

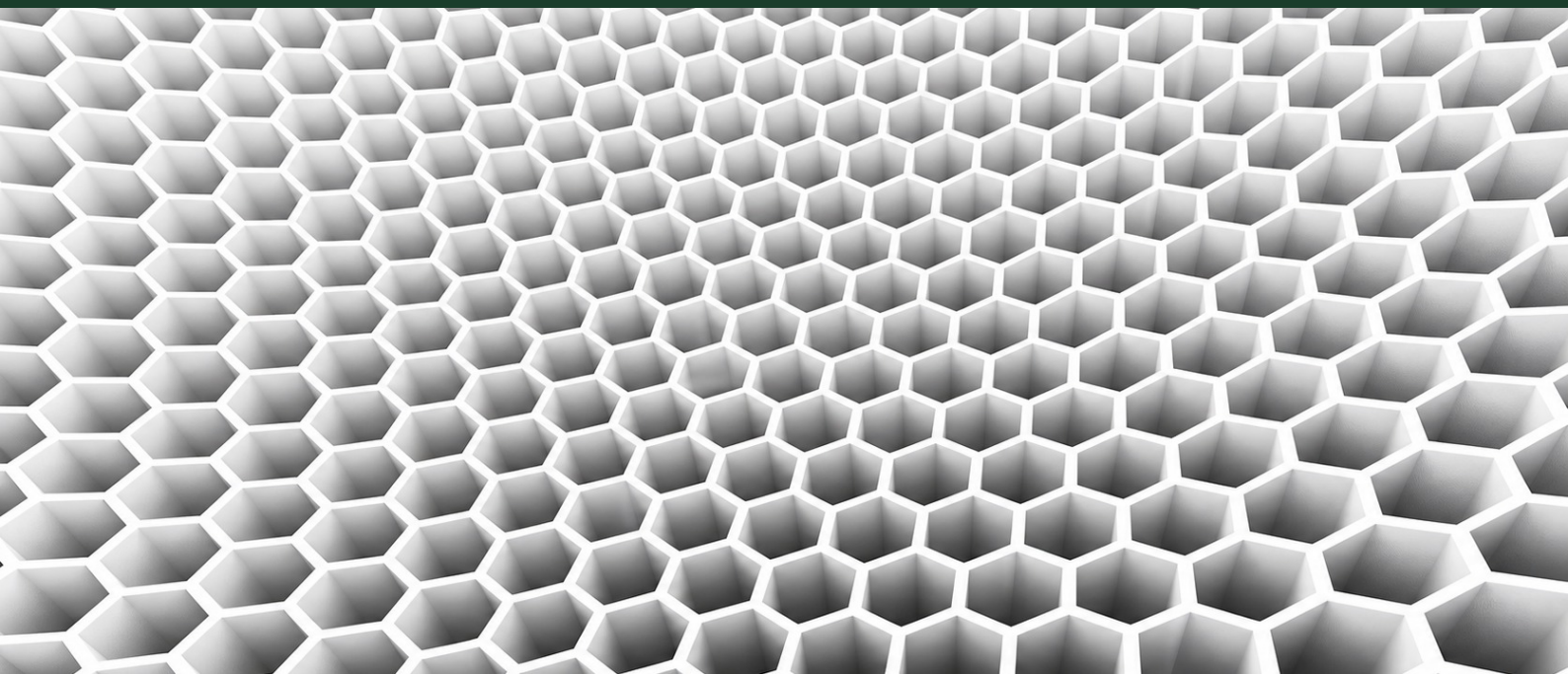
BEYOND RETENTION

# The Capability That Walked Out the Door

On the great resignation, the quiet hollowing of internal delivery capability, and why so many transformation portfolios rest on people who can leave on a month's notice.

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*“What we were counting was staffing. What we needed was capability.”*

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## 1. Executive Summary

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The great resignation is being read, in most boardrooms, as a retention problem — a spike in attrition to be met with counter-offers, retention bonuses, and a hope that the labour market cools. This essay argues that it is something more uncomfortable: a stress test that has revealed how little of our programme delivery capability was ever institutional. For years we counted delivery capability as headcount and day-rates, when in truth it lived as tacit knowledge inside individuals — many of them contractors on short engagements — who could leave, and now do, on a month's notice. What walks out with them is not just labour but the memory of why decisions were made, the relationships that made delivery possible, and the judgement that no method document captures. This essay traces the structural forces that made it so — the hollowing of internal capability through a decade of outsourcing, the day-rate bargain, and a delivery culture that rewarded heroics over institutional memory — and holds them against the more comforting explanation that this is merely a hot labour market. It closes on the gap the year has exposed: between the transformation ambition organisations are announcing and the delivery capability they have quietly allowed to become rented, undocumented, and mobile.

## 2. A Resignation on a Monday Morning

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It usually arrives on a Monday. A short, courteous message from the person who has been holding a programme together — the one who knows which of the reported milestones are real and which are green because no one dared report otherwise; who remembers why the integration approach was changed eighteen months ago; who can call the single person in the vendor's team who actually returns calls. Four weeks' notice. Nothing personal. A better rate, a shorter commute, a fresh start after a strange and exhausting year.

In that moment a programme that a steering committee believes is an institutional asset reveals itself to be something closer to a personal one. The plan is documented. The RAID log is up to date. The governance pack is immaculate. And yet everyone in the room knows, with a slightly sick feeling, that a very great deal is about to leave the building, and that almost none of it is written down.

This scene is playing out across organisations this summer, and the vocabulary for it is only just arriving. The phrase "the great resignation" is a few weeks old; the quits data behind it is the highest on record. It is tempting to treat the whole thing as a weather event — a post-pandemic squall that will blow through once people have made their move and the market settles. That reading is a mistake, and an expensive one, because it lets us respond to the symptom and miss what the symptom is telling us.

### 3. Capability Was Never the Same as Headcount

For as long as most of us have been delivering programmes, we have measured delivery capability by proxy. We counted people: how many project managers, how many business analysts, how many delivery leads. We counted their cost: day-rates, run-rates, the size of the resource plan. When a programme was in trouble, the first question was almost always "do we have enough people?", and the remedy was almost always more of them.

What we were counting was staffing. What we needed was capability. They are not the same thing, and the gap between them is precisely the space the great resignation has walked into.

Capability is the ability to get a specific thing done in a specific organisation. It is made of things that never appear on a resource plan: knowing how decisions really get made here, as opposed to how the governance chart says they do; knowing which risks are genuinely dangerous and which are theatre; holding the relationships, inside and outside, that turn a blocked dependency into a phone call rather than a change request. None of that is fungible. You cannot lose it on Friday and replace it with an equivalent headcount on Monday, because the thing that left was never the headcount.

*We staffed our programmes and told ourselves we had built capability. The two words are not synonyms, and the difference between them is everything that cannot be written into a handover pack.*

The uncomfortable truth the year has surfaced is that we allowed capability to accumulate in individuals rather than in the institution, and then told ourselves the institution owned it. As long as those individuals stayed, the fiction held. It has stopped holding.

### 4. Why the Knowledge Was Never Ours

Programme knowledge is unusually resistant to being written down. A great deal of it is tacit — the kind of understanding that lives in judgement and pattern-recognition rather than in documents. You can capture the what of a decision in a log; the why — the three options considered, the political constraint that killed the obvious one, the thing everyone knew but no one minuted — tends to survive only in the heads of the people who were there.

We made this worse, not better, through the way we run delivery. We prized the hero: the individual who could hold the whole programme in their head, who worked the weekend to recover the milestone, who was indispensable — and indispensability was treated as a virtue rather than the organisational risk it plainly is. We rewarded the person who was the single point of knowledge, and then acted surprised when their departure became a single point of failure. A culture that celebrates heroics is, by construction, one that does not build institutional memory, because the hero has every incentive to remain the only one who knows.

Add to this a decade in which many organisations deliberately thinned their permanent delivery capability. Programme delivery came to be seen as a surge activity — something you scaled up for a transformation and down again afterwards — and therefore something to rent rather than own. The logic was financial and, on its own terms, sound: why carry expensive delivery leaders on the payroll between programmes? But the effect, compounded over years, was that the deepest delivery knowledge in the organisation increasingly belonged to people who were not, in any durable sense, part of the organisation.

## 5. The Day-Rate Bargain

This is where the contractor economy meets the great resignation, and the meeting is not comfortable.

The bargain of the day-rate model was always explicit: you pay a premium — often a substantial one — for flexibility and for scarce skills, and in return you accept that the relationship is transactional and can end at short notice. For years the premium felt worth it, because the flexibility was real and the short notice was theoretical. People stayed engaged after engagement; the rolling monthly contract renewed so reliably that it felt permanent. We booked the flexibility and quietly assumed the stability.

This year the theoretical became actual. Consider a transformation programme carrying, say, forty per cent of its senior delivery roles as contractors — not unusual, and in many places conservative. Through the spring, the market for exactly those people tightened sharply. A lead who had renewed contentedly at six hundred and fifty pounds a day found the going rate for their replacement had moved towards nine hundred, and moved with it. Three such leads turned over in a single quarter. Each replacement took the better part of a year to reach the productivity of the person who left — not because they were less able, but because capability, as we have said, is organisation-specific and must be rebuilt from scratch each time.

Put a number on that and the day-rate bargain looks very different. The premium paid for flexibility bought the right to lose your most knowledgeable people fastest, at the worst possible moment, to the highest bidder. The saving from not building permanent capability is dwarfed by the cost of rebuilding rented capability three times in a year. And this year the reforms to how off-payroll working is taxed have added their own friction to exactly this population, at exactly the moment the market for them ran hot — a reminder that the contractor layer we leaned on was always more contingent, and more exposed to forces outside our control, than the org chart suggested.

## 6. The Objection: Perhaps This Is Just a Hot Labour Market

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It would be dishonest to press this argument without stating the strongest case against it, because there is a serious one.

Perhaps this is simply what a tight labour market looks like, and nothing structural is being revealed at all. People who deferred moving during the uncertainty of last year are moving now that confidence has returned; a year of postponed decisions is being taken all at once. On this reading the quits spike is a release of pent-up churn, not a permanent shift, and it will subside as the backlog clears. Some churn, moreover, is healthy: fresh people bring fresh thinking, and an organisation where no one ever leaves is not resilient but stagnant. And the simplest remedy — pay the market rate, retain the key people, ride it out — is not obviously wrong. If the problem is that good people can command more, perhaps the answer is just to pay them more.

I take this seriously, and part of it is surely true; some of what we are seeing is a hot market and will cool. But I do not think it explains away the deeper point, for a simple reason. The hot-market reading assumes the loss is replaceable — that the issue is price, and price can be met. The whole argument here is that when the capability is tacit, organisation-specific, and undocumented, the loss is not merely a matter of price. You can pay the market rate and still not restore what left, because what left was never on the market to buy. A hot labour market makes the departures more frequent; it does not make them less costly. It has simply removed the stability that was disguising how exposed we always were.

There is a second tell that this is more than a market cycle. When capability is genuinely institutional, a wave of departures is painful but survivable, because the organisation absorbs the loss — the knowledge was shared. What we are seeing instead is individual departures landing as programme-level events: a single resignation moving a milestone, a handful of exits putting a flagship initiative visibly at risk. That is not the signature of a labour market that is merely hot. It is the signature of capability that was concentrated in too few heads to begin with. The market conditions are the trigger; the concentration is the vulnerability, and the vulnerability was ours long before the market turned.

## 7. Intent and Capability: The Gap We Papered Over

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Step back from the individual resignation and a wider pattern comes into view — and it is the one that should worry us most.

Organisations are, at this moment, announcing transformation portfolios of remarkable ambition. The pandemic year taught everyone that they could change faster than they believed, and the response has been to commit to more change, not less — modernisation programmes, new operating models, digital everything, all scheduled with confidence. At the very same moment, the delivery capability those portfolios depend on is thinning, mobile, and walking out on a month's notice. We are scaling our intent and hollowing our means, simultaneously, and mostly without noticing the contradiction, because the two live on different pages of different documents owned by different people.

*"We are scaling our ambition and renting our capability at the same time, and calling the result a strategy."*

This is the real content of the phrase "the gap between transformation intent and transformation reality". It is not that our plans are too ambitious in the abstract. It is that the ambition is set by people who reason about strategy, the capability is managed by people who reason about resource cost, and no one owns the relationship between the two. The portfolio assumes a delivery muscle that the operating model has spent a decade quietly letting atrophy. The great resignation did not create that gap. It pulled back the curtain on it, at the worst possible time, and in a vocabulary new enough that we are still deciding whether to take it seriously.

## 8. What Holds When People Leave

If capability is the thing that can walk out, then the real work — the work almost no one is doing while everyone is busy writing counter-offers — is to make more of it institutional, so that less of it can leave.

That does not mean pretending tacit knowledge can be fully documented; it cannot, and the organisations that respond to this year by mandating heavier handover templates will have learned precisely the wrong lesson. It means something harder and less tidy.

1. Own delivery capability as an asset, not a cost. Someone senior must be accountable for the organisation's ability to deliver, distinct from any single programme — able to answer "what can we actually deliver, with whom, and what happens if they leave?" as a standing question rather than a crisis one.
1. Build for two, not one. Every point where a single person is the only one who knows is a risk on the books, whether or not it is written there. Pairing, deliberate overlap, and shared ownership cost efficiency in the short term and buy resilience in the only currency that matters when the Monday message arrives.
1. Right-size what is rented. The day-rate model has a proper place — genuine surge, genuinely scarce skills. It does not have a proper place holding the irreplaceable institutional memory of a flagship programme. The question is not "contractor or permanent?" but "which knowledge can we afford to let leave on a month's notice?".
1. Match intent to means, honestly. A transformation portfolio should be sized against the delivery capability that actually exists and can be retained, not against the capability an untested resource plan assumes. That is an uncomfortable conversation, because it makes the portfolio smaller. It is also the only honest one.

I will not pretend I am confident most organisations will do this. The forces that produced the situation — the appeal of renting capability, the celebration of heroes, the separation of ambition from delivery — are structural, and were, for years, individually rational. They will reassert themselves the moment the labour market cools and the pressure lifts, and the temptation to file this year under "unusual circumstances" and move on will be very strong.

But the lesson is there for those willing to take it, and it is not really about resignation at all. It is that we mistook the people for the capability, and the staffing for the strength, and we will keep being surprised by Monday-morning messages until we stop. The organisations that come through this changed will be the ones that stop asking "how do we keep our people from leaving?" and start asking the harder question underneath it: why does so much of what we can do leave with them?