Chapter 91

Managing Generational Diversity:
Lessons German Companies Can Learn From Silicon Valley

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ABSTRACT

Germany is undergoing a dramatic demographic change that requires its organizations to make workforce talent of all ages a strategic priority. Practitioners in Germany focus largely on Generation Y employees, because this young employee cohort expresses new and different work-related values. However, diverse attitudes and behaviors of employees in different age groups can potentially lead to conflict and have an overall negative impact on organizational performance. Given US labor legislation and media pressure, managing workforce diversity has been on the agenda of U.S. organizations for many years. Consequently, it can be assumed that there are areas in which German organizations can learn best practices from the U.S. experience. Although data collected from Silicon Valley organizations suggest that taking specific action for managing the multi-generational workforce is currently not a pressing issue in the tech industry, setting up innovative workplaces is an action field in which Germany can learn from its U.S. counterparts.

INTRODUCTION

The ability to manage a multi-generational workforce will become a critical success factor in the future. Organizations in Germany are already experiencing more variety in the requests and expectations from their workforce (Bertelsmann Foundation & Mercer 2012). A particular challenge comes from Generation Y employees – people born between ca. 1980 and 1995. Recent surveys suggest that they are exigent and

demand, amongst others, more flexibility and autonomy in the workplace as well as more meaningful jobs than previous employee generations (Accenture 2012; Klaffke & Parment 2011).

The expression of concern over the dreadful ways of the young is certainly nothing new. According to a famous quote, often attributed to Socrates, "the children now love luxury; they have bad manners, contempt for authority; they show disrespect for elders and love chatter in place of exercise." If this is a classical and common phenomenon, why do we need to worry about it? The answer lies in the demographic transition and the subsequent change in business conditions. Economic growth potential depends on having sufficient and productive labour. However, as a result of declining fertility rates, most OECD populations are facing a demographic shift with a shrinking and ageing working population.

In managing demographics, German practitioners currently focus on how to change organizational practices to attract Generation Y employees and how to safeguard performance levels of elderly employees through health management. This strategy, however, may not be sufficient given the dramatic demographic change in Germany with a projected decline of its working population by 6 million until 2030. In fact, organizational practices are needed that make talent of any age a strategic priority, allowing organizations to present themselves as employers of choice for every employee generation, while enhancing fruitful collaboration between employees of different ages.

Since workforce diversity has been on U.S. organizations' agendas for quite some time, one can assume U.S. companies to be ahead of their German counterparts in managing generations in the workplace. Therefore, the broad purpose of the present research is to examine generation management at Silicon Valley companies and to suggest areas where German organizations can learn lessons from U.S. experience.

RESEARCH BACKGROUND

More than any other OECD nation, Germany's economy is approaching a demographic shock of a scale not observed since the Middle Ages. By 2030 the German working-age population is expected to decline by 6 m, already skewing sharply older in the coming decade (Robert Bosch Foundation 2013). Due to talent shortage, more than half of Germany's small and medium sized enterprises are expecting a decline in prosperity and growth (Ernst & Young 2013).

To safeguard the employment provision, and thus further ensure Germany's prosperity there are two basic options: a) increase the volume of work performed and b) improve workforce productivity. As immigration has yet been unable to compensate for the loss in labour force, some important reforms have already been put in place to lengthen one's working lifespan. School and academic education were shortened, pension was postponed to the age of 67 and retirement pay was cut thus incentivizing employees to work until the statutory retirement age. Given the implemented changes in both exit age and education system, collaboration time of employees of different age with connected divergent values will increase by roughly 10 years.

Current corporate practice in managing demographics with focus on attracting Generation Y employees and providing health management for elder generations is, for at least three reasons, not sufficient to ensure adequate labour supply. Firstly, preserving physical and psychological health is indisputably the basis for work ability; yet this is not enough for maintaining lifelong high-performance levels. Studies by the Finnish Institute of Occupational Health suggest that organizational work factors, especially team leadership and management practices, are critical elements in productive aging (Ilmarinen 2005). Secondly, we tend to assume that there are advantages associated with age diversity in the workplace such

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