

Knowledge-era generation in the labor market: what can we learn from HR policies of FDI-invested companies?

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Abstract. The authors study the comprehension of the different generations on the labor market, eventually requesting different HR policies by the management of the foreign-invested companies in Slovakia. They investigate how the companies view the generations X and Y, what kind of differences among them they identified, and if they have found them appealing enough for the corresponding reactions in their HR policies. The study was conducted on the sample of randomly chosen 250 FDI-invested companies investing more than 1 mil. Slovak crown (330,000 EUR). The authors interviewed the members of the top and middle management, and concluded that even though the majority of the surveyed participants see significant differences among generation, only less than two thirds of them are adjusting their HR policies to the changed conditions on the labor market. The authors assume that this fact can create a potential danger for their business success in the future.

1 Introduction

We studied the comprehension of the fact that there are different generations on the labor market, eventually requesting different HR policies. Our target group was large foreign-invested companies in Slovakia. We were interested how the companies surveyed view the generations X and Y, what kind of differences among them they identified in their companies, and if they have found these differences appealing enough for the corresponding actions in their HR policies.

2 Sample and method

The target group of our research is the subsidiaries of the multinational corporations operating in Slovakia, with the parent companies and headquarters established in different foreign countries. Transnational companies due to their size, international reach, complexity of the operation usually have highly developed and advanced HR policies and processes and have done so in such a way that they represent the best material for analyzing the selected issues on the entry of Generation Y into the labor force in a globalized economy.

The research itself was solely focused on large firms; with a contribution of a foreign investor exceeding 330,000 EUR. By using the method of random selection, first we contacted 50 companies in a pilot study, out of which 34 expressed willingness to work and cooperate with us. The return rate was represented by exactly 68%. Surveyed and contacted were the members of senior management, administrative and supervisory boards, middle

managers, and both Slovaks and expatriates. Afterwards, we addressed 250 companies, again chosen randomly, out of which 90 companies worked with us (the response rate was finally 36%).

The conducted interviews were focused on different issues related to managing foreign subsidiaries; some of them were related to the entry of Generation Y on the labor market. We were interested to see if the companies see the differences between generations X and Y, how would they formulate and materialize them and if the differences between these two generations lead to the differences in their HR policies.

The pilot study was conducted in January – February 2012, the final research from March – May 2012, using both e-mail communication and telephone interviews. Questions for the face-to-face interviews were both Slovak and English, given the nature of the surveyed companies and the presence of expatriates in the surveyed group.

By analyzing the sectors, we found that 50 of the respondents came from services (56%), out of that, 16 companies were from financial sector, 34 respondents were from manufacturing and construction sectors (38%) and 6 from the energy sector (7%) – see Table 1.

When examining the origin of the surveyed companies operating in Slovakia, we found that two thirds of companies were from Europe (almost ¼ of the companies were originally from Germany), and nearly 1/6 from the USA. The statistics also show that many multinational corporations came directly from the European Union. However, we also found firms whose parent companies are based in Asia (China, Japan...) (see Table 2).

Table 1: Companies surveyed: sector distribution

Sector	Number of companies	Share (%)
Services together	50	56%
<i>Financial services</i>	16	32%
<i>Information and telecommunication services</i>	15	30%
<i>Retail and wholesale</i>	12	24%
<i>Other services</i>	7	14%
<i>Services together</i>	50	100%
Manufacturing and construction	34	38%
Energy	6	7%
Together	90	100%*

Sources: Own research of the authors

*Differences in addition are caused by rounding the numbers (Table 1 and next tables).

Table 2: Origin of the surveyed companies (foreign investors)

Investor's origin	Number of investors and their share (%)	
Europe	67 (74%)	
Western Europe		
<i>Germany</i>	21 (35%)	21 (23%)
<i>Austria</i>	9 (15%)	9 (10%)
<i>France</i>	7 (12%)	7 (8%)
<i>Netherlands</i>	5 (8%)	5 (6%)
<i>Great Britain</i>	5 (8%)	5 (6%)
<i>Others</i>	13 (22%)	13 (14%)
<i>Together</i>	60 (100%*)	60 (67%)
Central and Eastern Europe	7 (100%*)	7 (1%)
<i>Czech Republic</i>	5 (71%)	5 (6%)

<i>Poland</i>	<i>1 (14%)</i>	<i>1 (1%)</i>
<i>Russia</i>	<i>1 (14%)</i>	<i>1 (1%)</i>
USA		14 (16%)
Asia		4 (4%)
More than one investor		3 (3%)
Non-stated		2 (2%)
Together		90 (100%*)

Source: Own research of the authors

*Differences in addition are caused by rounding the numbers

If we take a closer look at the sectors and origin of the sample (see Table 3), we see that the participating companies represent almost equally services on one side, and manufacturing, construction and energy on the other side what should contribute to the credibility and consistency of our research. The geographical coverage also represents, to a large extent, the structure of foreign investors to Slovakia, with Germany as the most significant foreign investor to Slovakia. When we study the three biggest countries of origin in our sample, we cannot state whether services or manufacturing are prevailing in their investment, which is again, confirmation of the broad and representing coverage of our research.

Table 3: Structure of the sample: sector and origin approach combined

	<i>Ger.</i>	<i>Aus.</i>	<i>Fr.</i>	WE	CEE	Asia	USA	Others	Σ
Services	8	6	5	33	3	3	8	3	50
Energy	3	0	0	3	2	0	0	1	6
Mfg.	9	3	2	22	1	1	6	1	31
Construction	1	0	0	2	1	0	0	0	3
Together	21	9	7	60	7	4	14	5	90

Source: Own research

Abbreviations:

WE – Western Europe Ger. – Germany Fr. - France

CEE – Central and Eastern Europe Aus. – Austria

We continued to note the surveyed group characteristics by analyzing the size of our subsidiaries. By definition, we found that big companies occur most frequently among our surveyed firms. These firms employ more than 500 employees on the territory of Slovakia. In some cases, it can be up to even several thousand employees. From this perspective, our research is significant because we discussed the raised issues with the majority of the biggest employers in Slovakia.

3 Research results

The most important question we asked in this respect was if the respondents believe that the generation Y (born after 1980) compared to the generation X (born in 1960 – 1980) require new approaches in HR policies. 76 out of 90 participants responded this question – 52 companies (58%) admitted that they adjust their HR strategy to the new generation, 24 companies (26%) are not changing their approach. The rest (15%) did not answer this question – we may assume that they also do not pay any special attention to this issue.

As stated by the senior manager of a Dutch electronics producer responsible for CEE and SE region – an expatriate: *“Generation Y looks for its personal targets, not the business ones. Humility is missing. I do not adjust my approach – from all my employees I do require commitment, hard work and learning from mistakes.”* There were even some relatively angry reactions to this question, like the following one (Director of a subsidiary of a British company in financial services, Slovak national): *“My experience from 13 years with this company is that the generation Y is trying to find an easy job for 600 EUR per month instead of having some ambitions, willingness to grow, to step up the career ladder, to achieve something. I do not want to say that it is applicable for all, however I can hardly name the exceptions. I need to have very many people at the interviews until I find this exception. But if I find it, it is definitely worth it!”*¹

On the other hand, another expatriate from a consulting company operating worldwide stated: *“Yes, generation Y is definitely different and they require different approach for sure. First, they are motivated by other things than salary as career is not that important to them. This is a challenge for HRM. We introduced half-day Fridays during the summer season when there’s not that much work. And also we had to change the No Social Media policy and now it is allowed during the working hours, but to a limited extent, of course.”* Some managers have a very different approach:

We also try to identify how the companies view generation X (born in 1960 – 1980) and Y (born after 1980). Broadly speaking, the respondents state that generation Y is influenced by technological progress, new ITC technologies, information boom, and political changes after 1989. This generation is more flexible, mobile, open to innovations and changes, has more opportunities at home and abroad, speaks foreign languages and are fully computer- and ICT-literate. This leads to their willingness to change jobs more frequently and to the lower loyalty towards the employers. As for leading generation Y, the respondents believe that this generation require a dominant leader who is an interesting with a respectful personality (they do not respect their managers based on the superiority), and is very patient. In many cases, they do not have strong work ethic which they compensate for by their flexibility and strong drive in the case that they are interested and involved.

As seen from our results, 58% companies are trying to adjust their HR policies given the specific characteristics of generation Y. However, only one half of the respondents were able to specify and to say explicitly which changes they have introduced. These changes were based on three factors: way of communication, behavior of managers and corporate policy. These three factors are specified in the table 4:

Table 4: Specific approach to the generation Y

Factors of the specific approach to the generation Y	
Communication	
Different tools, trends and themes	Relaxed and easy-going way (non autocratic)
Behavior of manager	
New up-to-date leadership approach	Consultative leadership style
More patience	Constant challenging (otherwise they get bored)

¹ *„My experience based on 13 years of practice says that the generation Y looks for a good position at 600 EUR monthly, rather than ambition to grow or achieve. I do not mean to generalize but it is very difficult to find exceptions. It takes a big number of interviewees to see to find one, however, if found, it’s worth it!”*

More attention to their team involvement (resulting from lower loyalty)	Supporting initiative
More attention to coaching and mentoring, training and development	Supporting them in taking responsibility
	New appropriate ways of motivation
Corporate policies	
New programs for needs identification, getting feedback, supporting new ideas	Possibility to express opinion
Emphasis on specialization, career and professional growth, flexibility – “free-hand” however with enough control	Trainee programs
	Communication during the university of high school study
	Appropriate set of motivation tools and policies
	Creation of space for professional and personal growth

Source: Own research

4 Conclusions

As seen from our research, those companies who realize the need of a specific approach to generation Y focus on communication (new ways, new tools, new approaches) and strengthening the role of leaders and managers – if they should be respected by the new generation, they should base this respect on the professional knowledge, reputation, competencies and not on superiority, seniority and positions. Consultative approach is highly recommended, followed by providing a lot of freedom (but appropriate portion of the control), and supporting creativity and new ideas. Coaching, mentoring and sufficient amount of training is also recommended, expected and appreciated by generation Y.

Leaders and managers should take into account that they need a lot of patience, understanding and special motivation tools appealing to the young generation. On the company level, some companies introduced trainee programs that allow the participants to get through different divisions in the company to get to know them and to make the right decision about their future career.

As we learned from our research, many managers highly appreciate the contribution of the young generation to their company (due to innovative approaches in different fields, speed and drive, new ideas etc.) To unleash the potential of generation Y we propose much closer cooperation between the companies and universities, implementation of a semester or trimester in the companies into the study programs, common projects solving the most pressing issues in the companies related to the entry of generation Y on the labor market, exchange of the faculty, common courses taught by practitioners as well as faculty members etc.

We believe that the entry of generation Y into the labor market requires a lot of attention from the companies as employers and assume that only those who will take into the account the fact how different the new-comers are, can succeed in the competition for the best talent, in the competition for customers, and the competition in markets. Future research could be directed in the study of correlation of the implementation of special HR policies for generation Y and business results of the companies. Another stream of the future research can be focused on the case studies – on the best practices of those who implemented special policies, challenges they faced and results they achieved.

Literature

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