Institutional Memory: An Undervalued Commodity in Gulf Region Human Resource Management

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ABSTRACT

Institutional Memory is an undervalued commodity in the modern human resource management of institutions in the Gulf Region (GCC). Organizations and institutions are not doing enough to secure the twin concerns of establishing the longevity of its workforce nor are they creating user-friendly data recall systems that will allow for knowledge and information to remain useful once a valued and knowledge employee has left. Organizations all too often fail to see the worth of attempting to keep an employee after an initial contract has been completed, nor do they create and operate a central apparatus or office to maintain and record data throughout tasks. With regards to keeping trained employees, the unwillingness to compete or try to retain an employee that may or would leave becomes compounded by the expense of bringing in, training and working with a new employees while at the same time watching an already competent employee leave to a competitor. This shortsightedness may colloquially be referred to a penny-wise and pound-foolish. It will cost more to bring in the new employee then to pay a minimal uptick in either salary, benefits or adjacent relief to a departing employee. Additionally, the departing employee will bring radical, efficient and almost immediate benefit to a competitor that is willing to see the worth of the employee.

This paper seeks to discuss the benefits, financial and otherwise, of organizations cultivating institutional memory as a benefit. The pursuit of institutional memory takes a two-fold approach urging recruiting and then maintaining staff for longer periods of time. Along this line of logic is the forward thinking calculation of understanding how much it may take to keep an employee compared to cost of losing said employee, allowing the benefits of their training to support a rival organization and then spending time and resources to recruit and train a qualified replacement. Of secondary concern is the task of creating a program and method of maintaining knowledge and information once mastered by an employee and recording said knowledge into a central repository that can be easily accessed by future employees and management if and when the qualified employee leaves the organization.

Of final concern is the understanding that employee retention, knowledge preservation and overall advancement of an organization on these premises are key components to the corporate social responsibility theory of management ethics. An organization would naturally work towards profitability, success and resources preservation. Failure to recognize institutional memory as a beneficial component to that success is a fundamental failure on behalf of management towards the organization as a whole and to the stakeholders of that organization.

Keywords: Institutional Memory; Human Resource Management; Organizational Culture
INTRODUCTION AND COMMENTARY

This paper is a genesis discussion concerning the topic of institutional memory as an underdeveloped commodity in the corporate realm, especially in the Gulf Region and with a special concern towards educational institutions. However, the concept as a whole is not necessarily confined to educational firms in the Middle East as demonstrated by a recent blog from Derek Lowe in Science Translational Medicine,¹ where he indicated that the concept is also a “…very much underappreciated by the business side of the industry.” Now Mr. Lowe’s comments are more concerned with the Research and Development programs in an organization. However, his point that once there has been a merger or fundamental corporate change with the organization, the organization loses steam on given projects as personal get shuffled, laid-off or ultimately terminated. In this his point is spot on to the topic of this paper in that loss of qualified employees on projects creates an undue drag on the progress of the organization. This is not only in a project in question but also in the big picture progress of the organization. As a comparison, consider the continuous efforts of accreditation that educational institutions have to maintain. In the Middle East, educational institutions are required to maintain local governance accreditation and also pursue professional and international accreditations in order to remain competitive. This is never a once off event. Accrediting bodies will return a few years later to review progress, review for re-accreditation and go through the entire process again. Now consider that if you have an employee working for an educational institution during an accreditation cycle that leaves before the next accreditation cycle occurs. There is a huge danger that the expertise, the inside knowledge of what the accreditation bodies are concerned with and progress of the accreditation process is lost and then recreated every time a knowledgeable employee leaves the organization. This is compounded by the employee leaving without creating and storing an efficient repository of the gathered knowledge for the organization to access and use in the next cycle.

CONCEPT PRIMER AND APPEAL FOR PRIORITY

What is Institutional Memory?

A solid understanding of what institutional memory is can be summed up as an approach for developing the comprehensive history of an organization or perhaps more acutely, an organization’s “collective knowledge”.² It significance emphasizes the connections between significant events, decisions, milestones, projects, and other key actions and how they relate to, or support, broad strategic and organizational themes and “keeps everyone on the same page”.³ There is a delineation between the institutional memory contained within personal and document or repository form. This is sometimes called “static” or “dynamic”⁴ institutional memory respectively. Regardless both are important. Successful organization have long memories and can recall the information from those memories to guide future success and avoid repeated mistakes.

Why is it Important?

It is argued by some that the loss of knowledge with the fire of the library in Alexandria Egypt was the largest loss of knowledge in human history and had the fire specifically and the general decline of the library not occurred, we may have had the technological advances that we enjoy now, hundreds of years earlier in time. Now whether or not this is true or hyperbole is better left to historical debates, but the analogy of the fire in the library compared to any organization that allows for either the loss of
institutional memory without effort of keeping qualified employees or failing to create portable and access easy repositories is sound. Every time an organization loses a vital piece of information, it consumes time and resources as it must either adapt to the new reality or alter its timeline for achieving its goals. This realization is quantified regularly by groups such as the Society of Human Resource Management (SHRM), People Keep, and the Center for American Progress that all show the cost of replacing an employee rather than retaining is rather high. The actual cost of replacing a lost employee can be calculated on average to be 16 to 20% for low and mid-ranged employees and as high as 213% for executive level positions. These numbers are the immediate tangible losses but consider those losses can be compounded by intangibles such as advertising, hiring, interviewing, training, then loss of production and engagement after hire, followed by customer relations difficulties and ultimately corporate-cultural impact. It is with that loss of the last item on previous list, corporate-cultural impact, that renders the question why firms in the Gulf in general, but especially those in the education realm have failed recognize the cost benefit of retaining employees and/or begin aggressive in creating mechanisms to stem the loss of institutional memory and knowledge. Economic indicators show that competition is growing faster than the potential market and as such every possible avenue towards efficiency and cost savings would naturally be explored. So the questions of whether organization know about institutional memory, consider it a factor in their decision making and long-term planning process and are aware of the cost of replacement need to be considered.

HR’s Emphasis on Institutional Memory as an Asset

“Knowledge is power” – this 400 years old formative statement of Francis Bacon is still valid if you look at the daily competition between employees in the labor market, as well as between companies in the product market. Over the last 50 years, there has been a growing recognition of the role of knowledge in effective organizations. Following Armistead et. al., the concept of the post-industrial society embodies the rise of service-based economies dependent on knowledge, the place of knowledge and knowledge workers. Since the appearance of the New Economy, knowledge has often been described as the resource of the 21st century. Furthermore, it is not overstated when claiming that nowadays entrepreneurial success depends more and more on a fourth factor of production: the knowledge of highly qualified employees. Compared to the classical production factors (land, labor and capital), knowledge has distinct properties: knowledge is not exhausted or destroyed by use or consumption, rather its value increases with dissemination. Additionally, knowledge is a commodity with increasing returns and an extremely positive impact on its environment.

Especially in the last decade, management literature has paid significant attention to the role of knowledge for global competitiveness in the 21st century. Knowledge is recognized as a durable and more sustainable strategic resource to acquire and maintain competitive advantages According to Bontis et. al., knowledge is today’s driver of company life, and the wealth-creating capacity of the company is based on the knowledge and capabilities of its people. In order to execute a successful strategy, organizations need to know what their competitive advantage is and what capabilities (which are underpinned by knowledge) they need to grow, and maintain this advantage. Therefore, organizations that seek to improve their capabilities need to identify and manage their knowledge assets, i.e. Institutional Memory.

From a structural point of view, knowledge is formed by information. However, knowledge is not a simple aggregation of information. Before pointing out the difference between knowledge and information, another distinction should be made: between information and data. Although many people are using these two terms for the same case, there is a difference: data are measures and information is a
set of data. Following Edvinsson\textsuperscript{15}, information, as a structural set of data, is neutral, i.e. independent of the owner (individual or organization). Knowledge, instead, is not neutral, because it is related to an individual or organizational interpretation process.

**For a better understanding, please consider the following figure:**

![Figure 1: Interplay of data, information and knowledge](image)

From a functional point of view, knowledge owned by a cognitive system (human actor or organization) defines its skills and competencies and enables it to carry out tasks\textsuperscript{16}. In fact, every skill always refers to a specific task defined as a goal that can be achieved in given conditions.

However knowledge is defined, nearly all authors agree on one point: “Nowadays, knowledge is the relevant factor for entrepreneurial success”\textsuperscript{17}. In this context it is necessary to make knowledge available as rapid as possible.

Knowledge strategies can be seen as the basis for an effective management of institutional memory.\textsuperscript{18} The lack of such a strategy will result in a wrong orientation of the company, and this wrong orientation will lead to a higher administration effort, wrong strategic decisions, and finally to a decreasing motivation of the organizational members. Coffey and Hoffman underline the importance for companies to distinguish themselves through knowledge strategies, and argue that without a constant creation of knowledge, a business is condemned to poor performance.\textsuperscript{19} Implementing knowledge processes within a firm can be very costly and fragile. Therefore, knowledge processes should be guided by appropriate knowledge strategies.

All these arguments have one point in common: nowadays knowledge can be considered as a valuable strategic asset that can provide proprietary competitive advantages. A very interesting differentiation of knowledge strategies was conducted by Choi and Lee\textsuperscript{20}. In their work about the linkage of knowledge strategies and the knowledge creation process, they introduced two core dimensions of knowledge strategies: human orientated and system orientated. They describe system strategies as strategies that emphasize the capability to help create, store, share and use an organization’s explicitly documented knowledge – institutional memory. Typically, knowledge can be codified via information technology. On the other side, human orientated strategies emphasize knowledge sharing via
interpersonal interaction. In this context, the dialogue through social networks including occupational
groups and teams is used. This kind of strategy attempts to acquire internal and opportunistic knowledge,
and shares it informally\textsuperscript{21}.

The Solution: Organizational Learning

Organizational learning is a management concept that started getting prominent in the 1990s, and
that was seen as the key factor for the organization’s ability to survive, adapt and respond generatively to
uncertainty\textsuperscript{22}. It is defined “as the acquisition of knowledge by individuals and groups who are willing to
apply it in their jobs in making decisions and influencing others to accomplish tasks important for the
organization”\textsuperscript{23}. Many theories on organizational learning are based on observations of individual
learning. Although organizational learning has its roots in individual learning, the process that leads to its
development can’t be seen as just the aggregation of the individual learning of the organization’s
members. Rather, organizational learning can be described as a dynamic process based on knowledge.
When analyzing learning as a process, Jerez-Gomez et. al. point out three aspects\textsuperscript{24}. First, the acquisition
or creation of knowledge, along with its dispersion and integration within the organization. This gives rise
to the idea that organizational learning has a collective nature that goes beyond the individual learning of
persons. Second, this creation and dispersion of new knowledge implies the existence of constant internal
changes that can occur at a cognitive or behavioral level. Third, these internal changes lead to a process of
constant improvement that allows the firm’s actions to be maintained or bettered, or even to achieve a
competitive advantage based on firms’ different learning capabilities\textsuperscript{25}.

Figure 2 summarizes the aforementioned aspects. Recapitulating, one can say that organizational
learning can be described as the capability of an organization to process knowledge - in other words, to
create, acquire, transfer, and integrate knowledge, and to modify its behavior to reflect the new cognitive
situation, with a view to improving its performance\textsuperscript{26}.

For an organizational learning system to evolve, the company management must provide decisive
backing to organizational learning\textsuperscript{27}. In other words, the management should spearhead the process,
making clear its support and involving all the personnel. Second, it requires the existence of a collective
conscience that allows the firm to be seen as a system in which each element must make its own
contribution, so as to obtain a satisfactory result. If a shared vision is lacking, the individual actions do
not contribute towards organizational learning\textsuperscript{28}. Third, it needs the development of organizational
knowledge, based on the transfer and integration of knowledge acquired individually. Lastly, the firm must go beyond an adaptive learning and concentrate on the learning level needed to question the organizational system in force, and, if necessary, make changes in search of more innovative and flexible alternatives.29

Implementing effective organizational learning including organizational memory is often connected with problems. There are the problems of politics and non-rational behavior. Political behavior can cause problems for learning because it leads to the distortion and suppression of information.30 Being involved in decision-making, managers frequently need to identify and present information in order to legitimate decisions reached on “other grounds.” Thus, they do not necessarily follow the logical consequences of the information that they have at hand. The solution lies in the skills of reflection and mutual inquiry. Individuals and teams must be fully committed to open dialogue. They may not be able to remove political processes, but they should be able to handle them when they surface.

Another problem is the paradox between exploration and exploitation.31 There is a tension between the exploitation of current technology which generates returns in the short term, and the exploration of new technologies which are necessary for long term success. Most organizations tend to focus on the short-, rather than on the long-term, and on adjusting to the immediate environment. This leads to a third problem: the problem of unlearning. Very often it is “more difficult for organizations to discard knowledge than to acquire new information” 32. I.e., individuals and organizations wish to hold on to documentation long after it has fulfilled its usefulness, and their routines for dealing with the world are historically embedded in organizational systems, structures, and value systems. Being faced with rapid environmental change, the ability of an organization to unlearn may be crucial to its survival. To sum up, and as outlined above, the importance of institutional memory is quantifiable and organizations failure to account for it can range up to catastrophic results.

FINDINGS ON HUMAN RESOURCES SURVEY ON INSTITUTIONAL MEMORY

A small and initial survey about institutional memory by firms was conducted to shed some light on whether firms know about institutional memory and how important they consider it in their decision making process. The results, though small are quite telling.

We conducted a Human Resources Survey on Institutional Memory with a focus group of Human Resources Managers in the GCC. In three simple questions we asked HR experts:
a) Do you know what Institutional Memory is?
b) Do you agree that Institutional Memory is significant for the success of your company?
c) On a scale from 1 to 10, how much effort are you investing to retain employees vs. hire new employees?

As for the first question - Do you know what Institutional Memory is? – the results look as follows for the GCC:
Do you know what Institutional Memory is?
Answered:13  Skipped: 0

The majority of our small focus group of HR managers (85%) know what institutional memory is. As for the second question - Do you agree that Institutional Memory is significant for the success of your company? – the results look as follow for the GCC:

Do you agree that Institutional Memory is significant for the success of your company?
Answered:13  Skipped: 0

All of our surveyed HR managers believe in the importance of Institutional Memory.
As for the third question - On a scale from 1 to 10, how much effort are you investing to retain employees vs. hire new employees? – the HR experts in the GCC strongly believe that retaining employees should be the focus (9 out of 10 on the scale).

On a scale from 1 to 10, how much effort are you investing to retain employees vs. hire new employees?
Answered:13  Skipped: 0
Based on these numbers it seems that Institutional Memory indeed is an important topic for companies in the GCC.

CONCLUDING REMARKS

Institutional Memory as stated in the introduction is an under-recognized commodity. The failure of firms to consider it in their decision making can have a profound impact on the organization. Now each organization has its own set of priorities, direction and destiny. Furthermore, life goes on and eventually every employee leaves their organization. But, organization can clearly be the epitome of being penny-wise and pound foolish when they fail to attempt to address the reasons why an employee is leaving the organization and make some attempt to keep the employee in house. Clearly, an organization cannot be held hostage by one disenfranchised employee, nor can they allow a cascade of adaptations once they have made accommodations to an employee that signaled a willingness to leave but changed their mind due to discussion with management. However, and here is the critical point, the longevity, profitability and success of an organization is determined by the assets that the organization possesses. If employees are not considered an asset but a liability then progress will always be held to a measured rate. It is in the best interest of the organization to consider if losing an employee is an acceptable risk compared to cost of retraining a new employee. All of this is further compounded if an organization does not also take aggressive steps to centralized information and knowledge. This can be partially taken care of be creating an institutional “knowledge library”. Institutional Knowledge Libraries should be easily accessed by everyone at the organization and centrally located. Creating such an entity ensures that knowledge does not leave “when the senior executive does”.

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