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# HRM AND ORGANIZATIONAL PERFORMANCE AT WORKPLACES WITH MULTIGENERATIONAL WORKFORCE

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## **ABSTRACT**

*In an ever-changing world with greater pressures being placed on people management professionals, the need to become faster, fitter and more flexible to meet the needs of our organizations has never been more pronounced. (Bakacsi et al., 2013) Alongside this managing multi-generational workforce has become a contemporary issue in human resource management. More so, with competition for talent on the rise, developing a corporate culture of employee engagement and commitment has become a foundational imperative for most organizations. Multigenerational workplaces has to deal with distinct age groups with differences in terms of motivations, working styles, communication patterns and technological preferences working together towards achieving the goals and objectives. The responsibility of HR becomes more and more strategic to ensure the continuity in the strategy execution on any level of the organization. (Bersin by Deloitte, 2015) Among others in the public sector leaders face a growing challenge to source efficiently, keep up with the free market within the compensation system, foster knowledge management and make sure the organizations' capability to further innovate.*

*This paper does not look for an ultimate solution or aims to standardize or even increase conformity. It shows elements of the HR-toolbox globally operating companies across industries use and is more to open up a discussion around the incompatibility and harmony of people's expectations, material world and value-based leadership. The study explores the current trends and challenges around the generational diversity at the workplace and tries to establish a linkage to the toolbox of talent management in order to provide possible solution scenarios based on practical experience.*

## **INTRODUCTION**

Sweeping demographic changes across both the developed and developing world will place greater pressure on both the government and private sector globally to initiate and implement creative solutions to educate, integrate and retain a rapidly changing and diverse working population.

Ageing populations across the globe will continue to pose a challenge for businesses. On the one hand, experienced employees are departing the workforce, leaving a leadership void. On the other hand, many older workers, especially those in industrialized countries, plan to carry on working well past the traditional retirement age. Many will simply need to continue earning, as social safety nets, pensions and other benefits will no longer be adequate or available. But HR will need to establish more targeted incentive structures to keep less committed older workers in the workforce. Companies will also need to anticipate and assess which new skills and training older employees will require, particularly in the realm of technology where they may feel less comfortable than many of their younger colleagues.

Companies will need to manage the successful transfer of experience and knowledge to younger generations at the outset of their careers. If demand continues to outstrip supply

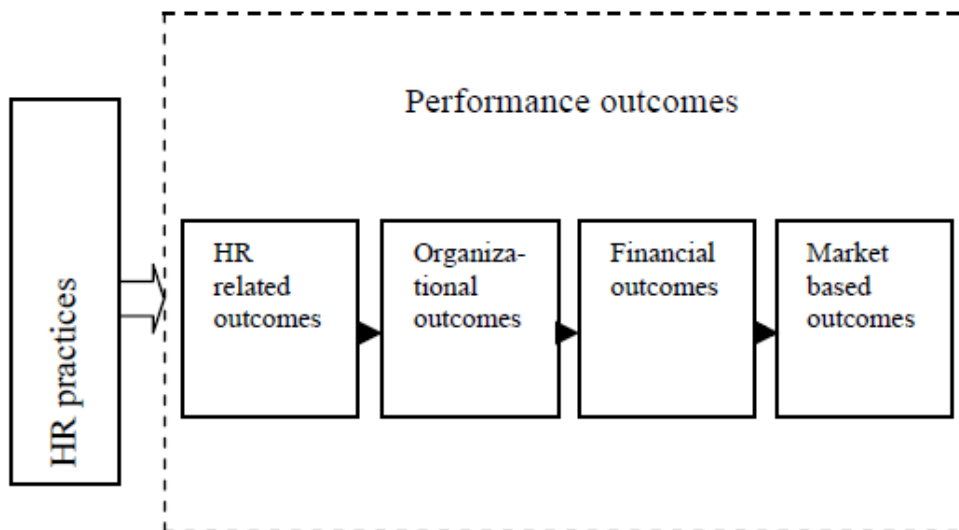
for certain positions, companies will also need to rethink how to hire junior workers into positions requiring more tenure.

Preparing the world's youth for the workplace will certainly present challenges. In countries with high youth unemployment rates, there are increased concerns that many young people will leave the workforce permanently, producing a lost generation. Meanwhile, the skills and education of the millennials who remain in the workforce must always be relevant and attractive to employers. Governments, companies and educational institutions will need to create solutions that reform the educational system, and prepare the future workforce for employment opportunities.

### **The relevance and value of HRM**

The first systematic empirical studies of HRM-Performance link were published in 1994 (ARTHUR, 1994) and 1995 (MacDuffie, 1995; Huselid, 1995). Although the bulk of literature seem to accept that HRM practices has a significant impact on organizational performance, it should be taken into consideration that there are two different approaches in scientific literature (Edgar, Geare, 2009; Paauwe, 2009):

1. the conviction concerning link;
2. the doubt about link or even denial.

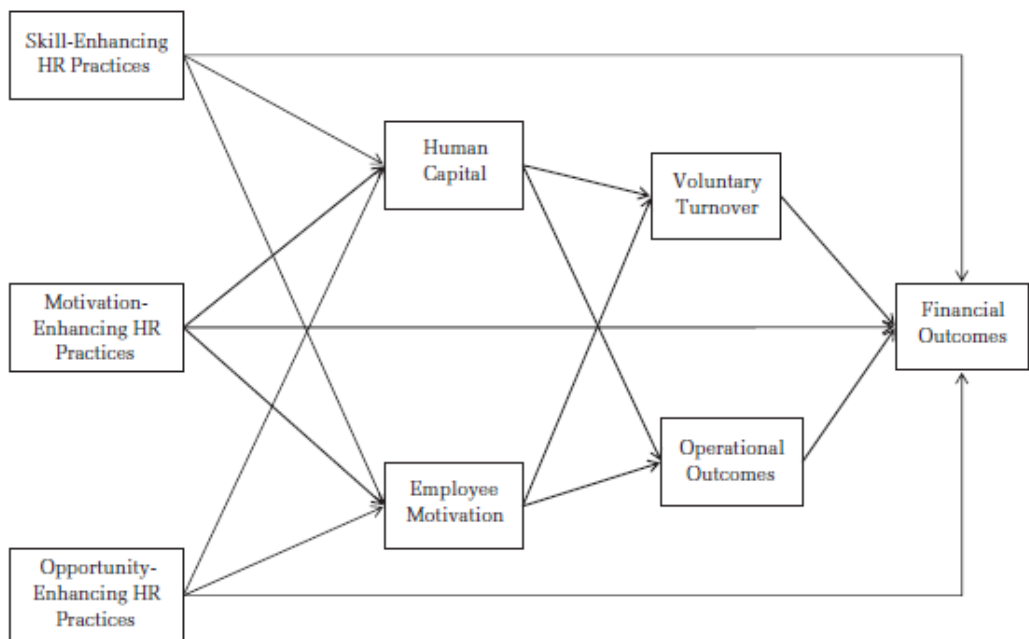


**Figure 1. HRM impact on Performance**

*Source: Savaneviciene, A., Stankeviciute, Z., 2010*

Although traditional HRM research has focused on the impact of individual HR practices, the strategic perspective on HRM research emphasizes bundles of HR practices, often referred to as high performance work systems (HPWS), high-involvement work systems, and high-commitment work systems, in examinations of the effects of HRM on employee and organizational outcomes (Wright and McMahan, 1992). A burgeoning body of strategic HRM research has shown that the use of systems of HR practices intended to enhance employees' knowledge, skills, and abilities, motivation, and opportunity to contribute is associated with greater commitment (Gong et al., 2009). Further research results show that the efficiency of HRM practice affects also lower turnover (Batt, 2002), higher productivity and quality (MacDuffie, 1995), better service performance (Chuang and Liao, 2010), enhanced safety performance (Zacharatos and Barling, 2005), and better financial performance (Huselid, 1995).

Jiang et al. researched diverse HRM models and their implications to the contribution to the financial performance, and adopted multiple perspectives to extend previous mediating models of HRM's influence on organizational outcomes. They found that, drawing upon the behavioral perspective on HRM, human capital theory, and the resource-based view, the current study demonstrates that HRM positively relates to financial performance both by encouraging desired employee behaviors and by building a valuable human capital pool (Lepak et al., 2012).



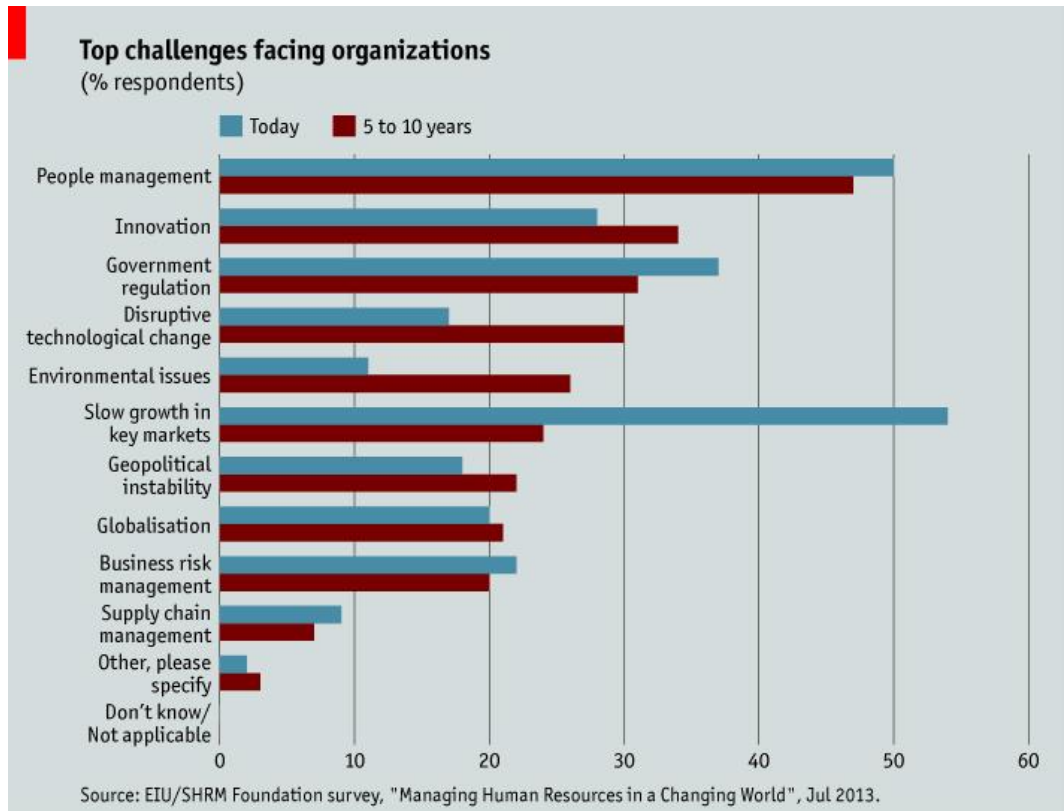
**Figure 2. Theoretical Model of Effects of HR Dimensions on Organizational Outcomes**

*Source: Lepak et al., 2012*

## HR's Challenges with Multigenerational Workplace

As stated above the changing world brings every day new challenges to the organizations. The global labour market and mobility, skill gap observed in nearly every industry and across the globe made HR as one of the most complex and therefore crucial part of the organizational strategy and management.

Companies navigating choppy waters of a complex economy must simultaneously keep and strengthen their position on the market and continuously rethink and reinvent themselves in order to attract and retain the right people.



**Figure 3. Top challenges facing organizations**

*Source: SHRM Foundation survey (July 2013)*

To understand the current challenges HR faces with regards to the multigenerational workplace, the definition of “generation” shall be done first. A generation is a group of people who have shared the same events through news, music, mood, education, parenting styles, and more, during a certain point in time. It is through these formative experiences that a generation develops a collective outlook. There are currently five generations in the world today:

- Post War/Silent Generation/Traditionalists: Born approximately between 1928 and 1945,
- Baby Boomers: Born approximately between 1946 and 1964,
- Generation X: Born approximately between 1965 and 1979,
- Generation Y (Millennials): Born approximately between 1980 and 1995, and
- Generation Z: Born approximately starting in 1996

Several studies were conducted to research the multitude at different organizations in many countries on many continents yet. Besides the bottom-line benefits an established and focused strategical approach integrating the different age groups at the workplace brings, there are several observations and opinions what the real the challenges are. Although the results vary due to various reasons, I believe following challenges and bottom-line benefits remain the same in every study:

Challenges within the generational crowd at the workplace:

- Baby Boomers see Millennials and Generation X as lacking discipline and focus, being lazy and entitled.
- Generation X sees Baby Boomers as resistant to change, dogmatic in their thinking, sexist, defensive, and lacking in creativity. They also see Millennials as arrogant.
- Millennials see Generation X as having poor problem - solving skills and being slow to respond. They also see Baby Boomers as resistant to change, dogmatic in their thinking, sexist, defensive, and lacking in creativity.

Overcoming existing stereotypes is hard but inevitable to prepare the organization for the next change to take in order to keep up speed with the environment. According to the results of a multigenerational workplace survey, conducted at the UNC, HR and talent professionals should keep two concepts in mind when creating a plan to manage an organization's multi-generational workforce: honor each generation's unique contributions while focusing on their similarities (UNC, 2014). The study highlighted the gap in the communication as one of the most important reasons of wasting time in delivering solution and therefore losing productivity at the workplace. Many organizations consider the way out in choosing the right strategy not only for the communication but personifying a structured plan for the integration. To do so many companies tailor roadmaps to help leverage each generation's strengths while fostering the collaboration throughout the organization.

The bottom-line benefits include among others:

- Improved employee engagement and morale with the right leaders.
- Improved corporate culture. HR and talent management professionals who take the time to educate employees on generational issues will improve intergenerational understanding, multi-generational inclusiveness, respect, and productivity.



- Better employee retention, higher degree of flexibility as well as knowledge management and improved competitiveness (decreased brain drain while older generations leaving the workplace)

In the forthcoming sections, I would like to highlight some of the most critical topics where the diversity of the workforce increases the challenges and requests for an overall strategy.

### **War for Talent**

As the bottom line benefits (only a few selected out of different studies) also describe, the retention rate and the organizations' capability to find and attract the right talent are clearly one of the most important factors for the sustainable development. The right initiatives in increasing the intergenerational understanding and minimizing the discrimination at the workplace will result in more flexible teams. Through higher acceptance and the right degree of "constructive chaos" many teams – especially in knowledge intensive industries – demonstrate increased innovation and creativity over time.

### **Digitalization & Transformation**

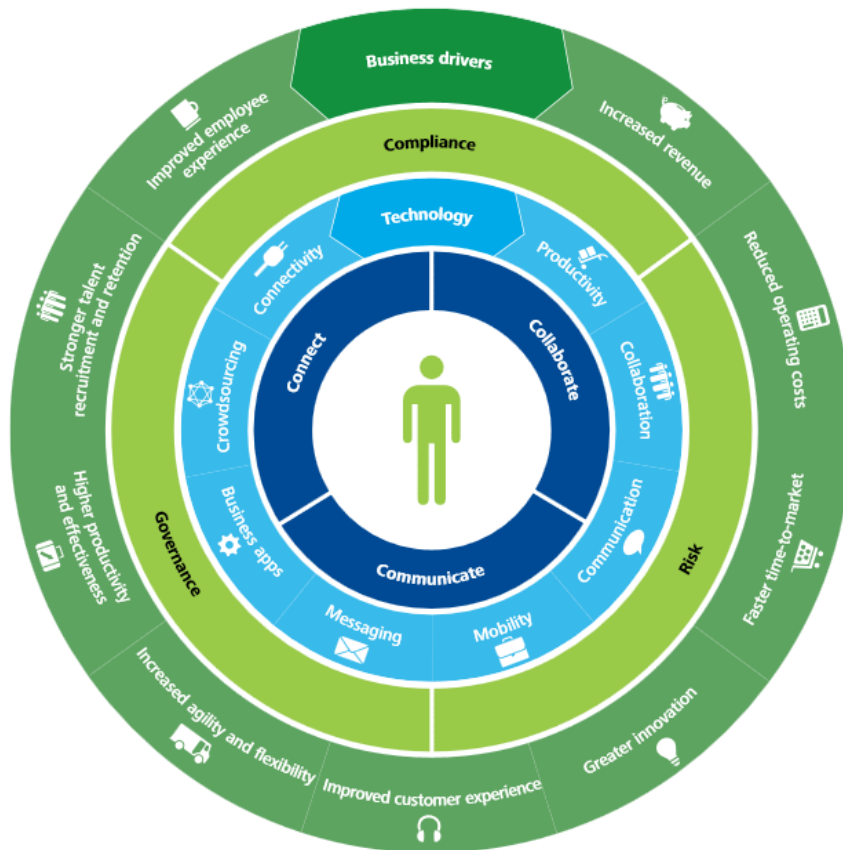
While Millennials are technology team players, other generations could feel frustrated being deeply involved in the virtual world. Our lives were changed over the years, we are connected at and outside the workplace, and we are digital and online. Not everywhere in the world, though. The demanding dimensions of the digitization and transformation at the workplace are not applying universally. (Despite the fact we primarily focus on the age groups in this paper, another factors shall be considered here as well: geographical, economic and cultural diversity of the workforce.)

### **Leadership and Engagement**

Appropriate communication, gearing messages for generational preferences is the essence of a dialogue between people. Being recognized as a leader by different ages is often hard to manage over the time, but the most important thing is to understand the generic requirements of the groups. Generation X wants mostly information delivered informally. Millennials, on the other hand, want opportunities to provide feedback and to receive positive reinforcement. The superordinate goal of all leadership development programs shall be in my eyes improving the leaders' skills and encouraging them at all levels to be flexible in their management styles. Some generations are eager to have the hands-off managers; others want a more involved management style (Pongrácz, 2012).

## The potential of HR Digitization to integrate multigenerational workforce

The digital workplace can be considered the natural evolution of the workplace. Comprised of your employees' technology working environment. The digital workplace encompasses all the technologies people use to get work done in today's workplace – both the ones in operation and the ones yet to be implemented. It ranges from your HR applications and core business applications to e-mail, instant messaging and enterprise social media tools and virtual meeting tools (Deloitte, 2012).



**Figure 4. The digital workplace**

*Source: Deloitte, 2012*

In alignment with the above model on HRM-Performance, underlined with research results, more and more organizations are committing IT budget on supporting digital workplace strategies that promise to deliver measurable returns. This trend is only set to accelerate as employees increasingly choose to forge productive business relationships beyond natural work groups in an effort to enhance knowledge sharing across the organization.

A diverse and inclusive workplace requires beyond innovation through technology break-through an open communication with an awareness of growing generational differences. It is a matter of strong leadership, embracing new approaches, and communicating in a way that engages all employees. However, this communication across age groups is challenging and demanding both, in strategy and technology.

IBM and Deloitte researched many times the employee behavior, workplace complexity and effective ways to improve beyond HR and organizational efficiency the enterprise performance. The found that in most organizations the digital workplace can be broadly defined in eight categories to support the ways in which you communicate, collaborate, connect and deliver day-to-day services. Too often, organizations implement these tools in silos without the benefit of a holistic digital workplace strategy.



**Figure 5. HR Toolbox @ Digital Workplace**

*Source: Deloitte, 2012*

Alongside these groups the HR responsibility is take the time to create a digital workplace strategy that clearly articulates the business focus, workplace diversity in an age-group manner to guide the development of your digital toolbox. By assessing the organization’s capabilities in each category, the identification of the focus areas and proper determination of the organization’s culture and business requirements are essential to identify the right tools. Based on my experience the right strategies are always dependent on the following:

- The organization's maturity in innovation both for the employees and the outside world
- The organization's capability of transforming the innovation power into authentic leadership behavior (risk-taking leaders with pioneer souls)

## CONCLUSION

Value of HRM and its linkage to the organizational and financial performance is still on debate, whereas the vast majority of recent researches aims to prove it. Following my approach, studying research methodologies and results, and running – not yet detailed analyzed – interviews at globally acting multinational companies with a population of 35,000+ I believe in the strong relationship of HRM and Performance.

As my further activities in this scientific field I will further investigate the models established by research efforts in the past and try to extend them with a significant environmental constraint „technology”.

In my opinion the multigenerational workforce brings with it a wide variety of challenges and opportunities and represents nearly all workplaces around the world. The collaboration between age groups often causes conflicts and requires mediation through HR. The role of an innovation driven HR approach towards the digital transformation of supportive and strategical processes around the workforce is increasing and has enormous potential to extend (or just control / direct) the organizational performance.

In my research, as the base for my thesis I will further research the existing literature on the HRM and Performance linkage and follow-up on the new trends and results. Based on the practical experience I gained in global projects at industry leading organizations while transforming their HR+IT Strategy in alignment of their digital capabilities, I will establish a benchmark with the major focus on 3 different areas:

- HR+IT strategy and Governance
- HR Core Processes
- Talent Management

In parallel, although restricted for the West-Hungarian economical area, I will conduct the field study to survey the 100 biggest (based on the annual listing by the Chamber of Commerce and Industry for Győr-Moson-Sopron County) companies to establish a pulse check on following domains:

- Maturity of HRM strategy and practices including the companies innovation grade

- Readiness based on the maturity level to leverage the advantages of the digital transformation opportunities the global already using – comparison base will be the above benchmark

The clear hypothetical assumptions are not yet firm, will however be presented within shortest time.

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