

A Work Project, presented as part of the requirements for the Award of a Master Degree in Management from the NOVA School of Business and Economics.

Fostering Performance Improvement in employees under 27 at Company X

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Abstract:

This Project analyzes the impact of job satisfaction, occupational stress, culture fit, generational affiliation and criticality on young employees' performance at Company X. An employee being "Critical" means that they either perform relevant jobs or have a lot of potential. We gather data via two focus groups and a survey with 55 employees. Results show a significant effect for criticality, which might be limited by small sample size. We recommend changes to the performance appraisals, talent management and staffing.

Key Words: Performance, Generation Z, Millennials

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1. Introduction

Are Generation Z really “Millennials on steroids” like Lucie Greene, the worldwide director of the Innovation Group at J. Walter Thompson (Williams 2015) asserts or is there a trend reversal in sight? This question has become more urgent during the last five years, as Generation Z slowly enters the workforce and companies scramble to learn how to be attractive to them. However, the challenge is bigger than getting Generation Z to be interested in a certain company: recruiting the right subset of young employees, allocating them to the right positions and defining jobs appropriately so they can perform well are equally important.

To recommend measures to improve the performance of Company X’s young employees under 27, this study collects data on four key concepts that might be related to performance in young employees: person-organization fit, criticality, job satisfaction and job stress. Company X classifies its employees as either “TopTalent” or average talent regarding their general performance. Moreover, they assign each employee a criticality-score. This metric will tell us more about how consistently Company X assigns critical roles to employees.

Studying the person-organization fit of young employees will allow us to assess the company’s ability to hire people who fit well into their culture. This is important because some research indicates that young employees care about companies’ values (Francis and Hoefel 2018). Furthermore, studying job satisfaction and job stress will tell us how well jobs are designed. These two metrics are pertinent to young employees since they report higher levels of stress and lower levels of well-being than other generations (American Psychological Association 2018). And lastly, this study will benchmark Generation Z’s performance against Millennials’.

In order to propose measures to improve the performance among young employees, we will analyze young employees’ job satisfaction, occupational stress, criticality and person-organization fit and study these variables’ impact on job performance.

2. Literature Review

In the following, we will present the two generations in question, as well as give a brief account of the variables studied.

2.1. Millennials and Generation Z

The concept of generations has been used in numerous studies, but as of this day, there is no consensus on what age borders or names the last two generations should have. Moreover, descriptors for and theories about Generation Z and Millennials vary for different authors. Since participants below 27 could belong to the Millennial Generation or Generation Z, definitions of and key studies about both will be given.

For this study, we side with the Pew Research center and define the Millennial Generation as ranging from birth years 1981 to 1995 and Generation Z from 1996 up to a year that has still to be determined (Dimock 2019).

Millennials have been found to have been influenced by historical events in their youth such as the 9/11 terrorist attacks, as well as the following wars in Iraq and Afghanistan (Debevec et al. 2013). Considering this environment in their formative years, it makes sense for them to be short term focused and averse to long-term planning (Bencsik, Juhász, and Horváth-Csikós 2016). Moreover, they have been shaped by the economic crisis of 2007 and the following debt crisis in Europe. This has led to a delayed entry into adulthood with traditional markers such as buying real estate or marriage happening later in life than with previous generations (Debevec et al. 2013). Furthermore, Millennials' lives have been profoundly influenced by emerging technologies such as high broadband internet (Debevec et al. 2013) and they are on average very qualified in the use of technology (Bencsik, Juhász, and Horváth-Csikós 2016). This affects their communication habits so that they prefer to connect online (Bencsik, Juhász, and Horváth-Csikós 2016). Company X has some programs, like certain benefits, that

specifically target young employees. These have been built primarily with Millennials in mind, since today they already represent a substantial portion of the labor force.

Generation Z has no memories of the aforementioned historic events. However, their lives have been shaped by technology in an even more profound way than their predecessors. They grew up with smartphones, cellular network and social media and as a result, they are technologically very proficient and always online (Chun et al. 2017). Their use of technology has helped them to become very good at multitasking and task switching (Chillakuri and Mahanandia 2018). Generation Z has less face-to-face conversations than digital ones (Schroth 2019). In comparison to previous generations they have a higher necessity for feedback, clear goals and rewards and become frustrated easily (Rothman 2016). Also, a majority of Generation Z is worried about the effect technology has on their lives with some even fearing that technology keeps them from building strong relationships and people skills (O'Boyle, Atack, and Dr. Monahan 2017). Moreover, Generation Z has less experience in the labor market than their predecessors at the same age, which fosters unrealistic expectations and thereby increases turnover (Schroth 2019). Up until now, there are relatively few Generation Z employees at Company X and they have no programs specifically targeted at them.

Considering the differences between both generations and the lack of programs that are targeted at Generation Z at Company X, our first hypothesis is:

H1: Generation Z employees are less likely to be top talents than Millennial employees.

2.2. Job Satisfaction

Cooper et al. consider five aspects of job satisfaction: "Satisfaction with achievement, value and growth, satisfaction with the job itself, satisfaction with organizational design and structure, satisfaction with organizational processes and satisfaction with personal relationships" (Cooper, Sloan, and Williams 1988). Moreover, a recent study by Randstad has found that as Millennials and Generation Z enter the workforce, certain aspects of job satisfaction are

declining in importance while others are increasing. Traditionally important factors like job security and an attractive salary are declining, while factors such as strong management, diversity and good training opportunities are becoming more important. These effects were found to some extent in Millennials and more strongly in Generation Z (Randstad 2019). This, in turn, could mean that the previously mentioned factor “satisfaction with organizational design and structure” is more important for young employees than other groups.

The concept of job satisfaction and its effect on performance has been widely studied with different models used to describe the relationship between the two. According to Judge et al., one of the earliest models states that job satisfaction impacts job performance (2001). However, Judge et al. only found two studies - namely one by Keaveney and Nelson (1993) and one by Shore and Martin (1989) - that have investigated a unidirectional effect on job performance. The findings of both studies are inconclusive (Judge et al. 2001).

Considering this lack of scientific consensus, our second hypothesis is:

H2: Employees who are more satisfied with their job are more likely to be top talents than employees who are not.

2.3. Occupational Stress

Job stress and its effect on performance have been studied widely dating back to the first half of the 20th century. Possible organizational sources of stress are factors intrinsic to the job, the individual's managerial role, career and achievement, relationships with other people, organizational structure and climate and the home-work interface (Cooper, Sloan, and Williams 1988). Stress sources intrinsic to the job include difficult working conditions, having to work at a rapid pace and strenuous physical labor (Kornhauser and Reid 1965). With regard to an individual's managerial role in the organization, Kahn et al (1964) investigated two main concepts: role ambiguity and role conflict. Role ambiguity arises, when an individual has not been given enough information about their role and, therefore, doesn't know enough about its scope

and responsibilities. Role conflict arises, when a certain individual is torn between conflicting demands, for example when different groups demand different actions (Kahn et al. 1964). A third group of stressors are attributed to career development, which includes overpromotion, underpromotion and status incongruence, lack of job security and defeated ambition (Cooper and Marshall 1976). Stress due to overpromotion means that one is promoted beyond their ability, while underpromotion is not having sufficient responsibility for one's level of capability. Status incongruence refers to one's career advancement not being at pace with one's experienced ability. (Cooper and Marshall 1976). A person's relationship to their superior, colleagues and subordinates may be added to the list of stress sources, as well as an organizational structure and climate with little or no participation in the decision-making process, lack of effective consultation, restriction on behavior for example through budgets or office politics (Cooper and Marshall 1976). The last possible stress source is the home-work interface. Stressors from the individual's home can influence their work situation and vice versa (Cooper, Sloan, and Williams 1988).

High stress levels have been shown to lead to impaired performance and productivity, absenteeism and, finally, higher levels of turnover as well as physical and mental illness (Cooper, Liukkonen, and Cartwright 1996). These consequences ultimately decrease quality of work, increase costs for companies and make the organizational climate deteriorate further. Our third hypothesis is therefore:

H3: Employees who experience high levels of stress are less likely to be top talents than employees who do not.

2.4. Criticality Score

Criticality is a measure that Company X uses to classify their employees. If an employee is considered critical, this means that Company X considers them one of two things: They are either especially relevant to the going concern of the company or have high potential. Being

considered especially relevant means that they have certain skills which are very hard to replace. Having potential means that Company X considers them able to perform a broader and more important role in the future. Employees are designated critical by their line managers together with Human Resources. There is a cap of maximum 20 percent critical employees throughout the company. Considering the fact that managers might be more likely to think of critical employees as top talents, our forth Hypothesis is:

H4: Employees who are more critical are more likely to be top talents than non-critical ones.

2.5. Person-Organization Fit

Person-organization fit, or culture fit is a measure for how well a given person fits into a certain organization. Together with person-job fit, person-group fit and person-supervisor fit it constitutes person-environment fit (Kristof-Brown, Zimmerman, and Johnson 2005). One important distinction regarding different types of fit is perceived fit and actual fit. On the one hand, perceived fit is defined as an individual making a direct assessment of the fit between a person and the environment. On the other hand, researchers can assess actual fit by collecting variables pertaining to a person and their environment and then comparing them with each other (Kristof 1996).

Another difference regarding fit is complementary and supplementary fit. Complementary fit is present if the characteristics of the individual and the environment offset and complete each other (Muchinsky and Monahan 1987). Supplementary fit exists if the individual and the environment are similar (Muchinsky and Monahan 1987). Complementary fit has usually been studied in research on person-job fit, while supplementary fit is usually studied for all other types of fit (Kristof-Brown, Zimmerman, and Johnson 2005).

To study person-organization fit, many researchers have chosen to operationalize it as a value congruence between an individual's values and the organization's values (Kristof 1996).

Goodman and Svyantek found low correlations between person-organization fit and overall performance as well as task performance (1999) while finding significant correlations between person-organization fit and contextual performance. However, Elfenbein and O'Reilly conclude that person-culture fit, a concept closely related to person-organization fit, has a significant effect on overall performance (2007). Moreover, O'Reilly et al. found significant effects on commitment, job satisfaction and intent to leave (1991) which, in turn, could influence performance. Considering this lack of consensus, our fifth and final hypothesis is:

H5: Employees with good person-organization fit are more likely to be top talents than employees without.

3. Methodology

This study was carried out for Company X and the participants are all employees of Company X.

3.1. Company X

The following information is taken from Company X's latest annual report, as well as from conversations with Company X's officials. To ensure the protection of Company X's trade secrets, it is not possible to give sources for this part.

Company X is a majority-owned, private subsidiary of the Multinational X. Multinational X is publicly traded and has subsidiaries on all continents. Company X has started in the field of telecommunications but has been branching out into other technological areas in the last years. It provides products as well as services to their clients and has stores all over the world. According to the latest publicly available annual report from March 2018, Company X grew about four percent overall in the past reporting period. In 2018 Company X had about 5 Million b-to-b and b-to-c clients.

Digitalization is considered the most important challenge for the company in the forthcoming years. Providing services for the Internet of Things will be one of the biggest opportunities in the next five years. Another possibility for growth is represented in assisting their b-to-b clients in adapting to Industry 4.0.

Internally the company is characterized by very flat hierarchies with teams of up to 30 people. The organizational structure has been changing with the introduction of the “scrum” agile process framework and the resulting break up of traditional teams. In light of the aforementioned projects, Company X will need to attract a considerable amount of talented young employees, as well as educate existing employees for new challenges. Company X has gained various prizes for outstanding employers. The company offers numerous opportunities for young people such as graduate programs and internships, which help to attract and retain young people. The number of Millennials has risen over the last years and amounted to 25% in 2018. Generation Z has started to enter the company two years ago via internships and the graduate program. Performance appraisals at Company X happen every six months. Employees are either assessed as “TopTalent” or average talent.

3.2. The Study

Data was collected via a focus group with a subset of Company X’s young employees and an online survey that targeted all of Company X’s young employees.

The goal of the focus groups was to explore the variables and see whether the study focus is set correctly. Moreover, we planned to supplement the recommendations with findings from the focus group at a later stage. Two focus groups were carried out on two different days, the 26th of September 2019 and the 27th of September 2019. The first group had six participants from the Millennial generation with age 25 and 26. The second group had eight participants from Generation Z, ages 22 to 24. The participants were selected by Company X’s learning and development specialists. The criteria for selection were diversity of backgrounds and tasks.

Moreover, another criterium for selection was availability on the given day due to various projects off-site and a relatively small number of employees under 27 of only 83 at the company. The focus group was conducted in English. The questions asked were open-ended and dealt with workplace satisfaction, occupational stress, and person-organization fit. Questions about being “Critical” and being “TopTalent” were not included, since participants had no knowledge about the assessment of these criteria. The questions discussed, can be found in Appendix 1. The survey was started on the 30th of September 2019 immediately after the conclusion of the focus group. The survey was administered online via a link that was sent to the test participants by the company’s learning and development specialists.

The main goal of the survey was to gather data on performance, job satisfaction, workplace stress and person-organization fit for both generations and compare them. The target sample size was 83 employees under 27 at Company X. The questions were in English since participants are all fluent English speakers. Participants were grouped into eight different groups by Company X’s specialists according to which generations the participant belongs to, whether they were considered “Critical” or “TopTalent”. The groups were the following:

- “TopTalent” + “Critical” + “GenZ” (8 participants)
- “TopTalent” + “Critical” + Millennials (2 participants)
- Average talent + non-critical + “GenZ” (13 participants)
- Average talent + non-critical + Millennials (44 participants)
- “TopTalent” + non-critical + “GenZ” (1 participant)
- “TopTalent” + non-critical + Millennials (3 participants)
- Average talent + “Critical” + Millennials (2 participants)
- Average talent + “Critical” + “GenZ” (10 participants)

Group three and four included 18 new joiners whose performance and criticality was not yet evaluated. This was necessary, since the sample size without them was deemed not sufficient. The survey was divided into three separate blocks: Job satisfaction, occupational stress, and culture fit. The first part of the questionnaire tests eight items related to job satisfaction. It has been taken out of the Occupational Stress Indicator (OSI) developed by Stephen Williams, Stephen Sloan and Cary L. Cooper (1988). Its reliability and validity have been confirmed by

various studies for example by Robertson et al. (1990). The items were selected out of 22 possible items in consultation with Professor Rita Cunha. The criteria for choosing these items were covering different aspects of job satisfaction and being especially pertinent to young employees. All questions were to be answered by choosing a point on a six-point Likert scale and can be found in Appendix 2.

Block two assesses sources of pressure in the participant's job. The items in the questionnaire were also taken from the Occupational Stress Indicator. The different stress sources we selected are factors intrinsic to the job, relationships with other people, career and achievement and home-work interface. Four different questions were chosen for career and achievement, home-work interface and relationships with other people. Three questions were chosen for factors intrinsic to the job. The stress sources were selected in accordance with Professor Rita Cunha in according to what stress sources are likely to be pertinent to younger employees. All questions were to be answered by choosing a point on a six-point Likert scale.

The third block of questions assess the actual supplementary person-organization fit. The questions to test person-organization fit are from Kim Cameron's and Robert Quinn's Organizational Culture Assessment instrument to test person-organization fit (2011). The first part of the questionnaire assesses the participant's ideal organizational culture and the second part of it assesses the real organizational culture. Organizational culture is represented as a mix of four archetypes: "Clan" culture has a focus on loyalty and commitment. "Adhocracy" culture has a focus on innovation and taking risks. "Market" culture has a focus on competition and achievement. And lastly, "Hierarchy" culture has a focus on efficiency and processes. The instrument's validity and reliability have been affirmed by numerous publications such as Heritage et al. (2014). In this case, no selection of items was made and the instrument was incorporated in full. The only change introduced to the questionnaire was the use of Company X's name in the questions about current organizational culture for clarification. The questions always had four

answer options, where only one answer could be chosen. The questions can be found in Appendix 2.

3.3. Data Analysis

The survey data was analyzed using SPSS. Three dummy variables were introduced: “GenZ” (1 = Generation Z; 0 = Millennial), “Critical” (1 = critical; 0 = non-critical) and “TopTalent” (1 = top talent; 0 = average talent). Satisfaction and stress are the arithmetic averages over all items for “SatisfactionAverage” and “StressAverage”. These variables are reliable with a Cronbach’s alpha of 0.827 and 0.839 respectively. This output can be found in Appendix 3. “CultureFit” was computed the following way: First, for each question about Company X’s culture (V1-V6) the mode was obtained which represents the strongest trait of Company X’s actual culture for each cultural characteristic (V1 mode - V6 mode) and serves as basis for comparison with the ideal culture (I1 - I6). Subsequently, we compared each respondent’s answers about their ideal culture (I1 - I6) to the respective mode for Company X’s culture (V1 mode - V6 mode). If the participant responded with the same category (1 = Clan; 2 = Adhocracy; 3 = Market; 4 = Hierarchy) one point was awarded, if not the respondent obtained zero points. The culture-fit for one respondent is a sum of all points awarded through the six items and can range from zero to six. The survey was online for ten days, and three reminders to the target population were sent.

4. Results

To start the analysis, we explored some basic descriptive statistics about the data set. Generation Z represented 40.74 percent of the sample, with Millennials accounting for the rest. “Critical” employees represent 24.07 percent with non-critical employees accounting for the rest. 12.96 percent of the sample are “TopTalent” and the rest are average talent.

	Means	SD	“CultureFit”	“Stress Average”	“Satisfac- tionAverage”	“Critical”
“CultureFit”	1.4074	0.94207	1	0.217	0.002	-0.112
“StressAverage”	4.0633	0.77089	0.217	1	-0.224	0.233
“Satisfac- tionAverage”	2.6032	0.73823	0.002	-0.224	1	-0.346*
“Critical”			-0.112	0.233	-0.346*	1

* p (2-tailed) = .010

Table 1: Descriptives and Correlations between the variables Source: own elaboration

The mean for “CultureFit” is 1.4074, the one for “StressAverage” is 4.0633 and the mean for “SatisfactionAverage” is 2.6032. The variables present various significant positive or negative correlations of approximately moderate magnitude. See Appendix 5 for Confidence Interval and range of variables.

In addition to investigating culture-fit on an individual basis, we investigated the culture-fit of employees on a collective basis. First, Company X’s individual mix of the four culture types “Clan”, “Adhocracy”, “Market” and “Hierarchy” was determined . This was done by calculating the percentage each answer was given on each of the six questions (V1 - V6). Averaging the percentages over all six items results in this mix of cultures for Company X: 19.44 percent “Clan”, 16.36 percent “Adhocracy”, 33.33 percent “Market” and 30.86 percent “Hierarchy”. Therefore, most participants consider Company X a “Market” culture. Moreover, the mix of the four different culture types for the participants ideal culture (items I1 - I6) was determined by calculating the percentages of each answer as: 55.35 percent “Clan”, 27.99 percent “Adhocracy”, 35.25 percent “Market” and 7.23 percent “Hierarchy”. Therefore, most participants preferer “Clan” culture. The fit between what participants want on average and what Company X offers on average is not close: The most striking difference is that respondents that 50.35 percent want a “Clan” culture, while only 19.44 percent say Company X offers “Clan” culture. This represents a difference of about 36 percent.

The same plots were carried out for all Generation Z respondents, as well as for all Millennial respondents. See Appendix 4 for graphs illustrating participant’s culture fit. The two groups show similar results, with Millennials having a slightly worse fit than Generation Z.

4.1. Binominal Logistic Regression

In order to test the Hypotheses one through five, a binominal logistic regression was performed. All assumptions in order to employ the binominal logistic regression were tested (Laerd Statistic 2017). Firstly, the dependent variable is measured at a dichotomous scale and there are secondly several independent variables which are either categorical or ordinal.

Thirdly, observation scores in independent variables are mutually exclusive. The dependent variables present exclusive and exhaustive categories, because there are no further categories and all participants were evaluated to be either “TopTalent” or average talent

The fourth assumption concerns the minimum number of assumptions of 15 per variables, which did not hold. Since this model employs maximum likelihood estimation, the reliability of estimates declines for combinations of cases where there are few cases. This violation of assumptions represents a decrease in model likelihood estimation, but does not prevent us from being able to employ the binominal logistic regression.

The fifth assumption states that there should be a linear relationship between any continuous variables and the logit transformation of the continuous variable (Hilbe 2016). To test this, the Box- Tidwell Procedure was employed (1962). First we created an interaction term for each continuous variable with the following form: original variable * ln (original variable).

Then, the test was run with all variables, replacing the continuous variables with the before mentioned interaction terms. Afterwards, we calculated the appropriate adjusted α for the test.

Number of comparisons are the number of terms in the model, in this case six. Therefore the adjusted α is: $\frac{0.05}{6} = 0,008\bar{3}$. Since all interaction terms have p-values greater than $0,008\bar{3}$, they are statistically significant (see Appendix 6). Therefore, all continuous independent variables are linearly related to the logit of the dependent variable.

Sixthly, data multicollinearity (Laerd Statistic 2017) was tested for. Since the Variance Inflation Factor (VIF) for all variables is smaller than 10, we can be confident that there is no multicollinearity (see Appendix 7).

The seventh and final assumption states that there should be no significant outliers, high leverage points or highly influential points present in the sample (Laerd Statistic 2017). There was one standardized residual with a value of 5.190 standard deviations, which was kept in the analysis. Subsequently, we move on to data analysis.

The first step was to assess model fit. The Omnibus Tests of Model Coefficients show that the model is significant with a p-value of 0.005.

Omnibus Tests of Model Coefficients				
		Chi-square	df	Sig.
Step 1	Step	16.553	5	.005
	Block	16.553	5	.005
	Model	16.553	5	.005

Figure 1: Omnibus Tests of Model Coefficients Source: own elaboration

The “Hosmer and Lemeshow goodness of fit”-test analyzes how poor the model is at predicting the categorical outcomes. In this case the test had a p-value of 0.727, which means that the model fit is not poor.

Hosmer and Lemeshow Test			
Step	Chi-square	df	Sig.
1	5.280	8	.727

Figure 2: Hosmer and Lemeshow Test Source: own elaboration

Next, we analyzed the explained variance. SPSS reports two so-called *Pseudo R²*.

Model Summary			
Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	25.101 ^a	.264	.491

a. Estimation terminated at iteration number 7 because parameter estimates changed by less than .001.

Figure 3: Modell Summary Source: own elaboration

The *Cox & Snell* R^2 and the *Nagelkerke* R^2 which both show the explained variation in the model, but are not as readily interpreted as a traditional R^2 . In order to obtain a value that is closer to a traditional R^2 , we calculate the predicted probability for all respondents. Next, we correlate the new variable “Predicted probability” and “TopTalent”.

This analysis yields a Pearson’s Correlation coefficient of 0.601 (Appendix 8). Therefore, the new R^2 is 0.361201 and the model explains 36.1201 percent of the variation in the dependent variable.

Next, we analyze the model’s category prediction. The Null-Model was able to classify 87.0 percent of the cases correctly

Classification Table^{a,b}

		Predicted		Percentage Correct
		TopTalent .00	1.00	
Step 0	TopTalent .00	47	0	100.0
	1.00	7	0	.0
Overall Percentage				87.0

a. Constant is included in the model.

b. The cut value is .500

Figure 4: Classification of the Null-Model Source: own elaboration

The new model increased to percent of correctly classified cases to 88.9 percent.

Classification Table^a

		Predicted		Percentage Correct
		TopTalent .00	1.00	
Step 1	TopTalent .00	45	2	95.7
	1.00	4	3	42.9
Overall Percentage				88.9

a. The cut value is .500

Figure 5: Model Classification Table Source: own elaboration

The sensitivity, or percentage of cases that had the observed characteristics (being a “TopTalent”) that have been classified correctly, lies at 42.9 percent. The specificity, or percentage of cases that don’t have the characteristic (who are not “TopTalent”) and are correctly predicted not to have it, is 95.7 percent (Laerd Statistic 2017). The positive predictive value, or the percentage of correctly predicted cases with the observed characteristic compared to the total number of cases predicted as having the characteristic. In this case the positive predictive value is 60 percent. The negative predictive value is the percentage of correctly predicted cases without

the observed characteristic compared to the total number of cases predicted as not having the characteristic and is 87.037 percent.

The final step is to analyze the variables in the equation and their contributions towards the model.

Variables in the Equation									
		B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I. for EXP(B)	
Step 1 ^a	GenZ	.923	1.391	.440	1	.507	2.517	.165	38.492
	Critical	3.396	1.438	5.576	1	.018	29.835	1.781	499.736
	stress_average	.546	.788	.480	1	.488	1.726	.369	8.085
	satisfaction_average	.660	.739	.799	1	.371	1.935	.455	8.231
	culture_fit	.166	.595	.078	1	.780	1.181	.368	3.792
	Constant	-8.403	4.377	3.685	1	.055	.000		

a. Variable(s) entered on step 1: GenZ, Critical, stress_average, satisfaction_average, culture_fit.

Figure 6: Variables in the Equation Source: own elaboration

The variable “GenZ” is not significant at 0.507 p-value. Therefore, there is no evidence that Generation Z participants are less likely to be top talents. Hypothesis number one is rejected

“SatisfactionAverage” (satisfaction_average on SPSS) is not significant at a p-value of 0.371.

There is no statistical evidence for employees who are more satisfied to be more likely to be top talents. Therefore, hypothesis number two is rejected.

“StressAverage” (stress_average on SPSS) is not significant at 0.488. Therefore, there is no evidence that states that employees who are more stressed are less likely to be top talents.

Hypothesis number three could is therefore rejected.

The variable “Critical” is significant at a p-value of 0.018 and therefore contributes towards the model. This means that there is statistical evidence for critical employees to be more likely to be top talents Therefore, hypothesis number four is accepted.

And lastly, “CultureFit” (culture_fit on SPSS) is not significant at a p-value of 0.780. This means that there is no statistical evidence for employees who have better culture fit to be more likely to be top talents. Hypothesis number five was, therefore, rejected.

The aforementioned non-significant variables don’t contribute to the model. For the only significant variable, “Critical”, an increase in one unit leads to an increase in the odds of being a

“TopTalent” by 29.835. This means that we can assume that the odds for being a top talent are about 29.835 higher for critical employees than for non-critical ones.

4.2. Limitations

There are several limitations to this study regarding the researcher and the methodology that should be addressed by future research.

The strongest limitation is provided by the fact that there was a very small sample size for the statistical measurements employed (University of Southern California 2019). In order to use logistic regression in a precise way, about 50 cases per independent variable are needed. This limitation could not be overcome, since Company X does not have enough employees in this age group currently. If Company X’s numbers of young employees increases like they have in the past, another future study with more than 250 respondents could provide further insights into young employees and their performance.

Another limitation is possible sampling bias (Berk 1983). Since we were unable to sample Company X’s whole population under 27, it is possible, that people on the extreme ends of the spectrum such as people who are, for example, extremely satisfied or extremely stressed, were more likely to take part in the survey than people who are at a more moderate place on the spectrum. This can decrease the validity of the research. This limitation could not be overcome, because it was important for Company X to make participation voluntary.

Another possible limitation is the fact that the study participants consisted of some new-joiners who’s criticality had not yet be assessed and who were assumed to be uncritical.

Another limitation is the fact that part of the data was gathered via self-assessments by participants and can therefore not be verified independently some effects that might influence variables are exaggeration or selective memory (University of Southern California 2019). This limitation could not be overcome, because obtaining more objective assessments of occupational stress and job satisfaction was outside of the scope of this project.

The study is also limited by the fact that only one method of data gathering was used. This mono-method bias can reduce the validity of findings (Donaldson and Grant-Vallone 2002).

This limitation could not be overcome due to time and budget constraints.

Another possible limitation is the fact that the employee's performance was recorded in a binary variable. This is less precise than recording it on a six-point scale, for example. In a future follow-up study replacing the binary variable with a six-point Likert Scale could lead to an increase in insights.

Moreover, it is possible that the researcher not being fluent in Portuguese and therefore conducting the study in English, a second language for the researcher and participants, limited the validity of the study.

And finally, the study was carried out with a limited group of Millennial and Generation Z participants in one company in one sector in one country. Our ability to draw conclusions about young employees in other companies, industries or countries is limited.

5. Discussion

Since we have established that critical employees are more likely to be top talents we will now discuss implications for Company X and give recommendations to improve their human resources strategy.

5.1. Implications for Company X

After consultation with Company X's Learning and Development team, no satisfactory explanation for the relationship between having critical skills and performance could be found. Therefore, the most likely reason for the findings is that the processes for assessing criticality and performance are not separated enough. Line managers and human resources staff intermingle their assessments of both variables and judge high performers to be more critical than other employees. There seems to be a loop in the performance management system where both

signals amplify each other and critical employees become even more likely to be top performers and vice versa. This could lead the company not being able to identify top talents and critical employees correctly.

5.2. Recommendations

Due to the previously stated implications we recommend changes to Company X's performance management, staffing and talent management. Since the focus group did not touch the topic of criticality, suggestions from the participants could not be taken into account.

The new performance appraisal process should take into account several points: Classifying an employee only as top talent or average talent is very imprecise. Since, as previously stated, young generations have a higher necessity for feedback than previous ones it would be more suitable to rely on several groups of performance or consider a ten-point scale in the future. If a scale was established, objective guidelines about what employees have to comply with to clear each level of the scale could be made available. This would serve to make performance appraisals more transparent and would help to generate recommendations for employees who want to get to the next level. Moreover, feedback should happen more frequently than the current span of six months. This is especially important for younger generations, since they demand more feedback from their employers. In order to not place an undue burden onto their managers, a good compromise could be to give them feedback after each major step in a project, but never let more time than three months pass.

Secondly, we recommend an update to the metric of criticality. Since criticality currently means having potential or having essential skills, it is very hard to interpret and drive conclusions from. Therefore, we recommend replacing it with two new metrics: "JobRelevance" and "Potential". "JobRelevance" should assess how important jobs carried out by a certain employee are while "Potential" should describe an employee being capable of performing broader roles in the future. These metrics should be part of regular performance appraisals and serve to

provide further insights into an employee's responsibilities and possible trajectory in the company. This will make employee performance appraisals more precise and insightful.

We identified implications of this study for Company X's staffing process for young employees. Since being critical and being a top talent are statistically related we recommend assessing which jobs are relevant in a more objective way that does not conflate the two metrics. The first step would be assessing which tasks in the company are most relevant. Then, Company X should assess which employees carry out those tasks with excellence and what skills they need to perform them. These employees are preselected and their necessary skills are documented. Then we take into account how unique those skills are in the labor market and alternatively how much time it would take other employees to acquire the skill. Only when the skill is rare or difficult to obtain should the employee be classified as critical. This process will decrease the before described relationship between criticality and being a top talent since the assessment starts with identifying the most relevant tasks. It is important to integrate not only line managers and human resources specialists into this assessment, but also strategy specialists, technical specialists and top management to not lose the focus on the bigger picture. Each of the involved parties can award a given employee a score of relevancy from their perspective which can subsequently be combined to a general score. The new participants will increase the level of objectivity of the assessment since they don't work with the respective employee day to day and are not influenced by knowing about their performance. In order to mitigate the risk of losing the knowledge about relevant jobs, the employees who carry them out will have to undergo a more elaborate procedure to document how they carry out their work. This will help a possible replacement to learn and succeed more quickly, but can only be successful for routine tasks. Moreover, human resources specialist should take great attention and care to keeping those employees' skills updated and refreshed, so relevant processes are state of the art. When it comes to change management, the employees carrying out relevant jobs need to be taken into

account especially to safeguard the functioning of those processes. Since young employees will work longer until retirement than previous generations lifelong learning is of great importance to achieve success long-term. Millennials and Generation Z value the opportunity for continued learning and therefore this will make Company X a more attractive employer.

We recommend changes to the talent management process. First the metric “Potential” should be introduced and measured in various groups or on a scale. Having recorded both measures performance and potential we can use an adjusted version of the original BCG Product portfolio matrix (Henderson 1970) to fit the concept of the employee life cycle. In this case, the two dimensions of the matrix are performance (from high to low) and potential (from high to low). Employees can be clustered into one of the four groups of the matrix according to their performance and potential. In order to make this system more palatable, we suggest new names for the four areas: “StarPerformers”, who exhibit high performance and high potential, “DormantPerformers”, who show low performance and high potential, “ReliablePerformers,” who exhibit high performance but low potential and “Underperformers”, who show low performance and low potential.

		Performance	
Potential		Low Performance	High Performance
	High Potential	 “DormantPerformer”	 “StarPerformer”
	Low Potential	 “Underperformer”	 “ReliablePerformer”

Table 2: Potential - Performance Matrix Source: own elaboration

This classification gives the company an intuition as to how to manage them: “Underperformers” need to be moved. This can mean finding entirely different tasks for them, transferring them to tasks with low criticality or offering them a gracious settlement.

With “DormantPerformers” the biggest need is to find out if their potential will translate into high performance in the future and in which field they will be able to perform best. Therefore, it is important to work together with them to assess their talents and interests. This could happen

for example via job rotations. This kind of program can give the “DormantPerformers” and Company X a safe space to find out where they can perform best.

With “ReliablePerformers” Company X should put a focus on compensation in order to motivate great performance. Moreover, “ReliablePerformers” should document their knowledge about routine tasks in order not to lose them when they eventually move on to other tasks. That way, new generations of workers entering the company can obtain information quickly and do not have to start from scratch.

And lastly, “StarPerformers” require high investments into their development even though they are performing well. That way, Company X can harness their performance and bind them to the company. This is especially important for young employees, since, as noted in chapter 2.1, they have been shown to be less loyal to their employers.

6. Conclusion

Due to the fact that the study found a statistical significant relationship between an employee being critical and being a top talent, we recommend changes to the performance appraisal process, to staffing and to talent management. Even though the other variables in the study, “SatisfactionAverage”, “StressAverage” and “CultureFit” were non-significant, we recommend Company X to conduct more research into them, since they might influence other variables that Company X cares about.

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8. Appendix

Appendix 1: Questions focus group

1. What is your general level of satisfaction with your job? What elements does a satisfying job need to have?
2. What aspects make you feel satisfied?
3. What aspects make you feel unsatisfied?

4. How much pressure do you feel in your job? What situations in your job make you feel stressed?
5. How stressed do you feel from tasks intrinsic to your job and its daily activities? Not from colleagues/ superiors/ working with other people. What situations make you feel stressed about tasks intrinsic to your job?
6. How stressed do you feel from your relationships at work? What situations make you feel stressed about relationships at work?
7. How much stress do you perceive from progressing in your career e.g. no clear career prospects, underpromotion, feeling overwhelmed after a new career step? What are other aspects?
8. What organizational measures would help decrease stress from these different sources?
9. What do you do to cope with stress?
10. Describe your ideal organization in one word.
11. What is the most important aspect of a great leader (one word)?
12. What is the dominant characteristic of Company X?
13. Describe leaders at Company X in one word? Analyze differences.

Appendix 2: Questions survey

Workplace satisfaction

Question	Very much satisfaction	Much satisfaction	Some satisfaction	Some dissatisfaction	Much dissatisfaction	Very much dissatisfaction
Having far too much work to do (factors intrinsic to the job)						
Overpromotion- Being promoted beyond my level of ability (career and achievement)						

Not having enough work to do (home-work interface)						
Coping with office politics (relationships with other people)						
Taking my work home (home-work interface)						
Underpromotion-Working at a level below my level or ability (career and achievement)						
Not being able to "switch off" at home (home-work interface)						
Attending meetings (relationships with other people)						
Lack of social support by people at work (relationships with other people)						
Having to work for very long hours (factors intrinsic to the job)						
A lack of encouragement from superiors (relationships with other people)						
Demands my work makes on my relationship with my spouse/children (home-work interface)						
Being undervalued (career and achievement)						
Business travel and having to live in hotels (factors intrinsic to the job)						
Unclear promotion prospects (career and achievement)						

Occupational stress

Questions	Very much satisfaction	Much satisfaction	Some satisfaction	Some dissatisfaction	Much dissatisfaction	Very much dissatisfaction
The degree to which you feel "motivated" by your job's current career opportunities						
The degree to which you feel that you can personally develop or grow in your job						
The amount of participation which you are given in important decision-making						
The psychological "feel" or climate that dominates your organization						
Your level of salary relative to your experience						

Culture Fit

Please describe your ideal organization
The dominant characteristics of your ideal organization • The organization is a very personal place. It is like an extended family. People seem to share a lot of themselves. • The organization is a dynamic and entrepreneurial place. People are willing to stick out their neck and take risks. • The organization is very results oriented. A major concern is with getting the job done. People are very competitive and achievement oriented. • The organization is a very controlled and structured place. Formal procedures generally govern what people do.
The organizational leadership in your ideal organization • The leadership in the organization is generally considered to exemplify mentoring, facilitating or nurturing. • The leadership in the organization is generally considered to exemplify entrepreneurship, innovation or risk taking. • The leadership in the organization is generally considered to exemplify a no-nonsense, aggressive, results-oriented focus. • The leadership in the organization is generally considered to exemplify coordinating, organizing or smooth-running efficiency.

The management of employees in your ideal organization • The management style in the organization is characterized by teamwork, consensus and participation. • The management style in the organization is characterized by individual risk taking, innovation, freedom and uniqueness. • The management style in the organization is characterized by hard-driving competitiveness, high demands and achievement. • The management style in the organization is characterized by security of employment, conformity, predictability, and stability in relationships.
The organizational glue of your ideal organization • The glue that holds the organization together is loyalty and mutual trust. Commitment to this organization runs high. • The glue that holds the organization together is commitment to innovation and development. There is an emphasis on being on the cutting edge. • The glue that holds the organization together is an emphasis on achievement and goal accomplishment. • The glue that holds the organization together is formal rules and policies. Maintaining a smooth-running organization is important.
The strategic emphases of your ideal organization • The organization emphasizes human development. High trust, openness, and participation persist. • The organization emphasizes acquiring new resources and creating new challenges. Trying new things and prospecting for opportunities are valued. • The organization emphasizes competitive actions and achievement. Hitting stretch targets and winning in the marketplace are dominant. • The organization emphasizes permanence and stability. Efficiency, control and smooth operations are important.
The criteria of success of your ideal organization • The organization defines success on the basis of development of human resources, teamwork, employee commitment, and concern for people. • The organization defines success on the basis of having the most unique or newest products. It is a product leader and innovator. • The organization defines success on the basis of winning in the marketplace and outpacing the competition. Competitive market leadership is key. • The organization defines success on the basis of efficiency. Dependable delivery, smooth scheduling and low-cost production are critical.

Please now describe Company X
The dominant characteristics of Company X • The organization is a very personal place. It is like an extended family. People seem to share a lot of themselves. • The organization is a dynamic and entrepreneurial place. People are willing to stick out their neck and take risks. • The organization is very results oriented. A major concern is with getting the job done. People are very competitive and achievement oriented. • The organization is a very controlled and structured place. Formal procedures generally govern what people do.
The organizational leadership at Company X • The leadership in the organization is generally considered to exemplify mentoring, facilitating or nurturing. • The leadership in the organization is generally considered to exemplify entrepreneurship, innovation or risk taking. • The leadership in the organization is generally considered to exemplify a no-nonsense, aggressive, results-oriented focus. • The leadership in the organization is generally considered to exemplify coordinating, organizing or smooth-running efficiency.
The management of employees at Company X • The management style in the organization is characterized by teamwork, consensus and participation. • The management style in the organization is characterized by individual risk taking, innovation, freedom and uniqueness. • The management style in the organization is characterized by hard-driving competitiveness, high demands and achievement. • The management style in the organization is characterized by security of employment, conformity, predictability, and stability in relationships.
The organizational glue at Company X • The glue that holds the organization together is loyalty and mutual trust. Commitment to this organization runs high. • The glue that holds the organization together is commitment to innovation and development. There is an emphasis on being on the cutting edge. • The glue that holds the organization together is an emphasis on achievement and goal accomplishment. • The glue that holds the organization together is formal rules and policies. Maintaining a smooth-running organization is important.

The strategic emphases at Company X

- The organization emphasizes human development. High trust, openness, and participation persist.
- The organization emphasizes acquiring new resources and creating new challenges. Trying new things and prospecting for opportunities are valued.
- The organization emphasizes competitive actions and achievement. Hitting stretch targets and winning in the marketplace are dominant.
- The organization emphasizes permanence and stability. Efficiency, control and smooth operations are important.

The criteria of success of Company X

- The organization defines success on the basis of development of human resources, teamwork, employee commitment, and concern for people.
- The organization defines success on the basis of having the most unique or newest products. It is a product leader and innovator.
- The organization defines success on the basis of winning in the marketplace and outpacing the competition. Competitive market leadership is key.
- The organization defines success on the basis of efficiency. Dependable delivery, smooth scheduling and low-cost production are critical.

Appendix 3: Reliability Statistics for Job Satisfaction and Occupational Stress

Reliability Statistics			Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.839	.840	15	.827	.828	7

Figure 7: Reliability of Variables Source: own elaboration

Appendix 4: Graphs for Culture Fit of Generation Z and Millennials

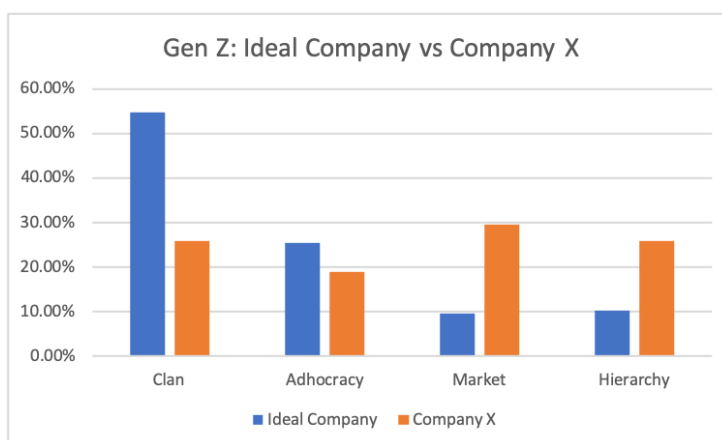


Figure 8: Culture-Fit Generation Z Source: own elaboration

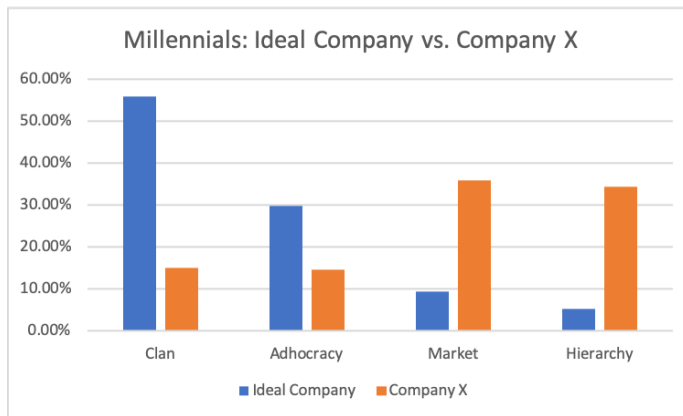


Figure 9: Culture-Fit Millennials Source: own elaboration

Appendix 5: Confidence Interval and Range of variables

Variable	Confidence Interval	Range
“SatisfactionAverage” (Six-Point Likert Scale) 0=very unsatisfied	2.6032+/- 0.73823	1.14 - 4.43
“StressAverage” (Six-point Likert Scale) 0=not stressed at all	4.0633+/- 0.77089	2.07 – 5.53
“CultureFit” (Six-point Liker Scale) 0=very bad fit	1.4074+/-0.94207	0-4

Table 3: Variables and Distribution in the data set Source: own elaboration

Appendix 6: Variables in the equation: Assumption 5

		Variables in the Equation					
		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 ^a	GenZ	.760	1.468	.268	1	.605	2.137
	Critical	3.425	1.541	4.939	1	.026	30.717
	stress_average by stress_average_ln	.305	.337	.820	1	.365	1.356
	Satisfaction_average_ln by satisfaction_average	.301	.426	.500	1	.479	1.352
	culture_fit by culture_fit_ln	-.317	.493	.414	1	.520	.728
	Constant	-6.254	2.781	5.059	1	.024	.002
a. Variable(s) entered on step 1: GenZ, Critical, stress_average * stress_average_ln , Satisfaction_average_ln * satisfaction_average , culture_fit * culture_fit_ln .							

Figure 10: Variables in the equation Source: own elaboration

Appendix 7: Variance Inflated Factor

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	-.381	.294		-1.296	.201		
	stress_average	.051	.054	.117	.943	.351	.890	1.124
	GenZ	.044	.095	.064	.459	.648	.710	1.409
	Critical	.433	.113	.551	3.816	.000	.654	1.529
	satisfaction_average	.071	.058	.155	1.218	.229	.842	1.188
	culture_fit	-.004	.043	-.012	-.097	.923	.974	1.027

a. Dependent Variable: TopTalent

Figure 11: Variance Inflated Factor Source: own elaboration

Appendix 8: Correlation between Predicted Probability and “TopTalent”

Correlations			
		Predicted probability	TopTalent
Predicted probability	Pearson Correlation	1	.601**
	Sig. (2-tailed)		.000
	N	54	54
TopTalent	Pearson Correlation	.601**	1
	Sig. (2-tailed)	.000	
	N	54	54

** . Correlation is significant at the 0.01 level (2-tailed).

Figure 12: Correlation Source: own elaboration

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