

THE IMPORTANCE OF HUMAN CAPITAL WITH THE FOCUS ON GENERATION Y

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Abstract: *The article praises the importance of human capital for competitiveness and prosperity of a company. To achieve business goals and long term sustainability companies seek to attract and keep young talents and nurture tomorrow's leaders. Selected survey shows that young generation of workers has different expectations and needs in the world of work which should to be considered by human resources management. Finally, this paper examines the human resources policy of the company Robert Bosch, Ltd. in České Budějovice and its approach to the young generation.*

Keywords: *Human Capital, Generation Y, Human Resources Management, Workforce.*

JEL Classification: *J24; M12; O15.*

1. Introduction

The constantly changing global business environment is connected with full utilization of human capital. The world has entered a new economy, the economy based on knowledge; land, money or materials are no more dominant. Current post-industrial world accepts ability to bring into new connection knowledge, skills and abilities as a driving force of innovations. The development of human potential with its creative abilities will decide about the competitiveness and prosperity of a company. Simultaneously, the significance of human resources management rises. Human resources management is the core of the whole company management. Human resources set in motion other resources and determine their exploitation. The first condition of successfulness of a company is hence the awareness of the value and importance of human resources, awareness that people represent the greatest wealth of an organization and that their management decides whether the company succeeds or not (Koubek, 2004). The main task of human resources management is to provide qualified, talented and motivated employees. It includes recruiting, sorting, selecting and placing of workers. The ability to retain competent individuals is also crucial for every organization. If qualified workers are constantly leaving the company it is permanently necessary to look for the new personnel and that is time- and money-consuming (Donnelly, Gibson, Ivancevich, 2005).

1.1 Definition of Human Capital

Human capital represents the human factor in the organization; it is a combination of intelligence, skills and experience which gives organization a unique character. The human sector is a sector with ability to learn, change, innovate and think creatively. If motivated properly this ensures the long term survival of an organization (Bontis et al. 1999).

SCHULTZ (1993) defines human capital as a key element in improving a firm assets and employees in order to increase productivity as well as sustain competitive advantage. Human capital refers to processes related to training, education and other professional initiatives in order to increase the level of knowledge, skills, abilities, values and social assets of an employee which leads to employee's satisfaction and performance and eventually to enhancement of firm's performance.

The concerns of human capital refer to attracting, selecting, stabilizing, development of human resources and awarding in order to create and keep qualified, loyal and motivated workforce (Armstrong, 2002).

1.2 Human Capital and Firm Performance

From the individual level, Collis and Montgomery (1995) highlight that the significance of human capital depends on the degree to which it contributes to the creation of a competitive advantage. From an economic point of view, transaction costs indicate that firm gains a competitive advantage when they own firm specific resources that cannot be copied by rivals. Thus, as the uniqueness of human capital increases, firm have incentives to invest resources into its management and the aim to reduce risks and capitalize on productive potentials. Hence, individuals need to enhance their competency skills in order to be competitive in their organizations.

Also, the training aspects which are related to the individual perspective have been brought into focus. As a human capital investment can be considered any activity which improves quality (productivity) of a worker. Therefore, training is an important component of human capital investment. This refers to knowledge and training required and undergone by a person that increases his or her capabilities in performing activities of economic value. Investment in training is desirable from personal as well as social point of view.

Human capital plays important role on organizational level in strategic planning in order to create competitive advantage. Snell et al. (1999) describe two dimensions of firm's human capital – value and uniqueness. Firm indicates that resources are valuable when they allow improving effectiveness, capitalizing on opportunities and neutralizing threats. In the context of effective management, value focuses on increasing profits in comparison with associated costs. In this sense, firm's human capital can add value if it contributes to lower costs at increased performances.

The development of human resources has positive influence on creativity and innovativeness which in turn offers positive implications on firm performance necessary for long term survival in the international and global market (Selvarajan, 2007).

2. Aim and Methodology

The target of the article is to emphasize the importance of employers' ability to attract, integrate and retain talented young workers which seems to be a key factor for assuring prosperous future. For this objective was applied the survey *Managing tomorrow's people with the subheading Millennials at work: Perspectives from a new*

generation (PricewaterhouseCoopers, 2008). The results of this survey represent opinions of university graduates who entered the labour market after July, 1st 2000 and were due to start work or already shortly worked (max. one year) for PwC. Questions regarding expectations of work answered 4,271 respondents from 44 countries (1,004 North America and the Caribbean, 943 Asia, 759 Western Europe, 481 Central and Eastern Europe, 215 South and Central America, 139 Australasia and the Pacific Islands, 67 Middle East and Africa). All respondents count among Generation Y that means a generation of young people born after year 1982 who grown up in the environment saturated with communication and digital technologies. Previous generation born between years 1965 – 1982 is called Generation X. Key findings reflect the changing attitude of new generation entering the workforce for the first time.

Eventually, a valuable insight into human resources policy at company Robert Bosch, Ltd. České Budějovice will be intermediated. It will be discussed whether this company perceive young people as means of competitive advantage and higher performance. It will be examined if the human resources management is orientated on the needs and expectations of young generation discovered by the survey mentioned above.

3. Key Findings of PwC Survey

The survey (PricewaterhouseCoopers, 2008) does not represent opinions of whole generation Y, it is more of a probe which showed the similarity of opinions on many questions and topics all over the world. It pointed out some distinct characteristics of young generation in comparison with previous generations which need to be respected. The company's management has to review whether the strategy of human resources management is valid for all generations or should be more flexible and diversified in relation to the motivation of different segments of the workforce. Creation of profiles for particular employee groups will enable employers to understand the diversity in the field of expectations and needs and that way effectively affect employees' behaviour. It is convenient to put accent on values which are appreciated most by the particular generation.

The survey showed that generation Y expects global job mobility. 94 % believe they will work abroad more than their parents and 80 % of graduates want to work overseas during their career. The most desired locations is the US, followed by UK and Australia (see Fig. 1), but overall appeals the most Western Europe.

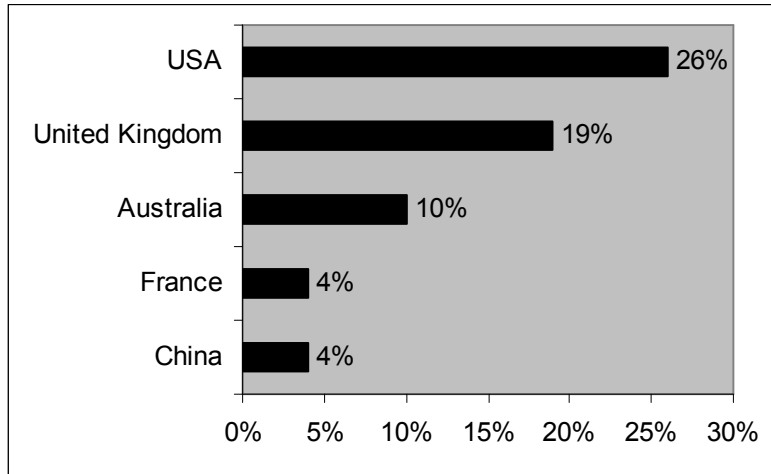


Fig. 1: Desired locations by generation Y for work abroad

Source: (PricewaterhouseCoopers, 2008)

70 % of respondents expect to use foreign language at work. Of course, this phenomenon is more frequent in countries where English is not the main language. But even in the countries where English is the main language is expected the need of another language necessary for work (34 % agreed in the US). Only 38 % stated English as their first language however 83 % expect to use English at work.

Generation Y is sometimes called internet generation. The results of the survey vindicated that technologies are considered as a key device for social and networking purposes. 85 % belong to some of the on-line social network (e.g. Facebook). Almost everyone owns a mobile phone, 86 % own an iPod or MP3 player. Young generation is strongly convinced that technology will play a critical role in tomorrow's workplace and point out the necessity for companies to keep pace with technology advancements.

Against expectations graduates do not refuse traditional work practices. Majority expect at least some element of office based working. Only 3 % expect to work mainly at home/other locations. Respondents are also ready to work regular office hours with some flexible portion. In Ireland dominate mainly regular office hours (53 %), whilst in Germany (54 %), Turkey (59 %) and France (50 %) mainly flexible hours. These expectations might change in the future in connection with the need for greater flexibility for example to look after family members.

In the question of number of employers during the career lifetime majority or respondents (75 %) believe to have between two and five employers. Only 7 % is convinced that the number of their employers exceed number ten. Nevertheless generation Y expect certain degree of job mobility, 30 % would like to alternate a variety of different roles and fields within one organization. Only 17 % of the sample would on the contrary like to remain in the same field within the same organization (see Fig. 2).

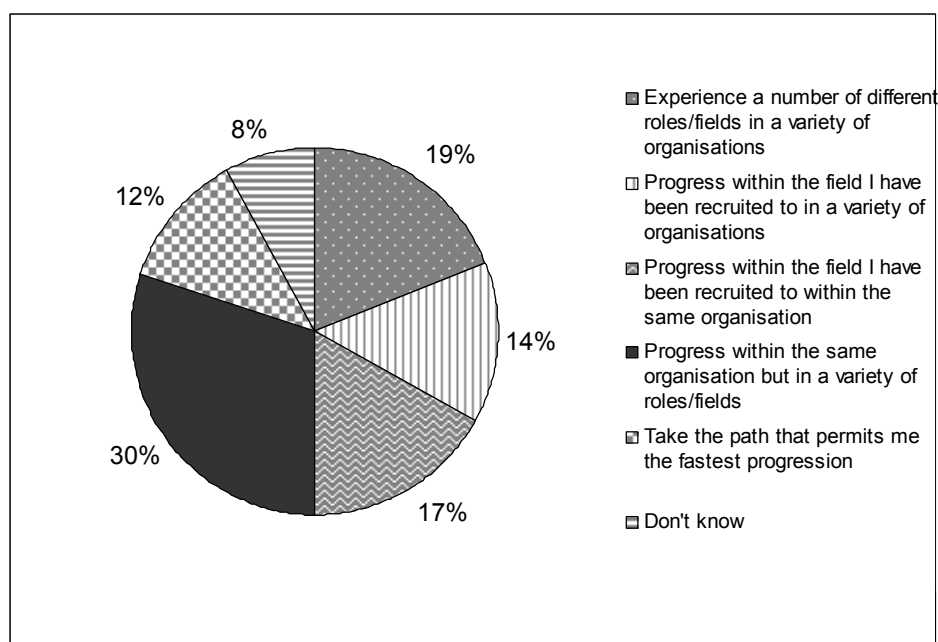


Fig. 2: Preferred career path by generation Y

Source: (PricewaterhouseCoopers, 2008)

The next area of the survey refers to benefits which young generation value most over the next five years. Among the most important benefits (apart from salary) range training and development which were chosen by almost one third of respondents (see Tab. 1). This type of benefits was indicated as a first choice benefit three times more often than cash bonuses. Regarding development 98 % of sample stated working with strong mentors and coaches was important to their personal development. All forms of personal development (training, coaching, mentoring, rotational assignment) were assessed highly whereas e-learning was least important.

Tab. 1: Most valued benefits (apart from salary) over the next 5 years (generation Y)

	1st choice	2nd choice	3rd choice
All respondents	Training and Development (53%)	Cash bonuses (41%)	Flexible working hours(41%)
Asia	Training and Development (64%)	Financial assistance with housing (46%)	Cash bonuses(39%)
Australasia and Pacific Islands	Training and Development (58%)	Flexible working hours (45%)	Cash bonuses(42%)
Central and Eastern Europe	Training and Development (61%)	Cash bonuses (40%)	Flexible working hours(32%)
Western Europe	Training and Development (57%)	Flexible working hours (38%)	Cash bonuses(36%)
Middle East and Africa	Flexible working hours (55%)	Training and Development (46%)	Cash bonuses(42%)
North America and the Caribbean	Flexible working hours (53%)	Cash bonuses (43%)	Free private health care(38%)
South and Central America	Training and Development (73%)	Cash bonuses (45%)	Flexible working hours(41%)

Source: (PricewaterhouseCoopers, 2008)

Generation Y have accepted the fact that neither the state nor their employer will fund their retirement. Over half (57 %) expect to fund their own retirement through personal investments and saving plans (see Fig. 3).

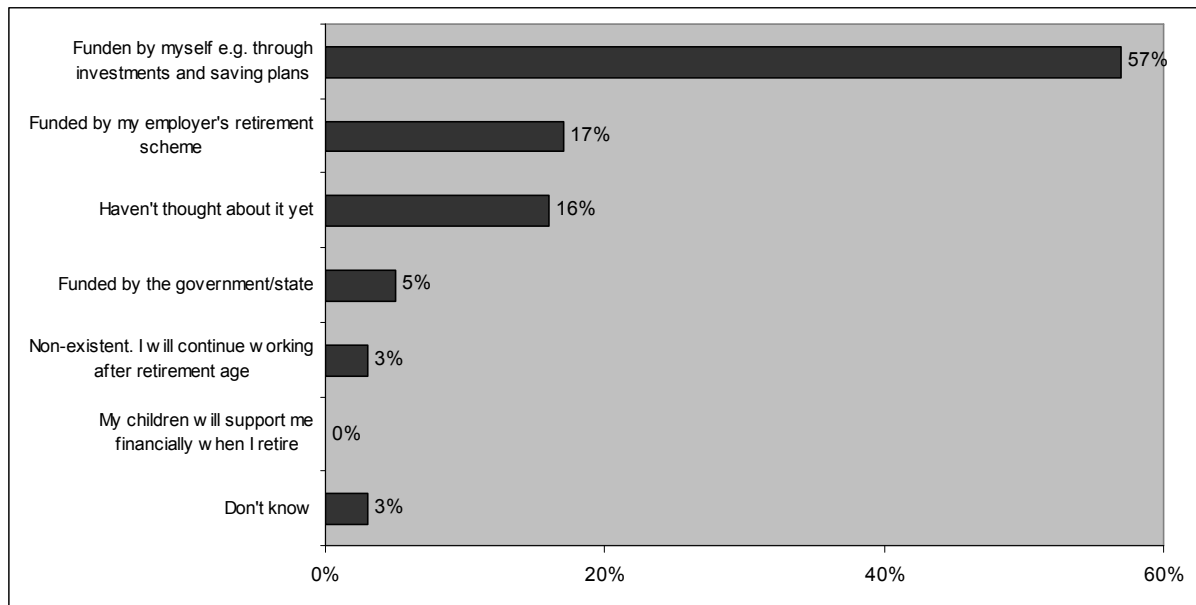


Fig. 3: Sources of retirement financing (generation Y)

Source: (PricewaterhouseCoopers, 2008)

Nowadays, firms commonly study customer needs, they define customer segments and create strategies for particular segments. In the future the analogous methodology could enter the human resources management to help develop efficient strategies for employees of various generations and life stages. Demographic changes consisting in increasing life expectancy and declining birth-rates in many parts of the world will lead to unprecedented shortage of young workers and need to keep employees past retirement age. The expectation that the unlimited source of talents will become emerging markets was not fulfilled. The lack of talents is just as critical in China, India, Eastern Europe and parts of South America. Therefore it is crucial to understand what motivates new generation, what are their priorities and expectations in the world of work.

4. Case Study

Company Robert Bosch, Ltd. České Budějovice was founded in 1992 as a joint venture of German concern Bosch, Ltd. and Motor Jikov, Inc. In 1995 Bosch became the only owner of the company in České Budějovice. The plant was built completely new with state-of-the-art equipment and infrastructure on the concern level with own research and development department including the testing facility. Over 2,500 employees participate in production and development of passenger car components. Customers are almost all significant European, Asian and American car manufacturers. At the beginning of 2007 the enlargement of development center was finished. This is used for new projects and especially as a durability tests center. Nowadays, over 300 employees work in the development department and take part in development of

products for plant in České Budějovice as well as for other plants of Bosch Group abroad (Robert Bosch, 2011).

Several times and also in year 2010 Robert Bosch České Budějovice won the competition Employer of the year of the South Bohemian region. The same company usually places highly in the competition Employer of the year of the Czech Republic. Committee assesses the personnel policy including the level of trainings, awarding, perception of company's values and trust in management.

In order to attract young talents the company cooperates with economic and technical universities in the form of diploma works and dissertations, professional practices, summer jobs, educational excursions and lectures. It also collaborates with student organizations – e.g. IAESTE on various projects (job fair, catalogue of job opportunities ...).

The company is consequently working on assuring its own future in terms of employees. For university graduates with economic or technical specialization and active knowledge of English or German language is offered a possibility to make contact with the company (Robert Bosch, 2011):

- Attending professional practice – experience operation of individual departments, participation in projects and acquiring first work experience in an international environment
- Compiling diploma work – annually company offers a list of topic for diploma works, it is also possible to arrange an individual topic, part can be also paid pre-diploma practice
- Scholarship program – for students of third and higher year with above average educational attainments
- Mentoring – program organized in cooperation with career center of the Czech Technical University in Prague which enables a student (a mentee) to experience the real environment of an international company; a student accompany his/her mentor during everyday work, improves skills, learns about decision and management methods, actively participates in meeting and projects (ČVUT v Praha, 2010).
- Company Bosch also arranges accommodation at student residence, contributes to the transportation, provides financial awards or offers possibility of future employment.

In 2010 the examined company extended its activities of new and less traditional projects (Kadlecová, 2010):

- Rough Interview – this project should advise how to succeed at selective procedure; the students can try an interview with the human resources staff and specialists
- Day of Profession - introduces the work of technologist and developer which should facilitate the choice of future position

- Bosch University - the most extensive project with target to show the process of development till production of a product from the point of view of all involved departments
- Women's Day at Company Bosch – the female students can learn about company from female managers
- Female Students of Technical Universities Get the Green Light at Bosch – the female students can contribute to solve current gender issues.

University graduates can be hired on a position of a trainee. After completing one-year-experience at different departments such person can choose his/her final assignment. The trainee program is a valuable experience and helps young people find a position which suits them best.

In general, the company offers to employees professional and language courses, trainings and further education in the Czech Republic as well as in foreign branches of Bosch Group, cash bonuses, possibility of personal and professional growth. It is possible to progress within the same organization in a variety of roles/fields. As an international corporation Bosch can ensure the usage of foreign languages, especially German and English, on daily basis. Common is a foreign assignment. Also an above standard social program including financial assistance with housing and partial funding of retirement saving plan is being provided. Working hours are regular with some flexible portion. The company is at the cutting edge of world technology.

5. Conclusion

The business atmosphere is changing and organizations are competing to gain and keep best employees who are able to think innovatively and reach certain professional and qualification level. The better knowledge of employees and potential candidates enables a company to create effective strategy to attract and retain talents and future leaders. Companies aware of specificities of young generation (generation Y) have greater chances to recruit employees of the highest quality. The knowledge of young generation with its divergences seems to be a key to future success. Why not to turn away from financial benefits and give preference to wider usage of coaching, mentoring, flexible working hours, modern technologies or global working opportunities. The obvious willingness of young generation to travel and work abroad should be a good message for companies. Globalization significantly increased the demand for mobile workers. Young employees would acquire valuable experience in the early stage of their career and the financial burden of many costly overseas positions would be reduced. An advantage is also to offer progress within one company in variety of fields. Young people have different needs and aspirations than previous generations. Therefore it is convenient to creatively create the awarding strategy and contemplate what motivation factors are suitable. Company Robert Bosch, Ltd. České Budějovice can be considered as an example of a company with well-developed human resources policy. The employees are regarded as human capital and the effort is widely focused on young generation. With various personnel projects aimed to university students the company tries to gain as many talents as possible. The opportunities of further education, trainings, foreign assignments or wide social

benefits correspond to the preferences discovered by PricewaterhouseCoopers survey. Based on these facts can be company Bosch considered as an attractive employer for the young generation. The companies which now invest in discovering specificities of young people and focus attention on generation Y will be in the best position to succeed in the future.

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