

FEATURE KNOWLEDGE RETENTION

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KNOWLEDGE SUSTAINABILITY FOR OUTSOURCED PROFESSIONALS

Outsourcing can help a business survive and thrive – but might there be problems down the line for organisations which don't retain and nurture key knowledge and the roles that help produce it?



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For organisations in expensive developed labour markets looking to reduce costs, pool expertise and benefit from either third-party outsourcing or shared services, the unbundling of professional and administrative services represents an increasingly attractive proposition. The availability of a well-qualified and technically literate workforce across the global knowledge-based economy is prompting rapid advances in the transformation of professional functions such as Finance, HR, Purchasing and IT. As illustrated in Figure 1, from research on the changing nature of the financial function, in the new model support services are aggregated, re-engineered and typically transferred to locations that can offer location arbitrage, greater scalability, the ability to work across timezones, and now within a quality assured service delivery model (see 'Setting the Standard', *Outsource Summer 2011* pp. 90-91).

However, there may be a catch... What happens in the longer term, when a function such as HR or finance becomes segregated physically and psychologically? When the lower-level, transaction-based, routines that form the bedrock of professional knowledge and experience are

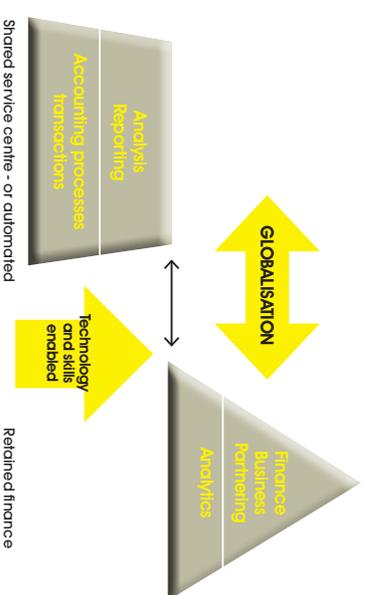
no longer available to inform and train the next generation of business partners and policymakers?

SUSTAINABILITY

Normally when we see the 's' word we think of green issues: see for example Bryan Jacobs and Michael Jordan's article 'Greening the Chain' (*Outsource Summer 2011*, pp. 46-49) referring to the sustainability of components of the supply chain in terms of environmental profile

and risk. What about the sustainability of knowledge assets, manpower, techniques, systems and information? This can affect both the 'buy' and the 'sell' side. Kavitha Nair ('The Talent Question', *Outsource Summer 2011*, pp. 76-83) quoted NASSCOM's strategic review which pointed to 'an increasing trend towards complex judgement-based processes', and cited several professional areas as relevant. Nair's article described how in India huge numbers of technically qualified workers

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are enabling the continued rise of IT/O and BPO, but also how deficiencies in soft skills, particularly 'international' English usage, are constraining expansion into higher-level services.

Based on a long-term research programme with a range of multinational organisations we would go further. In developed countries the opposite effect may be emerging. Knowledge in terms of technical skills, generic professional skills and firm-specific knowledge may be difficult for higher-level workers of the future to obtain, thus creating a significant sustainability issue for both buy-side and sell-side organisations.

Indeed, the research by the team based at Loughborough University has revealed a number of emerging concerns about the changing nature of professional work with implications for both individuals, in terms of career progression, and organisations. In terms of the future supply of senior-level professionals able to operate as those 'business partners' supporting strategic and operational management.

THE ORGANISATION VIEW

At one level our respondents have reported a hollowing-out of professional structures, with large numbers of 'technician'-level workers supervised by relatively few managers in the service 'factory'.

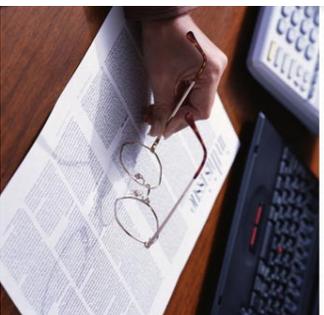
The consequence of this has been the disappearance of many mid-tier roles creating an 'hourglass'-shaped department. Initially this is good. It saves cost - and who needs all those layers of middle management anyway? However, in the longer term the phenomenon has implications for professional functions with a mid-career bottleneck restricting aspirations and actual attainment. In time the cycle repeats and managers as long-service workers no longer have the more rounded experience and skills to mentor new entrants.

While that in itself isn't any justification for maintaining 'flab around the middle', a lack of progression opportunities may lead to

higher rates of labour turnover and further degradation of the organisation's knowledge base.

THE WORKER VIEW

Workers need to sustain their level of employability - to maintain the ability to do the job they presently have and to get the next one. Whilst mature professionals might be liberated by the opportunities for working as a freelance knowledge worker (see the interview with Matt Barrie, *Outsource* Summer 2011, pp. 68-69), knowledge is a perishable commodity with a short shelf-life. It needs to be constantly refreshed



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and revitalised. If the majority of workers in the future only see a fragmented part of an overall process will they be able to offer a more complete professional service necessary to be an independent worker? There will also be impacts on longer-term career patterns, although some people argue that the concept of building a progressive and relatively seamless career is now only available to a relatively small group of 'elite' core-workers.

In professional service functions in multinational companies, where 'complex judgement-based processes' are operating, one might reasonably expect a good proportion of the staff to be members of the

relevant professional association and to be maintaining their professional knowledge and status through Continuing Professional Development (CPD). Moreover, there is more to being a professional than just knowledge. A complex range of behaviours guides the application of knowledge and adherence to ethical practices. These will have been absorbed initially over several years of working closely (in an apprenticeship capacity) with mature professionals. Such things cannot be taught in isolation to the actual practice of professional life.

In an outsourced service provider, how can buy-side firms be confident that the professional knowledge base is being developed or at least maintained if professional education isn't demanded as an essential, pre-entry employment requirement, and CPD demanded as evidence of a long-term commitment to knowledge base sustainability? Will staff have the problem-solving capability even within a prescribed or limited discretionary level if the underpinning professional knowledge isn't there, and isn't maintained and developed?

So what are the answers to these concerns that long-term buy-siders may wish to build into their outsourcing relationships? Some solutions rest with the service provider themselves. First of all, is a commitment to recruit staff with professional qualifications appropriate to the target market part of the service level agreement? Similarly, is a commitment to support CPD for staff even in transactional support roles seen as mandatory? Is there a 'buddy' system in operation that matches established professionals in the UK with their counterparts in the services provider?

OPPORTUNITIES AND ISSUES

The professionalisation of service work is

welcome, as described in Yvonne Williams on the NOA Pathway (Summer 2011, pp. 58-59). Whilst this addresses more generic administrative roles we would suggest that more specific training is required to specialise in the business professions such as HR and Finance. A further range of options relate to professional education and training. Is the company committed to supporting professional education for its employees? Could this be provided remotely, perhaps by blended learning or distance learning provision by a UK-based supplier? This could be through

a UK educational institution that has an established reputation for professional education provision entering into a partnership with an appropriately resourced overseas provider. For example, the CPD website currently lists a number of examples of such collaboration, reflecting that particular institute's ambition to become a global provider of professional education. In addition to universities entering this market, there are a number of private sector providers who share their global ambitions.

Considering India as the number one global outsourcing hot-spot, such an approach is itself not without concern, with the concerns arising from parent-country issues rather than from the country hosting the outsourcing provider. UK higher education has recently come under intense scrutiny in India, and the provision used needs to move beyond the post-colonial model of 'flying faculty' (UK lecturers being flown around the world to deliver teaching) and overseas campuses. The education provider needs to make use of the best that modern distance learning technology can offer, and to demonstrate that it too is committed to a long-term sustainable relationship.

Curriculum delivery itself needs to be sensitive to local customs, local business practices, and local teaching and learning practices and traditions. Education providers need, in short, to think global and teach local. First of all, for professional service users such as Human Resources or Accounting,

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there are some immediate concerns, starting with the organisational level. If the service delivery is in a UK context, is service delivery to UK professional standards? For example in HR, is this line with best practice as promoted by the Chartered Institute of Personnel and Development? Are there risks regarding (at worst) legal compliance, and at least not following best practice if an employment case should go to an industrial tribunal? What are the Key Performance Indicators (KPIs) that are written into the service agreement to qualify assure the knowledge base of the service provider? How are the KPIs measured, assessed and checked? Is it sufficient to rely on the service provider's own checks, or could a 'mystery shopper' approach be used?

CURRICULUM DELIVERY NEEDS TO BE SENSITIVE TO LOCAL CUSTOMS AND LOCAL TEACHING PRACTICES AND TRADITIONS.

Organisations can also use creative and flexible ways to support learning and development for their employees. According to the 2011 Learning and Talent Development Annual Survey Report published by the CIPD, 54 per cent of survey respondents have increased their use of E-Learning, and 47 per cent have increased the use of coaching by managers. Forty per cent of respondents to the same survey also reported that they expected to spend less on learning and training over the coming year, citing adverse economic conditions as the primary reason. While we recognise that times are tough, this is no reason to abdicate responsibility for safeguarding the knowledge assets both in-house and in outsourced service providers; the turbulent business environment, the shortening half-life of knowledge (but simply, the rate at which it becomes out of date), and the need to deliver a quality assured service mean that learning and

CPD should not be neglected, both at a corporate and an individual level. Where the responsibility lies for CPD is an interesting debate. Clearly individuals have to take some responsibility and ensure they are well-qualified professionals with an up-to-date CPD profile and a level of professional membership appropriate to their career ambitions. Organisations can raise their own recruitment standards by promoting the notion of professional membership and education, and enhance their own employer brand by supporting individuals to attain this.

Recognising the value of the experience gained in outsourced services could lead to the notion of business process outsourcing being regarded as a 'training camp' for professionals in the buy-side organisation. Labour is after all globally mobile and qualifications are ever more in demand. As well as professional skills such individuals bring with them considerable expertise in process design and control, and the ability to work across organisational boundaries.

To sum up, it isn't all bad news! There are some effective solutions available to tackle the issues of knowledge obsolescence in an outsourced service provider, even if that service provider is overseas. What is needed however is a commitment to all stakeholders to a longer-term relationship, to ethical behaviour and sustainability, and proper human resource planning which incorporates a plan for the development of those human resources, not just their sourcing and deployment. With the measures in place that we have suggested, end-users should look forward to a low-risk and long-term sustainable relationship which actually retains and develops the knowledge base, adding value to the human capital that is the backbone of the outsourcing relationship in the medium to long term. The authors are grateful to the Chartered Institute of Management Accountants for financial and other support in the conduct of the fieldwork in this enquiry. 



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