

The Loss You Can't Afford in a Down Economy

Mary Key, Ph.D. - October 24, 2008

These are troubling times for knowledge-intensive businesses. Today, reductions-in-force (RIFs) are more likely to result in having uniquely knowledgeable people walk out the door, sometimes causing unanticipated problems for businesses. If such RIFs aren't carried out carefully, they can cause a critical "dumbing down" of organizations.

RIFs can result not only in lost knowledge but also in the kind of organizational dynamics in which knowledge becomes more poorly used. After RIFs, companies often have to do more with fewer intellectual resources, causing the dilution of expertise. And other problems: lower levels of employee engagement, greater chances of discouraged "top talent" leaving, more things falling "through the cracks" as people who used to handle certain details are gone, and greater numbers of dissatisfied customers due to cutbacks in services.

Losing valuable knowledge, particularly tacit knowledge, has been identified as important but not necessarily urgent for many companies. Organizations have tended to focus on the short term rather than the long term, which is where they've tended to see the issue of knowledge retention. However, the current economy has speeded up the loss of knowledge, and more companies will feel the impact of critical know-how leaving the organization.

As companies consider knowledge losses, they should think about knowledge in terms of:

- *Human* - This deals with what employees know
- *Social or relational* - This deals with how individuals and groups share information, network and get things done together.
- *Cultural* - This deals with how organizations use collective knowledge, how they behave and what they value.
- *Processes and systems* - This deals with the explicit and rule-based knowledge that is far easier to capture.

High-performing companies tend to build knowledge retention into the daily fabric of their organizations. They identify important positions and the length of time it takes to develop someone to fill those positions. They also have plans in place to build and replicate critical skills, core competencies, and best practices.

Of course, not all companies are in the enviable position of being able to avoid RIFs. For those that aren't, several strategies can help ensure that critical knowledge stays intact:

1. Identify which knowledge is critical to your organization's mission and competitive advantage and rank it on a 1-10 scale. Assess how the expertise leaving in the RIF will impact that critical knowledge
2. Be systematic as to which positions are cut. Employers should develop agreed-upon criteria and make sure that people with critical skill sets are not on the cutback list when possible.
3. Be respectful and responsive to those who are asked to leave. Ideally, if you needed to rehire some of those eliminated in the RIF to help train others, they would feel good enough about the organization to come back.

After a RIF - and in preparation for more profitable times - it's important to involve employees at all levels in identifying and retaining critical knowledge. Organizations should consider giving employees incentives, both monetary and non-monetary, for sharing organizational knowledge with colleagues, and they should hold leaders accountable for knowledge retention.

As in almost any crisis, there are opportunities. The current downturn and possible layoffs can spur companies to become much more adept at knowledge-retention practices - practices that should serve organizations very well over the next 10 to 20 years.

Editor's Note

With the economic downturn, many companies engaged in reductions-in-workforce (RIFs) might unknowingly lose valuable talents and knowledge. Therefore, it is important that companies plan the RIFs carefully. It is also important that companies take measures to retain the remaining employees before losing them to competitors.

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