Why innovation drives engagement among **Generations Y** and **Z**

by Aylin Olsun and Diana Neves de Carvalho

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Building Cultures & Connections

Aylin Olsun,
managing partner of ASO Company

"Generation Y and Zers do not just represent the future: they are creating it. Ultimately, the capacity to conquer and inspire the best, most innovative and competent employees and to attract these leaders of tomorrow is the key for a company's success."

About ASO Company

An Exago partner since 2016, **ASO Company** is a leadership management and human resource consultancy platform specialising in leadership, diversity and inclusion and innovation. The company provides solutions and services for leadership and cultural change. Exago's idea management software and ASO Company's consultancy services come together to increase employee engagement and promote business transformation.

Diana Neves de Carvalho,
Exago's CEO

"Learning with clients across sectors and geographies for almost a decade now, we've seen how organisations and workplace reality have been changing. How employees' expectations and profile are shifting so fast. Innovation management has proven time and again its power to bring people together to make companies evolve, yet more challenging times are yet to come. But so are the best, and most thrilling ones."

About Exago

Exago is a pioneer in idea management software and expert services (US patented model) that successfully activate your organisation's collective intelligence to solve pressing business challenges: from operational efficiency to new sources of revenue.

With a decade of experience, Exago has grown with our clients and partners worldwide. Together, we have reached four continents (Europe, Asia and North and South America), spanning ten sectors – from major retailers and telecom operators to health organisations and energy suppliers. Exago has three office locations: Lisbon, Portugal; London, the UK; and São Paulo, Brazil.

I. Loyalty is no longer enough

How does the fourth industrial revolution, blurring the real and technological worlds, affect companies and the way they do business? How do companies manage their corporate culture to attract and retain their employees? What tools and methods are used to keep employees motivated and engaged?

The business world has been changing fast, even dramatically. In the not-so-distant past, loyalty was key to both employers and the workforce, with job security becoming a main goal. If you had the opportunity to work in a corporate company, and if you worked hard, you would have found yourself a job for life. The concepts of 'loyalty', 'job security' or 'job for life' just seem too detached from reality for companies and employees nowadays.

The Millennium generation – those born between the early 1980s and early 1990s – is conquering the workplace, slowly taking the place of Generation X, the *baby boomers*, born between the early 1960s and late 1970s. With the Millennium generation, a new set of values has arrived.

The rhythms and paradigm of life itself have changed. In our increasingly complex world, life, work, production and politics have become independent of time and space. Industries are being disrupted, start-ups are eating away business models and the average company these days lasts about a third of the lifespan of 50 years ago. The hierarchical structures defined in the industrial society are being replaced by active network systems and evolutive organisational models. The experience economy is spreading rapidly. We are not trying to solve the chaos anymore; we are only struggling to manage it.

Consequently, there is plenty of thinking and advice out there about different methods and approaches to sustain companies' lifespans and drive sustainability. **The real dilemma of large companies seeking to survive and adapt to rapidly changing market conditions is that they need more employees with creative and innovative ideas, but these profiles seem to be less inclined to work at large companies than in the past**. We will discuss why that is next.

1. Millennials in the workplace

We have said it already: Millennials represent an increasing share of the workforce. Moreover, they are no longer leaders of tomorrow; they are, increasingly, leaders of today. As such, understanding their views on how business works and how it should conduct itself goes beyond mere academic interest.

According to Deloitte's Millennials survey in 2017, if given the choice, one in four Millennials would leave his or her current employer to join a new organisation or to do something different. One year later, the 2018 Survey shows the trend is growing, with 43 per cent of all Millennials envisioning leaving their jobs within two years, while only 28 per cent seek to stay beyond five years. Generation Z expresses even less loyalty – 61 per cent say they would leave their current job in two years, if given the choice.

44%
would leave the current employer to join a new organisation or to do something different

Why are the new generations so eager to leave their organisations?

This 'loyalty challenge' is driven by a variety of factors. Millennials, in general:

- **Feel under-utilised and believe they are not being developed as leaders or using their full potential in large-scale organisations.** They express little loyalty to their current employers and many are planning near-term exits. Regardless of gender or geography, only 28 per cent of Millennials feel that their current organisations are making 'full use' of the skills they currently would like to offer. Millennials believe businesses are not doing enough to bridge the gap to ensure a new generation of business leaders is created.

- **They think that businesses should be more ethical and society more focused.** They share positive views of businesses' role in society. Millennials feel that most businesses have no ambition beyond profit, and that there are distinct differences between what they believe the purpose of business should be and what they currently perceive it to be.

- **Personal values have the greatest influence on Millennials' decision-making.** Millennials often put their personal values ahead of organisational goals, and several have shunned assignments (and potential employers) that conflict with their beliefs. Only when their personal values match with the organisation's values do they say they would like to continue to work there.

- **The values that support long-term business success are treatment of people, ethics, and customer focus.** Deloitte asked Millennials, 'What are the most important values a business should follow if it is to have long-term success?' They responded that businesses should put employees first, and that they should have a solid foundation based on trust and integrity. Customer care and high-quality, reliable products also ranked relatively highly in importance. Attention to the environment and social responsibility were also mentioned by a significant number of Millennials. It is noteworthy that few (five per cent) of those answering thought profit-focused values would ensure long-term success.

- Millennials are not anti-profit profiles and recognise money-making as a vital component of business success. **They would simply advise against placing too much emphasis on short-term profit maximisation.**

The link between Millennials' loyalty and their feelings about business is not a coincidence. Large-scale organisations are not able to respond sufficiently to Millennials' preferences. Companies need to be more agile, innovative and inclusive to recover the current deficits in the organisational culture. Thus, those organisations that 'do the right thing' may be less likely to lose their Millennial employees.

Learning, listening, empowering and sharing are the key actions for them.

2. The generation that follows

Generation Z (also known as **Post-Millennials**, the **iGeneration**, **Founders**, **Plurals**, or the **Homeland Generation**) is the demographic cohort after the Millennials. Researchers typically use starting birth years that range from the mid-1990s to early 2000s, yet there is little consensus about ending birth years.

Gen Zers have been born into the crisis period of terrorism, the global recession and climate change. They are predicted to spend their young adult years in a time of economic and social renewal. They are also living in an era of changing household structures, and are the students of today and university graduates, employees and consumers of tomorrow.

Gen Zers are part of a generation that is global, social, visual and technological. They are the most connected, educated and sophisticated generation ever. They are the early adopters, the brand influencers, the social-media drivers, the pop-culture leaders. They comprise nearly 2 billion people globally, and they do not just represent the future: they are creating it.

In general, we can say that:

- **They are more private:** Perhaps it is because they watched their older siblings get in trouble from posting controversial content on social media, but younger teens do not want to be tracked. Apps like Snapchat have seen explosive growth in the last few years.

- **They are purely entrepreneurial:** Like Millennials, these students plan to be pioneers, not merely settlers in a career. Of current high-school students, 72% want to start their own business. They feel like hackers, not slackers.

Statistic: 'About 72 per cent of current high-schoolers want to own their own businesses, and 76 per cent hope they can turn their hobbies into full-time jobs.' For the entire duration of the **Generation Zers' lives, the world has constantly asked them for feedback, response, creativity, and opinions**. Generation Zers see great value in participating in activities with their whole person. Why would they not expect the same thing from their work?

- **They are multi-taskers:** According to almost every measurement so far, these Gen Z kids will take multi-tasking to a new level. They prefer to be on five screens at once, not two screens like Millennials. Get ready to communicate with them while they look around, not into your eyes.

- **They are hyper-aware:** Generation Z has communicated enough with marketing researchers and academics to reveal that they experience 4D Thinking. Because their minds are streaming in so many directions, they have become post-moderns who are hyper-aware of their surroundings.

- **Technology-reliant: Gen Zers** are addicted to technology. **Gen Zers** put technology in the same category as air and water. They cannot imagine living without being connected all the time.

The bottom line is that understanding Gen Z is critical to your business. By 2020, more than 20 per cent of the workforce will be Gen Z, say experts on young people in the workplace. Those leading creative Gen Zers must prepare to become hands-on, coaching-style managers who promote innovation while customising and calibrating their direction and feedback.

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II.

How innovation can help you conquer them

A Gallup report shows that US companies lose $350 billion in revenue every year due to employees' disengagement. In fact, 70 per cent. Yet full participation is an emotional commitment that cannot be forced.

With the Millennials and Generation Z joining the workplace, the challenge rises: no longer can we believe that it is enough for a company to provide the work, and that an employee's motivation will come naturally.

US companies lose

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billion in revenue every year due to employees' disengagement

70%

of your employees are probably disengaged

What is more, data shows that employees want to be more innovative at work and want to take more responsibility. This tells us that fostering creative environments and innovation initiatives will also nurture motivation, engagement and, therefore, productivity.

1. Three perspectives on the value of making companies more inclusive and collaborative

Innovation can be defined as the development of customer value through solutions that meet new, undefined, or existing market needs in unique ways. Solutions may include new or more effective products, processes, services, technologies, or ideas that are more readily available to markets, governments and society. The development of a corporate culture where innovation is incentivised and becomes the way of doing business can bring companies several advantages, according to different points of view:

- From an **organisational perspective**, managers encourage innovation because of the value it can capture. Innovative employees increase productivity by creating and executing new processes, which in turn may strengthen competitive advantages and provide meaningful differentiation. Innovative organisations are inherently more adaptable to the external environment; this allows them to react faster and more effectively to avoid risk and capture opportunities.

- From a **managerial perspective**, innovative employees tend naturally to be more motivated and involved in the organisation. Empowering employees to innovate and improve their work processes provides a sense of autonomy that boosts job satisfaction.

- From a **broader perspective**, empowering employees to engage in broader organisation-wide innovation creates a strong sense of teamwork and community and ensures that employees are actively aware of and invest in organisational objectives and strategy.

In this sense, managers who promote an innovative environment can see value through increased employee motivation, creativity, and autonomy; stronger teams; and strategic recommendations from the bottom up.

2. Creating a culture of collaborative innovation

We have seen how Millennials and Generation Z are often disconnected from the strategic vision of a big organisation because they cannot see any links between their everyday work and the company's business objectives.

Being able to align an individual's everyday work and goals clearly with the organisation's strategy gets people to think in new ways and imagine new possibilities. It makes it easy for employees to see how their contributions matter. Alignment with the organisation's strategy becomes a personal matter, creating the foundation for increasing both engagement and personal satisfaction.

People on the front lines have, in fact, a unique perspective given their skills, experience and view into the organisation. Inviting employees to participate in the decision-making process by sharing their ideas about their work offers leaders multiple and very diverse points of view.

If you inspire people to think strategically about work, they will find ways to solve problems and opportunities for innovation that have the potential to elevate overall performance – and potentially improve their employees' retention ratio.

With **idea management software**, such as Exago's Idea Market, you can launch strategic business challenges and invite each employee to share ideas and insights on them. In other words, it allows employees, as individuals, to participate and have a say in building the company's future together – aligning goals, seeking greater engagement and stimulating creative thinking and collaboration.

Additionally, by including evaluation mechanisms, these sophisticated platforms give the community the chance and means to assess, as a whole, the ideas presented – thus harnessing and activating your company's collective intelligence.

In this sense, innovation management software can help you continuously find new answers, as change becomes constant. It also promotes a collaborative culture, for individuals and the community, answering directly to the main needs and motivations of both Millennials and Generation Z, as the following table shows:

How can Idea Market help engage Generations Y to Z?

Millennials...	Generation Z...	How Idea Market can help
Feel their potential is not fully explored	Most concerned about boosting people management skills	**Leverages people's experience** and know-how – and **empowers** them
Want to have a voice	60% want to change the work compared with 39% Millennials. Seek freedom within a framework	Gathers people's voices, allowing everyone to have a say and to **participate in different ways**: share ideas, comment on others, invest and help find the best ones
Ask for more trust and transparency and want their contribution recognised	Care for privacy, but are technology-reliant, game-driven and easily embrace devices and multiple platforms for interaction	The **discussion and selection of ideas is fully transparent**, using market algorithms to find the best ideas. **Gamification mechanisms** assure high levels of participation over time
Personal values matter	Personal beliefs keep them engaged but they want simplicity and fast responses, since they have an attention span of seconds	Easily **creates bridges** with everyone as professionals and individuals with opinions and values
Are customer-focused	Are hyper-aware and technical experts, used to being both clients and sellers	**Participation is challenge-based.** You can ask for their participation to improve client offer and relationships
Think businesses should be more ethical and society-focused and care about the environment and society	Natural entrepreneurs, open to innovation and risk-taking, but mostly want to change the world	**Open to all participants' ideas and insights.** Anyone can have a say in the ways to make the company's mission and operations evolve
Want to be part of something bigger	Are more realistic but have dreams and are goal-oriented	By **communicating the company's priorities**, you can share and align people with the company's goals

As innovation becomes the natural way of doing business for both these generations, organisations should focus on gathering and maximising their potential. The greater challenge, however, lies in managing this process in an efficient, collaborative and transparent way, using technology as a bridge to make their voices and contributions a real part of the corporate evolutionary path.

III. Closing the generation gap, leading tomorrow

All businesses are created first by ideas. Then, once you are in business, you need new thinking for design, engineering, radical improvement, manufacturing, marketing, advertising, problem-solving, customer retention, etc. Often the difference between success or failure in business is a simple idea.

Unfortunately, on the one hand, many corporations have limited resources, funds, and time to give creative dreamers sufficient power to produce breakthrough ideas. On the other hand, other companies have many ideas, but are short on ways to assess, screen, prioritise, leverage and execute them.

Disciplined and well-managed creativity breeds successful idea generation and cross-pollination. Idea management systems and processes can help your company make innovation a discipline. They can help make the hunt for new possibilities each and every department's business, as well as involving broader and more enthusiastic participation among managers and employees.

As we have seen, building a collaborative innovation culture comes hand in hand with conquering Millennials and Generation Z. This means you not only have to promote innovative thinking in your organisation, but also have to get a feel and touch in your corporate culture that inspire and retain these new generations.

Finally, remember as well these six best practices:

- Have strong leadership and role modelling
- Promote regular learning
- Give employees self-improvement possibilities
- Create free time for interests and new ideas
- Encourage and reward ideas and creativity
- Do not forget mobile and flexible platforms to reach employees

Any organisation's most valuable resource is its people. That being so, the capacity to obtain and inspire the best, most innovative and competent employees and to attract the leaders of tomorrow is the ultimate key for your company's success.

exago INNOVATION COMES TOGETHER

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