

## **Harnessing learning: Retaining mature age managers' knowledge**

### **Abstract**

In today's knowledge economy, employers' are competing for highly skilled staff to maintain their corporate performance and competitiveness. In their pursuit to source knowledge workers, employers' have been exasperated by the demographic bulge of 'baby boomers' beginning to leave the workplace and workforce, often from senior executive roles. This has created many challenges for employers, one of which, is to ensure that the specialised expertise and experience of their key management staff, and specifically their senior executives, is passed on to benefit their successors.

Understanding what employers' are doing to ensure that their successors' 'learn' and benefit from their senior executives', and how best they do it, is the focus of this paper. Data is drawn from a broad survey of HR managers and CEO's operating in finance, education, health and local government in Australia, and through a cluster of case study interviews with senior executives.

This paper presents an initial analysis of the findings and indicates how key emerging issues support existing theoretical academic assertions about building organisational learning and knowledge. The paper concludes by drawing attention to why the co-ordination and alignment of knowledge risk management practices and measures are critical for effective learning in the workplace.

## **Impact of population demography in the workplace**

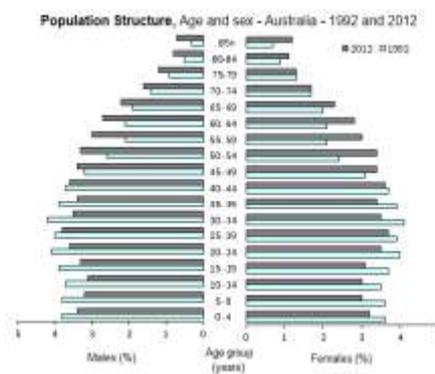
Although Australia is still a young country, its population is ageing at a faster rate than the rest of the general population (Davey, 2003). See Fig 1. And, whilst it is clear that this demographic phenomenon represents for the first time in Australian history, a fundamental shift in the age structure of the total population, the reality is that it could leave a widening gap of knowledge and skills between generations of workers. If, left unchecked, this situation could leave many businesses and the Australian economy vulnerable in achieving their strategic and economic outcomes (Australian Productivity Commission, 2008).

The push to narrow Australia's future knowledge and skill gaps is bringing to the fore the importance of building and bridging talent to increase productivity as the primary determinant for economic prosperity. Businesses and government have a critical role to play in how this is done, as do the education and research sectors in bringing direction and means to facilitate the systems and structures that will maximise the potential and opportunity to further develop Australia's human capital resources.

So, when demographers and economists talk about the 15 - 64 age workforce growth slowing to almost zero by 2050, the paucity of young entrants (15 – 24 years) coming into the workplace (McKinsey & Company, 1997), and the loss of human capital that is predicted to befall the nation when nine million Australian workers are expected to commence retirement or move into phased retirement before 2050 (ABS, 2011); (Dychtwald, K.; Erickson, T. and Morison, R., 2006); (Wolfe, 2009), they do not necessarily mean that, following a big shock, businesses will lose unprecedented levels of corporate knowledge and collapse (Kaye & Cohen, 2008); (Tempest, Barnatt & Coupland., 2002). Instead, they may be thinking that those of us involved in leadership, policy-making, education, talent management,

organisational development and planning would do well to pay attention to the disquiet concerning how well we manage and develop ‘talent’ within the workplace and workforce as an investment to increase economic prosperity.

**Fig.1 Ref: 3101.0 - Australian Demographic Statistics, Australian Bureau of Statistics, June, 2012**



Keeping per capita, human capital both intact and sustainable will become a key issue for policy-makers and employers (Orzechowska-Fischer, E; Wei, A.H., 2007). Projections taken from the Australian Bureau of Census (ABS, 2012) show that almost ninety percent of the next decade’s net increase in the working-age population will occur in the 55-64 age group, as will the average age of workers within the 15-64 age range. Furthermore, under Australia’s new retirement legislation there will be a rise in those working aged 67 years and over (Commonwealth, Parliamentary Debates, House of Representatives, 2011). As a consequence, emerging skill gaps in terms of geography as well as particular industries and occupations is expected to occur (Productivity Commission, 2008). This brings into focus, those industry sectors that are most likely to be affected by the discrepancies between the profile of their workforce and their client/customer service base.

For example, the number of young entrants aged 15-24 years coming into the workforce, and those born between 1965 and 1978 (Generation X), who by 2019, will be younger and occupying management and leadership roles with an average of nine years less experience than their previous generations (ABS, 2011). So, a thirty-year old person will not only need to be able to technically perform, but also be required to make sound decisions with the knowledge, judgement and experience of a forty-year old person. Other sectors where shortages of knowledge workers and skills have emerged and could intensify include, although are not limited to, those working in personal-services-oriented businesses, health, construction, education, finance, engineering and local government. According to the Australian Bureau of Standards (ABS, 2011) data projections, for every 110 health professionals who retire by 2050, there will be only 84 qualified people to replace them. This includes general practitioners, nurses, pharmacists, dieticians and engineers. In education, there will be only 73 qualified people available to fill every 107 jobs created by retirement, while 18 per cent of those employed in engineering are only a few years away from ‘traditional retirement’ or phasing their retirement (KPMG, 2010). As a consequence many businesses may find themselves carrying employees that are unable to perform in their current work, and be untrained for other future work responsibilities.

“Considerations will therefore need to be given to how organisations’ recognise the serious implications that these shifts in the workplace suggest, otherwise we will be unable to build future capacity and fail as a knowledge nation.” (John Howard, former Prime Minister of Australia).

These emerging trends place unprecedented value on ‘knowledge’ as the key driver for business success in the knowledge economy. However, policy and practice concerning how

employees' expertise and experience can be used as a 'differentiator' to achieve economic outcomes and competitive advantage is fragmented, piecemeal and reactive, leaving many employers exposed to the reliance on their 'internal systems'.

### **Attitudes**

Newell argues that it is not possible to develop a competitive advantage without consideration of human resources that form the core of a businesses' knowledge base (Newell et al. 2002). From an employers' perspective, the management of human resources, and in particular, their human capital, throws out particular challenges and opportunities for businesses. Among them are: the rapidly changing nature of work and the explosion of knowledge and systems for its storage, manipulation and distribution which means that both employers and employees are faced with continual requirements for skill maintenance and development. This raises questions about productivity and sustainability in a competitive and sustainable global environment which is constantly evolving, and requiring rapid adaptability, creativity and innovation.

Despite the gradual changes to the workforce that have been evolving since the 1960's, the belief that knowledge can be used as a differentiator for developing knowledge workers capabilities and talents has been less favourably received by employers as a high agenda item. (Ekamper et al., 2001).

Whilst their decisions are unclear, it does suggest that either many employers may still share an attitude that talent is plentiful and can be "bought" wherever and whenever it is needed (Manpower Group, 2012); have not adequately factored provision for these changes into their workforce development and talent management plans or been left mistaken in the belief that

these workforce issues can be addressed later in their long-term plans. This stance could be compared to the analogy of the frog, as illustrated in Peter Senge's 'The Fifth Discipline'.

We know from our organisational learning circles that the analogy of the boiled frog reminds us that if you put a frog into a pot of boiling water, it will leap out right away to escape the danger. But, if you put a frog in a pot that is filled with water that is cool and pleasant, and then you gradually heat the pot until the water starts boiling, the frog will not become aware of the threat, until it is too late to jump. These signals are early warning signs, and that one needs to wake up to the bigger picture, to the threats and opportunities we sense around us and not to remain too complacent. Whilst it, is somewhat gruesome, the lesson is clear. Many businesses' suffer from the same plight as the frog - their internal detection mechanisms are geared to respond to quick, dramatic changes in their environment, and not necessarily to the slow, more incremental, changes over time.

The continued importance of government action to strengthen the Australian knowledge economy takes nothing away from the urgency in which businesses ought to anticipate the profound talent strengths and weaknesses on their own practices and systems. And, while advanced strategic talent and knowledge management planning contribute towards improving a businesses' ability to discern the changes that are needed, an early intervention, in anticipation of the knowledge economy's challenges and opportunities, is an important means for building competitive and sustainable advantages, both nationally and globally.

However, while there is an apparent need to build improved leadership capability and support the implementation of improving talent gaps and skill shortages through practical

interventions, many of these interventions have failed to produce significant outcomes (Productivity Commission, 2008).

Economists and organisational executives have, however, indicated that developing efficient approaches to service delivery, accelerating leadership development and education for the youth will not be enough to address the impacts of these potential knowledge and skill gaps. And, whilst these issues are complex and multi-faceted, it is also apparent that governments alone cannot unlock the skill potential at the individual or workplace level.

The Productivity Commission has made it clear that “immigration alone cannot resolve the loss of a skilled labour force, and that an increase in taxes is not sustainable.” Instead, it points to “addressing the source of the challenge – sustaining and supporting workforce participation” (Productivity Commission, 2008). And, if we are to assume that Government and policy-makers’ positions to immigration, superannuation and their continuance to require a large and youthful highly skilled workforce remain the same, then it is time to challenge all sorts of workplace practices (Ryan, 2011).

These sentiments suggest that there is a need for greater engagement and co-operation between governments, its agencies and across industry to alleviate the labour, and in particular, the widening competency gaps so that Australia can grow more innovatively and sustainably as a knowledge nation. However, possessing knowledge based resources alone, will not in itself achieve strategic advantage, nor will it necessarily move performance to peak levels. Instead, these resources must be managed and developed in ways that allow a business to leverage its knowledge strategically (DeNisi, Hitt and Jackson 2003).

‘The challenge we have is how to craft complex ways of enhancing the capabilities of Australia’s workforce into the future? Organisations’ The Australian Vocational and Educational sector and societies’ have work to be done and given workforces (both actual and potential) with which to do it’ (South Australia Skills for the Future Inquiry, 2003).

## **Survival**

Other than the analogy of the frog, to survive in a knowledge economy, we need to also take lessons from the chameleon, which over time has learnt to survive through adaptation to the environment. We have learnt from economists, business analysts and educationalists that to remain competitive and productive, Australia will have to find new ways to develop the wisdom, experience and knowledge about their markets and customer/client relationships quickly. At the same time we have learnt that employers will need to find innovative ways to retain their best and brightest workers without compromising advancement opportunities for talented mature age, mid-career and younger workers (Productivity Commission, 2008). And, lessons learnt from the downsizing of organisations in the 1980’s have taught us that managers will be required to contribute their knowledge, skills and wisdom into their team/s in addition to their current management roles.

Generation Y (“Millennials”) are our next replacement workforce, though there are not enough of them to make up the coming shortfall (ABS, 2011) they are sometimes perceived as ‘job hoppers’. They want help in developing their skillsets and thrive on learning new things on the job. We also know that it is inevitable that many mature age employees will at some time commence large scale retirements, while others will continue tapering their retirement, whether by choice, necessity or capability. And we also know that organisations that let these employees go before their knowledge is put into institutional memory are at risk

of losing vital information and competitive advantage (De Long, 2004). This could be a big game changer for the Australian economy if the ‘knowledge baton’ is not passed on quickly.

Whilst age and tenure are not necessarily the determining factors for improving productivity among ‘knowledge workers’ (The Economist, 2006), there is growing organisational dependence, albeit it small, on the contributory knowledge value that ‘older workers’ bring to the workplace and society (Loretta and White 2006); (Cabinet Office, 2000). The knowledge management literature recommends involving older, experienced workers in knowledge sharing initiatives as one way of avoiding potential knowledge loss (Beazley et al., 2002); (DeLong, 2004).

Keeping mature age employees active need not reduce opportunities for the young — there is a flip-side: in organisations (and economies) where the skills of the young and the mature age complement each other, larger numbers of mature age employees will make younger employees all the more valuable. However, making use of mature age employees’ aptitudes and competencies as an asset to an organisation, is a perception, and far from universal (Thijssen and Rocco, 2010), while the lack of investment in mature age employees is minimal (Greller and Simpson, 1999), (Tansley *et al.*, 2007) and their contributions are often overlooked and undervalued (AHRI, 2012).

### **Initial Findings**

Managing this dyad, is a complex persona. Early evidence to this study has revealed close conformance with recommended literature prescriptions within some industry sectors, and significant variation at other stages, with strategies applied being broad and general, rather than risk specific. Both tacit and explicit knowledge was revealed throughout these

investigations in the variances observed between prescribed and actual practice. Furthermore, the findings identified a disconnection of practices between employers, employees and their senior executives in how their knowledge is integrated and extracted from knowledge management systems. In addition, several gaps between theory and practice were highlighted. In these areas, the predominant theoretical approaches prescribed in literature do not adequately describe the more complex realities of practices occurring in a number of different industry settings.

Businesses' characterised by slow changes and adaptability are vulnerable to failures. Such failures result from the gaps between the input resources and the business performance outcomes, and the gaps between the value these businesses' create and the value demanded by changing market conditions, consumer preferences, competitive offerings, and changing business models and industry structures. Knowledge management systems are often defined in terms of inputs such as data, information technology, best practices, etc. which by themselves may inadequately explain business performance outcomes. Also, the usefulness of such inputs and how they are strategically deployed are important issues, often left unquestioned as 'expected' performance outcomes are achieved. But, all too often, the value of such performance outcomes gets eroded by the dynamic shifts in the demography of business environments and leadership.

Through this research, employers and policy-makers are provided with an insight into the importance of managing and developing their human capital. At a global level there is potential for the findings of this study to inform emerging economies with caution in how to overcome the pitfalls of an ageing and contracting workforce.

Educationalists, employers, policy-makers and organisational talent planners may use the research findings as an insight to progress and evaluate their measures, strategies and behaviours for their enhancing human capital capabilities. It is also envisaged that the resulting analysis will enable many employers, policy-makers and educationalists find the precedents and learn lessons as new knowledge from these research findings Moreover, the knowledge-based approach sheds new light on current organisational practices in real time and the findings demonstrate far reaching implications for management, knowledge risk management and leadership practices.

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