

The power of the Net Generation

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Why businesses must attract today's youngest workers and embrace social technology to drive future performance.

At a glance

Net Gen culture will redefine the workplace of tomorrow: It will be social, collaborative, and fully digital.

Meeting the workplace expectations of Net Geners will require a significant shift in technology and culture for many organizations.

HR has an opportunity to lead workplace change by building awareness of this shift and developing a strategy that leverages new technologies.

Introduction

It's an ambiguous time in business. Some CEOs are preparing for growth while others are steadfastly guiding their organizations through an unrelenting economic downturn. Economies may diverge, but CEOs and HR leaders across industries share a common concern: A swiftly evolving labor pool has made attracting, engaging, and retaining top talent an unprecedented challenge.

The Net Generation

At one end of the spectrum, CEOs worry they will not be able to attract the right talent to fuel growth and innovation. The fact is, even with the US unemployment hovering at 9% and 4.4% for those college educated or higher¹, finding a skilled candidate often consumes months of recruiting efforts. And the talent squeeze is getting much tighter: The ManpowerGroup says that 52% of US companies are having difficulty filling positions, a sharp increase over 14% in 2010.² Lack of experience and inadequate skills are the most commonly cited obstacles to filling vacant jobs.

At the other end, companies are bracing for a significant shift in the workforce as Baby Boomers prepare to retire and the next generation of employees take their place. In PwC's *14th Annual CEO Survey*, 35% of CEOs said they are troubled by the imminent retirement of Boomers.³

Already Generation X workers, who comprise more than half of the workforce, are replacing Boomers in leadership roles. And as Gen X scales the corporate ranks, a new breed of employee with very different expectations and attitudes is right behind them.

Ready or not, today's youngest workers, the Net Generation, already comprise over a quarter of the US workforce, according to the Bureau of Labor Statistics. As the fastest-growing employee group, they will play a greater role in the organization and leave a lasting impact on the way HR attracts, engages, and retains talent.

While this new wave of workers has been given several labels—Gen Y and Millennials among them—we believe their affinity for and connection to technology and the Internet is every bit as pertinent as their year of birth. Net Geners grew up in an era in which the use of laptops, smart phones, instant messaging, and social media were more reflexive than revolutionary.

1 Source: United States Bureau of Labor Statistics, <http://www.bls.gov/news.release/empstat.t04.htm>

2 Source: ManpowerGroup, 2011 Talent Shortage Survey Results, May 2011 (page 4)

3 Source: *14th Annual Global CEO Survey*—PwC

Thanks to the broadband Internet, they are accustomed to ubiquitous digital connectivity, instant access to information, and the boundless mobility made possible by Internet-ready mobile devices. In fact, one-third of college students believe that the Internet is as important as air, water, food and shelter for the human race, and on a personal level, more than half said they could not live without the Internet as an 'integral part of their lives'.⁴

Given their technology-centric worldview, it should come as no surprise that Net Geners have very specific expectations about how technology will be used in the workplace. Above all else, they anticipate that a digital-social ecosystem will be the platform upon which people and businesses—communicate, collaborate, and innovate.

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What is the Net Generation?

Although several monikers have been used for this generation—Gen Y and Millennials among them—it is the Net Generations' connection to technology, and not their year of birth, that differentiates them from other generations. This includes:

- Having a lifelong affinity for technology and the Internet
- Being accustomed to ubiquitous digital connectivity, instant access to information, and mobility
- Being collaborative by nature and trust online social relationships
- Desiring a fluid balance of work and life
- Strongly believing in training and one-on-one mentoring

In other words, they expect the technologies that inform and empower their personal lives will also drive communications and innovation in the workplace. For businesses, this type of digital-social ecosystem will require a transformation not only in technology, but also in organizational processes and culture.

Retaining these workers will be challenging, yet essential for business continuity. Net Geners are restless, with an average job tenure of 18 months, according to the US Bureau of Labor Statistics. That's a serious issue for HR because the sum costs related to turnover can represent from 12% to 40% of a company's pre-tax income.⁵ An effective strategy combined with the technologies to engage and retain these workers will be critical to a business' bottom line.

Beyond attracting and retaining the talent of tomorrow, organizations also must find ways to transfer corporate knowledge to Net Geners, which will become increasingly important as Boomers retire in greater numbers. However, Net Generation workers' ways of learning and working are vastly different from those of previous generations. As a result, managing a multi-generational workforce will not only require different approaches, but an employee value proposition to engaging a multi-generational workforce that appeals to the variety of different generational values.

Net Gen culture will redefine the workplace of tomorrow: It will be social, collaborative, open and fully digital. Forward-thinking HR organizations are championing and implementing strategies that incorporate these characteristics into every aspect of the talent life cycle. One thing is certain: Technology will play a pivotal role in attracting and retaining the talent necessary to drive business innovation and growth.

⁴ Source: Cisco Connected World Technology Report. <http://www.cisco.com/en/US/netsol/ns1120/index.html>

⁵ Source: PwC Saratoga 2011/2012 US Human Capital Effectiveness Report, "Executive Summary", 2011

How to prepare for Net Gen workers

Meeting the workplace expectations of Net Geners will not be business as usual. It will require a significant shift in technology and culture for many organizations. Following are four major components of a strategy to get your organization Net Gen-ready:

- **Recruiting and employee engagement:** Social, collaborative, and pervasive processes, systems and tools to find and engage employees (even before they join the organization!).
- **Workplace environment:** A flexible, collaborative, and entertaining work environment that leverages technology to engage and interact in new ways, with 24/7 access to company information and communications.
- **Training and development:** Interactive learning programs that are customizable and blend traditional classroom methods, relationship-based mentoring, and digital formats.
- **Better tech skills:** Raising the digital IQ of the existing workforce to better understand the social media and collaboration landscape, including sites such as Facebook, Twitter, and LinkedIn.

While on-campus recruiting drives will remain an effective and necessary program, today's college seniors use social media such as Facebook, LinkedIn, and Twitter to learn about companies and employment opportunities.

Recruiting with social media works, in part, because it draws upon Net Geners' trust in peer groups. They are innately social, and the use of social media and internal referral networks that enable new hires to pass along career opportunities to peers, friends, and students will appeal to their natural affinity for digital collaboration.

Recruiting and employee engagement

To attract the workers of tomorrow, recruiting practices should take full advantage of social networking tools. While on-campus recruiting drives will remain an effective and necessary program, today's college seniors use social media such as Facebook, LinkedIn, and Twitter to learn about companies and employment opportunities. Reciprocally, as candidates become more attuned to engaging with companies online, there is an increasing expectation from employers that candidates are well versed on the business and opportunities for which they are applying.

These are important considerations, because despite social media having proven to be an efficient platform for creating awareness about a company and its career opportunities, its impact is far deeper than merely delivering information. Social networking changes the relationship with potential recruits from a one-time hiring event to a connection that is ongoing, engaging, and often peer-based.

Consider, for instance, these uses of social media. Some recruiters broadcast video testimonials from current interns that provide an insider look at a "day in the life" at the company. Others have created a LinkedIn application that allows students to track the career paths of new trainees to understand how a career develops within the organization. These approaches enable recruits to interact with peers and HR, creating the type of genuine digital relationships that are natural to Net Geners.

Similarly, HR departments are employing internal social networks to create a relationship and dialog with employees. Some, for instance, ask staff for referrals and feedback on existing job candidates based on similarities in experience or education.

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Social tools used by HR to attract recruits are not limited to LinkedIn, Facebook and Twitter, however. Today HR organizations are implementing more robust social recruiting solutions from vendors such as SuccessFactors, Kenexa and Taleo, and leveraging a variety of other social tools to better engage potential candidates.

Listening to, and engaging potential candidates is critical, as once Net Geners have identified a prospective employer, most will click straight to the source to submit their application at the company's website. The Net Gener will expect an interactive application portal that provides instant access to application guidelines, an interactive timeline that describes the recruiting process, and a storehouse of necessary documents. Their social Internet is defined by a free give and take of information, and Net Geners anticipate that a company's application portal and hiring process will be similarly interactive, enabling the company and the candidate to learn what each has to offer.

Learning the power of play with game-based training

Training need not be a chore. Increasingly, HR organizations are finding that game-based training provides an interactive, engaging, and competitive way for employees to learn skills and workplace processes.

It's also quite effective. A University of Denver Business School study found that employees trained with video games have 11% higher factual knowledge level, a 14% higher skill-based knowledge level, and a 9% higher retention rate compared with workers who learn in less interactive environments.¹

One company that has discovered the power of play is Genentech. The biotechnology firm created a game called the New Manager Roadmap Challenge to train new managers on company policies, standards, and management resources. The game, which resembles a classic simulated road race, helps new managers prioritize and keep track of resources available to them. It appeals to the competitive nature of young workers by enabling players to view scores of their cohorts. The game has helped Genentech ensure that content is immediately accessible and consolidated for new managers, and has lowered costs and time associated with training.

¹ Source: University of Colorado, Denver, Business School, "Business School professor's study finds video games highly effective training tool", October 20, 2010
Chief Learning Officer, "Excellence in Simulations and Games Winners", 2010

Workplace environment

To optimize the potential of these tech-centric workers, social networking and collaboration tools that work the way they do will be essential. This shift in technology will be rapid. By 2014, Gartner forecasts that social networking will replace e-mail as the primary communications hub for 20% of business workers.⁶

Net Geners will expect a workplace technology ecosystem that includes social networking, instant messaging, video on demand, blogs, and wikis. These social tools will enable Net Geners to instantly connect, engage, collaborate, and innovate with

cohorts and managers in ways that are natural to them. Over the long term, a social business network will also help improve the technology skills of current workers and lead to better collaboration, communication, and productivity across the enterprise.

A Net Gen-friendly environment is fully digital, but it is also comfortable and creative. Net Generation workers do expect to work hard, but they don't want to sit in a beige cubicle all day. They will be drawn to organizations that offer an engaging, comfortable, and stimulating atmosphere that creatively blends life and work.

This type of employee-focused environment may seem like an indulgence, but it is actually good for retention—and good for business because engaged employees are more productive. A study conducted by the Corporate Executive Board found that employees most committed to their organizations put forth 57% more effort and are 87% less likely to resign than employees who consider themselves disengaged.⁷ The opportunity to spark engagement and productivity provides a strong case to demonstrate the importance of a more relaxed, less traditional work environment and to facilitate funding that is built into the long-term business plan.

Training and development

Net Geners were nurtured by parents who were enthusiastically involved in their education, and as a result they expect similarly dynamic on-the-job training and career development. These young workers want learning that is customizable, engaging, and, of course, digital. They expect to keep on learning as they enter the workplace and spend a high proportion of their time gaining new experiences and absorbing new information. In a recent PwC study, 35% said they were attracted to employers who offer excellent training and development programs for this reason and saw it as the top benefit they wanted from an employer.⁸

⁶ Source: Gartner Research, *Gartner Says Social-Networking Services to Replace E-Mail as the Primary Vehicle for Interpersonal Communications for 20 Percent of Business Users by 2014*, November 2011

⁷ Source: Corporate Executive Board, "The Role of Employee Engagement in the Return to Growth", *Bloomberg Businessweek*, August 2010

⁸ Source: PwC, *Millennials at Work: Shaping the Workplace*, December, 2011

In general, Net Geners gravitate toward learning styles that are autonomous and customizable. Despite a preference for independence and personalized learning, they want structured rules and procedures that clearly define what they must do to achieve career objectives.

They are accustomed to a world of information and entertainment at their fingertips, delivered instantly by an array of technology devices. Accordingly, they respond well to a stimulating range of learning styles and modes, such as PowerPoint presentations, online-learning modules, webinars, video games, and one-on-one mentoring with a senior manager.

More than previous generations, Net Geners prefer to learn by doing rather than by being told what to do. They are innately collaborative and accustomed to learning in teams. Similarly, they will want to engage and interact with instructors; in other words, a one-sided lecture will not hold their attention.

But that doesn't mean traditional learning methods like classroom instruction are ineffective. Quite the contrary: Net Geners respect authority and experience, and will respond enthusiastically to dynamic and engaging dialog. The best training programs will mix classroom instruction with digital learning modules, interactive video, and webinars. A flexible menu of training approaches enables young employees to customize their work and career development programs. Digital learning requires that training content and sessions be freely available on the corporate network, enabling workers to complete training on a flexible schedule and investigate career development as time and motivation dictates.

Beyond training, traditional and otherwise, Net Geners know that the knowledge of experienced senior workers will be invaluable to their careers. Unlike previous generations, they will not hesitate to ask for on-the-job mentoring.

This cross-generational coaching presents a double opportunity for HR: It can satisfy younger workers' expectations and, at the same time, help preserve the organizational knowledge of seasoned workers who may be nearing retirement. Inevitably, the organization's hierarchical barriers will erode as diverse generations interact.

For all their expertise in technology and collaboration, many HR leaders have found that Net Geners often require training in fundamental workplace behavior and culture. These young workers, for instance, broadcast the minutiae of their personal lives on Facebook and Twitter but may need to be told that it is inappropriate to share salary information or performance review results with co-workers. Similarly, they are accustomed to instant responses when they chat with friends via instant messaging yet may not realize that older workers often do not treat IMs with the same immediacy.

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Improving tech skills

While much has been said about the imminent retirement of Baby Boomers, there is considerable uncertainty as to how swift and complete that exodus will be. The enduring recession has slowed retirement as Boomers have been forced to raid their 401(k) accounts and savings, while others are staying on the job longer to qualify for a larger Social Security benefit or retain current health care coverage.

These uncertainties require that HR prepare for the secession of seasoned employees while simultaneously ensuring that they continue to develop skills. In particular, older workers often lack competency in the use of collaborative and social networking technologies. It's not that they are reluctant to augment their technology skills; they simply need a supportive environment in which to learn.

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of Net Geners said they were attracted to employers who offer excellent training and development programs and saw it as the top benefit they wanted from an employer.

All things considered, the lack of technical skills among older workers represents more opportunity than challenge. Encouraging younger workers to share technology skills with more seasoned cohorts can flatten the hierarchical barriers of a multi-generational workforce, promote enterprise-wide collaboration, and help preserve corporate wisdom of retiring workers.

One of the most effective ways to sharpen the technology IQ of older workers is an approach known as reverse mentoring, which pairs young, tech-savvy employees with seasoned workers. Reverse mentoring enables mature employees to learn digital-social technology in a structured, non-threatening environment. They can, for instance, ask specific questions about how Facebook status updates work in one-on-one sessions with younger employees. The bonus for HR: Reverse mentoring will flatten organizational barriers and preserve corporate knowledge as Net Geners interact with established workers.

A technology mentoring plan will be most effective when seasoned workers understand that tools such as social networking and micro-blogging can help them more efficiently and flexibly collaborate and communicate at work—and at home. An informal seminar on how to use digital cameras and upload snapshots to photo-sharing sites, for instance, will teach mature workers valuable skills about social networking sites that can be used at work and also enrich their personal lives.

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Leading the charge for change

The cultural and technical changes inherent in preparing the workplace for the workers of tomorrow creates a complex challenge that begins in HR and ultimately spans the enterprise.

Attracting and retaining the next generation of workers is critical to the future of your business. Net Generation workers' career aspirations, attitudes about work, and knowledge of new technologies will define the culture of the 21st century workplace.

HR has an opportunity to lead workplace change by building awareness of this shift and developing a strategy that leverages new technologies to engage new—and existing—workers in ways that drive growth and innovation. Digital-social technology is key because it will provide a platform for effective communications, collaboration, and innovation for all workers. It will also enable the organization to better understand and meet the needs of customers, many of whom already use social technology in their daily lives.

The cultural and technical changes inherent in preparing the workplace for the workers of tomorrow creates a complex challenge that begins in HR and ultimately spans the enterprise. Its scope will require a careful assessment of existing policies and technologies, a strategy for enterprise-wide change, and the expertise to avoid implosion upon implementation.

This magnitude of change will not be easy, nor will it be achieved overnight.

But it must begin now. Already, Net Geners represent one-quarter of the US workforce, and their numbers are expanding.

The right strategy, planning, and execution will enable your company to not only meet the needs of these digitally-connected workers, but also unlock the innovation and productivity of existing employees and confidently enter the next generation of business.

To have a deeper conversation about the Net Generation and what your organization do to attract and retain this next generation of works, please contact:

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