

A Better Understanding of Knowledge Workers and Strategies for Managing Their Departure

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1 Introduction

The knowledge intensive company is characterized by its human and intellectual capital. For these companies, their workforce is central as they are the company's means of utilizing its intellectual capital. Whenever an employee leaves the company, the company suffers the potential loss of customers, technical expertise, and productivity. In essence, their departure often causes a portion of the company's core competence to be lost, not to mention the negative impact on employee morale.

In the knowledge economy, with talent in short supply and single-company careers in decline, employee turnover is a major problem.

What must be done to identify, attract, and retain knowledge workers? Are there any strategies to ameliorate the negative effects of their departure?

In this paper, we claim that a knowledge intensive company is successful in the long-term only if it exhibit finesse in managing its human and intellectual capital.

2 Motivation

The paper was motivated by the author's admiration for the consulting industry. In 2000, over 140,000 consultants sold over \$70 billion of advice [1]. The consulting playing field is populated by firms both large and small, from the behemoth Accenture, with nearly 25,000 consultants in the United States, to the exclusive Boston Consulting Group, with approximately 500 U.S. consultants [2].

It is observed that consulting firms are invariably staffed with highly capable people and that her employees tend to have short to mid-length tenures. Although faced with high employee turnover, the consulting firms continue to do well.

From the observations, the author had two questions on his mind. Firstly, what characterizes the push and pull factors in the relationship between highly capable knowledge workers and consulting companies? Secondly, what are the strategies consulting firms employ to ameliorate the negative effects caused by employee departures.

3 Knowledge Work and its Workers

In 1959, in his book, Landmarks of Tomorrow [3], Peter Drucker coined the term "knowledge worker". Drucker drove home rigorous criteria for true knowledge workers. He stated that they required "a good deal of formal education and the ability to acquire and to apply theoretical and analytical knowledge. Above all, they require the habit of continuous learning" [3].

Regardless of employment seniority, a knowledge worker is expected to work effectively with knowledge. He should be able to sieve through mountains of knowledge, understand the big picture, analyze the details, and most importantly, create and effectively communicate to share and sell the knowledge.

Knowledge work takes us back to the world of craft-work practices. Example of knowledge workers include architects, engineers, fashion designers, pharmaceutical researchers, teachers and policy analysts. In advanced economies such as the US, more than 60 per cent of workers are knowledge workers [4].

A knowledge worker is ambitious, smart, and savvy. They are also entrepreneurial, visionary and creative. They look at their job as a business and serve other workers in the company as their customers. The following is a list of common characteristics for knowledge workers [4].

The knowledge worker,

- Seeks to learn
- Recognizes the power of learning from work experience
- Takes responsibility for own career
- Is accountable for own development
- Views education as continuous and lifelong activity
- Envisions how learning affects business
- Makes decision on what to learn
- Envisions own future
- Has a serious sense of urgency for continuous reinvention
- Possess the passion for innovation and wealth creation

- Conducts serious networking efforts
- Thrives on healthy competition

From the above characteristics, we show that the aspirations of a knowledge worker can be categorized into three related spaces; idea space, people space, and personal space.

Idea space deals with entities for managing ideas. For instance the opportunities for learning, creating, communicating, and applying new knowledge. Knowledge workers seek out opportunities to work on world-class projects so as to develop their expertise and knowledge.

People space deals with entities for managing relations. For instance the opportunities for building, maintaining, and leveraging connections among like-minded peers. Basically the opportunity to work and interact with people who they hold in high regard.

Personal space deals with entities for personal benefits. For instance the opportunities for fame, career advancement, wealth, benefits, and alignment with personal vision and goals. Entities in this space are commonly employed to attract and motivate employees. During the dot-com boom era, the popular media often reported on the ballooning compensation and stock option packages used to attract and retain top talent.

The activities of a knowledge worker are seen as discretionary behaviors [5]. They are likely to engage in knowledge work to the extent that they have the ability, motivation, and opportunity to do so [5]. From our survey of the consulting industry, we show that the task of managing knowledge work focuses on identifying and providing opportunities for workers to develop the entities in the above three spaces.

4 The Consulting Industry

Consultants are people who enjoy problem solving and thinking about business strategy[2]. The job of a consultant is rarely mundane. They often collaborate with highly dynamic people to work on complex issues. Their assignments can range from advising multi-national companies on what strategic direction to take their business to implementing new initiatives that will impact the efficiency of a company's processes.

It is widely acknowledged that recruitment at consulting firms is highly competitive. It is very hard to break into the top firms in consulting like Bain, McKinsey and Mercer Management Consulting. Generally consulting firms interview only the best and the brightest who possess the likely skills and traits to be successful both in and out of the firm. The recruitment process is long and tedious, requiring an aspiring consultant to analyze case studies and to present their solutions.

Besides intelligence, the recruitment process also aim to identify applicants who are savvy, highly ambitious, and able to cope with rapid and unexpected changes. In essence, they are looking for people who strongly exhibit the traits detailed in the three spaces of a knowledge worker.

In the next few sections, we show that the development potential for each space, coupled with the benevolent management of consultants, makes consulting an attractive career for knowledge workers.

4.1 PULL Factors - Why is consulting attractive?

It is found that many people are attracted to a consulting career because the profession provides significant development potential for the entities in the three spaces; idea space, people space, and personal space.

4.1.1 Contributions to Idea Space

Knowledge workers are highly ambitious and often seek out challenging work. Outside of consulting, it is hard to imagine another job more challenging, offering opportunities to learn and grow rapidly both as a professional and as an individual.

New recruits usually receive a number of weeks training prior to beginning their career, guiding them in the skills required to perform the different consulting tasks. Subsequently, the consultant regularly attend seminars and technical training so as to keep abreast of the latest issues [6].

From the outset of a consultant's career, individuals are entrusted with enormous levels of responsibility. Young consultants are invariably asked to lead client teams, present to senior management at elite companies, analyze complex problems and to be accountable for the accuracy of their solutions [6].

In addition to the diverse and exciting work experience, consulting also opens up a host of opportunities for personal growth. Consultants can get involved in other activities such as recruiting, mentoring of other consultants, and organizing firm-wide conferences to share new ideas and exciting breakthroughs [2].

In short, consulting provides ample opportunities to further one's knowledge. In addition, the diversity of experience provides the chance to grow other parts of a consultant's skill set. All of which contributes greatly to entities in the idea space.

4.1.2 Contributions to People Space

Consultants do not work in isolation and are supported by a substantial network. The colleagues that they work with are similarly passionate and motivated. The teams in which consultants work offer a diversity of experience and technical backgrounds. This helps create an environment of ingenuity and dynamism.

In addition, consultants are also supported by the global office network of the consulting firm. This provides rich exchanges of knowledge and assistance on issues that may have already been tackled somewhere else in the world.

Consulting projects are also typically spread across the spectrum of industry. Many consulting firms assign their consultants to an assortment of clients in various industries to cultivate broad-based business knowledge [2]. In addition to learning new knowledge, the process also provides opportunities for building lasting friendships between colleagues and clients.

The consulting profession provides immense opportunities for meeting and working with interesting people. This aspect clearly contributes to the entities in the people space.

4.1.3 Contributions to Personal Space

It is found that consultants are relatively well paid and that they earn a considerable premium over their counterparts other sectors [2]. Starting wage rates are well above the national average for college students and there is substantial growth in compensation as they become more senior.

Top-tier firms offer undergraduates starting salaries that range from \$50,000 to \$60,000. Typical base salaries for MBAs and other advanced-degree holders begin at \$90,000 to \$120,000. Managers typically earn between \$85,000 and \$150,000. Partners or vice-presidents can bring in anywhere from \$250,000 to several million dollars at leading firms [2].

The above figures compare favorably to other professions and appeals to the entities in the personal space.

4.2 PUSH factors - Why do people leave consulting then?

Though consulting firms create a value proposition that gets their valued consultants to stay another day, another month, or another year. But ultimately, the consultant may find his development trajectory for the three spaces plateau and thus decide to leave.

For instance, consulting firms tend to have a steep career-ladder and only a select few make it to partner-level [6]. As a result, consultants who are not up for promotion may seek out employment opportunities elsewhere to continue developing entities in the personal space.

Consulting firms hold the point of view that, some people will continue working for them, while others will be successful elsewhere. Four of every five hires will disappear in the first five years [6]. The winnowing will continue even for those who hold upper management positions in the firm.

McKinsey managers spends much of their time, counseling associates on their careers and on whether they should stay at McKinsey. The conversation often amounts to discussing what is in an individual's best interest. Often, they will

recommend a departure, particularly for those who have received attractive offers. According to McKinsey's managing partner, "McKinsey is never in the situation to match salary or other offer enticements" [6]. Within McKinsey, it is widely acknowledged that it is almost as much an honor to be asked to find work elsewhere as it was to stay on at McKinsey.

5 Managing Employee Turnover

As previously stated, whenever an employee leaves the company, the company suffers the potential loss of customers, technical expertise, and productivity. Furthermore their departure also causes a negative impact on employee morale.

This section identifies two strategies employed by consulting firms in minimizing the negative effects, and perhaps transform the damaging situation into an advantage.

5.1 Employee Departure and The Post-Employment Relationship

It is observed that consulting firms take a long-term view of their employees. Once a person is employed as a member of the firm, his association with it will be life-long, regardless if they move on to pursue other employment opportunities [6].

The amicable separation and the existence of a warm post-employment relationship provided consulting companies an avenue to tap strategic business knowledge and leaves the door open for future re-hirings.

As such, consulting companies are able to turn a potentially damaging situation into an advantageous one.

5.1.1 Departure

The nature of departure in a consulting firm is often a highly dignified one. It is befitting of a highly successful executive. A calm departure is important, because consulting firms recognize that it is frequently involved in growing the executives who may go on to hold important positions in corporations all over the world [6]. It also knows that it has been so selective in recruiting consultants that it is already dealing with an elite that will have a long life in the world of business.

Just as companies focus on the lifetime value of customers, consulting companies consider the lifetime return on investment in their people. Consulting firms erect mechanisms to stay connected with their employees after they leave [6]. The day someone walks out of their door doesn't mark the end of a company's relationship with that person. Instead it marks the beginning of a new stage in that relationship, as a company alumni.

5.1.2 Company Alumni Networks

Company alumni networks works only when there is a fair value exchange, both for the employer and the alumnus. Alumni want to gain knowledge on what is going on at their previous employment, both the people and product issues, and employers want to remain in contact from a business development and re-hiring perspective [7].

Bain & Co. communicates with its alumni more often than most companies communicate with their current employees. The firm employs more than 2,000 people around the world, but has more than 1,900 alumni in North America alone. These people receive frequently updated alumni directories, newsletters, and often get invitations to attend cocktail receptions or to participate in panel discussions. The newsletters often chronicle the developments at the firm as well as the professional achievements of other alumni [7].

Business Development One Jesuit anecdote states that the most important body part of a person in power, be it a king or a king's mistress is the ear [6]. Considerable influence can be exerted by winning access to the ear and whispering the right message.

Many consulting veterans shift easily into positions of power in different corporations. An examination of the backgrounds for many key personnel in corporate America exhibit the pattern that they have once worked as a consultant before [6].

These veterans can help advance business development and are a great referral population. They can also be used for testing new products and services. Ultimately, both the consulting company and its alumni can seize business opportunities by tapping into a wealth of strategic relations.

Re-Hiring There are also no better source of talent than people you know and have trained. Alumni networks have often been used for re-hirings [7]. By including former employees in a company's human capital strategy, it converts the lost investment associated with employee turnover into a powerful business asset.

Most re-hirees have also picked up new skills at their new jobs and these knowledge can be utilized in future projects. Re-hiring means cost savings, a higher hit rate of successful candidates, and increased productivity as they are already familiar with the firm's culture and operations [7]. Lastly re-hiring employees also sends a signal to current employees that the grass is greener here, not at the competitor.

5.2 Knowledge Management

Often when an employee leaves, a portion of a firm's competence due to his expertise and experience may be potentially lost. Thus there is a need for consulting firms to protect its core competence by adopting sound knowledge management strategies.

Knowledge management is the collection of processes that govern the creation, dissemination, and utilization of knowledge [8].

It has been practiced in various forms. For hundreds of years, owners of family businesses have passed their commercial wisdom on to their children. Master craftsmen have painstakingly taught their trades to apprentices, and workers have exchanged ideas and know-how on the job. However these efforts do not scale and it was difficult to adopt for large corporations.

It wasn't until the last 20 years that the practice gained popularity. During that period, the rise of networked computers made it possible to codify, store, and share certain kinds of knowledge more easily and cheaply. Increasingly, modern day executives are compelled to capture and examine the knowledge underlying their business and how that knowledge is used [8].

Knowledge management strategies are primarily deployed in consulting firms so as to gain productivity in daily work [8]. However their implementation also helped the firms mitigate the loss of intellectual property due to the departure of a consultant.

The knowledge management efforts in consulting firms can be described using two categories, codification and personification [8].

For consulting firms that sell relatively standardized products fulfilling common needs, their knowledge is carefully codified and stored in electronic databases, where it can be accessed and reused by anyone in the organization. This is known as the codification strategy. Whereas for consulting firms that provide highly customized solutions to unique problems, their knowledge is shared mainly through person-to-person contacts; the chief purpose of computers is to help people communicate. This is known as the personification strategy.

5.2.1 Codification strategy

IT consulting firms such as Accenture, whose core competence is designing and implementing information systems benefit by adopting codification strategy. The strategy relies on the economics of reuse. The reuse of knowledge saves work, reduces communications costs, and allows the firm to take on more projects. In their business, the efficient reuse of codified knowledge is essential because they are frequently dealing with similar problems [8]. For instance, portions of a software system developed for a client can be reused in the implementation of another client's software system. Their customers benefit when consultants are able to build reliable high-quality software systems faster and at a better price

than others by reusing design, software code, and documentation that have been proven successful in other projects.

These firms have developed elaborate ways to codify, store, and reuse knowledge. Knowledge for a project is extracted from the person who developed it, made independent of that person, and reused for various purposes. Client-sensitive information are removed and key pieces of knowledge are carefully cataloged and stored in an electronic repository for other consultants to use.

This approach allows many people spread out at different locations to search for and retrieve codified knowledge without having to contact the person who originally developed it. As a result, it opens up the possibility of achieving scale in knowledge reuse.

5.2.2 Personification Strategy

The knowledge management requirements between IT consulting and management consulting are different. The latter offers their clients advice that is rich in tacit knowledge. Management consulting tackle problems that do not have clear solutions at the outset. Very often a consultant seeks advice from colleagues to deepen their understanding of the issues, but in the end they must create a highly customized solution to a unique problem [8].

Personification strategy focuses on the dialogue between individuals, and not on knowledge codified and stored in electronic databases. Knowledge that has not been codified is transferred in brainstorming sessions and one-on-one conversations. The process of sharing tacit knowledge is time consuming, expensive, and slow.

To make their personification strategies work, firms like Bain and McKinsey invest heavily in building networks of people. For instance, knowledge is shared not only face-to-face, but also over the telephone, email, and via video-conference [8].

These consulting firms also fosters networks in other ways. For example, by transferring people between teams and offices and by creating directories of domain experts [8].

5.2.3 A Dual Knowledge Management Strategy

It is important to note that consulting firms do not just adopt either codification or personification strategies [8]. In essence, they pursue one strategy predominantly and use the second strategy to support the first. Firms pursuing the personification model also pursue a modest amount of codification so as to provide background materials on a topic and act as a referral to experts who can provide further advice. Conversely firms that primarily practice codification will want some portion of their knowledge sharing to be person-to-person. Such person-to-person communication ensures that case solutions are not blindly applied to

situations for which they are ill suited.

6 Summary

The paper was motivated by the author's admiration of the consulting industry. It is observed that consulting firms are invariably staffed with highly capable people and that their employees tend to have short to mid-length tenures. Although faced with high employee turnover, the consulting industry continued to do well.

From the observations, the author had two questions on his mind. Firstly, what characterizes the push and pull factors in the relationship between highly capable knowledge workers and consulting firms? Secondly, what are the strategies consulting firms employed to ameliorate the negative effects caused by employee departures.

The paper started off with a discussion on knowledge work and knowledge workers. From the characteristics of knowledge workers, it was found that their aspirations can be categorized into three related spaces, idea space, people space, and personal space.

It was found that highly capable people were attracted to consulting work as they believed that being a consultant provided ample opportunities for developing the entities in those three spaces. Furthermore it was also found that a consultant will continue to be productive and loyal only if his continued employment leads to further development of those entities.

As such this paper claims that the task of managing knowledge work is focused on establishing the entities in those three spaces.

The paper also described two approaches used by consulting firms to minimize the effects of high employee turnover. The approaches were to establish a company alumni network and by adopting sound knowledge management strategies.

Company alumni networks were found to help advance business development and can be an integral part of a company's human resource strategy. For consulting firms, they demonstrated the effect of transforming a damaging situation into an advantageous one.

Knowledge management techniques such as codification and personification strategies were also described. It was found that consulting firms do not just adopt a single strategy. Instead, they pursued one strategy predominantly and use the second strategy to support the first. By conscientiously applying knowledge management techniques, consulting firms were able to mitigate the loss of competence due to employee departures.

We believe that the consulting industry provided a good case study on managing human and intellectual assets in the knowledge economy. The contributions of this paper are in formalizing the push and pull factors concerning knowledge workers, and our description of the two strategies employed by the consulting industry for minimizing and perhaps leveraging the subsequent departure of knowl-

edge workers.

7 References

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