GENERATIONS
SERIES

State of (un)readiness

A GLIMPSE OF HOW GENERATIONS X, Y AND Z BELIEVE THE WORKPLACE SHOULD FUNCTION AND THE TECHNOLOGIES POISED TO TRANSFORM IT. (HINT: YOUR EMPLOYEES EXPECT THINGS YOU'RE LIKELY UNPREPARED TO DELIVER.)

INSEAD
The Business School for the World®

Emerging Markets Institute

The HEAD Foundation
Human Capital & Education for Asian Development

universum

GEN Z

High school students
born 1997–2002

GEN Y STUDENT

University students
born 1984–1996

GEN Y PROFESSIONAL

Professionals who have obtained an academic degree
born 1984–1996

GEN X

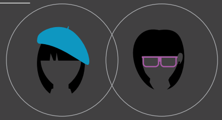
Professionals who have obtained an academic degree
born 1965–1983

GENERATIONS: RESHAPING THE WORLD

As each generation readies itself to play a dominant role in the global economy, much is written and conjectured about the changes it will bring to the workplace and the global market. Certainly the last three, Gen X, Y and Z, to use their more popular labels, have each been studied and analyzed to an unprecedented extent by academics, businesspeople and policymakers. Are the differences they demonstrate just the expected generational changes or is there something special about each, in terms of the changes they bring to the workplace, to how technology can be optimized and to how leaders can be most effective?

Universum, the INSEAD Emerging Markets Institute and the HEAD Foundation asked this question in a worldwide survey in 2014 in the specific context of Millennials. Commonly held perceptions were busted and new trends were revealed. With this second iteration of our collaboration, we broaden the scope of analysis to the three different generations. Through the systematic measurement and analysis of a significant number of respondents from across the globe, from the most developed to the emerging economies, and with particular focus on workplace, technology and leadership, this survey seeks to take a new look at how the three most recent generations have and are impacting the workplace.

GEN X:
Sandwiched between the baby boomers and the millennials, this generation has had two decades in the workplace. Quietly, they have taken up positions of power in multinational C- suites as well as in the ranks of successful entrepreneurs. They experienced childhoods without computers and witnessed the shift from analog to digital technology in their adulthoods. At work, they are taking over the mantle from the baby boomers and mentoring Gen Y. At home, they are caring for their boomer parents and also their millennial kids who refuse to leave home.



GEN Y:
One of the most visible generations in history, Gen Y has forced a new look at everything from Maslow's need hierarchy to how companies do business and the future of the workplace. Growing up with unprecedented access to technology, they have changed everything from whether cars are best bought or shared, to how long it's okay to live with parents and what kind of behavior is acceptable from employees and leaders.

GEN Z:
Poised to enter the workplace soon, this generation was born into a tumultuous world, demonstrated to them in all its VUCA (Volatility, Uncertainty, Complexity and Ambiguity) glory through a wide variety of screens. They fear for the future of the planet, value their education, worry about their future careers and want to make the world a better place. They are completely digitally native in the sense of being quite helpless in a non-digital world.

The workplace today is an intriguing blend of multigenerational values, approaches to technology, leadership styles and workplace preferences. Through this global study spanning the three generations, we seek to understand how each group can best be motivated, managed, led and encouraged to lead, for optimal results.

Technology and the workplace

Technological innovations are reshaping just about everything in our world today and the workplace is no exception. Cloud-based collaboration tools, workplace messaging platforms, wearable technologies, virtual reality, and so on, have changed the meaning of "going to work". Employees and their managers now expect more flexibility of time and venue. Constant connectivity leading to real time information and feedback is the norm, as is the management of virtual teams across increasingly globalized organizations. But are the expectations of how technology should shape the future of the workplace similar across generations? How can the workplace be designed to integrate differing expectations for optimal recruitment, retention, development and performance across levels and geographies? As the nature of work and the workplace evolves, both leaders and employees need to be engaged in bringing about a transformation that is productive, healthy and inclusive.

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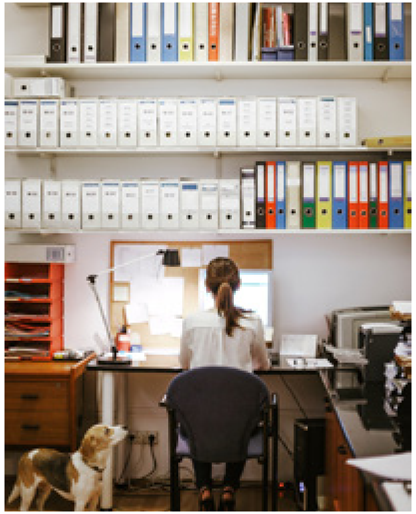
It's an exciting time to hypothesize about the future of work, whether it's about digital innovation, workplace design or even the growing murmurs about universal income.



Given the rapid pace of change in workplace technology – from cloud-based collaboration tools and workplace messaging platforms to newer technologies like wearables – it's clear the nature of work in 10 years will be vastly different from what we experience today.

In a collaboration among Universum, INSEAD Emerging Markets Institute, and The HEAD Foundation, we set out to investigate these ideas from a bottom-up survey of students and professionals – not from the employer's perspective. What do your employees think about the future of work? What innovations do they expect their employers to adopt? What will the rising student cohorts of Gen Y and Gen Z look for in a future employer? And how do these ideas differ based on country or gender?

The results are a one-of-a-kind study of what global generations think about employers and the workplace – a research series from Universum called *Generations*. These insights are based on an annual survey of over 18,000 students and professionals worldwide – from Gen Xers who've been in the workplace for two decades, to Gen Z students. The research sheds light on preferred workstyles, leadership qualities, hopes and fears about future careers, and the technologies with the highest potential for workplace innovation. What's more, the research points to interesting insights and lessons not just meant for understanding individual generations, but for knowing how to manage a multigenerational workforce.

We gather here four major insights related to technology from the Universum research; though to be fair, these only scratch the surface of what the data can illuminate. (For in-depth questions about points of view based on country or gender, CONTACT UNIVERSUM.)

Major insights

Digital capabilities

Even while working professionals say their employer's digital capabilities are important, less than half believe their current employer's capabilities rank highly.

What challenges do employers face?

- **Technology integration:** More and more, employees expect work applications to function as effortlessly and effectively as the applications they use in their personal lives. To live up to this, companies are adopting new, specialized technologies at breakneck speed, leading to sizeable integration issues. The problem is particularly bad for workforce-facing applications (e.g. project management, messaging, time management, calendaring), many of which don't speak to one another and share information. For employers, it's critical to address these issues early to avoid something that's referred to as "path dependency" —when organizations must continue with a particular technology or practice, even when it's not ideal, because earlier decisions limit present choices.

- **Skills gap:** The pace of change makes it deeply challenging to attract and hang on to digital talent. A 2016 study by Russell Reynolds found slightly more than half of C-level executives say they have the right talent in place to act on their digital strategy, yet they don't view HR as a worthy partner in this push to acquire that talent. Only 20 percent say HR enables them to transform the digital organization – a serious roadblock to digital transformation.[1]

- **Leadership gap:** Finally, too many organizations view digital innovation as a 'front of house' activity; they focus on consumer-facing technologies instead of the entire business ecosystem. Digital transformation also applies to areas such as automation, eliminating paper and manual processes, and knowledge transfer. Making meaningful change in these areas requires leadership and buy-in from the top.

Addressing each of these creates a virtuous cycle. Digital improvements to the back office, for example, often have a positive impact on customer experience (e.g. the ability to develop applications with real-time access to company data). These improvements also affect professionals' evaluations of their employers, which has a positive effect on recruiting top talent. No one area of digital transformation is the end game, but rather a permanent commitment to digital transformation must become the norm.

FIGURE 1 / FIGURE 2

[1] https://hbr.org/2016/03/the-industries-that-are-being-disrupted-the-most-by-digital

FIGURE 1

PROFESSIONALS STATE DIGITAL CAPABILITIES ARE KEY, BUT USUALLY DON'T BELIEVE THEIR OWN EMPLOYERS ARE DIGITAL SAVVY

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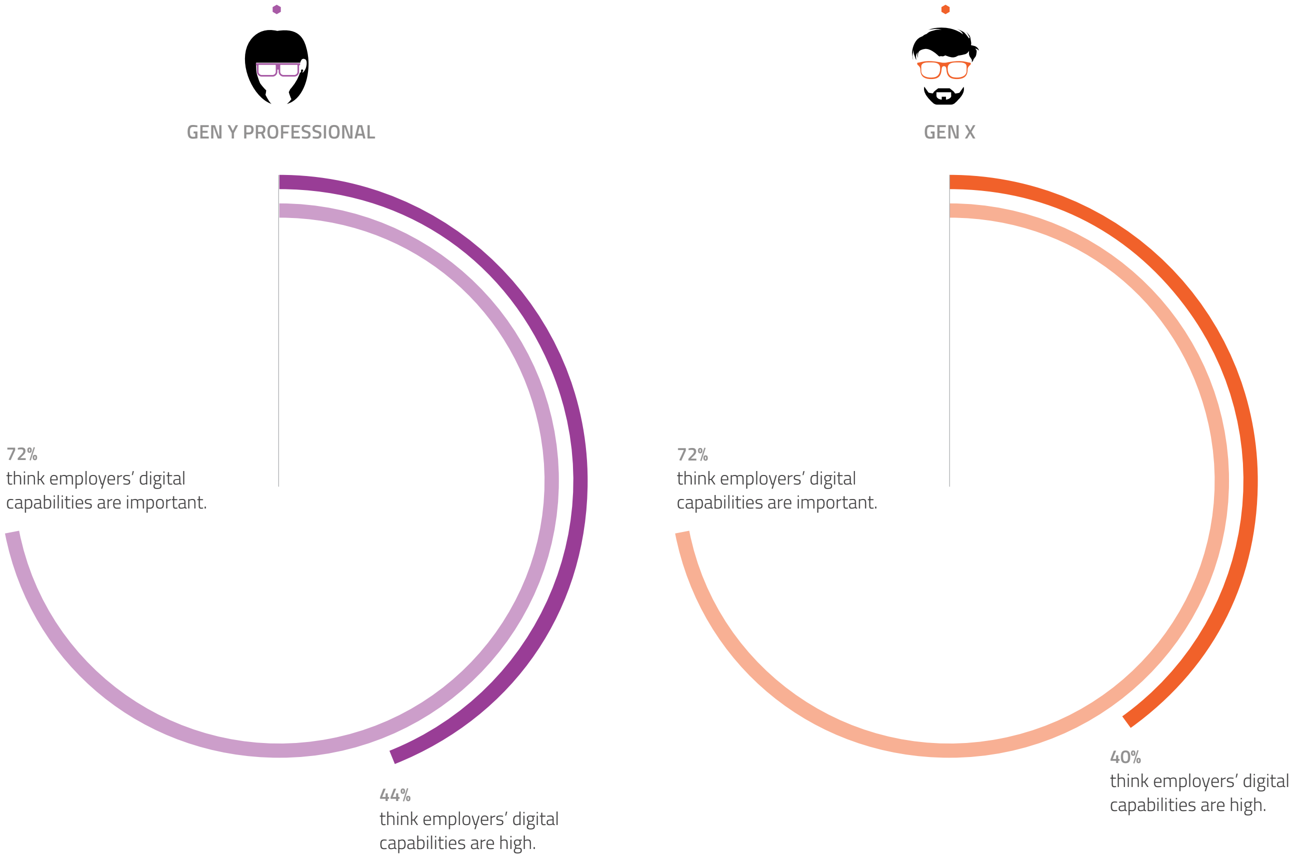

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FIGURE 2

COUNTRY HOTSPOT

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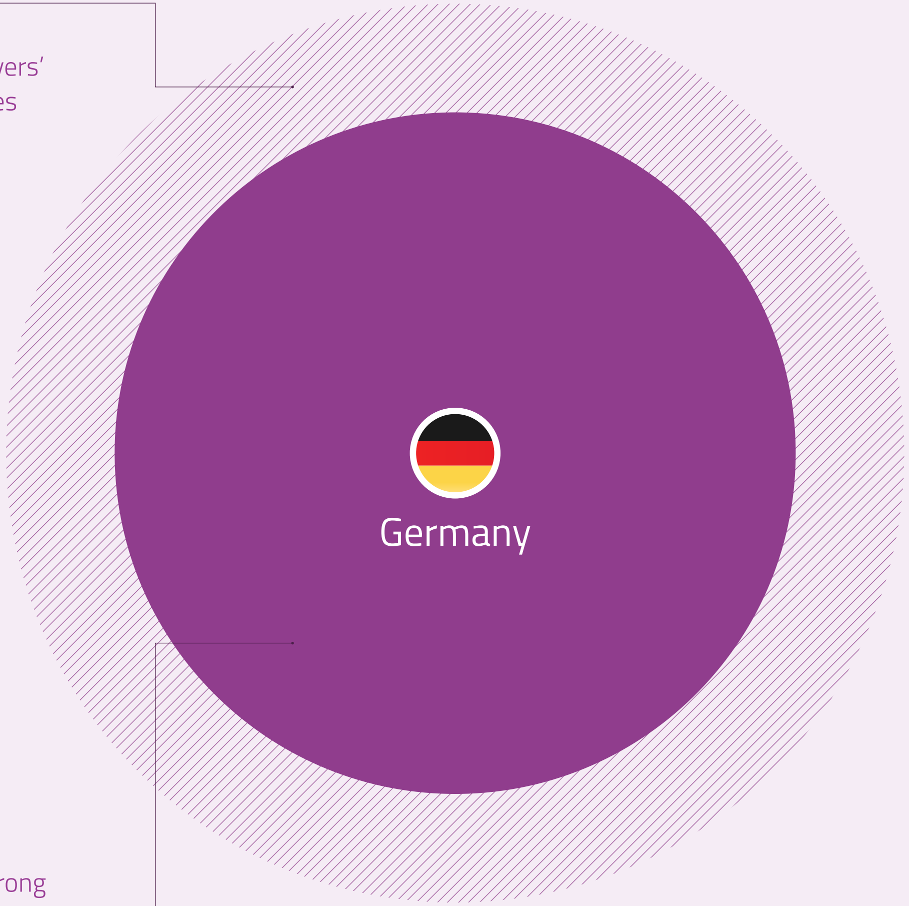
GEN Y PROF

80%
say their employers' digital capabilities are important



Just 46%
say their own company has strong digital capabilities

Virtual reality

Think virtual reality (VR) applications are only for gamers? All generations signal they are ready (and eager) for VR applications at work.

Just three percent of working professionals currently use any type of VR applications in the workplace, but one in three say it's poised to revolutionize their work in the coming decade. In fact, respondents cited VR most often as the technology they are anticipating as game-changing at work in all generations except Gen X (which chose eLearning slightly more often – more on that in a later section).

If this sounds outlandish, you simply haven't been following recent developments. An analyst report from Goldman Sachs says VR/augmented reality (AR) technology developments have the potential to make a device "as ubiquitous as the smartphone."[2] The investment banking firm estimates that in a base-case scenario, the VR/AR market will grow to $80 billion in revenue by 2025. (See sidebar for an explanation of terms.)

Applications are not limited to entertainment, even though currently that's the segment that gets the most attention. Over the last 12 months, other compelling uses for VR and AR have been emerging, many of which are already seeing success:

- **Sotheby's** is using VR to sell high-end homes. In an afternoon, a broker can tour a dozen homes with a client and narrow the list – offering efficiencies for buyers, sellers and brokers. Goldman Sachs believes real estate will be among the first industries disrupted by VR/AR.
- **Audi** is expanding its showroom to the virtual world. Consumers can browse its line-up of cars and custom interiors, all from the comfort of their living room.

VR VS. AR: AN EXPLANATION OF TERMS

For most, their first introduction to the potential of virtual and augmented reality was the launch of Pokémon GO in early 2016. Yet many still don't fully understand its ramifications outside the gaming world.

VR encompasses everything from immersive gaming experiences to more low-tech 360 videos widely available on YouTube. The important thing with VR is your viewer is opaque – you can't see through it. Google Cardboard, for example, holds your mobile phone in front of you while blocking out light. You stand at the center of a sphere and move your head in all directions to see the world around you.

AR imposes digital details on the physical world (i.e. it augments reality). Google Glass is an example of an AR viewer and Pokémon GO is the most popular AR experience.

Most applications outside the gaming world now are VR applications, including all examples discussed on this page.

[2] www.goldmansachs.com/our-thinking/pages/technology-driving-innovation-folder/virtual-and-augmented-reality/report.pdf

- Sentient Computing is developing safety training applications for VR tech. Its recent safety training demonstrations create a simulated world to train operators to practice rapid-fire decision-making. VR-based training in industries like manufacturing, healthcare and pharma are predicted to have faster uptake of the technology, as they are more likely to benefit from the ability to visualize complex processes and procedures.
- Bayer has developed a series of 360 videos to show potential employees what it's like to work for the German multinational. The potential for talent attraction using VR/AR is massive – and companies with first-mover advantage are likely to benefit.

For employers, it's an interesting reminder that a trend that seems like a distant possibility may be closer than imagined – if only because of the rising pool of Gen Z soon to enter the workforce. Among Gen Z, 42 percent anticipate VR applications in the workplace – a statistic that should jolt talent managers into action.

FIGURE 3 / FIGURE 4

FIGURE 3

STUDENTS AND WORKING PROFESSIONALS AGREE: VR IS MOST LIKELY TO REVOLUTIONIZE THEIR WORK IN THE COMING DECADE

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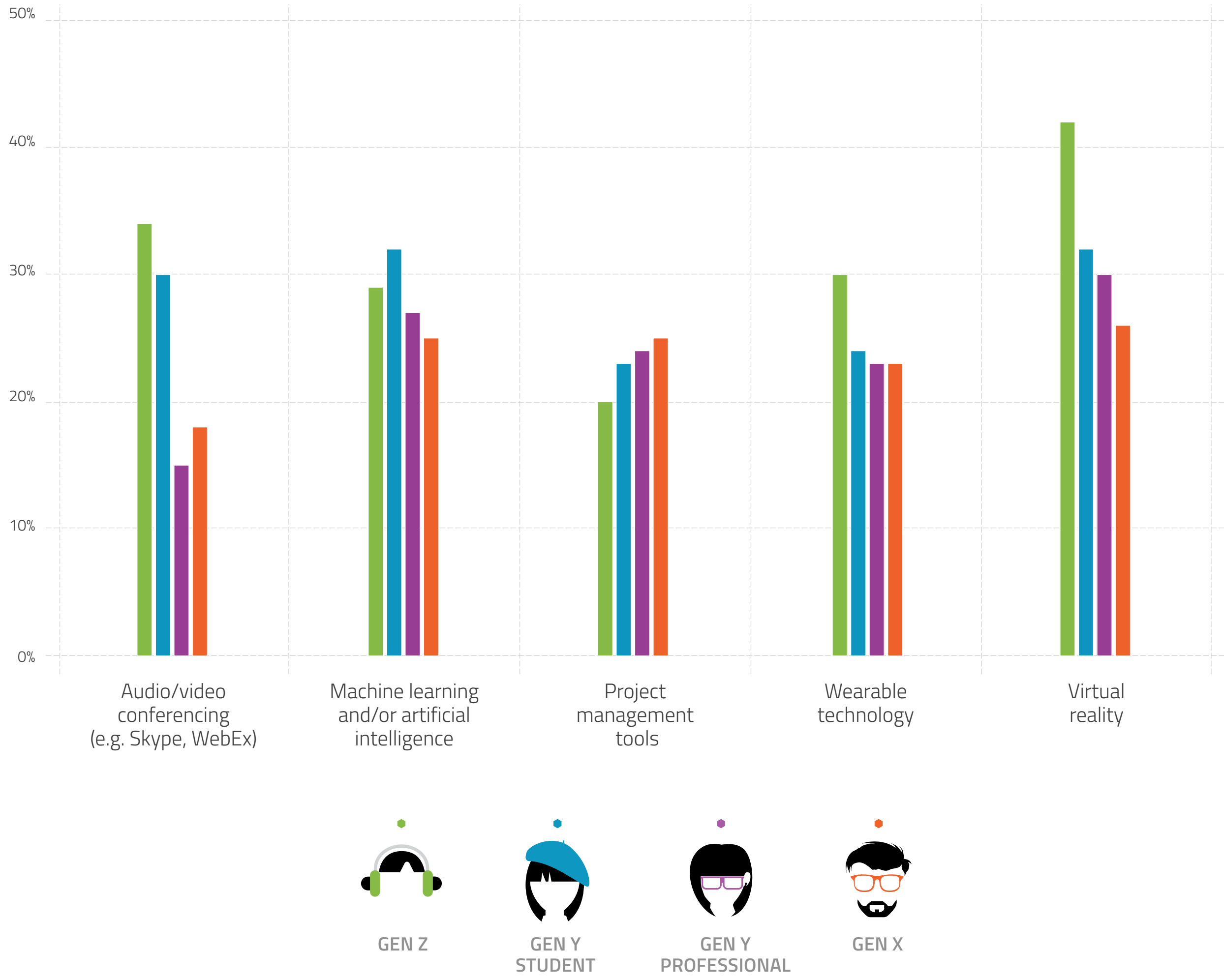

FIGURE 4

EXCITEMENT ABOUT VR AT WORK PARTICULARLY STRONG IN GENERATION Z

Percent of Gen Z that believe VR will revolutionize work in the coming decade.

GEN Z

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03

Flexible workforce

Working professionals are ready for a flex-working revolution... if only employers were willing to concede it.

We've heard for over a decade that flexible work schedules and locations would become the norm. In 2003, the *Guardian* announced a "coming revolution in working hours"[3] and virtual work was hailed a win-win for both employees and cost-conscious employers, but in truth changes have come slowly and painfully. In recent years, some organizations are even reneging on flexible accommodation, such as Marissa Mayers' famous pullback at Yahoo. Will the revolution ever materialize?

Universum research shows all generations expect big changes for the flexible workplace. Roughly three in four believe flexible schedules and locations will present big opportunities for them – regardless of whether they are students or professionals. Why now?

[3] https://www.theguardian.com/business/2003/sep/02/worklifebalance.workandcareers

- **‘Gig’ work is on the rise:** The statistics behind the growth of gig work are surprisingly hard to come by, in large part because labor agencies don’t track it. But research from the Brookings Institute in the U.S. shows some cities are experiencing a gig-work explosion. In San Jose, for example, gig work in ground transportation rose by 145 percent in two years.[4] The rise of the sharing economy (e.g. Uber, Airbnb, TaskRabbit), and a parallel growth in technologies that support freelance work, means traditional, sit-at-your-desk work may not be the norm much longer when it comes to freelance work.

- **A startup mindset has taken hold:** Universum research shows more than one in four Gen Y and Gen Z students are interested in starting their own business, and among working Gen Y and Gen X professionals, the number is more than one in three – astounding numbers that will drive big changes in the workplace over the coming decade. Employers are no longer competing against other companies for talent, but are vying to attract employees who might otherwise want to work independently.

Universum’s findings are particularly interesting in relation to Gen Z, because other studies have found younger workers are less likely to prioritize flexibility as a key offering. For example, a 2015 survey from Adecco Staffing found just seven percent of Gen Z are attracted to a flexible work schedule; instead, they’re more focused on opportunity for career growth.[5]

Where does the truth lie? Many research studies that find younger generations don’t care as much about flexibility as older ones give respondents a list of options – and when given the chance to prioritize, it’s true that flexibility likely isn’t top of mind for younger workers. But that doesn’t mean that, if given the chance to adopt flexible options, young workers wouldn’t embrace them. In other words, for younger workers, flexibility may simply be seen as an expectation rather than a perk.

It’s important for employers to understand what ‘flexible’ means for key members of *their* workforce. Do younger workers view it differently than older workers? Are there specific aspects of flexibility that appeal in one country over another? What solutions make sense for a particular industry, company, location or even area of work.

FIGURE 5 / FIGURE 6

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[4] https://www.brookings.edu/research/tracking-the-gig-economy-new-numbers/
[5] http://fortune.com/2015/05/22/generation-z-in-the-workplace/

FIGURE 5

DEVELOPMENTS IN FLEXIBLE WORKING HOURS REPRESENT A BIG OPPORTUNITY FOR MY WORK LIFE IN THE NEXT 10 YEARS

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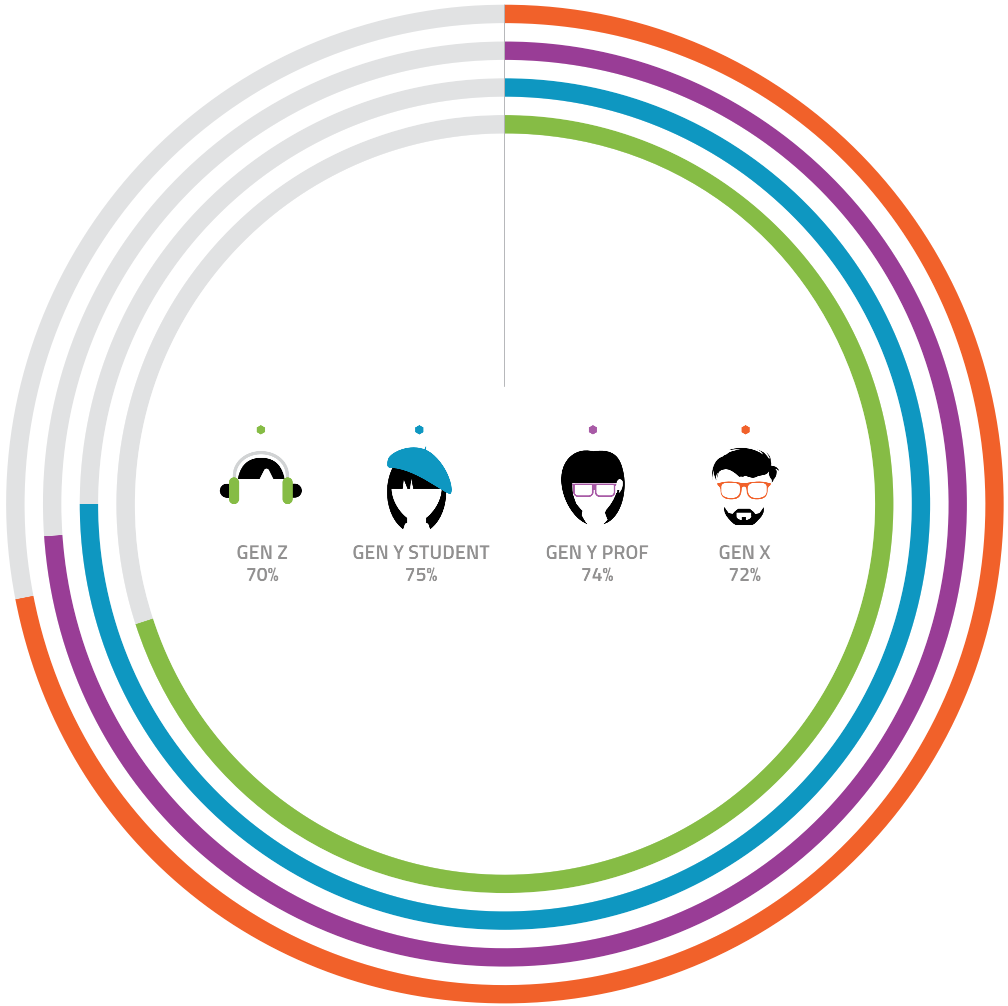

FIGURE 6

DEVELOPMENTS IN FLEXIBLE JOB LOCATIONS REPRESENT A BIG OPPORTUNITY FOR MY WORK LIFE IN THE NEXT 10 YEARS

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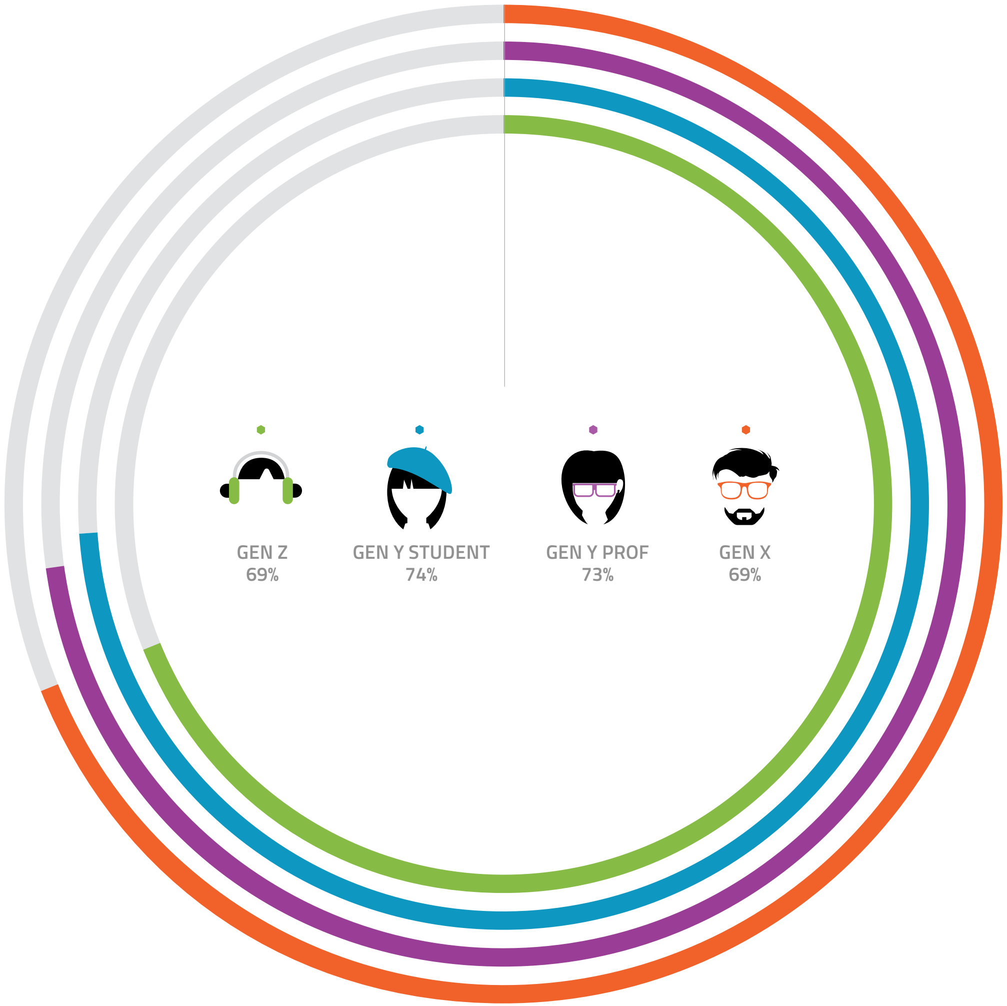

Training & development

Employees – regardless of age – prefer in-person training and development to online options, but they are willing to sign up for online options when they're offered.

Organizations spend a lot of money on corporate training programs – estimated at $356 billion globally in 2015.[6] Unfortunately, much of that spending may be a waste of time and money. A 2010 McKinsey study showed 25 percent of survey respondents say training did not improve employee performance.[7] And a 2011 study found 90 percent of new skills are lost within one year.[8] The industry is in need of an overhaul.

When asked if they would take an online course if it were offered, overwhelmingly respondents said they would. (For sellers of online training, it would be best to end the line of questioning here.) Yet when asked whether they prefer in-person training or online training, the clear majority preferred in-person training. Interestingly, the generation most in favor of online training is Generation X – the oldest cohort in the group. (Presumably this is due less to a love of online training and more to time constraints.)

What do these findings mean for employers? First, stop assuming that younger generations prefer online training options. It's a finding that's often repeated, but Universum's research doesn't support the claim. *All generations* prefer in-person training over online options.

Even so, there is no one right answer for employers. The right format and delivery method is the one that fits your organization, needs and budget.

Of course employers must investigate options by generation and by country. For example, our research finds 78 percent of Gen Z students in the U.S. prefer in-person options, while just 50 percent of Gen X professionals in the U.S. say they prefer in-person training. In China, the gap between generations is smaller: 68 percent of Gen Z prefer in-person options compared to 61 percent of Gen X professionals.
FIGURE 7

6 https://hbr.org/2016/10/why-leadership-training-fails-and-what-to-do-about-it
7 http://www.forbes.com/sites/groupthink/2015/08/30/why-your-employee-training-is-a-waste-of-time-and-money-and-what-to-do-about-it/#7a1db3f56caa
8 http://www.wsj.com/articles/SB10001424052970204425904578072950518558328

FIGURE 7

PROFESSIONAL TRAINING AND DEVELOPMENT

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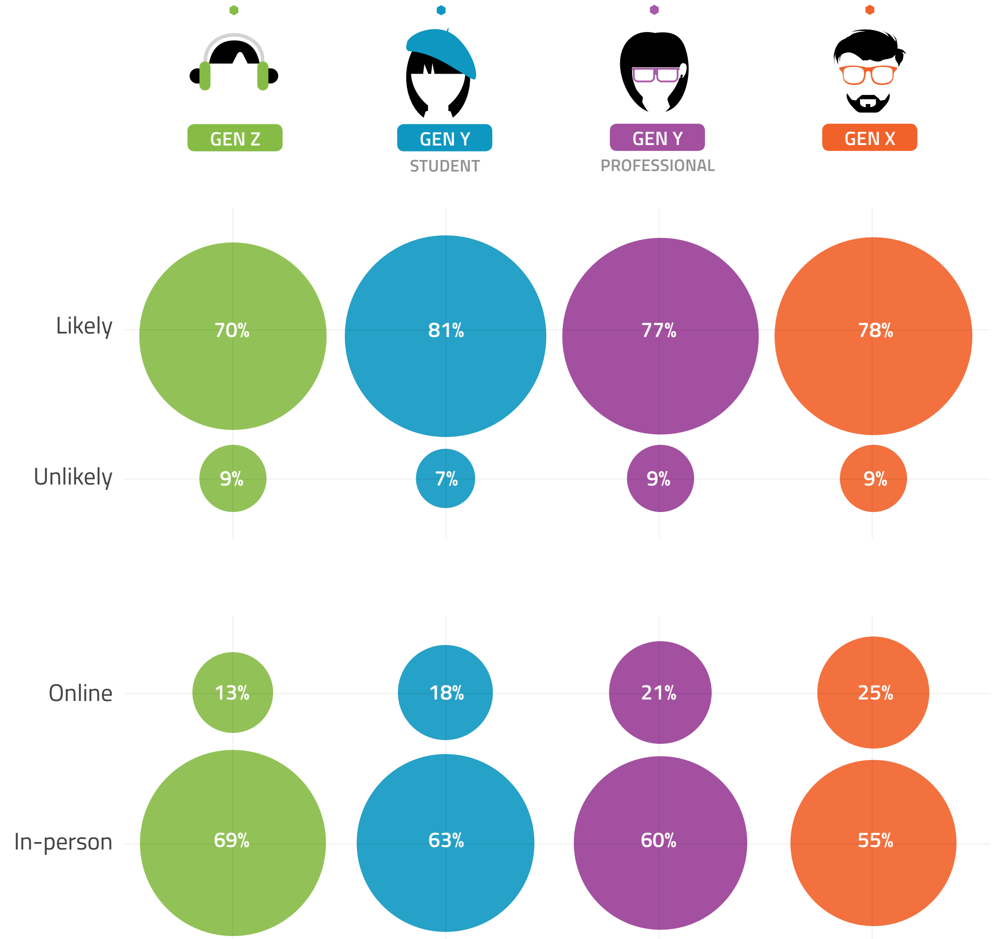
If it was available, how likely are you to take an online course offered by your employer?

If given the choice, would you choose an online or in-person format for professional training and development?



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Recommendations

Consider your organization's digital reputation

Those in talent management may not have the power or influence to affect digital strategy, but they do have the ability to share what the organization is doing to advance digital innovation – not just customer-facing innovation but also back-office applications.

Take stock of digital innovation projects inside your organization – even those that are, on the surface, less compelling or less exciting. Find out how these will drive growth, efficiency and innovation in the coming years. Profile the employees linked to these digital projects to help make the case of why the investment is needed and necessary.

Also, consult with C-level leadership to promote your 10-year digital vision for the organization.

Promoting what your company is doing is a key part of raising your digital profile among employees and future talent.

VR in the workplace? Begin your research today

Just one year ago VR in the workplace seemed unrealistic, but our research shows there is pent up demand for VR applications at work. Research from Greenlight Insights shows 71 percent of consumers think a brand is forward-thinking and modern if it uses VR.[9]

While entering the VR/AR space may seem daunting, it shouldn't be. There are simpler entry points for employers, including 360 videos that offer an immersive experience without the need for advanced gear. Producing a 360 video costs at least three times more than traditional video, but now is the time for first-mover advantage.

Something as simple as a 360 tour of the office space offers would-be employees a chance to peek inside. Or for organizations aiming for something more ambitious, investigate opportunities for training using VR/AR technology. In some industries such as healthcare or manufacturing, safety training is an excellent application of VR. Or consider using VR to record important events inside your organization--events not all employees are able to attend. A VR-based playback offers an immersive and exciting way to share the moment with employees dispersed across the globe.

Assess digital workplace collaboration environment

There's no excuse to have last-generation office collaboration tools. Companies like Slack are reinventing the nature of collaboration at work, and younger generations joining

[9] *2016 Virtual Reality Consumer Adoption Report: Experiences, Attitudes, Intentions.* Greenlight Insights, June 2016.

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your company will expect best-in-class tools to work with colleagues.

As part of a Gen Z readiness program, conduct an inventory of current enterprise collaboration tools, comparing them to what your employees use outside work. Utility and ease of integration are priorities, of course, but don't forget that enterprise tools must be pleasurable to use if your employees are truly going to adopt them enthusiastically.

Understand your employees' definition of "flexible work", then commit to honoring it.

First, organizations must do more to understand what flexible work means for their working professionals. No longer can we assume only older generations crave flexible work forms. Our research shows younger generations also expect flexible work schedules and locations.

Also, employers must understand not simply which formats will work, but which formats employees are likely to use. Recent studies demonstrate that even inside organizations that offer some type of flexible work arrangements, few employees take advantage of them. Research from McKinsey shows just 12 percent participate in flexible offerings.[10] It appears that employees fear using them, as they may be seen as not committed to their jobs or not sharing the work load.

For a global financial company like Moody's, the difference-maker was breaking down stereotypes about those who use flexible schedules.[11] First, it conducted a study to identify which groups inside the organization use the benefits. Then it worked to

[10] http://www.wsj.com/articles/employees-like-flexible-work-programsbut-few-use-them-1443600593
[11] http://www.wsj.com/articles/employees-like-flexible-work-programsbut-few-use-them-1443600593

debunk entrenched myths about flexible work. For example, it profiles employees who have advanced to senior leadership roles while using flexible work benefits – showing it doesn't derail advancement. Moody's also makes clear to employees that the company benefits from these arrangements by attracting higher caliber talent to work for the organization (making it seem less of a one-sided benefit).

Assess training formats

We can think of no other area of work that receives funding year-after-year, is a top priority for talent, but is maligned so often as ineffective and broken. Organizations that can truly deliver high-impact training – and perhaps as importantly, minimize the pain involved in necessary but boring training – will be the standouts.

First and foremost, we must let go of the stereotype that younger workers prefer online training. Our research shows it simply isn't true and that, in fact, older workers are more likely to prefer the efficiency of online formats.

Also, companies must do a better job understanding their employee base and training needs, and match format to need and priorities. Even if in-person training isn't affordable for the entire organization, are there smaller, high-value talent groups that would benefit from it? And for those organizations with the ability to consider it, are there applications for VR in your training portfolio?

WANT TO LEARN MORE?

METHODOLOGY

This research report is a collaboration between Universum, INSEAD Emerging Markets Institute and The HEAD Foundation. It includes responses from 18,337 individuals in 19 countries with statistically relevant sample sizes. Find the breakdown of countries and generations, as well as generation definitions, in the table on the right.

Country	Gen Z	Gen Y Students	Gen Y Professionals	Gen X
Canada	290	259	234	163
China	103	156	283	248
Denmark	334	246	89	170
Finland	239	201	105	193
France	61	290	218	160
Germany	215	379	183	187
India	503	457	314	273
Italy	293	489	219	195
Japan	132	91	230	115
Mexico	306	251	271	208
Norway	399	242	130	154
Russia	99	232	263	202
Singapore	258	198	246	254
Spain	254	339	217	190
Sweden	372	233	178	224
Switzerland	132	115	125	193
United Arab Emirates	265	75	368	246
United Kingdom	367	262	281	277
United States	288	605	472	216
TOTAL	**4910**	**5120**	**4426**	**3868**

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