Unlocking the power of generational diversity in the workplace

KPMG in Malaysia

The modern workplace is more diverse than ever, encompassing a wide range of backgrounds and ethnicities. But conversations on diversity, equity and inclusion (DEI) are incomplete without considering the impact of managing multiple generations in the workplace. Each generation brings its own set of values, experiences, and expectations, creating a rich tapestry of diverse perspectives that requires specific approaches to human resource (HR) management.

Understanding the generations

Baby Boomers
(born between 1946 and 1964)

Renowned for their extensive expertise and deep institutional knowledge, they place a high value on work and are often loyal to their organizations, seeking job security and stability.

Baby Boomers are also willing to take on leadership roles and are well-represented among senior decision-makers. Their career commitment and strong work ethic have long been foundational to successful organizations.

Gen X
(born between 1965 and 1980)

Raised in times of economic and social instability, Gen X are known for valuing independence, autonomy, and personal growth, preferring managers and leaders who allow them to work independently.

Gen X can be highly entrepreneurial, adaptive to change, and on the lookout for challenges and opportunities. While they often seek positive work relationships and growth opportunities, they can also be reluctant to take on formal leadership roles.

Millennials
(born between 1981 and 1996)

Otherwise known as Generation Y, have profoundly influenced modern workplaces with their focus on innovation, technological proficiency, and work-life balance.

They value flexibility and autonomy, seeking roles that provide meaning and purpose. Millennials tend to question authority and value collaboration, feeling comfortable with diverse groups and enjoying teamwork with a common goal.

Gen Z
(born between 1997 and 2012)

Gen Z are digital natives driving global workplace culture transformations. Constantly connected, Gen Z prioritize experiences, convenience, adaptability, and a supportive work environment.

Their characteristics include a continuous search for opportunities for growth, a healthy work-life balance, flexible work arrangements and concerns for sustainability.

Source: Multi-Generational Workplaces Final Report, Centre for Work, Organization & Wellbeing, Griffith University

A multigenerational workforce fosters diverse thinking and problem-solving approaches, particularly in navigating new and existing markets and trends. For instance, the younger workforce offers digital perspectives, whereas the Baby Boomer employees provide broad industry knowledge acquired over time. However, many organizations fall into a trap of designing one-size-fits-all HR policies, which have limited effect on talent attraction and retention programs.

A holistic approach is necessary for companies to derive maximum value out of generational diversity. This entails looking beyond traditional talent acquisition and retention methods, and reassessing processes, procedures and policies that enable all employees to achieve their full potential in the collective pursuit of business goals.

Key challenges

Addressing key challenges is crucial for enhancing the employee experience, fostering a positive organizational culture, and securing future talent pools. Organizations may face challenges in the scope of resistance to change, or misalignment of generational values. These can arise from the varying work styles, communication preferences and expectations, which may lead to conflicts or disengagement between generations. For example, Baby Boomers and Gen X might place stability and a strong work ethic as a priority, whereas Millennials and Gen Z would value flexibility and work-life balance. Recognizing these differences and implementing strategies to bridge the gaps can significantly enhance employee satisfaction and engagement.

1 Communication gaps

Effective communication is crucial in managing a multigenerational workforce. Different generations have varying communication styles, which can lead to misunderstanding or inefficiencies. Younger employees, being more familiar with technology, might prefer digital communication methods such as online video calls and texts. In contrast, older employees may favor face-to-face interactions and conversations over texting.

To bridge these differences, an organizational culture that encourages open dialogue is important. Recognizing and addressing age-based similarities and differences can serve as a foundation for initiating conversations and implementing interventions that support a multigenerational team environment.[1] Encouraging regular feedback, fostering mutual respect, and providing training on effective communication practices can help mitigate potential conflicts and enhance collaboration.

2 Stereotyping risks

While diverse perspectives can greatly enrich the workplace, they can also lead to generational stereotyping if not managed carefully. For example, the older generation might perceive the younger workforce as lazy, while the younger generation might view the older workforce as technologically unsavvy or narrow-minded. Stereotyping and ageism—making assumptions about individuals based on their age—can result in conflict, reduced collaboration, and decreased productivity.[2] It's important for organizations to actively address these issues by promoting inclusive behaviors and providing training on recognizing and overcoming biases.

Creating awareness about generational differences and encouraging a culture of inclusivity can help prevent stereotyping and foster a more cohesive work environment. Training programs that emphasize the value of diverse perspectives and the importance of equitable treatment based on skills and performance, rather than age, can further support this goal.

3 Differing expectations and work ethics

Navigating the complexities of a multigenerational workforce involves addressing the diverse preferences and expectations of different age groups. For instance, older employees often favor structured work hours and demonstrate a strong sense of loyalty to their employers. In contrast, younger generations are more inclined toward flexible working arrangements, valuing work-life balance and autonomy.

1. Barriers and Enablers to the Multigenerational Workforce: CEPAR Industry Report, ARC Centre of Excellence in Population Ageing Research, January 2024
2. Progress report on the United Nations Decade of Healthy Ageing, 2021-2023, World Health Organization, 22 November 2023

According to KPMG's Future of Work report, organizations are grappling with the challenge of defining and implementing effective hybrid work models. Many are struggling to establish clear boundaries for hybrid working and to articulate the rationale behind these policies. Despite 50 percent of surveyed employees working exclusively in the office, only 30 percent want to be,[3] highlighting a disconnect between organizational practices and employee preferences.

Organizations must find a balance that suits their unique business context. This may involve developing flexible policies that cater to different generational needs and ensuring that these policies are clearly communicated and aligned with both current objectives and future aspirations. Effective top-down communication and a willingness to adapt will be crucial in creating a work environment that meets the evolving expectations of a multigenerational workforce.

Key considerations for organizations

Just as organizations strive for a positive customer experience, achieving a positive employee experience is also equally crucial. This requires a concerted effort across a range of people-centered initiatives and a shift away from one-size-fits-all approaches.

1 Technology and AI

Technology's impact extends to how and where people work and communicate. Heightened demands to deliver an innovative employee experience and growing business demands require continual modernization of technology, ranging from cloud services to intelligent automation, knowledge management, social, mobile, and more.

According to a 2023 survey conducted by Generation and OECD, 25 percent of hiring managers indicated that they think employees aged 55-64 are less inclined to embrace new technologies or acquire new skills (23 percent) and are slower to adapt to technological changes (22 percent). However, the survey also found that despite such views, employers report that when older workers have the opportunity to demonstrate their abilities, older workers perform at least as well as, if not better than, their younger counterparts, according to 89 percent of respondents, and 83 percent find that they learn just as quickly, if not faster.[4]

The survey also shows that despite the common misconceptions, older generations have the potential to effectively engage with technology when given the opportunity. To further support and unlock the potential of all generations of employees, incorporating human-centered designs can be invaluable for organizations. For instance, through leveraging employee listening tools for engagement surveys, the insights provided to leaders and managers can help them tailor the support and resources required to meet the diverse tech-related needs within the workforce.

Organizations can also use AI and technology to enhance decision-making processes. KPMG's The future of HR: From flux to flow report, which features insights from 300 HR leaders, highlights that HR functions are using data analytics primarily for recruitment and retention (78 percent), employee experience and engagement (75 percent), followed by diversity and inclusion (69 percent), with performance management also at 69 percent.[5] It showcases the importance of technology in developing insights that drive business decisions but also in shaping a culture that aligns with evolving capabilities and enhances organizational effectiveness.

2 Take a strategic approach towards learning and development

Embracing a "test and learn" mindset requires continuously experimenting with different approaches to accommodate diverse working styles and patterns of a multigenerational workforce. This pragmatic approach helps tailor strategies to the unique needs of each generation, fostering a more inclusive and effective work environment.

Adapting conflict resolution strategies and feedback mechanisms are essential for a harmonious workplace. Training programs that address generational differences and foster intergenerational collaboration can provide valuable insights into understanding diverse work styles and perspectives. Building an organizational culture that is agile involves cross-functional collaboration, knowledge sharing and open communication. Research by KPMG shows that 62 percent of respondents consider a company's investment in upskilling influences their decision to join, leave or stay with an organization whereas only 56 percent say their organization is proactively investing in reskilling and upskilling.[6] Furthermore, HR must also ensure that everyone confronts their biases and adjusts their behavior,[7] through training and policies that promotes fair treatment based on skills and performance.

3 Match culture to capabilities

Achieving a positive employee experience requires a collective effort across a range of people-related initiatives. In KPMG's Future of HR: From flux to flow report, half of the respondents emphasized that organizational culture is the most critical element of an employee value proposition (EVP) for attracting, developing, and retaining talent. This focus on culture

3. Future of Work, KPMG International, December 2023
4. The Midcareer Opportunity: Meeting the Challenges of an Ageing Workforce, Organization for Economic Co-operation and Development (OECD) and Generation, October 2023
5. The future of HR: From flux to flow, KPMG International, 2022
6. Future of work, KPMG International, December 2023
7. Future of HR: The road ahead for Malaysia, KPMG Malaysia, 2021

surpasses other factors such as values and purpose, fair compensation, and flexible working policies.[8] A one-size-fits-all approach is ineffective for a multigenerational workforce. Instead, organizations must adopt a mindset that continuously tests, learns, and adapts strategies to fit their unique environments. This approach requires constant revision of strategy, business operations and administration, covering management systems, policies, and digital tools.

The report also found that more than half (57 percent) of the respondents agree that the size, shape, skills and structure of the workforce need to evolve to meet future needs over the next three years. Improving employee experience across enterprise processes is also a key area of focus. However, the same study also found that only a quarter (25 percent) of organizations currently have the capabilities to achieve these goals.[9] This indicates that building a positive culture is anchored in developing the right behavioral capabilities – one which requires placing people at the heart of this transition.

HR departments must build capabilities to maintain and continuously improve employee experiences across all functions. This involves designing, building, and operating HR departments in a way that provides a connected and tailored experience across platforms and systems, aligning with the flow of work and meeting employees and leaders where they are.

It is crucial to ensure that organizational culture—encompassing identity and belonging—matches the organization's capabilities, including both current and future skills. Equipping the right people with the right skills for the right tasks is essential, integrating the talent pipeline with learning strategies and workforce-shaping activities.

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8. The future of HR: From flux to flow, KPMG International, 2022
9. The future of HR: From flux to flow

KPMG's approach to people management

In the current enterprise environment shaped by shifting workforce demographics, the ability to effectively manage a diverse workforce is crucial for businesses to stay ahead of the curve. With Gen Z entering the workforce and Generation Alpha talents -born between 2010 and 2024 - on the horizon, organizations face the dual challenge of integrating diverse age groups and navigating the distinct expectations and work habits for each generation. Addressing these complexities requires a tailored approach that can align with present and future workforce trends.

To help bridge this gap, KPMG leverages on established methodologies and industry-wide experience to help organizations manage the complexities of a diverse workforce. Our professionals can assess your organization's performance and help develop strategies through our behavioral change management capabilities, driving transformative change within your business. Whether your business goals include retaining diverse talent, developing leading HR practices, or optimizing your workforce, we can assist you in positioning your organization to navigate all forms of diversity effectively and remain an organization fit for the future.

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