Chapter 10
Leveraging Age Diversity in Times of Demographic Change:
The Crucial Role of Leadership

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ABSTRACT

With demographic change, organizations today are seeing changes in societal make-up translated to the composition of their workforce. In the future, younger and older employees will have to work together synergistically to achieve good performance. The authors argue that it will be largely up to leaders to prevent the negative effects of age diversity, i.e. social categorization and intergroup bias, and to facilitate the positive effects of age diversity, i.e. the sharing of unique knowledge resources held by young and old. The authors argue that certain leadership behaviors and especially their combinations have great promise in leading diverse teams, and highlight why they should be used in conjunction with positive beliefs about diversity.

INTRODUCTION

Globalization and demographic change are increasingly altering the composition of the workforce. Falling birthrates, extended life expectancies due to significant improvements in welfare systems and healthcare, as well as the aging of the baby boom generation contribute to shifts in societal and workforce composition (Fullerton & Toossi, 2001; Greller & Simpson, 1999). Therefore, one of the, arguably, most important diversity dimensions for business success in years to come will be age diversity, but organizations are not seeing the full impact of demographic change just yet (Leibold & Voelpel, 2006; Voelpel, Leibold, & Früchtenicht, 2007). Nonetheless, organizations have to face up to what sometimes appears daunting: to increasingly compete for the few well-educated young professionals with other companies, retaining their older employees and the knowledge they possess upon their retirement, and ultimately leveraging the potential that lies within their age-diverse workforce.

Inclusion of age diversity on any organizational agenda is vital because age has significant effects on team outcomes and individual behavior and cognition (e.g., Pelled, Eisenhardt, & Xin, 1999; Schaie, 1996; Wechsler, 1944; Zenger & Lawrence, 1989). As employees are increasingly likely to work in teams with significant age gaps between co-workers, employers seek to leverage the potentially positive effects of age diversity in the hope that a broadened perspective and knowledge base leads to superior performance. However, this does not come about automatically. In this chapter, we will highlight why and how leadership plays a crucial role in making age-diverse teams work.

First, we will give an overview of the current research on age diversity and its implications for organizations. We present empirical findings supporting both a positive and a negative view of age diversity for team functioning. Second, because understanding how individuals change with age

is important to understanding team functioning in age-diverse teams, we discuss changes in individuals over the lifespan, specifically intellectual functioning, goal orientations, and personality. Third, we highlight current research on leadership and diversity beliefs, a potential leverage of age diversity in teams. Finally, we conclude with a section on how to leverage age diversity in practice.

Background

Imagine an organization where innovation is key to business success. Existing products need to be improved; new products need to be invented. This organization is already feeling the impact of demographic change and has age-diverse teams in their research & development unit (R&D). Throughout this chapter, we will look at one particular R&D team from this organization to illustrate concepts and processes. There are 4 people working in this team: Sarah (23 years old), Peter (25), Rebecca (57), and Tom (62). That is, this R&D team consists of two relatively younger (Sarah and Peter) and two relatively older (Rebecca and Tom) members. How does this age diversity affect team processes and performance?

When it comes to diversity in work teams, it is difficult to predict whether performance will be hampered or improved as it can go either way. Two theoretical points of view help understand these contrasting findings (Williams & O'Reilly, 1999); taking the information-decision-making perspective (cf. De Dreu, Harinck, & van Vianen, 1999; van Knippenberg, De Dreu, & Homan, 2004), diverse teams will benefit from a wider range of knowledge, experiences, and perspectives than homogeneous teams. Making use of these differences is precisely what can make the performance of heterogeneous teams superior to homogeneous teams.

Looking at our age-diverse R&D team, Sarah and Peter (the younger members) have fairly recently graduated from university and do not have a lot of practical work experience. They have

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