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Managing Organisational Memory (OM) in the Public Sector

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Abstract

Although it has lagged behind the private sector, the flexible labour market is an increasingly common feature on the public sector landscape. With human input continuing to be important in the provision of an output or service, managers need to adopt strategies to accommodate the problem of exiting expertise and the discontinuity that short enterprise tenure delivers if there is to be an upside to its application. This paper considers one such solution categorised under the auspices of 'Knowledge Management' and 'The Learning Organisation' – the management of Organisational Memory (OM), the unique institution-specific know-how that characterises any organisation's ability to perform.

Introduction: The Changing Public Sector

While it appears that the electorate invariably favours most of the products and services of public expenditure, there is an inherent aversion to paying for them. Indeed, one might perceive that an embrace of fiscal prudence has taken hold of many Governments. Alongside this is a trend to reorganise public sector bodies and bring their management, reporting and accounting procedures closer to those of the private sector, this course being supported by ideas that 'management' is both superior to 'administration' and, moreover, is a discrete universally applicable body of knowledge [Hood (1991) and, Metcalfe and Richards, (1990)]. Add to this the notions that the public sector had been growing inexorably in the 1970s and 1980s, and that it has been dominated by the perceptions and attitudes of the providers rather than its users (the consumers and the electorate), the public imagery of Government and local Government is as a leviathan exuding waste, bureaucracy, and inefficiency, needing thus to be slain.

Whilst Government, of course, is still with us, public sector management practices have been overhauled to varying degrees, perhaps none more so than in the UK. Indeed, the use of performance contracts, quasi-contractual and market forms, and competition now seem commonplace in UK public service provision, with a similar impetus building up among those EU member states pursuing a single currency, many of whom having higher percentage GDPs devoted to the public sector. Indeed, there seems little doubt the pursuit of fiscal prudence will accentuate for countries as capital and labour migrate from high tax areas to low tax areas. To borrow the terminology of Hood (1991), 'Old Public Administration' is being replaced by 'New Public Management'. Indeed, evidence of the adoption of business/management principles can be seen in the blurring of many formerly discrete boundaries between private and public sectors. The UK TECs, for example, receive almost all of their revenues from central Government but act as if they are stand-alone, autonomous units.

Managing People

While part of the shift from 'administration' to 'management' includes the adoption of techniques like mission statements, SWOT analysis and so on, it has also included the adoption of flexible employment practices commonly found in the private sector.

The notion of a workforce as a flowing group of people, some in short-tenured positions, consultancy, or service contracts, paid according to performance, and making their careers in many different organisations [both public and private] is an ideal at one end of a spectrum of employment possibilities (Flynn and Strehl, 1996). Individuals managing their own personal development is another. Significantly though, such a flexible model of labour seems to have characteristics which reformers find desirable. This is certainly the case in Austria where senior civil servants are now offered short-term renewable contracts, as well as in Sweden, the Netherlands and the UK, where varying degrees of decentralised recruitment and reduced security of tenure are evident, all of which follow the decentralisation and market-orientation, approaches identified by the OECD back in 1992.

Given the ever-present constraints and demands on expenditure, Governments have become increasingly aware that flexible pay systems alongside a flexibly-tenured work force provides a convenient means of controlling overheads, especially in times of recession. In essence, the unemployment pool, or the threat of unemployment in times of economic slump, exercise moderation in the minds of employees in search of wage settlements, with the effect that earnings invariably fall in real terms.

Thus far this paper is uncontentious – a changing public sector is presented together with the rationale for greater competition and flexibility. This is not to say that markets and flexibility mark a universal panacea, however. A critical appraisal of this change is not the purpose of this paper though, and can be left to a more rigorous treatment elsewhere [for example, Flynn (1993)]. Rather, it concentrates on a related issue – the management of Intellectual Capital [IC], in particular the institution-specific knowledge accrued from experience that is Organisational Memory (OM). For whilst, clearly, labour flexibility allows institutions to accommodate changing market conditions quicker than previously was possible, there is also a downside, especially with respect to knowledge dispersal and jobs disruption.

Intellectual Capital

One of the most interesting developments in the management field is the idea that we exist in an 'information age' and that the new economy or 'knowledge society' to draw on Drucker (1993) marks a change from physical work to intellectual work. As such, those organisations that are best able to measure, effectively use, and further enhance what has been considered to be its most

valuable asset – Intellectual Capital – will survive and thrive, not least for the reason that it is IC – effectively knowledge – that decides the replacement and employment of other more traditional resources such as land and capital (Toffler, cf. Bontis, 1998).

Leaving aside the fact that IC has always been the factor that organises capital and labour, questioning, then, why it has only very recently warranted the attention it has, it is instructive to refer to Tobin's q-ratio [a stock market to replacement value ration]. Companies where the ability to manage knowledge-based intellect is critical – such as in the software development industry – tend to have relatively high q-ratios. Such industries often have relatively few tangible assets and yet the market often places a value on the company in excess of these tangibles. This contrasts with the 'mature' manufacturing sector with low q-ratios. Whilst the public sector is not quoted on any stock market, the principle that managing knowledge-based intellect delivers value nevertheless remains valid. In fact, it is arguable that the effective management of IC is just as critical for the public sector given that this area of economic activity is almost exclusively people related. Indeed, if anything, the pressure on the level of Government expenditure makes it essential that public bodies learn how to better manage the resources available, particularly those associated with personnel and where IC is concerned.

A more exacting definition of IC is a prudent starting point for an understanding of where to begin any management process for success with this knowledge-based asset. Following Nahapiet and Goshal (1998), the term IC refers to the 'knowledge and knowing capability of an organisation, intellectual community or professional practice', and can be considered a resource given that it marks the capability for action. Yet, knowledge is not mere data or information. For whereas data is a fact depicted as a figure or statistic, information is data in context, such as in a historical comparison. In contrast, knowledge is the interpretive and predictive application of data and information.

For 'knowledge' there is one further useful distinction – the difference between explicit knowledge and tacit knowledge. Explicit knowledge is often called skilled knowledge. It is the type of knowledge that may be easily recorded. An example might be the professional or vocational skills as codified in accountancy manuals and other texts. Tacit knowledge, on the other hand, is not easily recorded. It is cognitive knowledge, sometimes known as 'coping skills', much of which is implicit and ambiguous and which is acquired largely by experience that is personal, functional and context specific. In essence, explicit knowledge is the 'what' of know-how while tacit knowledge is the 'how' of know-how. It comprises all routines and processes (formal or otherwise) that make an organisation tick.

Add to this classification of knowledge the fact that its application is closely allied to memory – commonly described as knowledge retention or the difference between having acquired knowledge and having to re-acquire it –

then Organisational Memory, which is the aggregation of an institution's experiences, becomes significant in the quality of knowledge application.

Organisational Memory (OM)

Given that in the management sphere – like life – decisions are better made with the benefit of hindsight, then the value of Organisational Memory marks in part the capability of an organisation. For the commercial sector it is a vital constituent of its durability while for the public sector it is, not least, a critical constituent of its effectiveness. Thus OM, although not exclusively so, is more concerned with the tacit type of knowledge than with its explicit counterpart. Returning to the accountancy example, it is how individuals carry out their particular skill, of say, auditing a set of figures within a particular workplace environment. It is particularised knowledge, a knowledge of the 'man on the spot' (Hayek, 1852), and constitutes those factors that, if evident among the organisation's members, foster, communication, co-operation and commitment (Sathe, 1983). OM embraces an understanding and accommodation of the kind of shared values and belief systems organisations hold (Wilkins, 1978). Likewise, the public sector operates within its own framework of understanding.

Similar observations are made by Fiol and Lyles (1985), who argue that effective organisations are those that are aligned with their environment, and Nadler, (1989), who adds that a greater effectiveness comes from a congruence of the major components of an organisation, both with each other [for example, structure, technology, systems, people and culture], and with the external environment. Maintaining this congruence – fit – involves organisational members diagnosing predicaments, and then integrating this diagnosis into a shared mental model to formulate the course of action.

But OM is more than an acquired value system or mental model. It also includes an awareness of other nuances of tacit knowledge such as the management, communication and decision-making style (Trice and Beyer, 1984), an awareness of contacts and relationships between fellow employees, as well as knowledge of the detail of job related events, plus tried and tested usage as it relates to the organisation's circumstances [also called episodic knowledge] (Kransdorff, 1998).

The Changing Public Sector, IC and OM Cocktail

To some extent the changing public sector mirrors what is happening in the wider economy, where, currently, individuals are having around eight different employers in the working lifetime (OECD, 1994) and new entrants to the economy are expected to have eleven (Employment Policy Institute, 1997). In the public sector, for example, the flexible labour market model now accounts for a significant proportion of the way work is undertaken. Indeed, the 1994 Community Labour Force Survey indicated that 10% of the workforce is now employed in non-permanent contracts. Other UK evidence has reported that

the greatest rise in the use of non-permanent contracts is in the professional occupations, increasing from 10% in 1992 to 13% in 1995 (Heather, et al., 1996). Moreover, even though the extent of the flexible labour model is not universal [not even across the EU], its take-up is unlikely to recede or diminish as the arguments in its favour prove somewhat compelling: Flexible working practices allow management [Government] to respond to ever greater pressures for cost effectiveness both via reducing costs and improving productivity, greater productivity coming both from the ability on non-standard [short-tenure] contracts to exert increased pressure on employees as well as from the greater focus on the work as opposed to the job that flexible working practices generate. Moreover, such practices focus management to establish clearer performance targets and undertake closer and more reliable performance measuring.

All upsides usually need qualification and here is no exception. For example, there are arguments that organisations should carry some slack and not allow the flexibility model to generate too tight a fit, and in the process retain an ability to change pace [see Mayhofer, (1997) for this and other caveats]. These are not the concern of this paper, however. What is, is the fact that in the information age, the flexibility model generates a level of employee discontinuity which imposes a high degree of knowledge loss for an organisation as well as a corresponding degree of workplace disruption. In the context of OM, it means that every time someone resigns, leaves to join another organisation, retires, is rotated, dismissed, rationalised, or comes to the end of their contract, the organisation's expensively-acquired experience leaves with them. Indeed, it is enlightening to examine the bottom-line impact of staff turnover. As a percentage of annual compensation, the turnover cost of a frontline employee earning \$15,000 is put at 46%, 176% of an IT professional earning \$70,000 and 241% of a middle manager earning \$60,000 (Corporate Leadership Council (1998).

OM allows decisions to be made with the benefit of tried experience of both success and failure. Relearning is a time consuming process, especially if replacements are duplicating work and not learning effectively from the past. Bearing in mind, as well, that a new appointee's ability to settle into their new environment and become fully productive can take up to twelve months – and sometimes longer – (Kransdorff, 1998) the public sector needs to look towards strategies to minimise these negative consequences of the flexible labour market.

Techniques and Case Studies

If OM loss, discontinuity and the need for constant induction are the inevitable consequences of the flexible labour market, how can an organisation minimise the effects on productivity and competitiveness? One answer lies in a knowledge management tool that, constructed professionally, can simultaneously capture OM and provide a powerful means of management development and induction.

The genre, which can be classified under the wider Learning Organisation's precepts, is otherwise known as Oral Debriefing or, in its crude format, as the exit interview that is typically employed as a formulaic, 20-questions means of trying to uncover reasons why employees leave.

The reason for the oral application is that individuals are generally better speakers than they are writers. Also, their spoken word is a more efficient way of conveying the abstract and complex nature of elements like the nuances of corporate culture, management style and the often obscure issues surrounding decision-making within groups. As such, it is an efficient way of filling the tacit knowledge gaps that otherwise exist in the written and remembered record.

To facilitate knowledge capture of short-and medium-term OM, debriefing programmes can be applied either at regular intervals during an individual's tenure or immediately after key projects, or when an employee retires or leaves to join another company. The former provides a time-undistorted record that can be used as a powerful experiential learning tool to ensure that corporate knowledge and experiences are not forgotten down the years and that companies do not lose the benefits of hindsight. In a slightly different format, the latter also provides organisations with a powerful tool to induct incoming appointees quickly and efficiently. Both approaches require expert debriefing skills to extract from individuals the essential tacit knowledge component of OM.

Pharmaceutical giant Glaxo Wellcome is one British company that has used the techniques to overcome the problem of knowledge loss and induction. In its case, there were eight departures and 15 arrivals over a period of just 18 months in a key, 20-man planning department that was dependent on a detailed understanding of the clinical and commercial aspects of all group compounds and their markets. In addition to the routine settling-in period, each new entrant had to acquire the knowledge that exiting individuals took with them – a time-consuming and expensive operation. Much of this know-how, which existed only in the minds of individuals, was typically held informally and, theoretically, passed over to newer appointees orally at joining and at appropriate junctures thereafter. Because of time pressures, the short and selective memory recall of departees and the fact that the knowledge was normally so difficult to characterise and document in conventional ways, little was actually being conveyed. The problem was compounded by the detailed issues each was addressing from day to day.

To manage the transition more effectively, it was decided to use the specialised oral debriefing techniques developed by London-based knowledge managers Pencrop. Pre-project research included detailed discussions with department heads to define the project's objectives and provide the researcher with specific guidance on areas of importance to be covered in the debriefing, and the scrutiny of departmental documents like monthly reports and departmental briefings. The assignments, which typically took half a day to record, were undertaken by a skilled knowledge manager with an expert

comprehension of management issues, human resources and corporate culture.

In transcript format, debriefings typically ran to about one fifth the length of an average novel. The resultant transcripts were edited and indexed to ensure clarity, continuity and readability.

For Glen Slade, who commissioned the project: *"The results were considered very successful, concluding that the handover reports would not only be useful when people left, but were worth the expense even for internal moves. This finding is now departmental policy and the service continues to be used as the department undergoes another reorganisation. The method proved very easy to integrate into the department since we were quickly able to minimise the management overhead associated with each debriefing (the time to brief the interviewer and collate the background documentation) to less than half an hour. Furthermore, use of this technique has been demonstrated to be fully applicable to middle managers, as opposed to senior executives who may be the more common target for such debriefing. We even used the tool successfully on a junior member of staff who left the company shortly after her department was integrated into ours."*

At Kraft in the US, the company's oral history archive was used to fashion a new marketing approach to an old product. Towards the end of the 1980s one of the company's brands, Cracker Barrel cheese, was experiencing a slowdown in growth. Linda Crowder, the brand's manager, used the oral tapes to delve into the brand's origins in 1953 in order to shape a new marketing strategy. By reading the transcripts of interviews, she was able to gain the insights of retiree Med Connelly, national sales manager of cheese products from 1959 to 1962, the period when the brand's sales began to take off. Says Crowder: *'He gave us a perspective we just couldn't get anywhere else... Our research gave us a sense of what the theory was when Cracker Barrel was first introduced, and what we told consumers about the brand in the beginning.'*

Oral Debriefing is also a knowledge preservation tool at Los Alamos, birthplace of the atomic bomb. In the wake of the US Government's decision to stop testing nuclear weapons, officials were concerned that the skills it had developed would atrophy. In the event that it would one day resume testing – and perhaps actually use the weapon again – it is undertaking a massive programme called Knowledge Preservation Project to ensure that the expensively-acquired expertise it has accumulated over the years is not lost forever as archives progressively degenerate and scientists retire. As part of the programme, retired weaponeers are being brought back to the laboratory for video taped interviews intended to salvage information about nuclear bombs that can be gleaned from blueprints and archived documentation. So far the Los Alamos researchers have recorded about 2,000 videotapes. Behind the need to guarantee that they retain the expertise to build atomic bombs is to ensure that they do not have to re-invent the wheel. For John D. Immele, director of nuclear weapons technology at Los Alamos, it was simple: *'We don't want to press the erase button on our memory and go back to where we were 50 years ago'*.

These types of oral debriefing can also be adapted to what are called Learning Histories. What happens is that immediately after an event, debriefers collect the oral accounts of participants. The transcripts are then subjected to scrutiny to extract relevant lessons that can be applied to subsequent projects of a similar nature.

Recording staff's experiences of change programmes to ensure that mistakes are not repeated has been used to impressive effect at companies like Ford and BP in the US (Personnel Today, July 1997), who hired researchers from the Massachusetts Institute of Technology (MIT). In the debriefings, interviewees recalled their experiences anonymously and in their own words in a way that reflected their collective learning experiences. The transcripts have been used to extract insights that become a best practice manual that managers and staff read before starting another project of a similar nature and which personnel specialists are using to design training courses.

Ford, which has debriefed 1,200 employees in this way, tracking the progress of teams in the US, Hungary, Ireland and Brazil, has Learning Histories currently underway in its car parts division, at an assembly plant and in product design and development. Vic Leo, a systems dynamics and organisational learning manager at Ford in Detroit, estimates that the assembly plant factory has achieved quality improvements of 25% a year since 1995 compared with less than 10% achieved for two comparable factories. *'The plant was ranked third out of the three when we started. When we stopped our learning history it was number one'*. Among its other benefits, adds Leo, is the fact that the learning history has helped expose unexpected problems such as culture clashes and knock-on effects on other systems when a new working practice is spread throughout Ford's 380,000-strong workforce. He dismisses traditional consultancy reports – they can put too much of their own spin on a story – as formulaic. *'Often you read reports about teams which are filed away and forgotten. But the learning histories captivate the readers. I also feel they give a much rounder picture'*.

At BP, where Learning Histories are calculated to have saved \$22.5 million in a three-year trial at one of its refineries, the company plans to introduce the technique to its overseas subsidiaries through an efficiency project called Pacesetter. Learning Histories came to BP when a group of Ohio employees solved a dangerous butane leakage problem that had gone unnoticed by managers for eight years. Since then dozens of other efficiency projects and two learning histories have been launched at the refinery, helping staff to increase productivity – says BP – by 35% in the last two years. Paul Monus, who launched BP's first learning history at Ohio, is now advising other refineries how to introduce the techniques of oral debriefing.

Ford and BP's approaches are imaginative adaptations of the traditional post-project review when a manager (or if it is done independently, an outside management consultant or academic) comes in after a project is completed and reviews the evidence, usually through existing documentation and oral discussion with the key decision-makers involved. A report – sometimes in the form of a case study – is usually then prepared containing the

recommendations for future action in which lie – hopefully – the fruits of experimental learning. Often, these reports fall short of their potential, as Ford's Vic Leo's observations bear out.

The problem with conventional post-project reviews (however they are done) is that they are always executed in retrospect. Because of this, it is extremely difficult for individuals, who are rarely neutral in their assessments, to be unprejudiced. Their input into any review is invariably susceptible to inherent short and selective memory recall and what Argyris (1991) has identified as the defensive reasoning process – when individuals screen out criticism and put the blame on anyone and everyone but themselves.

By changing the focus of the oral debriefing, it is possible to overcome the traditional obstacles of inexact memory recall and the defensive reasoning process. With a technique called "The Learning Audit", also developed by Pencorp, the oral debriefings are undertaken at regular intervals with the project's main decision-makers during the project's life cycle. At projects end, a suitably edited verbatim transcript contains unequivocal – and thus indisputable – sequential and philosophical evidence of how and why individuals made their decisions at the time. These are then subjected to the scrutiny of independent functional experts who – alongside the verbatim record and exactly as a manager, academic or management consultant might do – jointly produce a list of recommendations for the company that specifically identifies lessons that can be applied in the future.

Crucially, the OM needs to be captured immediately in retrospect. The important feature is to ensure that a record is made while events are still fresh in the mind and, significantly, before the event's conclusion. In effect, it allows access to accurate hindsight as opposed to hindsight that has been tempered by poor memory recall and defensive reasoning. In essence, events can be assessed in real time as opposed to hindsight – and without the emotive fog and factual disputes that come with written accounts by third-parties and the confrontational elements of group-based retrospective examinations.

As with all the debriefing techniques, the use of an independent and expert researcher imposes the necessary discipline, the requisite non-partisan attachment and the employment of professional oral debriefing techniques. At a stroke it improves the qualitative character of the evidential input and its learning potential. In short, it enables managers to more efficiently learn specifically and directly from their –and each others' – experiences while providing a workable method of arresting the costly cycle of unlearned successes, repeated mistakes and/or re-invented wheels.

Conclusion

The flexible labour market is a double-edged sword. At the sharp end, it provides an organisation with the ability to change one of its main overheads – labour – almost at will. At the blunt end, it facilitates both the dispersal of critical masses of institutional knowledge and a level of workplace disruption that imposes a deceptively high degree of inefficiency into operations. The ability to do better than one's predecessors – and simultaneously improve productivity and competitiveness – depends on an unambiguous awareness of those predecessor's experiences, which is the prime constituent of that emigrating resource called Organisation Memory. Organisations have already paid for their OM once. If it is not to pass beyond reach, it needs to be managed professionally – just like any other corporate asset.

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