons can be divided into four broad categories. They are:

1. *Employee terminations*, in which employees are laid off involuntarily because of downsizing, restructuring, mergers, reduced demand, budget cuts, unacceptable performance, or similar factors.

2. *Employee resignations*, in which employees voluntarily leave the organization because of dissatisfaction, better offers, changes in health status, changes in life style, or similar reasons.