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Managing tomorrow's people series

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Contents

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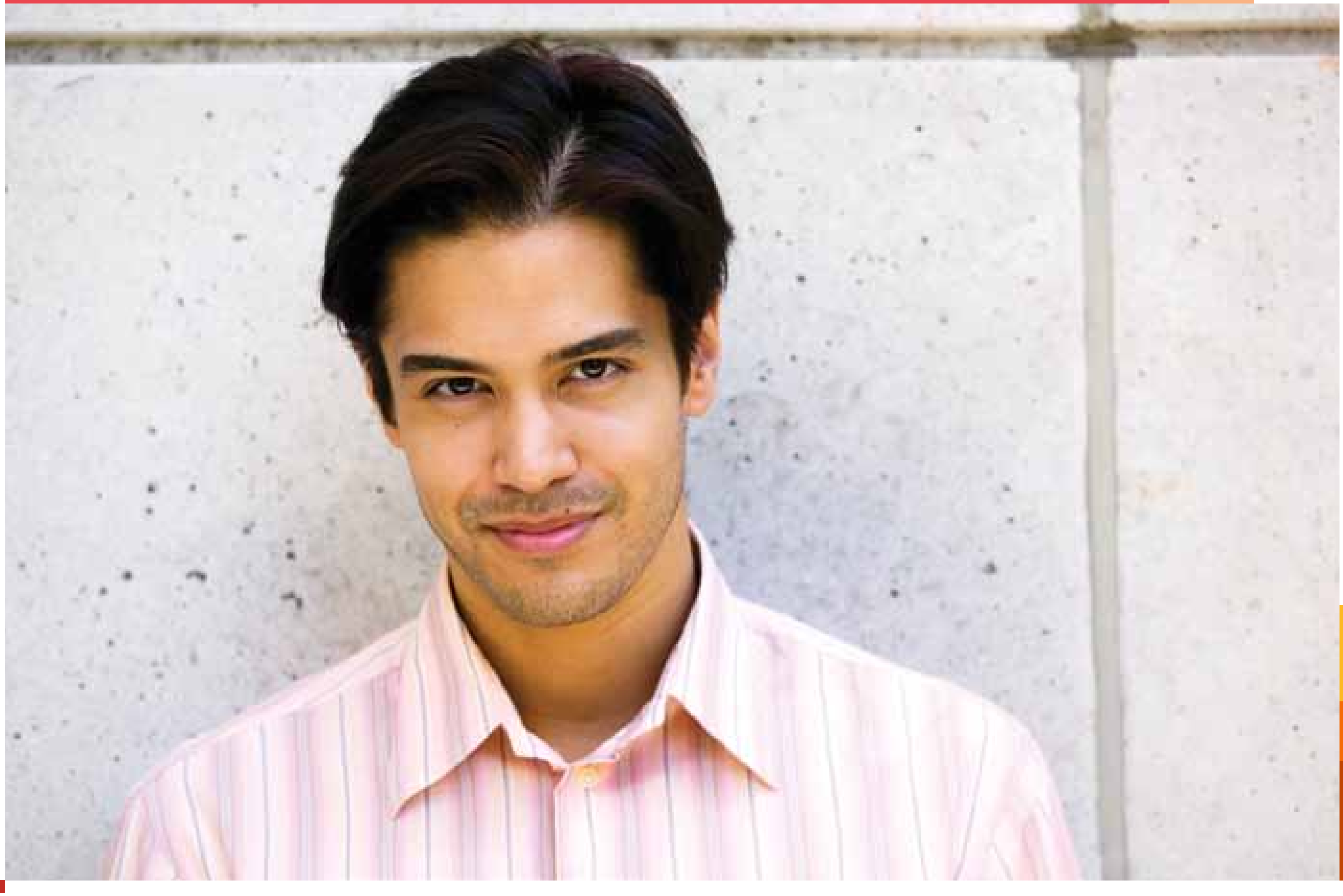
Millennials at work
Reshaping the workplace

The millennial generation, now entering into employment, will reshape the world of work. Are you ready?



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About the survey

Four years ago, we began a study into the future of people management with our report, 'Managing tomorrow's people – the future of work 2020', which explained how globalism, technology, and socio-political and demographic changes would influence the way businesses operate in the future. The follow-up report, 'millennials at work: Perspectives of a new generation', was published in 2008 and highlighted the characteristics of the newest generation of workers.

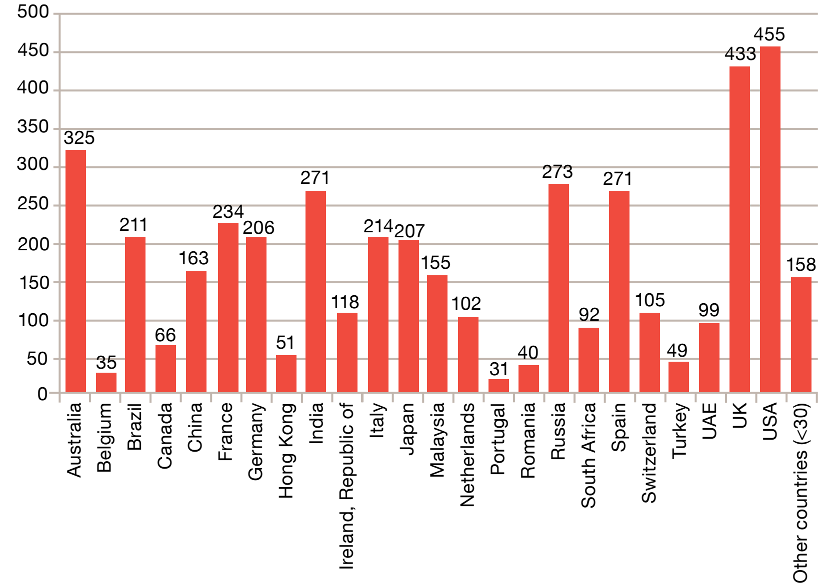
This latest report aims to provide some insight into the minds of new graduates from around the world entering the workforce for the first time. CEOs are becoming increasingly concerned that they will soon be unable to find the talent that they will need to succeed, with a shortage of suitably skilled workers their single biggest worry. Businesses are competing fiercely for the best available workers and for the talent that will replace the retiring Boomer generation in the coming few years. Every year, more and more of that talent will be recruited from the ranks of millennials.

As they begin their working lives, what are the hopes and expectations of this generation? And most importantly, do business leaders and HR teams need to revise their current strategies accordingly?

PwC commissioned Opinium Research to carry out an online survey of 4,364 graduates across 75 countries between 31 August and 7 October 2011. 1,706 of these respondents were PwC graduate recruits or responded through PwC's website. Overall, 1,470 PwC employees and 2,894 other graduates responded to the survey. All were aged 31 or under and had graduated between 2008 and 2011. 75% are currently employed or are about to start a new job. 8% were unemployed at the time they filled in the questionnaire. The rest were self employed or returning to full-time education. 76% of those with a job said it was a graduate role, while 12% had a job which did not require a degree.

Quotes from the millennials who participated are included throughout this report.

Respondents by country



"The battle within the APEC region to attract the right talent and to retain people – particularly in China, where the demand for talent is very strong – is something which an organisation like ours must give maximum attention."

Anthony Nightingale, SBS, JP
Managing Director, The Jardine Matheson Group

Why millennials matter

The millennial generation, born between 1980 and 2000 now entering employment in vast numbers, will shape the world of work for years to come. Attracting the best of these millennial workers is critical to the future of your business. Their career aspirations, attitudes about work, and knowledge of new technologies will define the culture of the 21st century workplace.

Millennials matter because they are not only different from those that have gone before, they are also more numerous than any since the soon-to-retire Baby Boomer generation – millennials already form 25% of the workforce in the US and account for over half of the population in India. By 2020, millennials and will form 50% of the global workforce.

But although they will soon outnumber their Generation X predecessors, they remain in short supply, particularly in parts of the world where birth rates have been lower. They will also be more valuable – this generation will work to support a significantly larger older generation as life expectancy increases. CEOs tell us that attracting and keeping younger workers is one of their biggest talent challenges[1].

It's clear that millennials will be a powerful generation of workers and that those with the right skills will be in high demand. They may be able to command not only creative reward packages by today's standards, but also influence the way they work and where and how they operate in the workplace. They may also represent one of the biggest challenges that many organisations will face.

Are millennials really any different to past generations? It's true to say that some of the behaviour and attributes of millennials can be explained by their age and relative lack of responsibilities. Our behaviour and priorities change and adapt as we age, but to dismiss the issues entirely on that basis would be a mistake.

Millennials' use of technology clearly sets them apart. One of the defining characteristics of the millennial generation is their affinity with the digital world. They have grown up with broadband, smartphones, laptops and social media being the norm and expect instant access to information. This is the first generation to enter the workplace with a better grasp of a key business tool than more senior workers.

It's more than just the way millennials use technology that makes today's youth different – they behave differently too. Their behaviour is coloured by their experience of the global economic crisis and this generation place much more emphasis on their personal needs than on those of the organisation. And employers should be wary – nearly three-quarters of millenials in our survey said they had compromised to get into work – something we believe will be set right as soon as economic conditions improve.

Millennials tend to be uncomfortable with rigid corporate structures and turned off by information silos. They expect rapid progression, a varied and interesting career and constant feedback. In other words, millennials want a management style and corporate culture that is markedly different from anything that has gone before – one that meets their needs.

The particular characteristics of millennials – such as their ambition and desire to keep learning and move quickly upwards through an organisation, as well as their willingness to move on quickly if they're expectations are not being met – requires a focused response from employers. Millennials want a flexible approach to work, but very regular feedback and encouragement. They want to feel their work is worthwhile and that their efforts are being recognised. And they value similar things in an employer brand as they do in a consumer brand. These are all characteristics that employers can actively address.

The companies that have already been the most successful in attracting talented millennials – Google and Apple among them – are naturally innovative employers who are never restrained by 'how things used to be done'. These companies are not specifically targeting millennials, but their culture, management style and approach to recruitment and retention naturally appeal to the millennial generation. And because of that, they are able to take their pick of the best younger talent around.

Irrespective of the long-term aims and ambitions of an individual company, the ability to attract and retain millennial talent will be a vital step to achieving it.

[1] PwC's 14th Annual Global CEO Survey

Report highlights

The key findings of this report confirm many of the features of millennials identified in the previous report. In some respects, though, the attitude and expectations of millennials has changed as a result of the economic downturn in many parts of the world.

- **Loyalty-lite:** The downturn has had a significant impact on the loyalty millennials feel towards their employers. In 2008, 75% expected to have between two and five employers in their lifetime but in this survey the proportion has fallen to 54%. Over a quarter now expect to have six employers or more, compared with just 10% in 2008.

- **A time of compromise:** Tough times have forced many millennials to make compromises when finding a job – 72% feel they made some sort of trade-off to get into work. Voluntary turnover is almost certain to increase as economic conditions improve. 38% of millennials who are currently working said they were actively looking for a different role and 43% said they were open to offers. Only 18% expect to stay with their current employer for the long term.

- **Development and work/life balance are more important than financial reward:** This generation are committed to their personal learning and development and this remains their first choice benefit from employers. In second place they want flexible working hours. Cash bonuses come in at a surprising third place.

"I believe that younger generations will change careers at least once and try a variety of different roles. There will be less long term commitment to organisations."

Female graduate employee, Japan

- **Work/life balance and diversity promises are not being kept:** Millennials are looking for a good work/life balance and strong diversity policies but feel that their employers have failed to deliver on their expectations. 28% said that the work/life balance was worse than they had expected before joining, and over half said that while companies talk about diversity, they did not feel that opportunities were equal for all.

- **A techno generation avoiding face time?** With technology dominating every aspect of millennials lives, it's perhaps not surprising that 41% say they prefer to communicate electronically at work than face to face or even over the telephone. Millennials routinely make use of their own technology at work and three-quarters believe that access to technology makes them more effective at work. However, technology is often a catalyst for intergenerational conflict in the workplace and many millennials feel held back by rigid or outdated working styles.

- **Moving up the ladder faster:** Career progression is the top priority for millennials who expect to rise rapidly through the organisation. 52% said this was the main attraction in an employer, coming ahead of competitive salaries in second place (44%).

- **The power of employer brands and the waning importance of corporate responsibility:** Millennials are attracted to employer brands that they admire as consumers. In 2008 88% were looking for employers with CSR values that matched their own, and 86% would consider leaving an employer whose values no longer met their expectations. Fast forward three years and just over half are attracted to employers because of their CSR position and only 56% would consider leaving an employer that didn't have the values they expected. Millennials are also turned off by some entire sectors – 30% of Swiss respondents said they would not work in banking & capital markets.

- **Wanderlust:** Millennials have a strong appetite for working overseas and 71% expect and want to do an overseas assignment during their career. This is great news for many employers looking for global growth. However, the bad news is that millennials place destinations like the US, UK and Australia at the top of their wish list, and only 11% were willing to work in India and 2% in mainland China. Despite this, over half said they would be willing to work in a less developed country to further their career.

- **Generational tensions:** Millennials say they are comfortable working with older generations and value mentors in particular. But there are signs of tensions, with 38% saying that older senior management do not relate to younger workers, and 34% saying that their personal drive was intimidating to other generations. And almost half felt that their managers did not always understand the way they use technology at work.

"My career will be one of choice, not one chosen out of desperation. It will align who I am with what I do."

Male graduate employee, USA

Modern millennials

The business landscape has changed drastically in the three years since we undertook our last millennials survey. While recognising their need to hold on to the talent that will lead them through the recovery, many companies in developed economies have cut back on headcount and reduced their graduate intake. At the same time emerging economies, particularly in Asia and the BRIC countries, have produced increasing numbers of young talented workers.

The future for many millennials looks more uncertain than it did in 2008, and it's hardly surprising that some have made compromises in terms of where they work and their expectations of working life. The fundamental attributes of the millennial generation are still apparent – and in some cases more pronounced than before – and reinforce the view that a more inventive talent strategy is needed in order to attract and get the best out of them.

"The workplace and workforce are going to change pretty dramatically as we look forward. The entire concept of work is going to become more flexible. The skills needed in the workforce are going to be less about IQ and a little bit more about EQ, because if you think about it, a lot of IQ knowledge is going to be available at our fingertips through hand-held devices and the computer and technologies that we have at our disposal."

Deborah Henretta
Group President, Asia & Global Specialty Channel, Procter & Gamble

"I think our generation will continue to conduct business in more global settings and we'll use different forms of technology to communicate across borders."

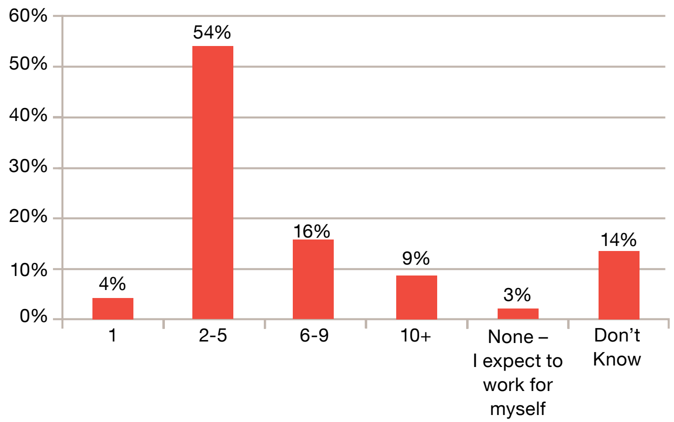
Female graduate, USA

Loyal while it suits them?

In our 2008 report we argued that millennials were loyal to their employer, but only as long as it suited them. The results of this year's survey suggest that the past three years have had an impact on the length of time they think they will stay. In late 2008, 75% of those questioned said that they thought they would have between two and five employers during their working lives. Today, the proportion stands at 54%, with a quarter of respondents expecting to have six or more.

There is, of course, a big difference between millennials thinking they will have multiple jobs and wanting to be job hoppers. Employers who fail to invest in this group are likely to see less loyalty than those that do.

How many employers do you expect to have in your career?



Base: All graduates

Modern millennials

Millennials have seen that corporate loyalty doesn't necessarily bring rewards or even long term security in today's economic environment. It's clear that many millennials are keeping an eye out for new opportunities even if they are not actively looking for a new job. 38% of the millennials questioned who are currently working said they were on the lookout for new opportunities, and a further 43% said they were not actively looking, but would be open to offers.

The bad news for employers is that only 18% of those questioned planned to stay in their current role in the long term, and only one in five (21%) said they'd like to stay in the same field and progress with one employer (graduates in South and Central America were most likely to take this view). It's possible that this is partly because, as we'll discuss later, some have had to make compromises in finding their first job and are planning to move on as soon as they can.

If they don't go to work for your competitors, many of this generation will set up their own businesses. Digital technologies offer millennials an unprecedented opportunity for creativity and entrepreneurism. Right now 35% of employed US millennials say they have started their own business on the side to supplement their income (Iconoculture 2011).

Employers need to work much harder on understanding this generation and appealing to their needs to attract and retain. However they also need to accept that a rate of millennial churn may be inevitable and build this into their manpower planning.

"In this day and age you have to be flexible and you can't rely on working for the same employer for many years."

Female graduate employee, Germany

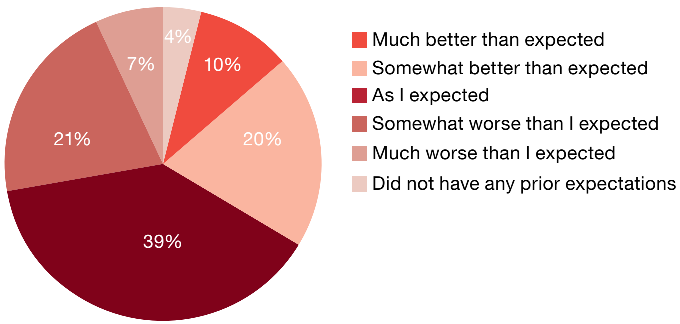
Work/life balance remains very important

The work/life balance has always been a priority for millennials and this year's results reinforce that view, with 95% of respondents saying the work/life balance is important to them and 70% saying it's very important. Millennials from Japan were the least concerned about striking the right balance, but still 85% said that the work/life balance is important to them.

For some, though, their experience of working life has not met up to their expectations. 30% of employed millennials said that the work/life balance had been better than they expected, but for 28%, the reverse was true. The expectations of new employees are set by their experiences during the recruitment processes, and by their view of the employer brand. Results suggest that companies need to be sure that they're not creating unrealistic expectations that could lead to dissatisfied employees.

Employees in many industries could be rewarded by results rather than the number of hours worked and allowed to decide when and where to do their work. Long hours are often encouraged and rewarded without any measure of the productivity involved. We hope to see newer models evolving over the next decade.

How has your work life balance lived up to any expectations you had before starting your job?



Base: Employed graduates

Powered by technology

The millennial generation's world is digital and this has an inevitable effect on the way they communicate; 41% of those questioned said they would rather communicate electronically than face-to-face or over the telephone.

It's hardly surprising then that millennials have specific expectations about how technology is used in the workplace. Millennials expect the technologies that empower their personal lives to also drive communication and innovation in the workplace. 59% said that an employer's provision of state-of-the art technology was important to them when considering a job, but they habitually use workplace technology alongside their own. Over half of those questioned routinely make use of their own technology at work, and 78% said that access to the technology they like to use makes them more effective at work.

In response to this, some employers are already adapting their IT policy to appeal more directly to millennials, for example offering a choice of smartphones as an employee benefit and actively encouraging business-focused use of social media at work.

It's this relationship with technology that can be the catalyst for conflict between generations and this is also true of the workplace. More than two in five of those questioned said they felt that their use of technology was not always understood, and some felt held back by outdated and rigid work styles. Millennials in Africa were the most likely to feel this way (75% versus 65% worldwide).

An effective strategy and technologies to engage and retain these workers will be critical to the business's bottom line. Millennials will expect a workplace technology ecosystem that includes social networking, instant messaging, video-on-demand, blogs and wikis. These social tools will enable this generation to instantly connect, engage, and collaborate with cohorts and managers in ways that are natural to them, leading to better productivity across the enterprise.

Will the future be bright?

The global financial crisis and economic downturn has done little to dent the optimism of the millennial generation. The majority (67%) expect to be better off than their parents' generation and 32% expect to be considerably better off. Generally, millennials in Western Europe are less optimistic, with 54% believing they'll be better off than their parents' generation and 26% believing they'll be worse off. North American millennials are among the most optimistic, with just 13% expecting to be worse off than their parents and 68% expecting to be better off.

And although they expect to be better-off, most millennials have not thought about their retirement. Millennials in North America are the best prepared, with 59% saying they have already thought about how they will pay for their retirement. Turkish (22%) and Russian (19%) millennials are the most likely to say that they'll continue to work past retirement age, but only 5% of millennials across Western Europe believe the same.

> *"Everything is much more dynamic and fast-paced these days. If you lose contact with information for one second, you fall behind."*
>
> ***Male self-employed graduate, Brazil***

Attracting millennials

The unique characteristics of millennials demand a different strategic approach to the recruitment and retention of employees. Millennials are looking for more in life than "just a job" or a steady climb up the corporate ranks. They want to do something that feels worthwhile, they take into account the values of a company when considering a job, and they are motivated by much more than money.

Money isn't everything

Millennials are attracted to employers who can offer more than merely good pay. That's not to say that pay isn't important – 44% of those questioned said competitive wages made an employer more attractive, the second highest proportion for any factor given. The biggest draw for millennials, though, is the opportunity for progression – 52% said that they felt this made an employer an attractive prospect. Once again, the ambition and optimism of this generation comes through.

Which of the following things do you believe make an organisation an attractive employer?

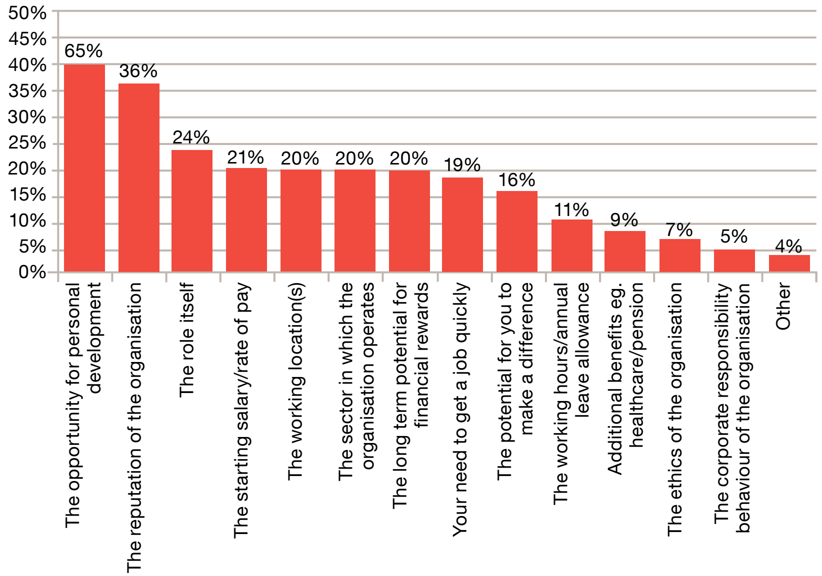
Base: All

"Our capacity to attract, retain and manage executive talent does not depend on the compensation package, but rather on our ability to create a sense of belonging to an organisation that offers a long-term relationship and a professional development opportunity, and that has a clear conception of itself, of what it wants to be, and of how to achieve it."

Armando Garza Sada
Chairman of the Board of Directors, Alfa SAB de CV, Mexico

That said, it's apparent that millennials are prepared to be more practical when it comes to accepting a job offer. Given the recruitment cutbacks in many countries over the past three years, it's hardly surprising that they are taking a more realistic approach to job hunting and overall career expectations. Practical issues such as location and starting salary are among the factors millennials said they considered when accepting their current job, but in spite of the difficulties that many faced in finding work, corporate reputation remains very important to them.

Which of the following factors most influenced your decision to accept your current job?



Base: Those empoyed/due to start work for an empoyer shortly

"If I'm working on something I enjoy and am passionate about, I will be motivated."

Male graduate, age 22, USA

Attracting millennials

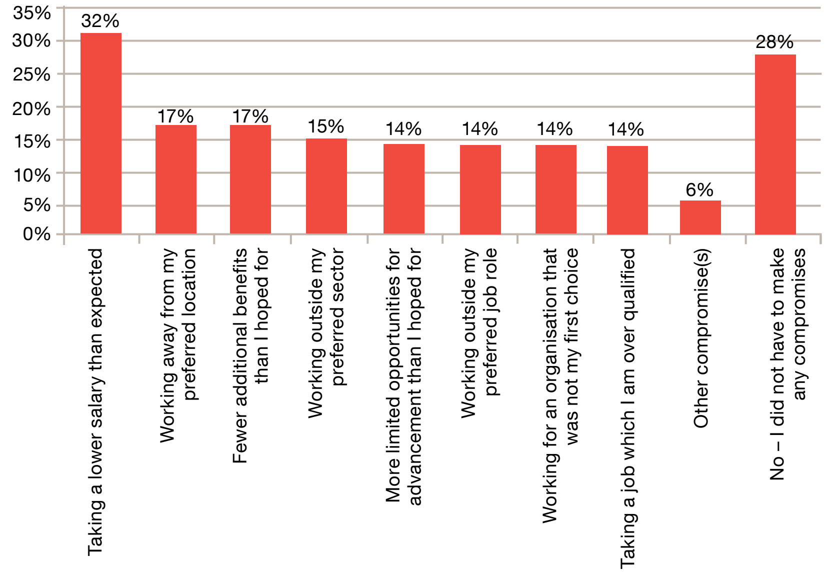
A time of compromise

Inevitably, many millennials said they'd made compromises in order to get into work during the economic downturn. 32% had accepted a lower salary than expected, 17% were receiving fewer benefits than expected and 17% were working away from their ideal location. Overall 72% say they had made some form of compromise.

Most were well prepared to make these compromises given the state of the jobs market for graduates, with 58% of the total sample saying they were more willing to compromise. Graduates in the US, UK and Republic of Ireland and Hong Kong were the most willing to make compromises, and those in Japan, Turkey, South Africa and Belgium the least willing.

The risk for employers is that as economic conditions improve, the compromises many millennials were forced to make will no longer seem acceptable as opportunities arise elsewhere and many will move on as soon as they can. Employees who have made big compromises are also more likely to be de-motivated at work and need close performance monitoring.

Did you have to make any of the following compromises when you accepting your current job?



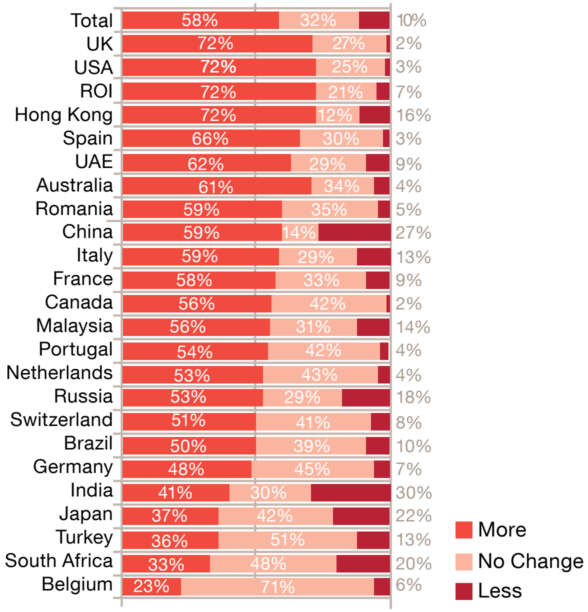
Base: Those employed/due to start work for an employer shortly

"What motivates me is a good working environment and friendly colleagues. If your workplace becomes your second home, you would want to give it your best."

Female graduate employee, Australia

Were you any more, or less willing to compromise on your choice of job due to the state of the job market for graduates?

Base: Those employed/due to start work for an employer shortly



Attracting millennials

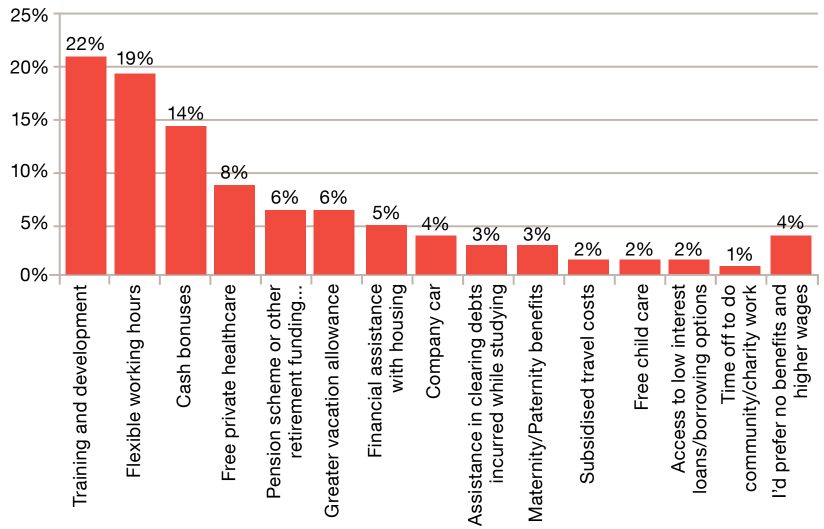
A question of reward

The millennials' desire to learn and progress is apparent in their view of the benefits offered by employers. When asked which benefits they would most value from an employer, respondents named training and development and flexible working opportunities over financial benefits.

In our recent global survey of CEOs[1] we found that 65% of business leaders were focusing on non-financial rewards as they considered reward strategy for the future and look for ways to improve employee engagement and retention. The responses of our millennials suggest that CEOs are on the right track. Millennials widely support the prospect of being able to customise benefits, with almost three quarters (73%) agreeing this would be attractive to them.

It's important to remember, though, that generally, millennials only focus on benefits once they are sure that their basic requirements on pay and working conditions have been satisfied. So while salary may not seem to be their main consideration (and only 4% said they would prefer to have higher wages and no benefits), that doesn't mean that they don't care about it.

Which three benefits would you most value from an employer? – % ranking each 1st place



Base: All graduates

"I want to feel valued, and be given tasks that allow me to stretch myself to the full extent of my abilities and, by doing so, develop my skills."

Male graduate, UK, newly employed

[1] PwC's 14th Annual Global CEO Survey (2011)

Reputation matters
The employers that appeal the most to this generation are those that successfully answer the tricky question: 'Why do I want to work here?' Millennials want their work to have a purpose, to contribute something to the world and they want to be proud of their employer. The brands that appeal to young people as consumers including those that stress their environmental and social record, are the same brands that appeal to them as employers.

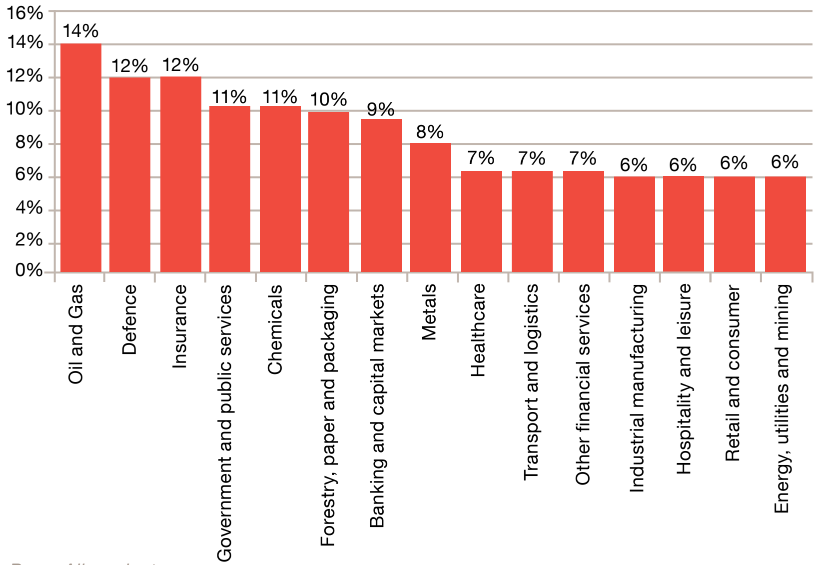
This has come through clearly in previous surveys. In 2008, for example, 88% of those questioned said they were looking for an employer with CSR values that reflected their own, and 86% said they would consider leaving an employer if they found their CSR values to be lacking.

But while corporate values remain important to millennials, there are signs that some are more willing to compromise on their principles as the difficult economic conditions continue to bite. Only 59% of this survey's participants said they had or would seek out an employer whose corporate values matched their own, and 56% said they would consider leaving an employer who no longer met their expectations. Only time will tell whether this trend continues downwards, or as we predict, rebounds as the economy improves.

The survey suggests that some companies and sectors will have to work harder in the future to communicate the positive aspects of the employer brand. Over half of millennials questioned (58%) said they would avoid working in a particular sector solely because they believe it had a negative image – oil and gas was seen as the most unappealing globally, with 14% of respondents saying they would not want to work in the sector because of its image. In Ireland 30% of millennials would avoid working in Financial Services with 26% of Chinese respondents shunning Insurance. Almost half of the respondents from Africa (49%) would not work in government & public services.

It's worth adding, though, that while corporate values undoubtedly influence millennials' choice of employer, other things may be equally or more important. In particular, corporate values appear to become more important as other more basic needs, such as adequate pay and working conditions, are satisfied.

Are there any sectors in which you would not wish to work solely because of their image? (top sectors only shown)



Base: All graduates

"What motivates me? Recognition for my hard work and being able to really see the difference my work makes to others."

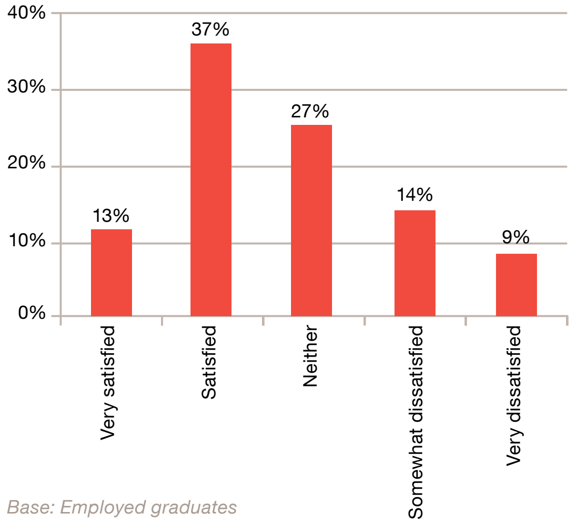
Female graduate, age 23, UK

Developing millennials

Younger workers are defined by their optimism and energy and the survey shows clearly that they believe they can achieve anything with the right focus and access to learning. Most are intensely ambitious and are looking for rapid career progression – 56% of those questioned said they felt they could rise to the top with their current employer. But with so many aiming for the top, it's inevitable that many will be eventually disappointed and employers should be careful to manage expectations and identify and reward the young talent that they are keen to keep and develop.

One in five who are currently employed said they were already unhappy with the opportunities for progression in their organisation, with Japanese, Swiss, French and Brazilian graduates the most likely to be dissatisfied:

How satisfied are you with opportunities for career progression in your current role



Base: Employed graduates

Millennials have particular needs and expectations when it comes to learning and career development. Many respond well to mentoring by older employees – in an ideal world, they would like to see their boss as a coach who supports them in their personal development – but also generally prefer to learn by doing rather than by being told what to do.

One of the strongest millennial traits is that they welcome and expect detailed, regular feedback and praise for a job well done – 51% of those questioned said feedback should be given very frequently or continually on the job and only 1% said feedback was not important to them. The companies that are most successful at managing millennials are those that understand the importance of setting clear targets and providing regular and structured feedback.

"As we look at growing globally, we recognise we're going to need a more diverse workforce, including more women and different geographic leaders"

Stephen A Roell
Chairman and CEO, Johnson Controls Inc, US

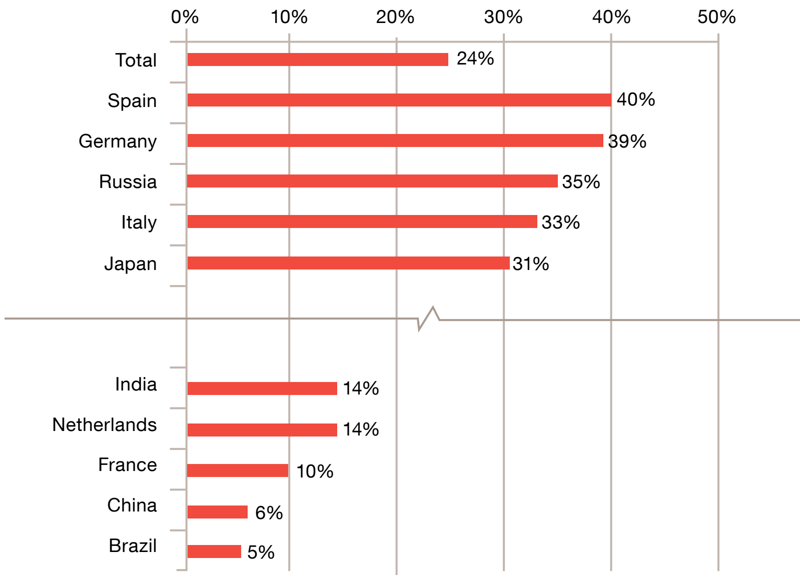
The gender gap

While millennials value diversity and tend to seek out employers with a strong record on equality and diversity, their expectations are not always met in practice. 55% of respondents agreed with the statement that "organisations talk about diversity but I don't feel opportunities are really equal for all".

In particular, the perception of gender bias in the workplace remains a concern for female millennials. Overall, male millennials are more likely than women to believe that their employers were treating them equally – 46% of male respondents, for example, felt that employers were getting it right in terms of equality when promoting employees, compared with 36% of women. 29% of female millennials said they felt employers were too biased towards men when promoting internally, compared with 16% of men who felt that there was a female bias. Spanish employers were seen as the most male-biased, and Brazil the most equal.

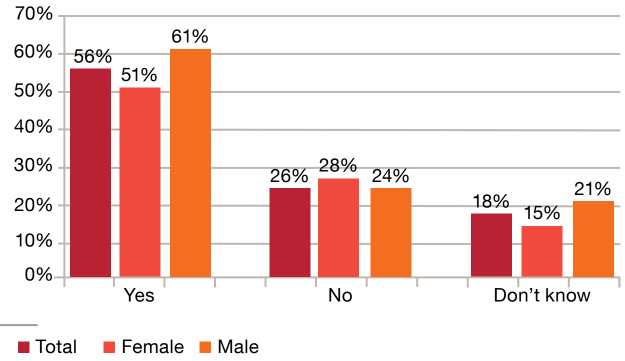
It's clear that within this generation, men are more likely than women to believe that they can succeed. 56% of those questioned said that they were optimistic that they could rise to the most senior level of their current organisation, but when split in terms of gender, 61% of men believed they could reach the top, compared with 51% of women.

"Employers are too male biased when promoting from within" (those that agree)



Base: All graduates

Do you feel that you will be able to rise to the most senior levels with your current employer?



Base: Employed graduates

> *"I want to feel valued, and be given tasks that allow me to stretch myself to the full extent of my abilities."*
>
> ***Female graduate, South Africa***

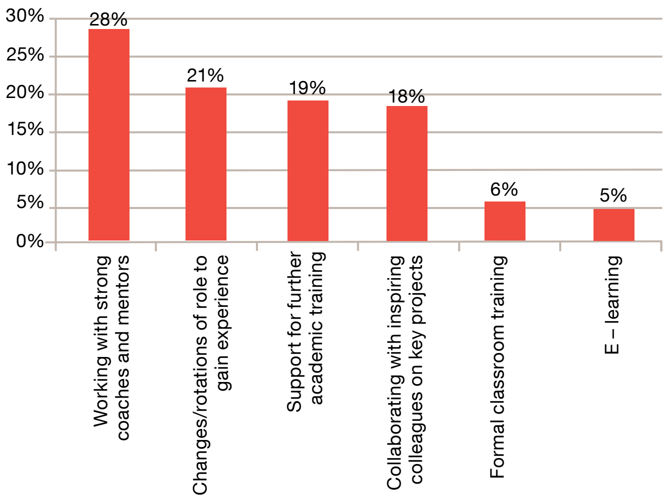
Developing millennials

Continuous learning

Millennials 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. 35% said they were attracted to employers who offer excellent training and development programmes for this reason and saw it as the top benefit they wanted from an employer.

The most valued opportunity was the chance to work with strong coaches and mentors. Millennials relish the opportunity to engage, interact and learn from senior management. Mentoring programmes can be particularly effective and also help to relieve tensions between generations.

Which of the following training/development opportunities would you most value from an employer



Base: All graduates

The question of how training and development should be structured for millennials is an important one. Millennials' ease with technology means that they respond well to a range of digital learning styles and delivery methods, which might include online learning modules, webinars or interactive game-play. They are innately collaborative and accustomed to learning in teams and by doing. A one-sided lecture is less likely to hold their attention. The best training programmes will mix classroom instruction, self directed study, coaching and group learning. But despite a preference for independence, millennials want structure and objectives that clearly define what must be achieved.

For all their expertise in technology and collaboration, many HR leaders have found that millennials often require training in fundamental workplace behaviour and culture – for example, they are accustomed to instant responses when they chat with friends via instant messaging yet may not realise that older workers do not always treat IMs with the same immediacy.

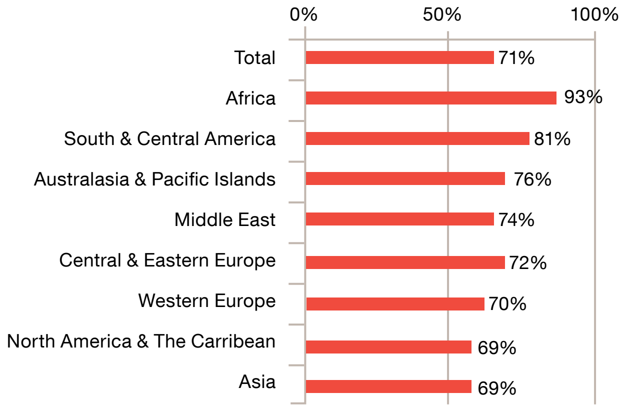
Global careers

In an increasingly globalised world, international experience is seen by millennials as a vital element to a successful career. Millennials have a strong appetite for working abroad, with 71% keen to do so at some stage during their career. Many international employers are already recognising and taking active steps to meet this need. One company PwC is working with has specifically tailored its international assignment strategy to millennials by making overseas assignments available earlier (before employees have family ties) and for shorter periods – forming part of a new approach to flexible career paths.

"I expect to travel and my career will be more about enjoying the experience than earning money."

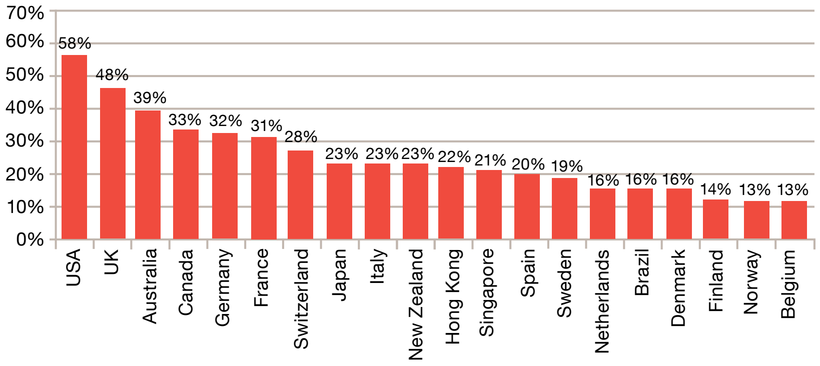
Female graduate employee, Republic of Ireland

I would like to work outside my home country in my career



Respondents by current location

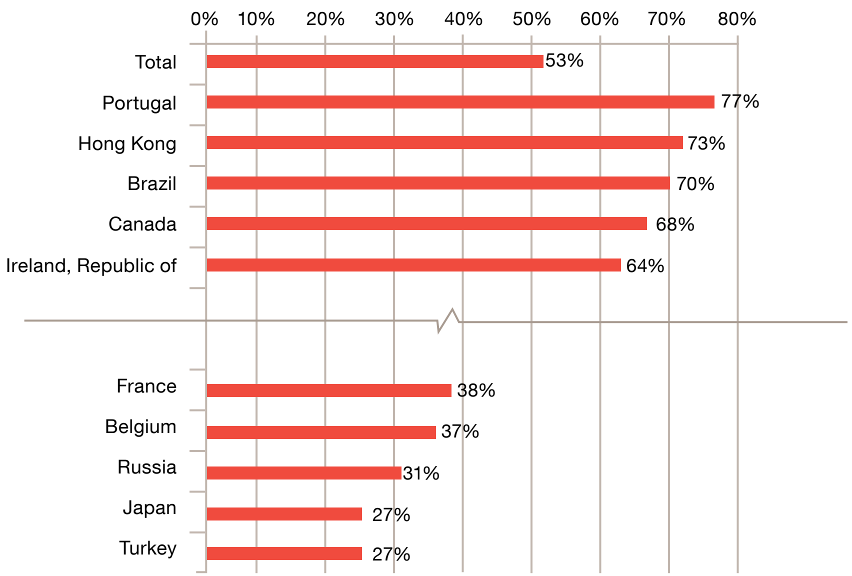
Where outside your home country would you most want to work (Top 20)



Base: Those who would like to work outside their home country

The question of where they would like to work, however, is more complex. Developed economies are the most popular destinations, with the US (58%), UK (48%) and Australia (39%) heading the wish list. 53% would be willing to work in a 'less developed' country to further their career, but only 11% would consider working in India. And while 22% said they would work in Hong Kong, only 2% are willing to work in mainland China – the same proportion who are willing to work in Iran.

I would be willing to work in a less developed country in order to gain experience and further my career



Base: Respondents by current location

Managing millennials

In the 21st century, most organisations cling to a rigid model of fixed working time and place better suited to the industrial age. However, there is evidence that employees are more productive if they have greater autonomy over where, when and how they work.

Millennials want to be able to work in the way that suits them best. Their extensive use of technology means that the line between work and home has become increasingly blurred, although many would prefer to work in an office than alone. Millennialls feel constrained by what they see as outdated traditional working practices. 65% said they felt that rigid hierarchies and outdated management styles failed to get the most out of younger recruits and 46% thought that their managers did not always understand the way they use technology in their work.

Employees could be rewarded by results rather than the number of hours or where they work, while offices will become meeting spaces rather than a fixed location for the working day.

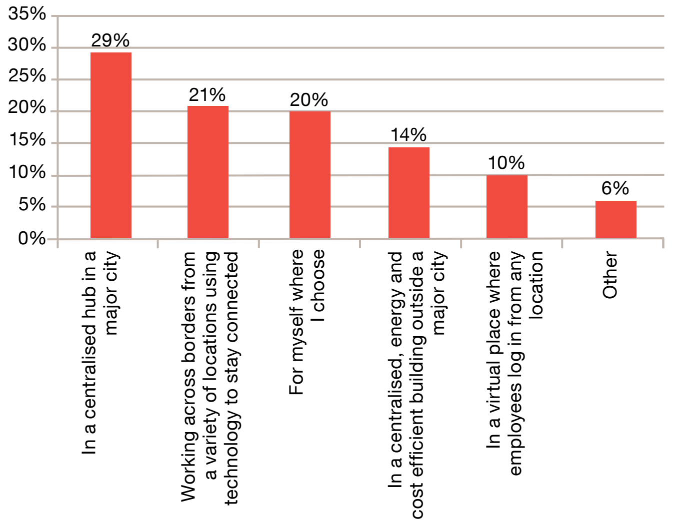
"I think we're expected to produce more work in a shorter period of time [than earlier generations]."

Female graduate employee, Italy

A millennial-friendly environment may be fully digital, but it also needs to be comfortable and creative. Millennials expect to work hard, but they don't want to sit in a bland cubicle all day. They will be drawn to organisations that offer an engaging, comfortable, and stimulating atmosphere that creatively blends work and life.

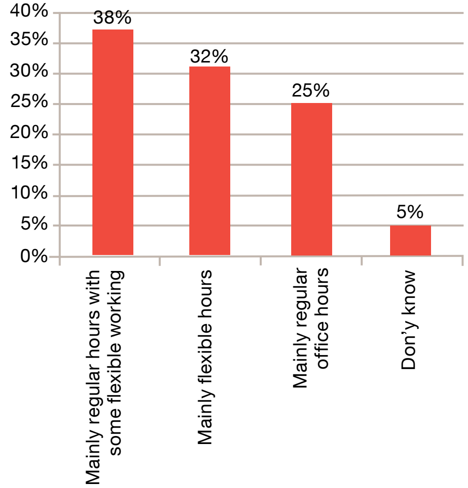
This type of employee-focused environment may seem like an indulgence, but it is actually good for retention – and good for business because engaged employees are more productive. A study conducted by the Corporate Executive Board found that employees most committed to their organisations put in 57% more effort and are 87% less likely to resign than employees who consider themselves disengaged[2].

Looking forward, do you think you will work...?



Base: All graduates

Looking forward, do you think you will working hours will be...?



Base: All graduates

2 Corporate Executive Board, The Role of Employee Engagement in the Return to Growth, Bloomberg Businessweek, August 2010

Managing millennials

Intergenerational tension

Managing the often conflicting views and needs of a diverse workforce that may cover a wide range of generations – from the Baby Boomer generation to Generation X and millennials – is a challenge for many organisations. The palpable tension between highly experienced Baby Boomers who are approaching retirement and the ambitious, technologically savvy and collaborative millennials who will replace them has been a subject of intense discussion. But the intergenerational tensions that do appear and can often be explained by a lack of understanding between generations.

Some commentators suggest that a large part of the antipathy comes from older generations. One hiring manager's comments typified this: "This generation has a sense of entitlement. They look for higher starting salaries, flexible work schedules and company-provided iPhones… they want constant praise and promotion almost the minute they join". It's not unusual to hear millennials described as "smart but lacking in motivation" but this may well be shorthand for "they do things differently from me". So who's right? Employers need to beware of unconscious bias from older workers and take care that they judge millennials on results rather than preconceptions.

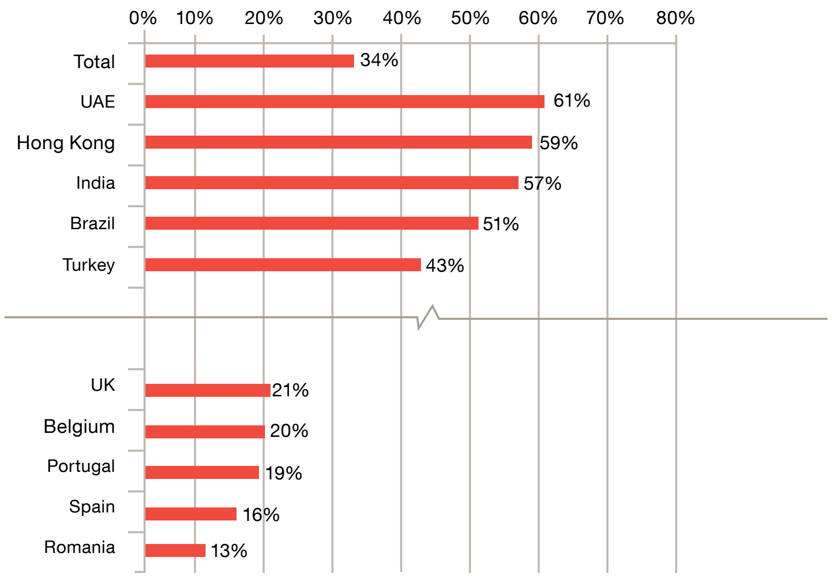
From their perspective, most millennials are happy working alongside other generations. 76% of those questioned said they enjoy working with older senior management and only 4% disagreed. 74% said they were as comfortable working with other generations as with their own. But questioned more closely they recognise the tensions; 38% felt that older senior management could not easily relate to younger workers and 34% felt that their personal drive could be intimidating to other generations. Men (38%) were more likely than women (31%) to say this.

Bringing generations together should be a priority task for HR. Employers face two primary risks with a multi-generational workforce. The first is the willingness of millennials to move on quickly when they feel that their needs are no longer being met. It's increasingly likely that employees will work longer and retire later, blocking the path for many millennials who want to rise as quickly as possible up the corporate ladder. If their ambitions are frustrated, they will not hesitate to seek to fulfil them elsewhere.

The second risk is that over the coming years, millennials will find themselves managing older workers, some of whom may be resentful of the fact. Managing a multi-generational workforce demands strong leadership, recognition throughout the organisation that different generations may need different styles of management, and a transparent performance management system that clearly demonstrates how performance is rewarded.

In an effort to help managers to put themselves in younger employees' shoes and to coach senior executives in IT, social media and the latest workplace trends, many organisations are pairing top management with younger employees in a programmes of 'reverse mentoring'. Workplace mentors used to be higher up the ranks (and older) than their mentees. No longer, as social media skills become increasingly valuable. Companies say another benefit is reduced turnover among younger employees, who gain a valuable glimpse into the world of management via top-level access. These programmes also help to transfer corporate knowledge to millennials, which will become increasingly important as Baby Boomers retire in greater numbers.

My personal drive can be intimidating to other generations within the workplace



"With Generation Y coming into the business, hierarchies have to disappear. Generation Y expects to work in communities of mutual interest and passion – not structured hierarchies. Consequently, people management strategies will have to change so that they look more like Facebook and less like the pyramid structures we are used to."

Vineet Nayar
Vice Chairman and CEO, HCL Technologies, India

What can employers do?

Whether millennials are entirely different to previous generations is immaterial in many ways. The demographic challenge means that businesses need to deal with the problem in front of them – that is, to ensure they understand the millennial generation and are acting to attract and inspire the best of them.

Business leaders and HR need to work together to:

- **Understand this generation:** It's particularly important to understand and address generational differences and tensions. Use metrics and benchmarking to segment your workforce in order to understand what millennials want and how these desires might be different from older workers. Ensure that employee engagement results can be cut by age group and consider how you might use predictive analysis to highlight potential retention issues. Look ahead for talent pipeline issues and make sure your strategic people planning is up to the job.

- **Get the 'deal' right:** It's important for employers to explain what they are offering a potential employee, but also what they expect in return. Think creatively about reward strategies and what motivates millennials. For example, is it time to shift focus from cash bonuses to other things. And remember, the vast majority were attracted to the prospect of customising their benefits. There is also significant gap between perception and reality when it comes to the promises made by employers on diversity and work/life balance. If employers want to continue to attract millennials, this has to be addressed – companies should review the messages they are sending out and test them against the reality of the employee experience.

- **Help millennials grow:** Managers need to really understand the personal and professional goals of millennials. Put them on special rotational assignments more frequently to give them a sense that they are moving toward something and gaining a variety of experiences. Challenge them to come up with new ways to streamline processes and to exercise creativity. Millennials have a strong desire to work overseas and this is a rich potential resource for organisations focused on global growth. Less desirable locations could be positioned as an important career path milestone. Every opportunity should also be taken to mix teams generationally.

- **Feedback, feedback and more feedback:** Millennials want and value frequent feedback. Unlike the past where people received annual reviews, millennials want to know how they're doing much more regularly. Give honest feedback in real time — and highlight positive contributions or improvements on key competencies.

- **Set them free:** Millennials want flexibility. They work well with clear instructions and concrete targets. If you know what you want done by when, why does it matter where and how they complete the task? Give them the freedom to have a flexible work schedule. Does it matter if they work from home or a coffee shop if that's where they are most productive? Set deadlines and if they meet them, don't worry so much about their tactics and the time they clock in and out.

- **Encourage learning:** Millennials want to experience as much training as possible. If your organisation is more focused on developing high potentials, or more senior people, then you could risk losing future talent if you fail to engage millennials with development opportunities. Build and measure the effectiveness of mentoring programmes alongside other learning and education. Consider allocating projects to talented millenials which fall outside their day job. Let them connect, collaborate, build their networks – and most of all innovate.

- **Allow faster advancement:** Historically, career advancement was built upon seniority and time of service. Millennials don't think that way. They value results over tenure and are sometimes frustrated with the amount of time it takes to work up the career ladder. They want career advancement much quicker than older generations are accustomed to. So for the high achievers who do show the potential to rise up the ranks quickly, why not let them? A relatively simple solution, such as adding more levels, grades or other 'badges', could be enough to meet their expectations.

- **Expect millennials to go:** It's inevitable that the rate of churn among millennials will be higher than among other generations, especially since many have made compromises in finding their first job, and this should be built into your plans.

What can employers do?

Managing your Talent
Whatever the size or shape of your business and we believe there are four fundamentals to talent management:

1. **Align your business plan and talent strategy –** make sure every aspect of your talent strategy directly contributes to your overall business plan and to creating value. Change anything that doesn't. Recognise the importance millennials will play in your plans.
2. **Face the future –** look at where your business is heading not where you've been. Keep questioning whether your talent management pipeline will give you what you need when you need it. Consider the part millennials will play in your future talent needs. Do you have a strategic people planning approach in place to help you understand where shortages are likely?
3. **Pay attention to pivotal roles –** get the right talent into the roles which have a disproportionate ability to create (or destroy) business value. Is your succession plan ready to start moving millennials into these vital roles?
4. **Focus on the financials –** make measurement, benchmarking and analytics part of your plan. Look to your people ROI. Track the cost of replacing lost millennial talent. What impact will losing talent have on your strategic priorities?

Millennials are a talented and dynamic generation, and the best of them are hard to find and even more difficult to keep. The finest of them are already in high demand and employers that meet their expectations will be able to take their pick of this generation's talent.

This research suggests that there is a significant gap between what millennials want and expect from their employer and career and their experience of the workplace. Superficial changes that are intended to connect with younger workers, such as unconvincing social media outreach programmes, 'greenwashed' corporate values and diversity tokenism will not work.

Millennials may have made some compromises during the downturn but their ambition and sense of self-worth has not diminished. Before long this generation will form the majority of the workforce and they will look for employers who are truly acting on their promises.

Are you ready for millennials to reshape the workplace?

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Managing tomorrow's people

Talent Mobility 2020

The next generation of international assignments

"The next decade could prove to be an extraordinary era for business and society—a period in which companies and governments work together to produce an environment capable of supporting wealth creation and social cohesion around the globe. The world is connected as it has never been before, and the power of collaboration is beginning to emerge."

—Akhil Gupta
CEO[1]
Bharti Airtel Limited, India

1 Quotes featured in this report were taken from PwC's 11th, 12th, and 13th annual global CEO surveys.

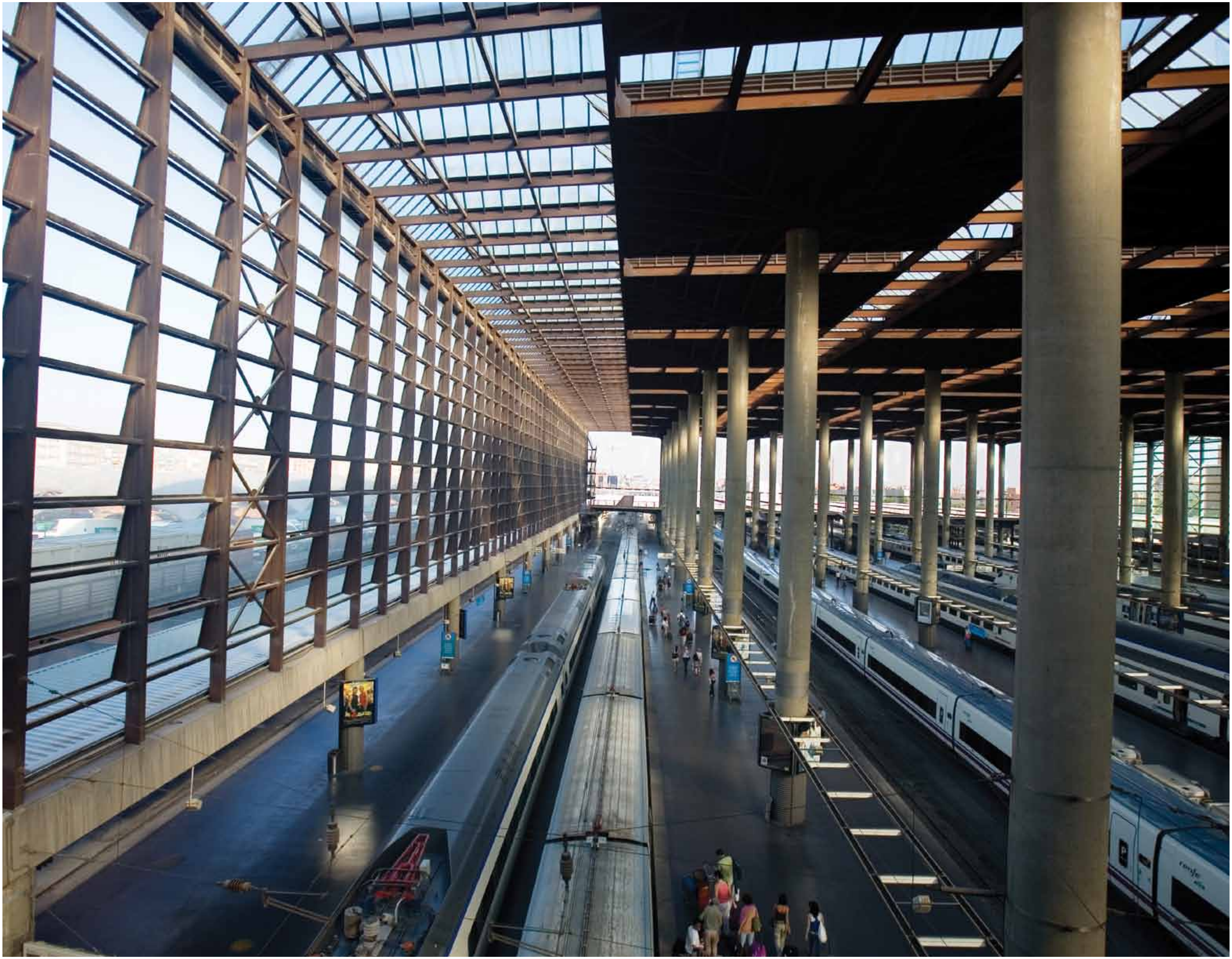
Background: Our globally connected world and your business

The year 2020 is only a decade away, yet the way our global workforce is sourced, organised, and managed will change radically by that time. An explosion of activity in emerging markets has contributed to a significant increase in the need for companies to move people and source talent from all around the world. In this next installment of PricewaterhouseCoopers' *Managing tomorrow's people* series, we decided to explore the issue of future talent mobility in more detail. We have used several sources to inform this report:

- Information from our database representing 900 companies that have been surveyed on assignment trends over the past 18 years.
- Findings from scenario planning studies for our *Managing tomorrow's people* series, which explores the future of work to 2020.
- Results from PwC's annual global CEO surveys.
- Findings from PwC's survey of millennials that resulted in more than 4,000 responses.[2]
- Interviews with PwC talent mobility specialists supported by the views of several multinational organisations from around the world.

Our conclusions are outlined in this report. In short, we envisage a future business world markedly different from that of today. Mobilisation strategies will need to progress significantly to keep pace with this change and the further increases in assignee numbers. We are not yet consigning existing models for international assignments to the history books, but for organisations to be successful in the coming decade, a radical rethink of policy and processes may be required.

2 For the purpose of this report, millennials, also known as Generation Y, are defined as those who entered the workplace after the year 2000.



Contents

Executive summary

> As a creative company, our success is absolutely dependent on our employees, their ideas and intellectual resources.
>
> *—Hartmut Ostrowski*
> *Chairman & CEO*
> *Bertelsmann AG*

The world in 2020

It is hard to imagine events that could more dramatically establish today's characteristic global and interconnected nature than the economic crisis of recent times. Knowledge, trade, technology, capital, and goods and services are more globally connected than ever. Coupled with the rise of emerging markets and focus on new revenue streams, these trends have created a swell in global worker mobility.

As the turmoil settles and the worldwide financial future unfolds, governments, regulators, and the business community will increasingly work together on the great issues of the day—economic recovery, new governance models, climate change, technology advances. But how will businesses adapt to the "new normal" and what talent will they need to operate in this collaborative global environment? In the next 10 years we believe companies will have an even greater need to deploy their talent around the world, and as a consequence, international assignment levels and overall mobility will increase significantly (see maps on pages 18 and 19).

Having access to the best talent continues to be a challenge for CEOs and business leaders—with 97% of CEOs in PwC's annual global CEO survey saying that having the right talent is the most critical factor for their business growth. In addition, 79% of CEOs said they would be changing their strategies for managing talent as a result of the downturn—and 55% said they would look to change their approach to global mobility including international secondments. In the wake of a foreseeable upturn, the winners and losers of the next decade will be defined by those who are able to attract, retain, and deploy their key talent globally. The sentiments outlined above are well aligned with the key findings of this report:

- Our data reveals that assignee levels have increased by 25% over the last decade; **we predict a further 50% growth in assignments by 2020** (see Figure 1). There will be more assignees, more business travel, more virtual tools, and especially more quick, short-term, and commuter assignments.
- The growing importance of **emerging markets will create a significant shift in mobility patterns**, as skilled employees from emerging markets increasingly operate across their home continent and beyond, creating greater diversity in the global talent pool.

- **Mobility strategies will need to become more sophisticated and complex** as organisations meet growing deployment demands, while simultaneously managing the very different needs and expectations of three generations of workers.
- Governments and regulators will accept the economic benefits of talent mobility to stimulate economic growth. This acceptance will lead to **greater collaboration between governments and businesses**, and within the business community, to remove some of the barriers to mobility around the world.
- **The millennial generation will view overseas assignments as a rite of passage**, an outlook that will change the way workers and organisations approach overseas opportunities in the future.
- Organisations will adopt "destination pay and local plus" remuneration methodologies as **compensation levels across some skill sets and industries will begin to harmonise** across the globe.
- **Technology will play a key role in global working arrangements and help to support compliance obligations**; however technology will not erode the need to have people deployed "on the ground".

The nature of overseas assignments has changed significantly since the 1970s. Businesses, like the population, will continue to adjust their operations, nature and geographic location of the workforce, as well as their fundamental structure and roles. We will see a shift from country-based multinationals to global multinationals, and a change in how and where business operates.

How your organisation responds to these rapid changes will be critical. Business and mobilisation strategies will need to progress quickly to keep ahead of both changes in the organisation's geographic landscape, and the further increases in assignee numbers that will result.

How will your business operate in this new environment? What talent will you need to compete, and how will you safeguard your talent pipeline for the long term? The winners of 2020 will be those companies that adjust their strategies now.

We're really globalising the business. More of our businesses are running on global functional models today, which definitely ramps up two things. You need to have really good people to be able to manage around that complexity, and you need to have good information availability and structure so you can do it on an efficient basis. We're breaking through those barriers now. It's a cultural change, it's a business model change for us, but it's absolutely the right thing for us to do.

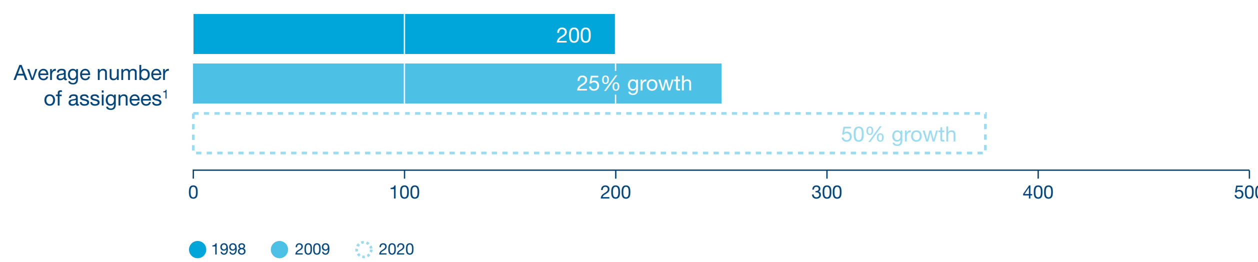
—Dean A. Scarborough
President and CEO
Avery Dennison Corporation

Where the world is heading

Changing workforce demographics and dynamics

We believe the war for talent will continue to be the major human resource issue to 2020, when the people pipeline looks to be the most crucial variable separating winners and losers in the marketplace. Companies may go to creative, perhaps even extreme, lengths to secure and retain talent and knowledge as their existing workforce ages. Global mobility will play a key role in solving the labour availability conundrum. As country-based multinationals evolve into global multinationals, we will see a bedrock change in how and where business gets done that will have numerous ramifications globally for companies, employees, their families, and the marketplace. We predict that there will be a further 50% growth in international assignments by 2020 (see Figure 1). This will only increase the need for expeditious knowledge transfer and amplify the pressure on human resource leaders to tackle the ensuing regulatory, compensation, and tax wrinkles, while also developing a streamlined process for the assignee and the organisation.

Figure 1: The mobile population in large organisations is increasing



1. 2020 projection: As the business model of an organisation evolves from multinational to international to global—the assignee mix shifts accordingly (from 80% of assignees from HQ, to 60% from HQ to 40% from HQ). Assignee numbers continue to increase and the definitions of mobility have broadened—even with an increase in assignee numbers, costs may be flat due to changes in package design and focus on lower cost alternatives. Assignee type mix has evolved from 50% executive to 10% executive.

Source: PwC international mobility database—sample 900 companies

A global talent gap

As many world populations age, birthrates in most mature economies are trending downward. Many Western economies cite declining birth rates as a major problem in the war for talent. Yet China, India, Eastern Europe, and parts of South America are also grappling with critical talent shortages. Russia alone faces an estimated reduction of approximately 20 million working age people by 2030.[3] The UN anticipates that China's working-age population (those aged 15-59) will fall behind Vietnam's in 2020 and lag behind India and Brazil in 2025.[4] China is already facing skills shortages at the senior management and executive level, and expects workforce growth of less than 5% by 2015, at which time one-third of the country's billion-plus population will be over 50 years old.[5]

Bridging the gap

Businesses and governments will increasingly work together to address these emerging talent gaps. Safeguarding the talent pipeline will be the driving force of HR strategy over the next decade. Governments need to invest in education to improve the supply of people with good skills. At the same time, it is likely retirement ages will increase and people will extend their working lives.

> Our efforts have been concentrated on gearing our HR policy to this difficult period. While we are strong on diversity, we are determined to improve further and to develop new talents across all our territories. What's more, we have continued recruiting in emerging countries.
>
> *—Bruno Lafont*
> *Chairman and CEO*
> *Lafarge Group*

3 The Journal of International Security Affairs, Fall 2009, http://www.securityaffairs.org/issues/2009/17/eberstadt&shah.php
4 Business Economics, October 2005, Cliff Waldman, http://findarticles.com/p/articles/mi_m1094/is_4_40/ai_n15969911/pg_10/?tag=content;col1
5 Shanghai Academy of Social Sciences, Adecco Institute, and University of Warwick, 2007.

Future view

> Europe is expected to undergo a population decline to an extent that has not been seen since the Black Death.
>
> *—Alf Göransson*
> *President and CEO*
> *Securitas*

New capital cities

Over the last 60 years, there has been a significant shift in the cities once considered to be the most highly populated in the world. Many traditional business hubs such as Paris, London, and Moscow, will be dwarfed in population size by Mumbai, Delhi, and Dhaka. Of the 30 most highly populated cities in 1950, only 19 remained among the top 30 as of 2007. In addition, 11 new cities that had never before registered as large enough populations have hit the top 30. By 2025, only 16 cities that ranked among the 30 most populated in 1950 will remain on the list. Of these, only three are located in the United States, representing a significant shift from 75 years earlier. London and Lima will come out of the top 30, and three new cities that were not even ranked in 2007 will emerge: Lahore, Shenzhen, and Chennai.

The following table from the PwC macroeconomic unit shows the largest city economies in the world and how this might change by 2025.

Figure 2: Trends in top 30 urban agglomerations by population: 1950-2025[6]

Ranking in 1950	Pop. (m) 1950	Ranking in 1990	Pop. (m) 1990	Ranking in 2007	Pop. (m) 2007	Projected ranking in 2025	Projected Pop. (m) 2025
1. New York	12.3	Tokyo	32.5	Tokyo	35.7	Tokyo	36.4
2. Tokyo	11.3	New York	16.1	New York	19.0	Mumbai	26.4
3. London	8.4	Mexico City	15.3	Mexico City	19.0	Delhi	22.5
4. Shanghai	6.1	São Paulo	14.8	Mumbai	19.0	Dhaka	22.0
5. Paris	5.4	Mumbai	12.3	São Paulo	18.8	São Paulo	21.4
6. Moscow	5.4	Osaka-Kobe	11.0	Delhi	15.9	Mexico City	21.0
7. Buenos Aires	5.1	Kolkata	10.9	Shanghai	15.0	New York	20.6
8. Chicago	5.0	Los Angeles	10.9	Kolkata	14.8	Kolkata	20.6
9. Kolkata	4.5	Seoul	10.5	Dhaka	13.5	Shanghai	19.4
10. Beijing	4.3	Buenos Aires	10.5	Buenos Aires	12.8	Karachi	19.1
11. Osaka/Kobe	4.1	Rio de Janeiro	9.6	Los Angeles	12.5	Kinshasa	16.8
12. Los Angeles	4.0	Paris	9.3	Karachi	12.1	Lagos	15.8
13. Berlin	3.3	Cairo	9.1	Cairo	11.9	Cairo	15.6
14. Philadelphia	3.1	Moscow	9.1	Rio de Janeiro	11.7	Manila	14.8
15. Rio de Janeiro	3.0	Delhi	8.2	Osaka-Kobe	11.3	Beijing	14.5
16. St Petersburg	2.9	Shanghai	8.2	Beijing	11.1	Buenos Aires	13.8
17. Mexico City	2.9	Manila	8.0	Manila	11.1	Los Angeles	13.7
18. Mumbai	2.9	London	7.7	Moscow	10.5	Rio de Janeiro	13.4
19. Detroit	2.8	Jakarta	7.7	Istanbul	10.1	Jakarta	12.4
20. Boston	2.6	Chicago	7.4	Paris	9.9	Istanbul	12.1
21. Cairo	2.5	Beijing	7.4	Seoul	9.8	Guangzhou	11.8
22. Manchester	2.4	Karachi	7.1	Lagos	9.5	Osaka-Kobe	11.4
23. Tianjin	2.4	Istanbul	6.6	Jakarta	9.1	Moscow	10.5
24. São Paulo	2.3	Dhaka	6.5	Chicago	9.0	Lahore	10.5
25. Birmingham	2.2	Tehran	6.4	Guangzhou	8.8	Shenzhen	10.2
26. Shenyang	2.1	Bangkok	5.9	London	8.6	Chennai	10.1
27. Rome	1.9	Lima	5.8	Lima	8.0	Paris	10.0
28. Milan	1.9	Tianjin	5.8	Tehran	7.9	Chicago	9.9
29. San Francisco	1.9	Hong Kong	5.7	Kinshasa	7.8	Tehran	9.8
30. Barcelona	1.8	Chennai	5.3	Bogotá	7.8	Seoul	9.7

6 PricewaterhouseCoopers UK Economic Outlook, November 2009

Source: Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, World Population Prospects: The 2006 Revision and World Urbanization Prospects: The 2007 Revision

Twenty-five years ago, ChemChina was spun off from China National Bluestar with a staff of just seven. Now we employ 160,000 people. We employ many people from Western countries, including at the management level. We see many enterprises around the world cutting jobs because of the financial crisis and we work with leading human resource consultancies to recruit more Western professionals.[7]

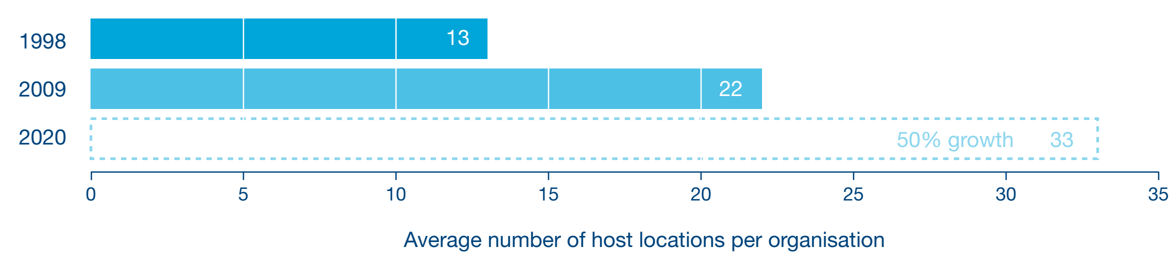
—REN Jianxin
President
China National Chemical Corporation (ChemChina)

These population shifts are likely to have a strong influence on where global organisations will do business in tomorrow's world. They will need to think in terms of which physical location will be the most competitive and cost-effective, while successfully meeting customer needs at the same time. This is likely to mean that many organisations will enter new locations or even exit some of their traditional business locations. How they will operate and resource their businesses in light of these shifts; and how this will impact where and how people are managed and deployed will be critical to their ongoing success. If some of the fast growing cities are also producing highly skilled workers, this will increase the attractiveness of relocation for some organisations.

Evidence of these changes is already beginning to emerge as the accelerating pace toward globalisation is having a direct impact on the mobility of employees. As illustrated in Figure 3, many organisations will also increase the number of assignee host locations.

Figure 3: Companies are hosting assignees in more countries than ever before

The average number of host locations supported by a global organisation continues to rise



Source: PwC international mobility database—sample 900 companies

7 Quote taken from PwC's 12th annual global CEO survey.

Business collaboration

Companies will become ever-more reliant on technology and the management of the end-to-end business cycle. At the same time, they will focus increasingly on the economic costs of corporate social responsibility for the locations in which they operate. Consequently, collaboration between businesses is likely to increase because companies will want to link with their suppliers to ensure that their businesses are sustainable over the long term. Equally, a greater focus on customer needs and buying behaviours will enable companies to forge deeper and longer lasting relationships with their customers.

As companies venture into new cities or regions, many will consider how to provide the infrastructure that will enable their employees to maintain an acceptable standard of living while also providing for long-term financial security for key employees. We anticipate that this will create a rise in business-to-business collaboration, where we will see organisations strike up innovative relationships with other companies, even to the extent of providing schooling, medical facilities, shopping, and lifestyle amenities. In some locations, they may create insular enclaves, like old-fashioned expatriate communities; in others, these may develop into an entire infrastructure built around the organisations.

A country within a country model

The mining industry in Africa already operates a country within a country model, in which employees can grow up within the organisation, somewhat insulated from the outside world and with all of their needs met by their employer. It is not clear whether employee loyalty arises from the model, but employee satisfaction levels are managed. Schooling, housing, healthcare, and other needs are met.

In parts of Africa, Southeast Asia, and even Siberia, industries such as oil and gas and construction are developing infrastructure services and accommodations for mobile communities in various locations. Should the trend continue and the model grow more prevalent, companies will need to assess the costs and risks that might apply, as measured against the value of improved employee satisfaction and likely retention.

I believe that the system should work like this: If you employ people at your production facilities, you should invest in infrastructure development, housing, and amenities such as kindergartens and schools. You should also ensure that your workforce is adequately compensated.

—Tigran Nersisyan
President
Borodino Group

Sustainable initiatives that benefit the region and the local population, as well as their assignees, will become increasingly important. In support of such initiatives, companies and governments will co-invest in projects such as improved transportation links, health and welfare facilities, and community centres. Some governments may also be attracted by initiatives to train and develop local workers. This could materialise in the form of incentives for employers. From the employers' perspective, it means that over time they will have locally trained expertise and will not have to continue investing in deploying assignees from other parts of the world.

In particular, millennial employees will be attracted by organisations that demonstrate a commitment to sustainable business practice.[8] More than 80% of millennials in our study said they would leave an employer whose corporate sustainability values no longer met their own.

8 PwC Millennials at Work report 2008

Future view

Three generations of assignment needs

When we look at the composition of the workforce and the types of mobility patterns that will exist by 2020, we can categorise them into three demographic groups. By 2020, the differing needs of these three generations will result in very different mobility practices which will be difficult for organisations to manage and get right.

- **Baby Boomers:** In 2020, this group will have achieved most of its career goals but—due to increased life expectancy—will be keen to work longer to bolster finances to see them through retirement. The motivation for a Baby Boomer to accept an assignment will be based on financial package, location, or opportunity. For these individuals, we would expect the more traditional long-term international assignment package and process to continue to be the norm.
- **Generation Xers:** They will be at the peak of their earnings potential by 2020, but may be concerned about building and maintaining pension entitlements, and still having to fund costs of their children's education. They will be at or near the top of the career ladder so they may be selective about international assignments. They will look for seniority-based roles which may include a traditional long-term assignment and accompanying benefits and allowance or they will be looking for creative, flexible commuter arrangements to balance their personal and work life.
- **Millennials:** This group will make up the significant majority of all international assignments by 2020. They will increasingly view the organisation—and the world—without boundaries. They will happily begin their careers outside their home countries if the employment or role prospects are greater abroad. They will continue to follow well-paid opportunities internationally while spending spells in their home countries, but just as likely to shift across functional areas, roles, multiple cultures and economies, without the need to return to their home country until perhaps later in their careers. Their focus is on interest and opportunity, not necessarily monetary rewards, and we foresee for them a fundamental change in the assignment duration, package type, and value.

Adapting to change—a new wave of global assignments

Different generations in the workplace bring different qualities to the table, assert different needs, and demonstrate diverse opinions on what is most valuable to them. New mobility practices will emerge as organisations work to meet the unique needs of the next generation of international assignees. Organisational philosophy, too, will change as the cultural differences between generations become more evident.

A differing view on retirement benefits

The US, Europe, and parts of Asia all face pension system meltdowns as the workforce ages and funding shrinks. A key issue, particularly for Baby Boomers and Generation X workers, will be the ability to preserve entitlements to state and private pension funding arrangements, especially for those fortunate enough to be included in final salary defined benefit arrangements. Many of the world's social security systems will come under increasing stress as tax revenue is overcome in a few short years by a glut of Baby Boomer retirees. Don't be surprised to see individuals from these two groups turning down assignment opportunities where pension benefits cannot be preserved in their existing home country schemes or replicated in alternative arrangements.

The march of the millennials

The future workforce is already with us and companies must decide now how they will recruit, manage, and develop these people, or face losing the war for talent and competitive edge over the coming 10 years. The millennials have a mind-set, aspirations, and expectations markedly different than those of all previous generations. Those we surveyed in 2008 cited training and development as their top choice among employer-provided benefits. Perhaps cognisant of the recent market turmoil and the impending demise of social security retirement benefits and generously funded company pensions, millennials see a need to save significantly for their own retirement. Flexibility and job mobility are key. Corporate responsibility is also a critical consideration for this generation when looking for attractive employers.

Millennials are more open to overseas assignments than any previous generation and see working overseas as an important part of their own personal development.

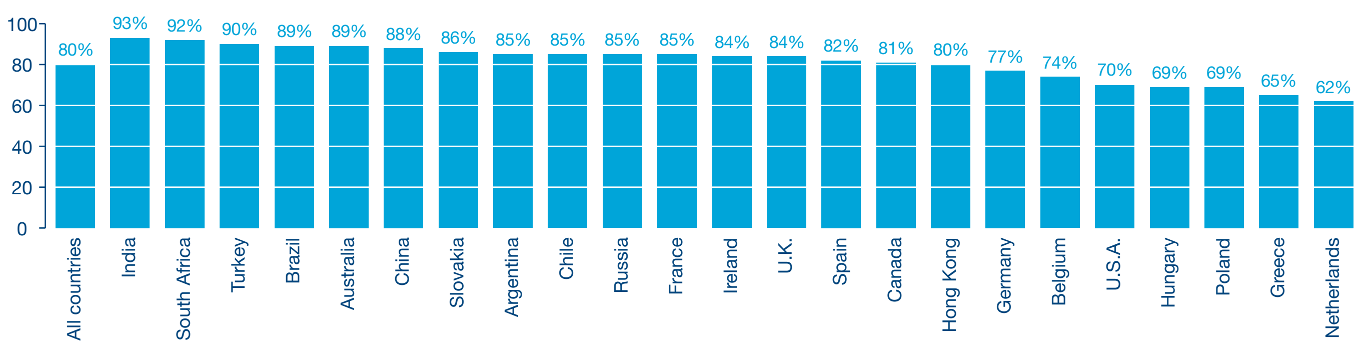
But this high-impact group will also have demands, tipping the traditional balance between employer and employee power and leverage. The best and brightest are likely to be pursued with great competitive zeal.

They may demand and win out-of-the-box reward packages and a lot of say in where and how they will approach their work. Employers will need to find ways to build continuity, retention, and long-term engagement with these workers, even as they traverse the globe.

A significant majority of the millennials we surveyed—80%—want to work abroad (see Figure 4), with 70% expecting to use non-native languages in their careers and 94% stating they believe they will work across geographic borders more than their parents did.

Figure 4: Millennials want to work outside their home country during their careers

% who agreed



Source: PwC international mobility database—sample 900 companies

One aspect in which the financial crisis has worked in our favour is that it has created a wider pool of available talent. In the last two years, we have managed to attract very significant talent from both Europe and North America. These are highly experienced people who bring with them enormous knowledge. And since many of them experienced the banking crisis first-hand, they also understand how to mitigate such events. That has been a major benefit to Equity.

—James Mwangi
Managing Director and CEO
Equity Bank

Future generations, born and bred amid intense globalisation and proliferating international assignments, will expect mobile careers.

The evolution of assignment types

As global business demands change, new policies and assignment models will be necessary to support the millennial who wants to travel for experience and advancement.

Assignment types in the past were typically categorised by organisations as being linear in nature, usually described as being either short-term or long-term. Today we see many more varied requirements from businesses and assignees and alignment with the organisation's talent management objectives. Along with short-term and long-term assignments, we have frequent travelers, commuters, intra-regional, and virtual secondments to customer and supplier sites, as well as various assignee and talent types, such as executive, skill set and project-based, developmental, and employee initiated, all creating a need for a robust global assignment policy framework.

We envision that by 2020 only a minority of assignments will be traditional home-to-host international assignments, fully expensed with a generous package of relocation benefits, allowances, and tax equalisation arrangements.

Instead there will be more variety of assignment types and greater volume, enabled in part by advancements in transport linkages and aircraft technology. However, in some industries with longer lead time for overseas development, the need for traditional long-term assignments will remain.

Global mobility may not refer strictly to the physical movement of people from one location to another. We're already seeing an emergence of career challenges predicated on demonstrating leadership ability and organisational agility in managing global teams on specific projects from home base, aided by an ever-expanding bag of technological tools.

With many up and coming employees hungry for global experiences, companies will consider delivering cross-border opportunities in new and varied ways, potentially with parallel adjustments to pay and allowances. Employee-driven assignments are emerging from staff eager to add a developmental dimension to their careers. Enterprise-driven travel might increasingly include sponsorships, in which assignments fulfill a critical business need at a given time.

Shorter international assignments may become so much a part of organisational identity and objectives that companies might mandate them as prerequisites to promotions and leadership opportunities. While some large companies are already operating in this way, we expect the approach to become more common in the future, with enterprise-level global emphasis filtering down to individual employee objectives based on the development of not only local, but also global, connections.

Returning home with new knowledge and skills

We are already seeing a trend in which international assignees cross the border, work with their assigned teams, and return to their native countries with the knowledge and experience to train colleagues back home. Highly skilled and ambitious talent from Asia—China and India stand out—have typically focused on Western education and living and working outside their home countries, on the assumption that opportunities for them and their families were far greater in the West. This trend continues in Africa, with high value placed on Western education and work experiences.

But with China and India increasingly playing more significant roles in the global economy, high numbers of employees are returning home to exploit emerging opportunities with their new-found skills in their countries of origin. These returning nationals typically command better remuneration than their local counterparts, so HR professionals need to be prepared to manage the career and remuneration expectations of these East-West-East pioneers.

Global mobility map

Three eras of international assignments

1970–1990

International assignments are mostly driven by large multinationals based in the US and Europe. These organisations send talent from the HQ country out into the field to manage operations in other parts of the world. Many assignments are from the US into Europe, but oil and gas, mining, and other industries dependent on natural resources regularly send staff to more far flung destinations. Assignees are usually sent off for a two-to five-year period and are incentivised with attractive expatriate packages.

1990–2010

Demand for global mobility of talent increases as new markets emerge for companies to sell their products and services, and also manufacture their goods at lower cost. Offshoring gathers pace. A new breed of mobile worker emerges alongside the expatriate and meets the globalisation demand through commuter, rotational, and technology-enabled virtual assignments. The flow of talent is still predominantly from West to East or intracontinental, but companies begin to tap into rich talent pools in emerging markets, particularly India.

Future view

2020

Global mobility continues to grow in volume. Within the context of closely aligned international regulatory frameworks, the growth of cross-border acquisitions by sovereign wealth funds, lingering public investments in private business concerns, greater security co-operation between nations, and information technology that can identify and connect talent in an instant, global mobility becomes part of the new normal. Mobility of talent is fluid. For example, a Chinese company may engage a European team to manage an investment in Africa.

Weighing the costs—challenges and opportunities

The cost of international deployment will remain a primary issue. If organisations cannot measure and demonstrate a positive financial return on investment for international assignments, the human resource function will be challenged by stakeholders on the effectiveness of its mobility strategies and processes. This may in itself encourage more travel, virtual, and commuter assignments, where the physical costs of relocation and the taxation and other financial complexities may be minimised. It is essential that organisations think beyond the next few years and make investments in people by giving them international experience.

In the case of virtual teams, they, in turn, become a new unit that can work effectively with employees in the initial host country without the cost implications of deployment. Companies and regulators will need to collaborate to help determine appropriate reward, benefits, and taxation measures for these employees.

Using technology to enhance mobility

Technology will move beyond its role as a business enabler and become further ingrained in the life and work styles of the future workforce, while also changing employee and business expectations and interactions with one another and the world around them. Savvy young workers will flock to the companies that best adapt to innovative technology to meet market needs. Work-life boundaries will become blurred by a reliance on daily message updates on social networking sites, the use of instant messaging, video calls, and blogs.

Our study found that while the majority of millennials still envision themselves being based at an office site, the time devoted to work will shift. Organisations will recognise that employees want to be allowed time to socialise on their diverse personal networks, in return for remaining accessible to respond to work-related messages long after the standard day ends or the weekend begins. Still, it's unlikely that new technologies, with all their pings and tweets, will supplant the hunger for fresh vistas.

Risks associated with advanced technology

With the advancement of technology and the millennials' propensity for sharing personal information, building networks, and maintaining contacts, organisations have already begun to develop sophisticated Facebook-style working tools and seek to leverage these in helping to identify their key talent and those likely to welcome international assignments.

However, with the benefits from advanced technology come inherent risks that may be felt most acutely by employees whose data is transferred across international borders. For example, the use of technology as a means of tracking employee movement is a great tool for enabling better compliance with local rules, but has a built-in privacy issue in that it allows unprecedented access to the personal movements of the individual. This could be perceived negatively by employees. Organisations will need to closely monitor the use of technology to ensure that privacy concerns are topmost in their minds and that their policies for dealing with the privacy concerns of their employees are well established.

Barriers to mobility

With some cultures and demographic groups more reluctant to work outside of their home locations, not everyone will be willing to hop on the next plane for these opportunities, regardless of technological advances. Some employees fear losing their social networks and disrupting their families, including working spouses who may have difficulty finding suitable employment in a new region. Caring for elderly parents may also be a key concern—particularly as populations continue to age in many parts of the world.

Workers may be skeptical about going to environments they perceive as too harsh, due to political strife, underdeveloped infrastructures, health, safety, and environmental concerns. And even if an employee is willing to take the challenge in exchange for career enhancement, his or her family may choose to remain in their (sometimes adopted) home country.

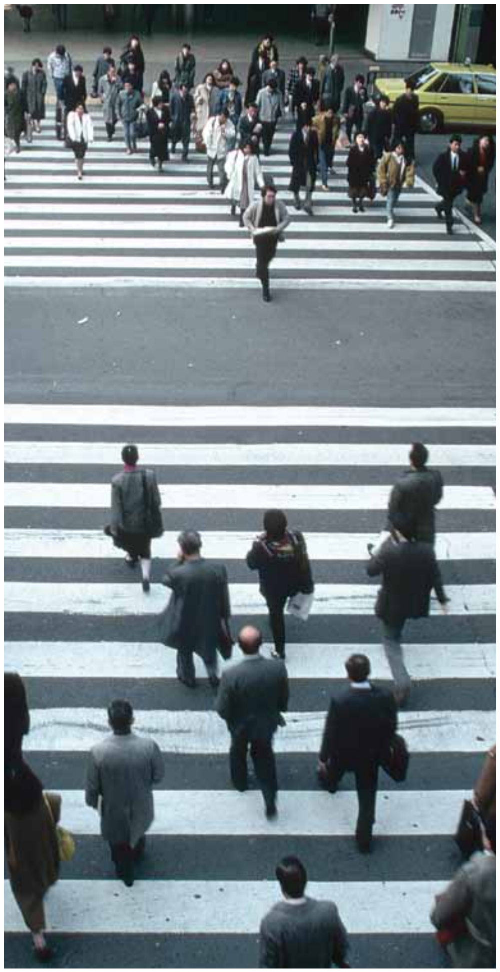
Organisations also need to think about how to make some of the less desirable destinations more appealing, as living standards in some locations are, in reality, far more developed than assignees might think. In many cases, this may be a matter of communicating via training about evolving world realities.

Data privacy and other concerns

Organisations will need to pay close attention to the risks that emerge as a result of technological enhancements. Key focus areas include:

- The potential interception of financial or personal data when transmitted across borders.
- The importance of personal data privacy when tracking an employee's movement.
- The need for a distinct separation of business and personal profiling with regard to social networking. First, there needs to be clear company guidelines about the extent to which an employee is seen to represent the corporation in social networking sites. Second, the employer needs to be careful to what degree it is monitoring the 'behaviour' of employees when accessing these communication channels.

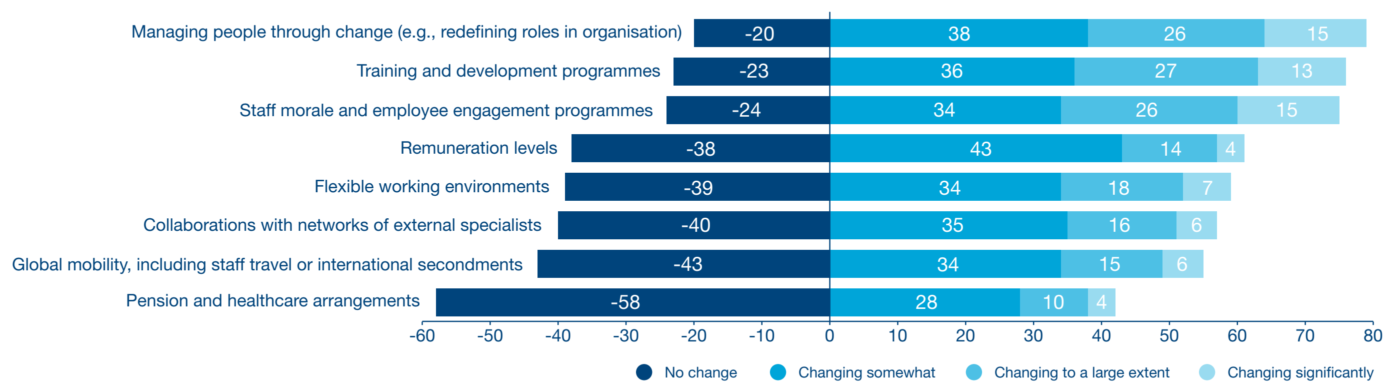
HR implications of shifting global mobility patterns



The ongoing war for talent and changing business needs will put pressure on the HR function to evolve its talent mobility strategy. In PwC's annual global CEO survey, leaders clearly state that the economic crisis has highlighted flaws with existing people management practices and are looking to make changes as a result. In addition to the 55% planning to change their global mobility strategy, as mentioned earlier, 61% will change remuneration policy and 76% will change their approach to staff morale and employee engagement. These changes will represent significant challenges for HR teams to develop new policies that suit the emerging needs of a new business environment (see Figure 5).

Figure 5: CEOs plan to make changes to their people strategies as a consequence of the economic crisis

Regarding your people strategy, to what extent will you change your approaches to the following areas, as a consequence of the economic crisis?



Base: All respondents (1,198)
Source: PwC 13th Annual Global CEO Survey

Remuneration policies

By 2020, no longer will we see as many separate remuneration policies for distinct geographic locations. An overarching global policy function (or system) aligned to the talent mobility strategy will become standard. Senior talent will require appropriate rewards for their efforts, meaning that companies will have to figure out how to keep top-flight, high-level talent in the fold on a global scale.

The onus will be on employers to determine how compensation packages are developed as workers adjust to new roles in new cultures. Astute employers will note potential opportunities in demographic tendencies that may dovetail with business goals, even if regulatory and tax issues remain unresolved. The traditional build-up approach to determining international assignment costs will gradually disappear as economies, living standards, and even compensation levels begin to harmonise across the globe. In turn, organisations will adopt “destination pay and local plus” remuneration methodologies across many of their locations, such that international assignees may be more quickly and easily deployed in a cost-effective manner. These approaches allow the organisations to manage cost as well as provide flexibility in their definition of “plus” to meet the varied needs of the businesses and the assignees.

Bidding for loyalty

Like athletes in the professional sports arena, highly prized millennials will have their own agents. Remuneration packages and employment terms will be contract-based and subject to frequent negotiation. They will move to the highest bidder, not necessarily in monetary terms, for the best opportunities and they will not stay with an organisation whose values are not aligned with their own core values. Organisational brand becomes even more important. HR teams must strive to create loyalty by investing in ways to better engage the workforce and understand the motivations of different generations, and by increasing flexibility in order to meet those needs.

Future view

Bringing down the regulatory barriers to mobility

Overseas assignments are likely to remain a lynchpin of career advancement for employees hungry for personal and skills development. The accelerated level of global movement for top talent will drive the development of global passports or work permits to enable anywhere-anytime travel for key players. Those countries that facilitate free movement of labour, and/or provide for the rapid deployment of employees, are likely to become more economically competitive. Governments that anticipate the need to import talented individuals to replace gaps in their ageing workforces may remove their immigration barriers in a bid to stimulate their economy.

Singapore, a relatively easy place to move, could serve as a model for countries trying to accumulate human capital when the talent wars heat up and immigration grows in allure as a way to fill offices with key staff. Lenient residency rules may become more prevalent: It can take as little as one day to get a working visa in Singapore, depending upon an assignee's nationality, salary level, and qualifications; contrast that with most other developed nations, where such a feat can take six to eight weeks or longer. Through its immigration-friendly policy, Singapore reaps the benefits of attracting a good deal of talent from India's well-educated labour pool.

In the future, more countries may impose less restrictive cross-border immigration models that could simplify travel by lifting or easing restrictions on particularly qualified and sought-after workers and their families. But realising that outcome is likely to be complicated.

Organisations must consider what steps they can take to expedite more open immigration policies in the key locations where they do business—for example, through more open dialogue with government and policy makers.

The regulatory challenge—a new era of global and local compliance

In the short term, regulatory realities will shape how the workforce of tomorrow will look and operate. We see regulation as one of the key concerns for companies today from a reputation and risk perspective. The credit and financial market meltdowns are likely to prolong the strict financial regulatory controls adopted by members of the G20 countries, a development that may inhibit mobility in the short term. We expect however, over the longer term, the goal of building sustainable international business will drive demand for increased mobility of talent.

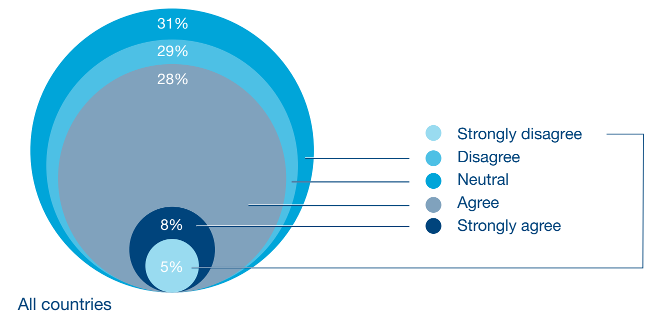
Still, a great many regulatory challenges emanate from external sources—a vast tangle of regional and country-based cultures, rules, laws, policies, politics, and markets—in short, the global village and its varied administrators. The reality is that businesses are already struggling with country-specific immigration requirements, an issue that will only grow in importance as global mobility trends evolve.

Business and government—working in harmony

More than one-third of our millennial interviewees think that companies will be more influential than governments by 2020 (see Figure 6). In the short term, recent market dramas have business and government aligned against further volatility and unmanaged risk. We envision that current trends will drive a growing interrelationship and interdependence between business and government—one that will likely impact regulatory matters in diverse and profound ways.

Working with or apart from government, businesses should plan ahead to tackle challenges such as visa roadblocks and tax treaty issues, which will gain in importance on the global stage. PwC doesn't expect taxes to become globalised through a global tax treaty, at least not any time soon. But we do believe that tax authorities will have more consistency over the definition of what constitutes a day of presence and what type of activity determines taxable presence. Of course, this will be accompanied by the emergence of sophisticated tax collection enforcement mechanisms going forward.

Figure 6: By 2020 companies will be more influential than governments



Source: Managing tomorrow's people: Millennials at work

Future view

Advances in technology simplify compliance

Technology will increasingly automate compliance processes. Appropriate amounts of taxes will be paid through new systems and enable workers to move freely, unencumbered by fear that unanticipated or unsettled tax bills will increase the cost of doing business, or at worst, limit the employee's ability to visit or work in the country again in future.

Companies will have the primary responsibility for reporting on where their employees have been and the wage allocations associated with their whereabouts. GPS tracking is one part of the tracking process, albeit controversial, that may become an accepted norm within the next five to seven years. Employees, companies, and vendors will supplement the positional data with other data points to allow for conversion into meaningful wage sourcing data. For example, the initial data point may be cell phones and laptops, fitted with electronic trackers. These trackers will log the employee locations upon activation, and then generate and send automatic reports on employee "Position Statement Reporting" to a central business function made up of tax, finance, payroll, and HR specialists responsible for monitoring, assessment of tax obligation, and deposit of tax liabilities and claiming credits.

In conclusion

We have outlined a vision of 2020 which is markedly different from today. A world where the best and brightest employees have their own agents … where global passports allow for more fluid travel across borders … where the global harmonisation of pay across some industries and skill sets changes competitive strategy in the war for talent … where populations in Mumbai, Dhaka, and São Paulo eclipse that of New York, London, and Paris … where immigration barriers begin tumbling down to address gaps in the ageing workforce and stimulate economies … and where technological advances change the way we work as well as helping to ease the burden of tax compliance.

These global shifts will be compounded by demographic changes which will precipitate a lack of workers with the key skills businesses need. Having a sustainable talent pipeline will become the most important driver of business strategy.

Growing collaboration with government will help global business and economies to thrive without drowning in the red tape of regulatory and tax compliance. Companies will increasingly form alliances with each other and collaborate on joint ventures to share costs and knowledge. Collaboration will be the watchword of the future world of work, a place where work and life will blend on an escalating basis and in new ways.

We believe the HR function has a key role to play if it is prepared to take the lead. It must keep up with changing business needs and understand the external markets it operates in to be effective. And on the practical side, HR will need to manage everything from new global reporting technologies, to the career and remuneration expectations of emerging market talent, and several generations of workers.

Proactive companies that adjust their talent management and recruiting strategies to address these changes will be poised to win the best talent, build sustainable relationships with engaged workers, and take the competitive lead by the end of the decade.

The world is not waiting to tackle the emerging talent imperative. Are you?

Future view

Talent mobility on the World Economic Forum agenda

The issue of global talent mobility is gaining in prominence and importance. The World Economic Forum put this topic high on the agenda of its Annual Meeting 2010 in Davos. The world's business, political, and academic leaders united in agreeing on the importance of encouraging talent mobility to stimulate economies in both developed and developing countries. The Forum believes that countries and organisations need to prepare for an era of a fast-changing, dynamic, and mobile workforce. Their recommendations are summarised in a "Declaration of Talent Mobility," citing the need to:

- Increase people's employability to better match supply and demand
- Redesign migration policies to encourage knowledge sharing and prevent the brain drain
- Create global workforce around adaptability and mobility
- Build and effectively manage diversity in a complex, multicultural business environment
- Use talent for innovation

In order to prepare for what the Forum sees as "upcoming massive talent shortages," they want government, business, and academia to work together to address the key challenges and barriers of talent mobility.

In 2009 nearly 80 high-level experts and practitioners contributed to the talent mobility dialogue hosted by the Forum online and at meetings in Davos-Klosters, Dubai, New Delhi, and New York. In 2010, this work will continue on-line and at summits in Europe, Doha, China, and Dubai. Please see the report from the Talent Mobility project and a video from the talent mobility discussion in Davos at http://www.weforum.org/en/index.htm.

How do these trends impact your organisation?

- Do you have an employee engagement strategy that suits a new world where significant numbers may be overseas at any one time? How do you engage to retain key talent?
- Have you determined how your strategy for growth over the next decade impacts your talent mobility strategy?
- Have you mapped and tracked your mobility needs over the coming decade to determine what you will need and where?
- What are your plans for managing the millennial generation? How might you use their openness to overseas assignments to your advantage?
- Do you have the right knowledge and data to determine where changes and/or investments may be necessary?
- Do you understand how you will manage the cost of increased demand for global mobility? Is your current policy sustainable?
- What investment do you need to consider in technology to better manage the mobile community, and to improve connectivity without the need for travel?
- What reward and incentive model is appropriate to meet the various needs across the generations in your organisation?
- How might your business influence governments and regulators to ease the regulatory burden and create harmonisation?
- What is the role of the HR function in driving talent mobility? Is the HR operation equipped to deal with the changes ahead?

"As time goes on—and the world grows evermore competitive—human capital will become an even more important factor to business success."

—Andrew Ferrier
CEO
Fonterra Co-operative Group

PwC wishes to acknowledge our clients and the firm's network for their generous commitment of time and knowledge to this publication.

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Managing tomorrow's people

How the downturn will change the future of work

About Managing tomorrow's people

At the end of 2007, PricewaterhouseCoopers (PwC)* published its first report on the future of people management. We believed the growing talent crisis, demographic shifts, advances in technology and the rise of sustainability issues on the corporate agenda would dramatically change organisational models and the way in which companies manage their people.[1]

The report, *Managing tomorrow's people: the future of work to 2020*, produced with the help of the James Martin Institute for Science and Civilisation at Said Business School, Oxford, explored three scenarios or 'worlds' which we believe will co-exist in 2020.

The report generated a high level of interest from business leaders, HR professionals, the media, academics and bloggers around the world. It is clear that the future of work is a hotly debated subject. This led us to produce a follow up study at the end of 2008 on the views of the new generation – *Millennials at work: perspectives from a new generation*. The report detailed insights from over 4,000 new graduates from 44 countries and was designed to help companies understand how millennial attitudes to work differ from previous generations.

This new report looks at the impact of the global economic downturn on people management. We explore how the actions of businesses as a result of the crisis determine their readiness for the upturn and their ability to compete in the second decade.

Quotes from CEOs featured in this report were taken from the PwC 12th annual global CEO survey.

*PricewaterhouseCoopers' refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.
1 See Appendix 1: Global forces

Contents

Introduction

‘To echo the recent words of our CEO, “the future is not cancelled”. While managing costs and capital closely, we still invest for future growth by continuing to hire graduates, run development programmes and target reward to our better performers. We do not want gaps in our future talent pipeline.’

Carole Crossley, VP HR International Mobility, BP plc

The credit crisis and subsequent global recession has created the biggest challenge to economic prosperity since the 1930s. Focused on survival, many companies are slashing workforce headcount and drastically reducing their expenditure on people.

The economic crisis has raised fundamental questions about the institutions and practices of modern business life. Belief in a self-regulating financial system has been shaken, confidence in the foundations of business has been eroded and a new generation of workers are reassessing the relationship between employer and employee.

Here, as part of our *Managing tomorrow’s people* series, we explore the impact of the downturn on people management, the different options open to companies and the scenarios we believe will play out in this time of great change. As we head towards the upturn, we examine how the decisions companies make today will affect their ability to compete in the future.

We outline three possible worlds or business models which will co-exist in the future, illustrating three fictitious companies as they look back from 2020. Some common themes have emerged:

- Demands for **greater transparency and social responsibility in business** have been magnified by the crisis and combine with the call for environmental responsibility already present in the green agenda. This will impact many areas of people management, particularly in relation to how people are rewarded. This is expressed in our Green World scenario.
- Increased **focus on hard people metrics** to measure performance and productivity as companies look at a long-term reality of having to do more with less. Our Blue World scenario imagines the performance and efficiency culture necessary for global companies (some larger than many individual countries) to succeed within a new order of economic superpowers.

- The opportunity for **radical new ways of working** will emerge in our Orange World scenario. We take the concept of outsourcing and globalisation of the workforce to an extreme portfolio working model where people organise their working lives like individual businesses in a highly networked world.

The global economic downturn has forced many companies to make important and difficult choices about how they manage and motivate people, with both immediate and long-term consequences.

As you read this document think about your people management strategy as a result of the downturn. What scenarios are plausible realities for your business in the decade ahead? And what practical steps do you need to take now[2] to realise your vision and limit the possibility of long-term damage to your talent pipeline?

Is your people strategy fit for the future? Do you think you can compete with the companies outlined in this report? One thing is certain, the decisions you are making today are already creating a legacy for the future and determining how successful you will be in 2020.

Michael Rendell
Partner and leader of Human Resource Services
PricewaterhouseCoopers LLP (UK)

> 'The ability to attract people – to motivate them while they're with you and motivate them to stay with you – is going to be the challenge. We're in a period when the demand for people is going to be greater than it's ever been before.'
>
> James E. Rogers, Chairman, President and CEO, Duke Energy Corporation, US

2 See Appendix 2: From scenarios to real options

2020: Where three worlds co-exist

Fragmentation

The Orange World
Tribes thrive

In the Orange World businesses are fragmented, 'companies' are usually small, lean and nimble, relying on an extensive network of suppliers. They have multiple clients and contracts and access a globally diverse workforce of 'team workers' on a supply and demand basis. Communication networks are enabled by continual technological advancement and innovation. Loose collaborative 'cloud' networks come and go project by project. Employees in the Orange World are technology savvy and networked to communities of other employees with similar skills.

Collectivism

Individualism

The Green World
Sustainable business is good business

Companies have a powerful social conscience intrinsic to the brand and 'green' sense of responsibility. The focus is on sustainable and ethical business practice and a strong drive to minimise and mitigate risky business practices. The responsibility ethos is enforced by governments and regulators and is more prevalent in certain industries such as energy, automotive and financial services. Green World employees engage with the company brand because it reflects their own values. They are recognised for good corporate behaviour, not just business results.

The Blue World
Corporate is still king

In 2020, Blue World companies embody big company capitalism and individual preferences override belief in collective social responsibility. Blue World companies have invested in size, technology, the talent pipeline, strong leadership and sophisticated metrics. They have highly engaged and committed workforces who are well trained, skilled and operate globally. Work may be pressurised and fast-paced, but staff enjoy a wide range of benefits which help them run busy lifestyles and 'lock' them into the organisation. For those who perform well, the rewards can be very high.

Integration

Figure 1

The Green World: sustainable business is good business

G-Bank in 2020

G-Bank is a US based investment and commercial bank, in business since 1922. In a tough new regulatory environment G-Bank has provided shareholders with steady growth and solid (if modest) returns by managing risk within its workforce and business. Its behaviour is always geared toward the long term, to ensure both economic and environmental sustainability. It's corporate responsibility values permeate throughout the organisation. G-Bank realises that failure to uphold these values could damage the brand with customers, and lead to penalties being enforced by governments or regulators.

Managing people in the Green World

G-Bank's relatively conservative approach to lending meant it was able to weather the storm during the great credit crisis of 2008-10. G-Bank recognised that increased government scrutiny and the demands for more ethical business behaviour arising from the credit crisis would inject renewed vigour into the environmental agenda. G-Bank's strategy explicitly recognises the need for strong environmental credentials as an essential part of an ethical and sustainable business.

Employees are rewarded with a rich selection of benefits but the company rarely offers short-term incentives for performance. This is partly due to the rigorous US regulatory framework and partly that G-Bank's business model is geared towards slow but sustainable growth.

G-Bank reports extensively on its people risk and reward performance as well as a host of other metrics around customer knowledge, ethical behaviour and supply chain efficiency. During recruitment, G-Bank assesses professional qualifications but also the contributions made to society and environment of the individual.

In G-Bank, as with many other Green World companies, people management focuses on achieving high levels of employee engagement. Pay is moderate compared to pre-crisis standards.

Timeline of company

2009	2011	2015	2016	2018
G-Bank adopts new 'principles for pay' for its executive cadre; at least 60% of any individual's pay must be based on group performance	G-Bank is first US bank to publish audited accounts of its environmental activity	G-Bank adds a permanent representative from an NGO to its board of directors	Announces early adoption of guidelines from Climate Change Act 2015 and Ecosystem Act 2016	G-Bank relocates HQ to new energy efficient eco building in the suburbs

Recognition is achieved through compensation being aligned to carefully regulated financial and non-financial KPIs. Engagement levels are not just influenced by pay, but the chance to work for a company with strong values, an ethical culture and behaviours aligned to its employees' values.

How G-Bank emerged from the global crisis

Transparency became the key principle through which the bank maintained the trust of its customers. The bank began to disclose the positive and negative impacts of its portfolio of activities, so that customers could see exactly where their money was going.

The bank facilitated a 'green new deal', where environmentally friendly technologies led the recovery from the recession. The bank applied its long-term view on climate change and began to finance the adaptation of its customers to the impacts of global warming and insuring against the costs. Its early acceptance of climate change as a business driver gave it a leadership position relative to latecomers, particularly in the US with a new climate conscious government. G-Bank was the first to introduce carbon and sustainability related metrics to monitor and reward its employees and businesses.

This approach proved attractive to the millennial generation and placed G-Bank at the top of graduate 'employer of the year' lists in many countries. Other new people management strategies which gave G-Bank the edge over the competition during the upturn included:

Radical new benefits model – G-Bank recognised that the workforce was more diverse than it ever had been and that current flexible benefits programmes were out of touch with the millennial generation. They had to think creatively about other incentives to motivate and engage staff beyond salary. A benefit credits system was introduced which enabled employees to earn bonus credits (earned on an ongoing basis for good performance and demonstrating company values). These could be used for a whole range of options such as: secondment to an overseas office, government department, non-governmental organisation (NGO) or other socially responsible organisation; personal career/life coaching (various levels); learning a new vocation/language (not necessarily related to current job); subsidies/advice for green improvements on their homes and paid sabbaticals or extended maternity/paternity leave.

In G-Bank we trust – G-Bank wanted to change the corporate culture and reinforce new behaviours among its staff. Having been criticised for accepting a high-risk culture under the old regime, the bank was keen to refocus its brand as an honest,

'86% of millennials would consider leaving an employer whose behaviour no longer met their corporate responsibility expectations.'

Millennials at Work

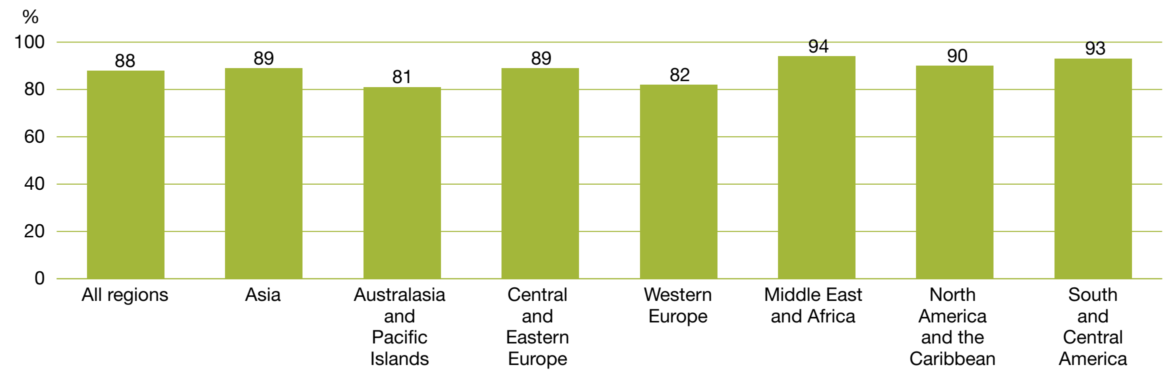
‘One of the things that the survey told us is that employees attach a great deal of importance to the bank’s proactive stance on issues of corporate responsibility. These issues resonate very strongly with our employee base. You see the same level of interest among the graduates we recruit.’

continued on p09

safe bank with a conscience. HR teams led an extensive cultural change programme internally to get staff to live by a new code of conduct. To help the company focus their minds from the boardroom down, they invited three of their key corporate sustainability (CS) partners to join the board as observers and influencers on the leadership.

How green are you? – G-Bank recognised the growing strength of the environmental lobby and the need for companies to react quickly to consumer concerns about any aspect of their business deemed unethical. G-Bank introduced an audit process and quarterly company reporting that focused on measuring CS practices by detailing carbon emission ratings and carbon exchange activity as well as more traditional

Corporate responsibility is key. 88% of millennials would deliberately seek employers whose CR behaviours reflect their own values



Base: 3922 global respondents

Source: Millennials at work: perspectives from a new generation (PwC December 2008)

Figure 2

company valuations. This is an indication of the importance shareholders and investors began to place on these issues, and how they were reflected in the share price. Employees were also asked to complete annual ethical and environmental reviews as part of the compliance process.

Risk under the microscope – G-Bank was criticised (but not as much as some other financial institutions) for rewarding the previous management team, despite poor financial results during the downturn. New performance review metrics for staff included measurement of the level of risk taken by the individual as well as other key non-financial metrics. Employees could be penalised for excessive risk taking even if the outcome had been profitable. Performance reviews were linked directly to the benefit credits system and staff could see their credits removed as well as being rewarded.

New reward model – G-Bank was one of the pioneers of 'new reward' in financial services, introducing a radical shake up to the previous reward for individual performance model. It adopted 'seven key principles of pay' across the organisation from the top down. The model was praised by shareholders and regulators and was quickly copied by other companies (see *Sustainable reward. G-Bank's seven 'principles of pay'* opposite). G-Bank also adopted innovative new approaches to retirement funding.

Sustainable reward: G-Bank's seven 'principles of pay'

1. Incentive payments should be based on performance measures that adequately account for the risk taken in producing profits
2. Bonus pools should not be struck below the level at which cost and risk can be allocated
3. Rewards should be aligned with the time profile of the risk borne by the firm
4. Deferrals should be linked to the realised profitability of the business on which the bonus was based
5. Managers should have a significant proportion of remuneration based on divisional or group-based bonuses
6. Compensation design should be considered a key business competence and resourced accordingly
7. Compensation should be viewed in conjunction with wider people management practices in order to support a consistent approach to achieving desired culture

continued from p08

'Taken as a whole, you can see that our commitment to corporate responsibility supports our sustainable employee engagement policy, which, in turn, is critical to the customer relationship that is the basis of our year-end results. It all hangs together.'

Stephen Green, Group Chairman, HSBC Holdings plc, UK

Future view

‘An employer’s policy on climate change and environment is important to 58% of millennials when choosing an employer. This rises to 82% of respondents in Central and South America.’

Millennials at Work

Extract from operating review

G-Bank was one of the first organisations to disclose their environmental activity.

G-Bank
Sustainable business report

G-BANK

G-BANK recognises its statutory responsibilities under the Climate Change Act 2015, Ecosystem Change Act 2016, and all other sustainability legislation. We have been active participants in the International Business Panel on Climate Change since it was established in 2010.

The group has adopted the European Sustainable and Responsible Corporations guidance and has comprehensive company-wide policies on sustainability, energy and climate change, and responsible procurement. We require all suppliers to be certified as carbon balanced and eco-friendly.

During 2020 G-Bank made further changes in its energy providers in 25 countries, so that 95% of our total energy consumption now comes from renewable sources. Our extensive use of videophone technology and virtual meeting software means that business travel has reduced by 75% over the past five years.

In the last quarter of the year our environmental auditors completed their annual sustainability audit and issued an unqualified opinion. This has allowed G-Bank to retain its status as a AA+ company within the S&P sustainability index.

Key environmental data is provided below

Key Environmental Statistics	2020	2019
Energy use – properties		
Total energy consumption – Gw	1,015	1,200
Energy consumption/FTE – Kw	0.10	0.13
Renewables as a % of total energy consumption	95%	91%
CO_2 emissions – properties		
CO_2 – kilotonnes	21.0	21.8
CO_2 – tonnes/FTE	0.21	0.23
Business travel		
Total travel-related CO_2 – kilotonnes	1.0	1.9
Travel-related CO_2 per FTE – tonnes/FTE	0.01	0.02

How the downturn affects your ability to compete in the Green World

- **Changing the compensation and benefits model**. Some companies will consider radical changes to reward/bonus programmes and staff contracts because of the backlash against perceptions of excessive pay. New legislation may also trigger the need for a review, but purely reactive changes could result in first mover disadvantage if staff feel there has been a significant reduction in key benefits compared to other organisations.

- **New 'zero tolerance/zero risk' tactics.** Companies can achieve good short-term results by giving the market a signal that bad behaviour will be stamped out. However, the creation of a highly risk averse culture will hamper creativity, innovation and profitability over the long-term. A strong risk/compliance culture could also affect the speed of delivery to customers.

- **Companies in survival mode** often view the sustainability/green agenda as not being business critical and therefore put CS projects on the backburner. We would argue that ignoring these issues will negatively impact the brand and seriously impair an organisation's future ability to engage with customers and staff.

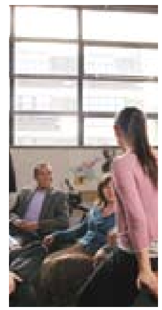
- **Stripping back travel** to save costs. Many organisations that operate globally rely on 'social capital' – the ability of the global network to work across borders to support the business and deliver products and services to customers. By limiting face to face contact, companies risk the break down of many years' investment in building social capital across the operation. If travel must be contained, then companies need to look at alternatives e.g. using technology to maintain networks.

- **The job for life concept disappears** as companies feel forced to make redundancies even two years after the low of the economic crisis. Research shows that unemployment follows the economic curve but lags by three years. Companies should consider alternatives to redundancy through careful workforce planning.

- **Disillusionment** with some industries, as a result of the downturn, may lead to talent turning its back on the corporate sector in favour of other sectors or NGOs.

To compete in the Green World, organisations must have a robust and transparent CS strategy. This should be clearly linked to the people strategy and, hence, actively engage employees.



The Blue World: corporate is still king

Yao in 2020

Yao is a global pharmaceutical company. It was formed by the agreed takeover of Como by China's state-owned Yao Generics in 2012. Como was originally founded in Treviso, Italy in 1913 as a soap manufacturer, later becoming a global leader in the branded pharmaceuticals market in the 1990s and 2000s.

Patent expiries, an insufficiently developed drug pipeline and increasing competition from generic producers left Como vulnerable after the global recession of 2008-10. Yao's 'Isis' longevity range, its euthanasia product 'Anubis', and 'Rise', (its popular antidepressant) now make Yao the most profitable pharmaceutical company in the world.

Managing people in the Blue World

Yao has become synonymous with dynamic, innovative capitalism. Its reward structure favours innovation and entrepreneurial behaviour. Yao continues to reward risk taking – when it works. It is a highly profitable business and provides shareholders with enviable returns.

The company has performed the neat trick of creating elements of a small business culture within a global giant by rewarding entrepreneurial behaviour. Ironically, close management and measurement maintain this culture of healthy, competitive innovation and creative freedom. More measurement of performance and output happens at Yao than at almost any other company. The HR people say they know everything about their employees, 'down to the colour of their eyes'.

Timeline of company

2010	2012	2013	2016	2017
Como introduces mass people measurement regimen across the organisation	Como bought by China's Yao Generics and becomes Yao-Como. Other acquisitions follow	Yao-Como data theft scandal prompts 'dark pool' recruiting	Yao-Como's 'Resilience' wellness at work programme is cited by the World Health Organisation as 'best of breed' model	New CEO Betty Chang moves the HQ from Rome to Shanghai (China remains its biggest market) and changes name to Yao

Yao's search and selection activities are meticulous in the extreme. From the beginning of the recruitment process, candidates (at all levels) have to undergo an intensive process of medical, physical and psychological tests to ensure they have the stamina and desired attributes of a Yao employee.

Work at Yao is known to be pressurised and fast-paced, but there are benefits. Yao invests significantly in training and development across all levels. International assignments are common, especially for junior employees, but they do not often get to choose where to go. Yao helps workers manage their lives outside work and many see the company as an iconic employer and a breaking ground for tomorrow's business leaders.

The company's obsession with measurement is not just about performance and productivity, but enables it to keep its 'core' employees engaged through training and role rotation. The Chief People Officer (CPO) sits on the board and is highly influential. Yao was one of the first organisations to consciously capitalise on the link between employee engagement, productivity, retention and customer loyalty.

Yao is good at spotting underperformers and redeploying or exiting them – it is part of what makes Yao successful. There are quarterly performance reviews and staff work in a super-charged, competitive atmosphere.

Rewards for performance are high and non-financial benefits (such as the employee health and wellness strategy) enhance the value of the overall remuneration package. With the company providing lifestyle services as part of the benefits package, employees are expected to use the resulting savings in net income to make their own arrangements for pensions and medical insurance during retirement. Yao's strategy has incorporated the lessons learned from iconic employers that failed because of crippling worker healthcare and pension costs.

How Yao emerged from the crisis

The takeover of Como by Yao Generics acknowledged the shift in global economic power to the East, already underway in the mid-2000s, but accelerated by the global credit crisis of 2008-10.

Like other pharmaceutical companies at the time, Yao faced an ongoing challenge to maintain its drug pipeline, and viewed the ailing Como as a long-term investment which would bring new products, key talent and a strong foothold in the European and US drug market. Yao admired the people measurement and productivity monitoring pioneered by Como and also saw this as a key component of its strategy to become the dominant player in the industry. Yao focused on:

'47% of millennials think China, Russia & India will have more economic influence than the US & Europe by 2020. Only 28% of US graduates disagreed.'

Millennials at Work

‘Over one third of millennials believe that by 2020 companies will be more influential than governments.’

Millennials at Work

Making HR a hard discipline – the leadership of Como had pioneered a sophisticated people metrics regime across the organisation. In the downturn years this helped Como to strip costs out by ‘surgically’ removing poorly performing individuals or parts of the organisation. When the upturn came, Yao capitalised on the metrics programme to spot opportunities for growth and to nurture strong performers.

Introduction of private equity style structures in parts of the organisation enabled Yao to maintain an innovative edge in an industry where fortunes rest on a healthy pipeline of new products. This allowed individual divisions to share in the profits of successful new products they created and promoted a high performance culture internally.

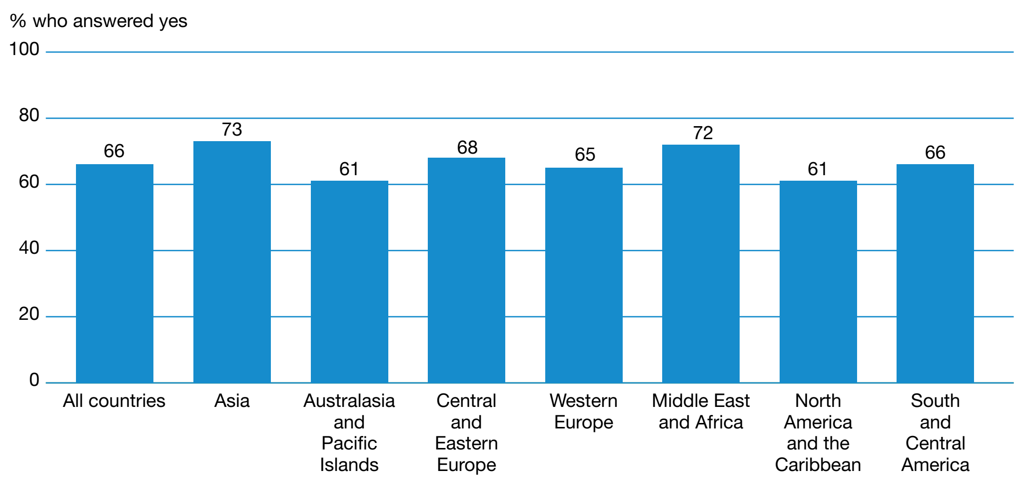
Recruiting talent from ‘dark pools’ – Yao’s extensive customer and employee information database exposed them to e-espionage and cyber attacks. In response they recognised the need to recruit technology problem solvers with unconventional résumés who could protect, manipulate and manage data in better ways (see *dark pools* on page 16).

Blurring the line between work and home – Yao recognised the desire by many employees for the company to take greater responsibility for their lives outside the workplace. Needs differed significantly by geography, but also by generation. For example, US workers wanted more flexible working arrangements and time off, whereas Chinese workers looked upon Yao as a place that could offer security, stability and the possibility of employment to other family members. Millennials wanted overseas working opportunities and lots of training, whereas retirement age workers in Europe were keen to work beyond retirement to supplement minimal or non-existent government funded pensions.

Fit workforce is a fit business – Both Como and Yao were strong advocates of promoting employee wellness, viewing regular health checks as part of ‘employee maintenance checking’. The development of the employee health and wellness strategy, had a dramatic impact on levels of absenteeism due to sickness which saw a fall by 60% in the first year of the programme.

Continued investment in training and development – Yao’s high performance culture is supported by strong training and development activity across the organisation at every level. Employees are encouraged to broaden their skills, and mobility of roles is the norm.

Many millennials would be comfortable with an employer providing personal services such as housing/food/regular doctor and dentist appointments.



Base: 3,884 global respondents

Source: Millennials at work (PwC December 2008)

Business passports

In certain parts of the world Yao has secured access to a number of 'business passports', issued to those highly skilled individuals constantly travelling between markets. This enables Yao to move some of its key employees more freely, in some cases negating the need for entry visas. It has worked particularly well for technical staff that need to be able to service and adapt the increasingly sophisticated technology infrastructure common to all large multinational organisations. Often this cannot be done remotely. The vetting procedures for these passports are tough and their future validity is not guaranteed. Any serious increase in international terrorism will likely see them revoked.

Figure 3

Future view

‘We see many enterprises around the world cutting jobs because of the financial crisis, and we work with leading human resource consultancies to recruit more Western professionals.’

REN Jianxin, President, China National Chemical Corporation (ChemChina), China

Dark pool talent

Data, intellectual property and intangible assets became an increasingly core part of many business models. Some companies relied heavily on banks of customer data (some of it updated in real time) to intelligently target bespoke products and services through the consumer’s life span and changing circumstances. Performance management within organisations increasingly focused on capturing, monitoring and manipulating a vast range of employee metrics. Data and communications networks (including mobile phones and hand-held devices) were increasingly vulnerable to e-espionage, cyber attacks and theft by organised criminals who were then able to compromise a business and blackmail its employees.

Companies needed to find a way of countering these threats. They started to fish in ‘dark pools’ for the talent they needed to create a protective shield. This new wave of corporate employee included those previously involved in covert government operations, the military, technological innovators (often under twenty years old) and ex-criminals.

A recruitment gap was identified: companies needed complex puzzle solvers who happened to use technology, not just technology experts. Initially, there was a trend for companies to go looking for dark pool talent directly. The recruitment industry eventually caught up and began to test routinely for problem solving abilities.

Although small in number, some of these employees assumed positions of great power quickly and had a significant impact on the work culture within organisations. The influx of dark pool talent provided challenges for managers and for leadership teams who understood the need for, but not the nature of, the work these employees undertook. Some were unconventional and eccentric characters with values and life experiences very different from traditional candidates. Care needed to be taken to manage and incentivise these people through their time at a company and especially during their exit. Many of them carried knowledge that could be used to compromise, even destroy operations.

How the downturn affects your ability to compete in the Blue World

For most companies, people costs represent the largest business cost – up to 70% in some organisations. During a downturn, spend on people is usually the first area to be scrutinised and cut. In the Blue World, long-term investment in the 'talent pipeline' is critical for businesses to remain competitive. Some of the ways companies could be affected by the downturn include:

- **Reducing graduate intake numbers** for a couple of years will seriously affect the talent pipeline and limit the number of options for leadership succession planning in the long term.
- **Training and development** budgets are often cut when companies are in difficulty. As well as a potential negative impact on customer service or product quality, cutting investment would mean the company lacks the right skills to compete when the upturn comes, incurring the higher cost and delays of hiring in people.
- **Employees committing fraud** in the workplace increases during a downturn. Companies need to ensure they have the right processes in place to minimise the possibility of fraud being committed. Employee fraud can be large or small scale and can damage both the reputation and the profitability of the business. This kind of fraud is usually borne out of low employee morale, individuals feeling personal financial pressure and an increased ability to justify the crime to themselves.
- **Not having the right data.** Although most organisations would lay claim to using some employee measurement techniques, many organisations struggle with what to measure and then how to interpret the data. In Yao's world, HR has become a hard discipline with people measurement at the heart of financial reporting. The danger in a downturn is that companies make cuts based on inappropriate data which damages the business in the long term.

To complete in the Blue World, organisations must become more focused on measurement and making HR a hard discipline. The ability to invest in a talent pipeline for the future is critical.

'Generation Y is much more focussed on work life balance. They want to get recognition much more quickly. The idea of being mentored by a senior manager is very attractive. But there's less of the 'time served' mentality before they expect to see reward.'

Vivien Broughton,
Career Development Manager, Europe & African Unit, Transocean

The Orange World: tribes thrive

Data Honey

Data Honey was established by Sven Norstaad and Petr Burgin in 1999. By 2020 it was a business of around 100 core employees, but using a network of contractors or 'team workers' of 1,500+. Data Honey is a highly successful market research and consumer communications agency based on the outskirts of Oslo, Norway. Almost half its permanent staff work remotely from around the world. Despite its relatively small employee population, Data Honey's 2019 turnover was over €4bn. Fragmenting global structures and the growth of new, dynamic local markets helped Data Honey thrive.

Managing people in the Orange World

Data Honey has managed to align its workforce size and capacity to its workload through clever use of collaborative tie-ins, international networks and its relationship with the technology guilds which have established themselves and flourished over recent years.

Data Honey uses many contractors, known as 'team workers'. Both permanent and temporary employees are encouraged to join the appropriate global guilds for everything from training and development to retirement, insurance and healthcare needs. HR as we knew it at the start of the century is almost non-existent. All that remains in-house is a talent sourcing role, which has been expanded to include management of internal

Timeline of company

2010	2012	2016	2017	2019
Data Honey helps to establish the first global guild – The Guild of Web Designers	Data Honey creates Head of Talent Sourcing role	Workbook takes care of 95% of Data Honey's team worker recruitment needs. All team workers belong to guilds	Workbook now has three serious rivals and introduces the Universal Employee Rating to regain its market lead	Guild of Web Designers successfully sued by ex-Data Honey employee for unfair employee rating

communications. Most recruitment is run through Workbook, the universal recruitment podium (see page 23).

Mobility is high. Data Honey believes that most people lose their creativity if they stay too long in the same role. Many people leave to go and work for Data Honey's clients and end up returning a few years later. A lot of the management is remote, which has involved specialised training for some of the senior managers and a constant investment in communication technologies.

In the Orange World, individuals providing professional services (such as programming expertise) now market themselves more like companies than freelancers. Some will offer a specific skill set to a prospective employer such as capability with a particular portfolio of software. Others have changed their value proposition by offering 'microproducts' or highly specialised applications which they have developed themselves.

Technology developers now leverage the power of the guilds and application marketplaces to sell these products direct to enterprise. The former barriers to entry – high capital costs for product testing as well as the fast burn rate of marketing and advertising expenditure – are borne by the guilds and the platform providers in exchange for a share in the upside. Data Honey benefits from being able to either buy talent or buy products depending on a particular need.

'85% of millennials are members of online social networks.'

Millennials at Work

‘I think the first thing is having clarity about who the top talent is, and second, ensuring that you reward them both financially and with expanding opportunity as well as with personal acknowledgement. At the same time, it’s counterproductive to lavish acknowledgement on your top talent if it’s done at the expense of everyone else in your company.’

John Donahoe, President and CEO, eBay Inc., US

How Data Honey emerged from the crisis

When many people (particularly in the technology, advertising and marketing sectors) lost their jobs in 2008-10, Data Honey realised there was a lot of good talent looking for work. They invested in creating social networks and support services for redundant workers as a way to make connections with new talent. In the short term, there was no real gain for Data Honey (although, reputationally, they became known as a forward thinking, good company to work for). But when the upturn came and demand for these services increased again, Data Honey was in the enviable position of having access to some of the best talent around the world. This gave them huge advantages over the bigger, more traditional players and they stole market share.

Creating social networks – the HR chief at Data Honey began to track layoffs at big competitor companies during the downturn. Data Honey created a number of social networking sites for jobless talent where they could find advice, share experiences and, in some cases, find new job opportunities. In fact, Data Honey was able to offer a number of short-term contracts to members of this network to support its client needs.

Early adopters of Workbook – when Workbook came on the scene in late 2010, Data Honey encouraged its social networking group to support the site. The reason Workbook succeeded where other large recruitment firms failed, was the pricing model. Candidates posted their information for a small fee and employers were charged a commission fee commensurate with the project length or level of expertise needed. As overheads were lower, the commission fees were far less than fees charged by the traditional recruitment firms.

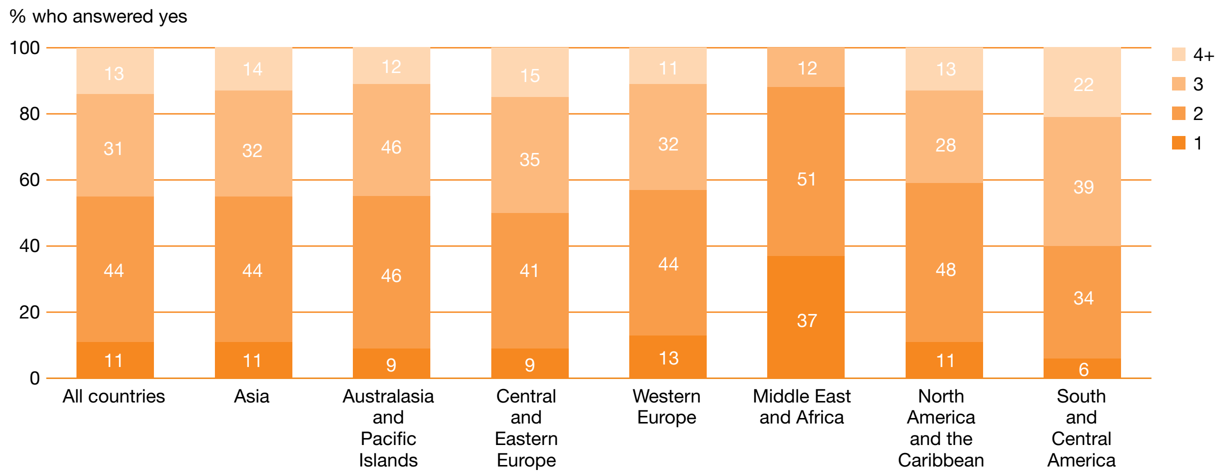
Having a talent pipeline for the upturn – when the upturn came, Data Honey’s competitors were still struggling with the old model of hiring talent back into their organisations for permanent positions. Data Honey developed a market leading reputation for being able to cherry pick the best people from a global talent pool for its clients – if necessary, within a matter of hours.

Setting up the guild model – Data Honey quickly spotted the trend for freelancers to act and market themselves as companies, rather than merely self-employed contractors, and supported this trend by helping to set up the first guilds (see *Global guilds* page 22).

Universal employee ratings – early adopters of Workbook and the Universal Employee Rating, Data Honey recognised that in an age of complete adoption of social media, networks have become so large that they are pervasive and self-validating. The transparency of online profiles allows prospective employers to check potentially inflated credential claims, which led to the requirement by professional services companies – now adopted in other industries – that all employees maintain available online profiles.

> '40% of Millennials would be prepared to give employers greater access to personal information, only 35% disagreed.'
>
> *Millennials at Work*

Most millennials have at least one email account, 44% have at least 3 or more



Base: 3,864 global respondents

Source: Millennials at work (PwC December 2008)

Figure 4

Global guilds

The global guilds are professional bodies for the technology and related industries. They were established by groups of successful professionals (with some international development and industry funding) from each of the represented disciplines. In just a few years, they have grown to a combined global membership of over five million professionals, all of whom pay an annual membership subscription and additional fees depending on their use of guild services. Most of the technology guilds were established in India from 2010-15.

The latent demand for guilds was obvious from the outset. The dot com crash of 2000-02 and global recession of 2008-10 created a highly successful, mobile and qualified group of technology freelancers. These technology tribes include information architects, web designers, game engine developers, technology consultants, search optimisers, online marketers, software engineers and systems testers. The freelancers that form them thrive on the variety of contacts, employers, sectors and locations they experience. Their membership of a still fairly new peer group provided them with a professional identity, not their employment in a particular company. Many of these individuals, however, were not experts at completing tax returns, sending invoices or planning their own training programmes.

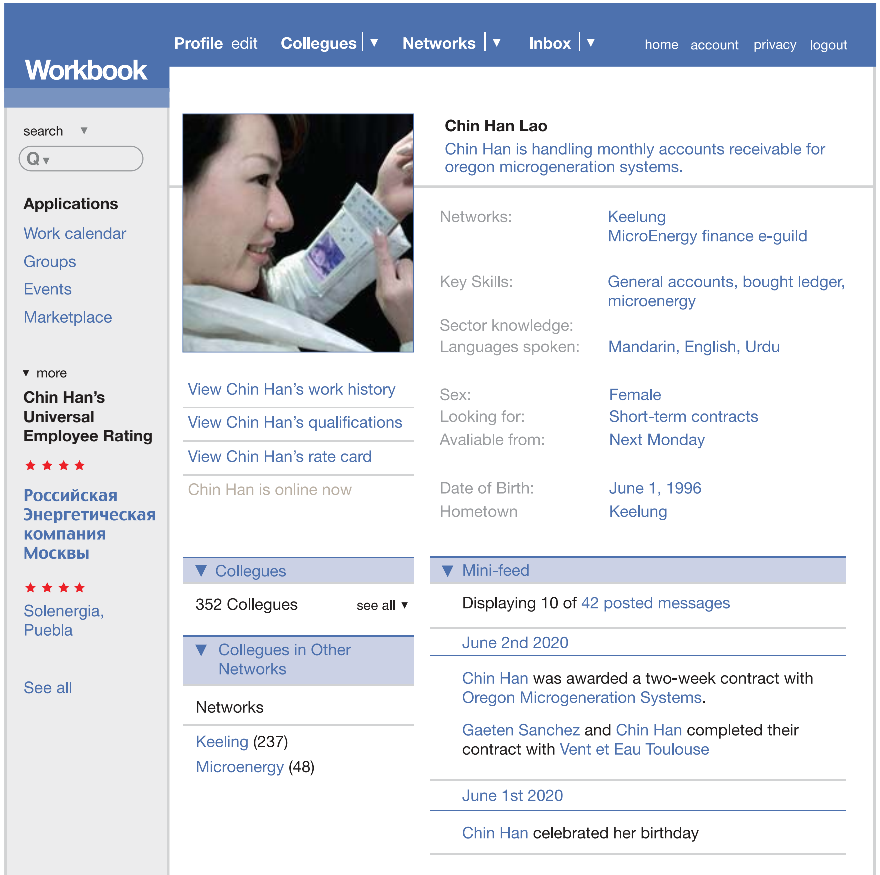
The global guilds have stepped in to provide these services, which has also made life easier for employers. The guilds can manage payroll, tax, global resource mobility and training, as well as legal representation for individuals and small companies. Their association and collaboration with universal employee podiums (notably Workbook) has enabled small but growing companies like Data Honey to effectively outsource most of their HR activities. The guilds' standards and codes of practice mean they can 'vet' Workbook's members and, to some extent, carry the risk through its disciplinary procedures and membership criteria.

The guilds' adoption of Workbook's Universal Employee Rating (UER) has helped employers and employees navigate the recruitment terrain, although this has not been without obstacles as the UER has now acquired a quasi-legal status and can be challenged in court.

Future view

Extract from employment networking site in 2020

In the Orange World, Workbook, an employment networking site, is used as a key route for people to find jobs, host their work experience and join networks



'The shortage of talented people in many of the markets where we are is going to be a huge concern just for sheer demographics. That's why the investment in technology is going to be even more critical, so people have the tools to be able to provide more sales per employee with the same amount of demand on hours as they have today.'

Group Chief Executive, FTSE100 global company

‘The key for HR in these times is to focus on being more engaged in the business, Attracting talent is going to be challenging when companies are cutting back. Trying to make sure that we keep that influx of new talent coming into the organisation will be critical.’

Barise Hatfield, Global Mobility Advisor, Huntsman International LLC

How the downturn affects your ability to compete in the Orange World

During a downturn, many organisations switch to survival mode, cut costs and take cover until the storm blows over. Data Honey remained focused on the future and the belief that they could capitalise on the changing world more quickly than their competitors. Its flexibility and entrepreneurial approach helped to create a completely new way of working for an entire industry.

- **Being innovative and taking risks**. During tough times, companies often shift focus to the short term. Companies need to continue to innovate, and anticipate or create their own futures.

- **Cost cutting** can lead to reducing numbers of external contractors and bringing a number of areas back in house. This might seem like a good short-term strategy to save costs, but may not be the best model for the supply chain over the long term.

- **Technology investment** is another area likely to be hit during a downturn. Spend on technology enhancements can seem like luxuries when there are more pressing issues, but companies need a competitive and relevant technology platform to support the business when growth returns.

- **Networking sites** – companies need to embrace the new currency of social networking sites and see them as a tool for developing contacts, new clients and promoting services. On the flip side, disgruntled employees can vent their frustrations on these sites and irreparably damage a brand within a short space of time.

- **Millennial employees** have different needs and expectations from previous generations. This tech-savvy generation expect employers to embrace technology and the flexibility it brings to their working lives.

To complete in the Orange World, organisations need to continue encouraging innovation and exploring new ways of doing things. The fast rate of technological advances cannot be ignored.

Summary

	Green World	Blue World	Orange World
Workplace culture	Focus on socially and environmentally responsible business practices	Fast-paced, global operator, with high performance culture	Flexible and highly networked with a focus on the short term
Employee profile	'Your corporate values match mine – I belong here.'	'Only the best work here – I am the best.'	'I will work with you because it suits me right now.'
People management style	Coaching and nurturing to promote the right behaviours	HR is a hard discipline, very metrics focused with rigorous recruitment processes	Emphasis on global talent sourcing, global guilds replace the HR function
Key themes	CS and transparency underpin everything to drive moderate but steady growth	Controlling talent is key, the line between home and work is blurred	Small means agile, innovative and able to adapt to change quickly
Corporate ethos	Sustainable business for a better society	Perform well all of the time and everybody wins	Networks make the world go round

Is your people strategy fit for the future?

'As an employer with 250,000 employees, we are also dependent upon access to manpower, particularly since there is a high turnover of personnel in the security industry... In the long term, however, demographic development is a risk factor. Europe is expected to undergo a population decline to an extent that has not been seen since the Black Death.'[3]

Alf Göransson, President and CEO, Securitas, Sweden

Of course we cannot be certain about the future, but we know that talent will be as critical tomorrow as it is in today's world. 97% of CEOs in PwC's 12th annual global CEO survey said that having access to talent and key skills was the most critical factor for their long-term business strategy.

We can also draw some conclusions from the case studies presented in each of our worlds where each company embedded best practice, but at the same time was not afraid to take on board fresh ideas.

- It is clear that the **millennial generation have different expectations of work and career**. Businesses will need to think carefully about how they engage with employees of different generations.
- **Corporate sustainability and climate change issues have gathered momentum**. Perhaps dependent on location or industry, companies will be forced to make significant changes as a result of new regulation, but also to remain competitive and sustainable in the eyes of customers, shareholders and employees. The debate will move on beyond carbon to other issues such as water scarcity.
- Employees, business leaders and governments have had to weather the economic crisis together. Some businesses will come out better than others, but we are likely to see **renewed efforts to restore trust**. This will come in the guise of new regulation or tighter controls to manage risk. The **'once in a lifetime' shift in our notion of performance related pay** will change our outlook on company reward and retirement arrangements.
- The importance of hard measurement of people has never been more crucial. **HR can no longer be a 'soft' discipline**. Today's people cost cutting has been likened to conducting surgery by candlelight, but tomorrow's competitive world will demand much greater precision.
- The **health and wellbeing of the workforce will be a key focus** in tomorrow's metrics oriented world. Sick, unhealthy or unhappy employees = reduced productivity and absenteeism.
- **Companies slashing training and development budgets will regret it**. In the rush to reload the talent supply when the upturn comes, these companies will be left behind. We also know that training and development is the most important benefit in the eyes of millennials.

3 Extract from the full interview with Alf Göransson which can be found on pwc.com/ceosurvey

- The impact of the economic crisis was felt everywhere and even emerging markets were not 'decoupled' from the crisis as some had predicted. **Global mobility of talent will be essential** to manage operations, optimise success in key markets and to maintain the talent supply in the organisation.
- **Companies need to accept the implications of social networking** and use it to target new customers, attract talent and manage customer relationships. Companies that innovate in this area will succeed.
- **Having the right technology platforms to run the business will be vital** to compete. Businesses might struggle to keep up with technological advances and the inevitable cost of change, but customers and employees will demand it.
- And finally, how is the Human Resource function positioned for tomorrow's world? HR decision making will be key to the organisation's cultural evolution and change. Is the era of 'business partners' coming to an end? Could we end up outsourcing everything to global guilds? Might the finance or marketing functions take over HR? Whatever the outcome companies need to ask: **is the HR function fit for the future?**

We believe that all companies should be thinking about scenarios for their own organisations. They need to examine how macro trends (demographics, globalisation, technology, climate change, etc.) will impact their business or industry, and how these might play out into future scenarios. Thinking through what these scenarios would mean for an organisation and what decisions or options need to be considered, will help to prepare for the future.

For employees, the future is likely to be a world where many different ways of working are on offer. The opportunity to experience multiple cycles of experience either in one or many organisations will exist. Employees will align themselves with organisations that fit their priorities and ideals more than in the current world, whether that be in relation to financial gain, social and environmentally responsible practices, aligning with personal beliefs, the opportunity to work overseas or being self employed.

For employers the challenge will be much harder. The competition for talent will continue to be intensely fought. Employee expectations will be far greater, and organisations will face these challenges against an even more competitive global market.

This report has outlined three very different business models co-existing in tomorrow's world. Each organisation faced different challenges and tackled the downturn in unique ways. As companies contemplate the next decade, many will consider rethinking and reshaping their strategy. In these three diverse worlds one common theme is that G-Bank, Yao and Data Honey invested in their *own* scenario planning process to identify opportunities to innovate, increase competitiveness, and identify real options to mitigate risks. This strategy helped each company to become the dominant players in their industries.

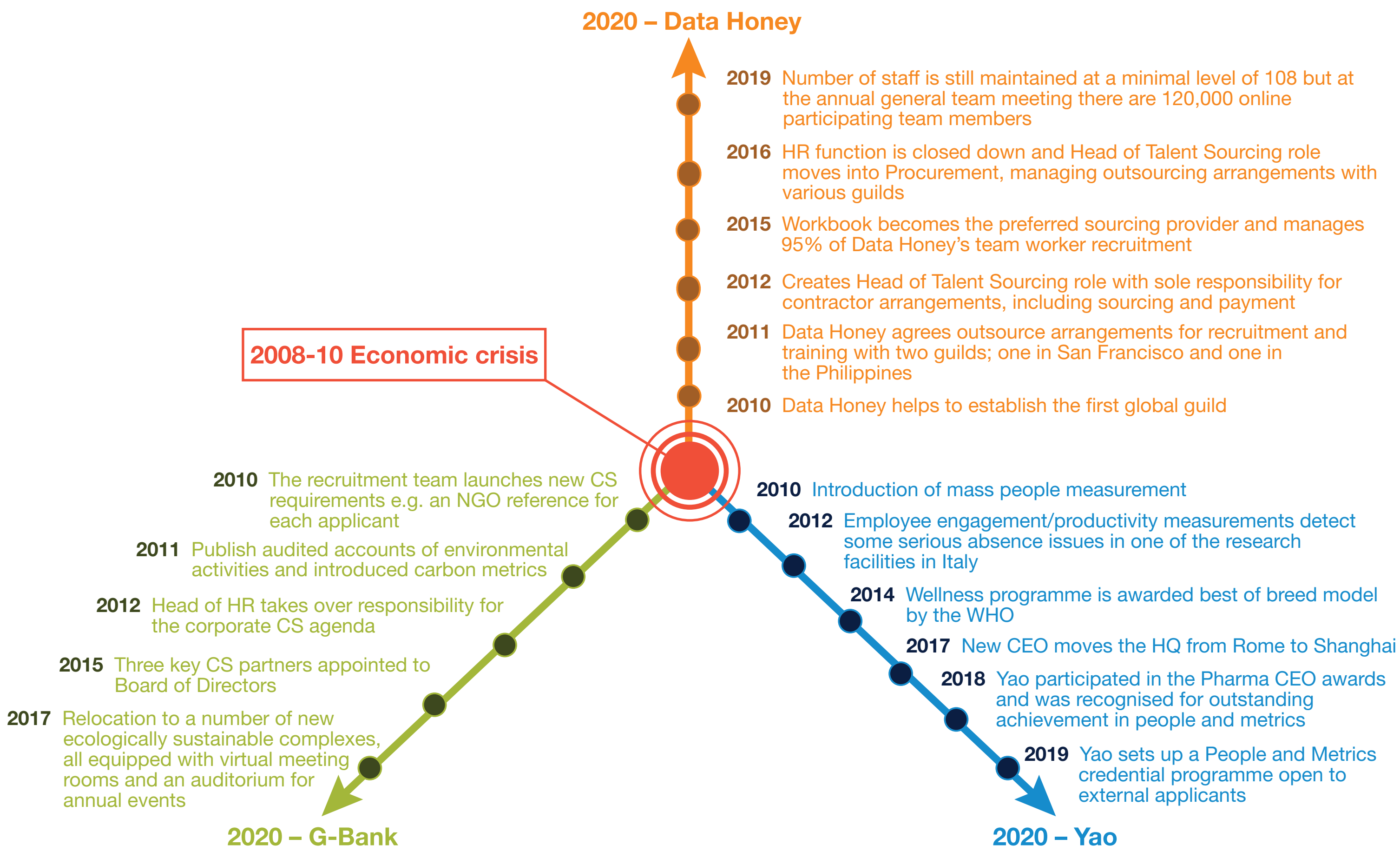
What should you do now?

Determine how future proof your business and people strategy is against the global drivers that will impact in the coming decade

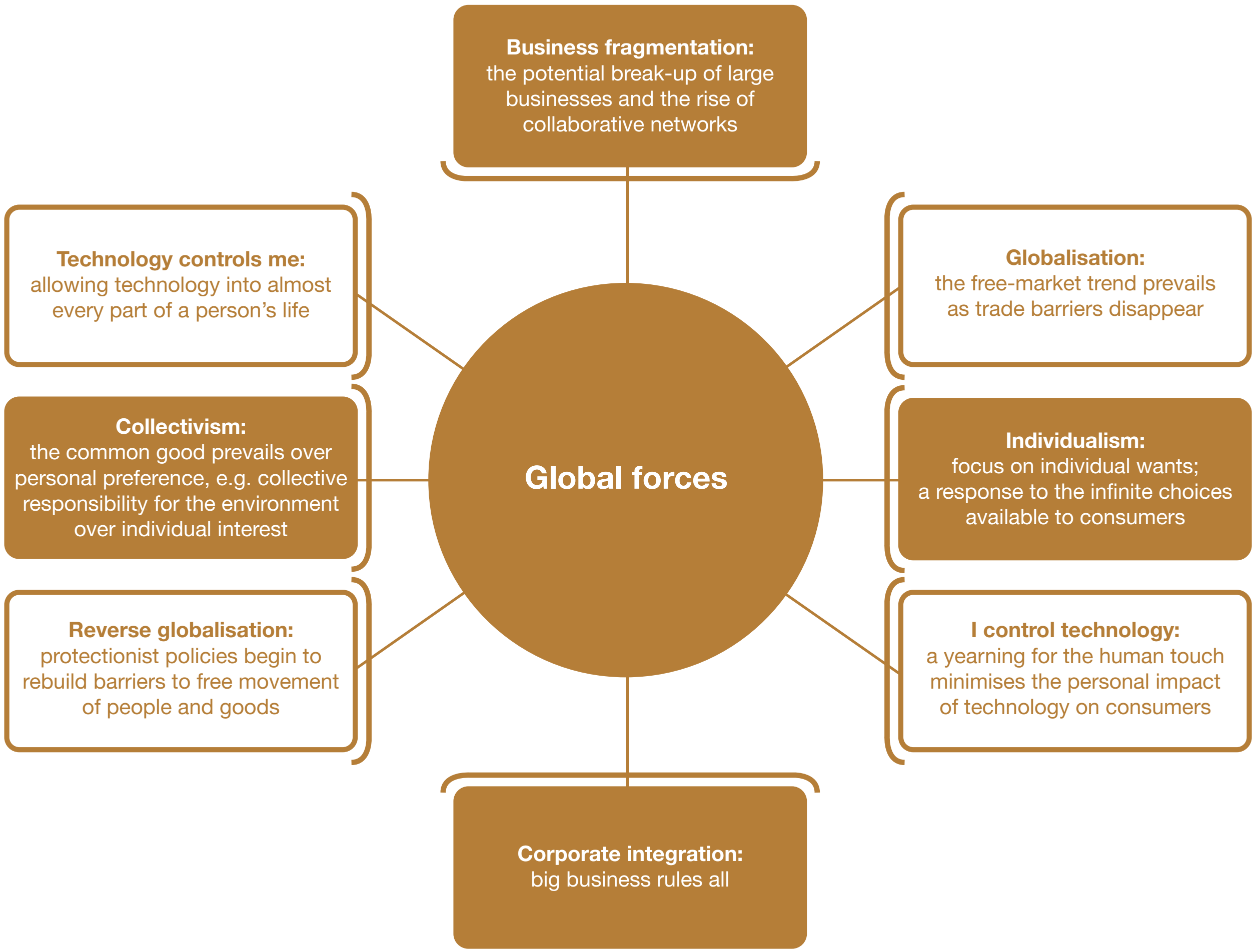
- Develop scenarios appropriate for your company, industry or geography
- Understand how your business fits into these scenarios and how well prepared you are to meet tomorrow's challenges
- Drill down into specifics on people management; for example, your reward strategy, retirement plans, recruitment policies – are they future-proof?
- Consider what 'real options' or actions you might take now to mitigate any risks and capitalise on opportunities to put yourself in a competitive position for the future
- Challenge the HR function to be more externally focused on customers, markets and trends – HR needs to harden up

Recognise that the future is not a place you go to, but one which you create

Some of the key decisions made by each company as a result of scenario planning



Appendix 1: global forces



Appendix 2: from scenarios to real options

During periods of economic upheaval and increased uncertainty, the difficulties of plotting the future course of a business are brought more sharply into focus. Successful companies are those which, rather than reacting to unfolding events, take a proactive stance and incorporate the possibility of change into their business strategy.

Two very different historical examples graphically illustrate how specific action based on foresight and planning can turn adverse economic circumstances into competitive advantage.

- In the early 1970s, with crude oil in plentiful supply, high demand for shipping capacity meant that oil companies were obliged to charter tanker space far in advance to ensure they could ship their product. When OPEC announced in October 1973 that they would no longer supply oil to nations supporting Israel in the Yom Kippur war, many companies were left with excess tanker capacity, at considerable expense. But one oil major anticipated the possibility of a global oil crisis and, at only modest additional cost, built options into its tanker contracts, allowing the company to decline shipping capacity in excess of its requirements.
- In the recession of the early 1990s many professional services firms slashed their graduate recruitment budgets. This short-term approach damaged their brands among the student population and, five years later when the markets had recovered, left them desperately short of experienced staff. One consulting company took a different approach. At the low point of the cycle in 1991-92, rather than cutting numbers and withdrawing offers like their competitors, they offered candidates the opportunity to defer entry for a year or two along with a modest travel bursary. Job candidates loved the idea and many accepted the offer willingly. The company's reputation among the student population was greatly enhanced and the firm saved costs in the short term while guaranteeing its supply of labour in the long term.

Building the bigger picture

Before specific real options can be incorporated into the business strategy, the broader economic backdrop and the ways in which it might change must be examined.

The process begins with the development of big picture or 'first level' scenarios, which are deliberately painted on a broad canvas. This process is about building strategies by imagining plausible futures, being creative and using inductive logic. Planners think about global macroeconomic trends, geo-politics, changes in society – including individual values and consumer preferences – industry trends, environmental changes and technological innovations.

While current trends will inform this thinking, scenario builders need to consider the possibility of major discontinuities – events like the September 11 terrorist attacks on New York or the sub-prime loan crisis, which can have dramatic effects on business and society.

From macro to micro

Using the first-level scenarios as the starting point, more detailed company specific or 'decision' scenarios can then be developed. These examine the implications of the big picture scenarios on the company, its competitors and the industry in which it operates. The scenario builders will think about the response of individuals, organisations and governments. What will be the effect of changes in the environment on consumer preferences and government regulations? How will the company itself react, taking into account its know-how, the competencies of its people and its financial resources?

Of course, while there are many possible scenarios, a company can only execute one corporate strategy at any time. The challenge is to move from a number of different plausible views of the future, with different consequences and requiring different responses, to one set of actionable plans. This is where the corporate planning technique called 'real options' comes into play.

Figure 1: From scenarios to real options

First-level scenarios	High level, descriptive, creative, inductive, general, a basis for strategic discussions
Decision scenarios	More detailed, deductive, company-specific, a basis for strategic planning
Real options	Very detailed, a basis for decisions

Real options

Both case studies above are examples of 'real options'. They are 'real' in the sense that they relate to something tangible – in these instances tanker capacity and people.

A real option gives management a right, but not an obligation, to utilise an asset in pursuance of the strategic goals of the organisation. Real options create flexibility in an uncertain world. They buy time to think, to allow managers to watch trends and look for early warning signs, to experiment without making irrevocable commitments.

Timing is everything: real options should be bought or constructed when the cost of doing so is cheap, creating competitive advantage if an option comes to be exercised and minimising cost in the event that the option turns out to be unnecessary.

Real options come in many forms. They may be rights to buy or to sell, opportunities to switch between different internal business processes or external suppliers, or toe holds in different markets. Options may be acquired on the external market, created internally, or they may already exist within an organisation.

A longer list of different types of option is shown in figure 2 below.

Figure 2: Types of real options

Inherent options	Already exist for free, simply need to be identified
Created options	Need to be consciously constructed or acquired, possibly at a price
Switching options	Give the possibility of switching between products, processes, inputs or business activities
Modification options	Create additional possibilities by modifying products, processes, infrastructure
Platform options	Investment in new infrastructure or capabilities to give new business opportunities
Capability options	Development of distinct competencies – human resources, brands, reputation, culture, knowledge, processes
Portfolio options	Development of new markets, channels to market, products, pricing strategies

Incorporating multiple possible outcomes

When a set of decisions work well in all imagined scenarios, the appropriate course of action is clear. Conversely, for decisions that would not work in any possible scenario, it is equally clear that the course of action should not be taken. The real world, however, is rarely so straightforward.

Consider the four key decisions and three possible scenarios shown in figure 3. In the third case the decision works well in scenarios B and C but not in the case of scenario A.

In the fourth case the decision works well in scenario C but not in the other two. Unfortunately, the categories of decision represented by questions 3 and 4 are more common than clear-cut decisions like 1 and 2.

This is where real options come into play. Rather than gamble, management should try to identify real options which cover the implications of a 'yes' decision to question 3 if scenario A comes about, and of a 'no' decision to question 4 if scenario C turns out to be the case. These options can then be incorporated into a single business strategy.

Fig 3: Linking scenarios and real options

	Scenario A	Scenario B	Scenario C
Decision 1	Positive outcome	Positive outcome	Positive outcome
Decision 2	Negative outcome	Negative outcome	Negative outcome
Decision 3	Negative outcome	Positive outcome	Positive outcome
Decision 4	Negative outcome	Negative outcome	Positive outcome

Real options in managing people – examples:

- Building research centres in different geographical locations around the world solely with the aim of accessing wider talent pools.
- Recruiting people with an unusual mix of experience and qualifications in order to broaden a company's capabilities.
- Increasing workforce flexibility by using a mix of different types of employment arrangement – fixed term as well as permanent contracts.
- Maintaining networks of self-employed contractors to supplement full-time staff.
- Using internships and bursaries to build relationships with universities to access knowledge and as a source of graduate recruits.
- Experimenting with different learning strategies, including computer-based training.
- Incorporating greater flexibility into reward arrangements.
- Running some HR systems in-house while outsourcing others.

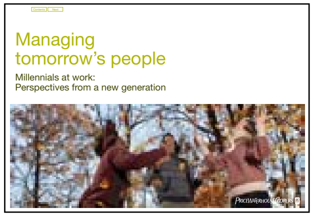
If you would like more information about scenario planning or real options, contact Jon Andrews, jon.andrews@uk.pwc.com

Publications

PricewaterhouseCoopers 12th Annual Global CEO Survey: Redefining success

Views from 1,124 CEOs from more than 50 countries, the report discusses the impact of the downturn, biggest threats to business growth and the talent management challenges facing businesses across the world.

www.pwc.com/ceosurvey



Millennials at work: Perspectives from a new generation

Over 4,000 new graduates from 44 countries were interviewed to explore their hopes and expectations as they enter the workforce for the first time.

www.pwc.com/managingpeople2020

Managing tomorrow's people: The future of work to 2020

The first report in our tomorrow's people series, uses scenario planning to envisage three business models or 'worlds' which we believe will co-exist in 2020.

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Managing tomorrow's people*

The future of work to 2020

Contents

Foreword

The journey to 2020

At the beginning of 2007, a team from PricewaterhouseCoopers gathered to explore the future of people management. Our thinking was sparked by the rising profile of people issues on the business agenda – the talent crisis, an ageing workforce in the western world, the increase in global worker mobility and the organisational and cultural issues emerging from the dramatic pace of business change in the past decade. We wanted to explore how these issues might evolve and how organisations need to adapt to stay successful. Many studies have attempted to capture a vision of the workplace of the future, but we set out to understand the people challenges that will impact organisations and consequently the implications this will have on the HR function as we know it. Few business thinkers have proposed that the marketing or finance functions might cease to exist in their present forms, but some are starting to say this about HR.

With the help of the James Martin Institute for Science and Civilisation at the Said Business School in Oxford, we used Scenarios[A1] to think

about the future of people management. Our team has identified three possible 'worlds' – plausible futures to provide a context in which to examine the way organisations might operate in the future. In addition we surveyed almost 3,000 Millennials[A1] – new graduates from the US, China and the UK who represent a generation just joining the workforce, to test their views and expectations on the future of work.

We hope you will help us to encourage debate around this critical topic. It is said that the future is not a place we go to, but one which we create. And while things happen that we cannot predict, we can still be prepared.

Michael Rendell
Partner and leader of Human Resource Services
PricewaterhouseCoopers LLP

A1 – Appendix 1, see appendix page 27

Introduction

2,739

In July 2007, 2,739 graduates from China, the US and the UK told us about their expectations of work. They had all been offered jobs with PwC but had yet to start. Some of the key findings are highlighted throughout this report

While some of the findings seem to confirm current received thinking about the future of work, a number of themes defy conventional thinking.

PwC is the biggest recruiter of graduates in the UK and a leading global recruiter of graduates. [A3]

When we started our research we had some preconceived ideas about tomorrow's world. Many studies have been undertaken to explore the future of society, the environment, business and even the workplace. Our challenge was to focus explicitly on the business context and the impact on people and work.

While we cannot claim to have identified all the possibilities, several strong themes have emerged:

1. Business models will change dramatically

The pace of change in the next decade will be even more fundamental. Technology, globalisation, demographics and other factors will influence organisational structures and cultures. Our scenarios outline three organisational models of the future:

- large corporates turning into mini-states and taking on a prominent role in society
- specialisation creating the rise of collaborative networks
- the environmental agenda forcing fundamental changes to business strategy.

2. People management will present one of the greatest business challenges

Businesses currently grapple with the realities of skills shortages, managing people through change and creating an effective workforce. By 2020, the radical change in business models will mean companies facing issues such as:

- the boundary between work and home life disappearing as companies assume greater responsibility for the social welfare of their employees

A3 – Appendix 3, see appendix for a full breakdown of the findings page 30

- stringent people measurement techniques to control and monitor productivity and performance
- the rise in importance of social capital and relationships as the drivers of business success.

3. The role of HR will undergo fundamental change

HR has been perceived by many as a passive, service oriented function, but given the context of tomorrow's workplace and business environment, we believe HR is at a crossroads and will go one of three ways:

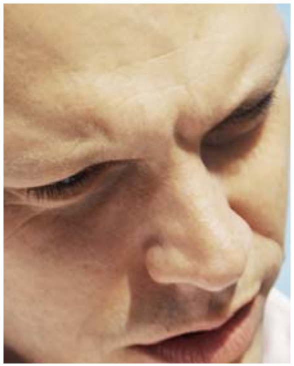
- with a proactive mindset and focused on business strategy, HR will become the heart of the organisation taking on a new wider people remit incorporating and influencing many other aspects of the business
- the function will become the driver of the corporate social responsibility agenda within the organisation
- the function will be seen as transactional and almost entirely outsourced. In this scenario, HR will exist in a new form outside the organisation and in house HR will be predominantly focused on people sourcing.

"HR needs to ensure it is fit for purpose in order to be proactive and maintain or develop its influence in the future."

Keith Murdoch,
Remuneration and
Benefits Manager,
British American Tobacco

2020: Where three worlds co-exist

We believe it is possible that all three worlds will co-exist in some form, perhaps distinct by geographic region, or industry sector for example.



We identified a number of global forces that will have significant influence[A2], and of those we felt that individualism versus collectivism and corporate integration versus fragmentation would be the most significant. From this axis we identified three worlds and business models for the future.
(See figure 1 opposite.)

We tried to capture the events and trends which draw a picture of life in tomorrow's world and the people management challenges that might prevail. The forecasting timelines and world descriptions are not intended to be taken literally as complete visions of alternative futures. They are designed to present ideas and illustrate the more important points around the people management challenges. We believe it is likely that all three worlds will co-exist in some form, perhaps distinct by geographic region, or industry sector for example. As you read this document think about how your own organisation might be positioned within these scenarios and what implications this has upon your current people management strategy.

A2 – Appendix 2, see appendix page 28

2020: three worlds

Figure 1

Corporate is king: the Blue world

Where big company capitalism reigns supreme

In a nutshell:

The globalisers take centre stage, consumer preference dominates, a corporate career separates the haves from the have nots.

2011	2012	2013	2014	2020
The Indian economy expands dramatically as it goes through a new wave of cross-border acquisition sprees and becomes a global leader in several industry sectors	World's biggest search engine and largest technology company merge	The brain-drain of Eastern European workers starts to reverse as workers return home to set up and lead corporates, building on expertise gained in several sectors	A decade of M&A consolidation across industry sectors peaks	Global warming changes the climate of Europe; as the snow on the Alps melts, skiers head to the US

90%

of Chinese respondents expect they will use a language at work other than their mother tongue

Size matters

The sheer size of corporations in 2020 means that a significant number now operate with annual turnovers that far exceed the GDP of many individual countries, particularly in the developing world. With echoes of the business models promoted by companies like General Motors in the middle of the last century, many companies now provide the equivalent of the welfare state for their employees to ensure they lock the best talent into their organisations. Internally managed service centres are sophisticated and highly efficient – using processes perfected by the outsourcers of the 'nineties. People metrics become an essential part of everyday life to keep track of individual performance and productivity.

Corporates divide the haves and have nots

The power of corporations means that a much greater divide has opened up between those working for global corporations and those working in smaller enterprises. Employees of mega-corporations have everything they need laid on. Those working for smaller businesses remain at the whim of housing markets and basic statutory entitlements, needing to self-supplement educational support, health and insurance coverage, what remains of the public health system, and so on.

Welcome to the technology age

Technology is all pervasive, entire cities in the US, Japan and the UK operate with ubiquitous high-speed wireless networks that allow all commercial transactions, entertainment and communications to be handled by every individual on credit card-sized devices. Pinpointing exactly what you want and being shown where it is available from wherever you happen to be is now taken for granted, allowing businesses continuously to refine and individualise their relationships with consumers, employees and shareholders.

> "Our search for talent is now a global search. The competition for talent will only increase further."

Hanspeter Horsch
Associate Director,
Human Resources
Samsung Semiconductor
Europe GmbH

75%

of respondents think that workplace flexibility will not exist; they believe they will be working formal office hours

Corporates drive lifestyle choices

Sophisticated measurement and segmentation strategies mean companies can target goods and services across their customer base and to employees. For example 'green politics' is seen as a lifestyle choice rather than a meaningful political movement. Corporations provide environmental products and services to those who express a preference.

Managing people in the Blue World

- Companies have become the key provider of services to employees. People management now encompasses many different aspects of employees lives', often including housing, health and even education for their children.
- This strategy has led to an increase in staff retention rates as people policies seek to lock in talent, but the top talent is still hard to attract and retain, many senior executives use personal agents to seek out the best deals.
- Mass consolidation has had an impact on cultural issues. Leadership teams now have a high focus on the evolution of the corporate culture with rigorous recruitment processes to ensure new employees fit the corporate ideal. Existing staff are subject to compulsory corporate culture learning and development programmes.
- Huge people costs drive the need for robust metrics and analysis. Employee engagement, performance and productivity are all measured systematically. Leadership can access people data on a daily basis. This also provides an early warning signal of non-corporate behaviour or below standard performance.
- Technology pervades every realm of business and leisure activity. The line between inside work and outside work is often blurred by technology with employers providing the platform. This also provides employers with added insights to staff preferences.

Who leads people strategy?

- The Chief People Officer (CPO) is a powerful and influential figure, sometimes known as the ‘Head of People and Performance’ who sits on the leadership board.
- Metrics and data are used to drive business performance through complex staff segmentation strategies which identify thousands of skills sets – creating precision around sourcing the right candidates for the right tasks as well as on the job performance measurement and assessment.
- The science of human capital has developed to such a degree that the connection between people and performance is explicitly demonstrated by the CPO.
- As organisations increase in size, their risk management systems are similarly extended.
- The people risk agenda is one which is taken seriously by the board – as a result, the CPO and HR business partners become more influential.
- Those responsible for people management increasingly need financial, analytical, marketing and risk management skills to measure the impact of the human capital in their organisation and to attract and retain the best talent.

Organisational challenges

- Quality assurance across the globe drives the need to create consistency across the organisational supply chain.
- The challenges of size and scale mean that these organisations are at greater risk from external threats such as technology terrorism or meltdown and they find it difficult to effect change quickly.
- As companies try to reinforce corporate values, these can often be at odds with cultural values and can present challenges.
- Organisations must develop models and systems designed and run by HR professionals which enable individuals and their agents to negotiate the value of their human capital based on employees’ personal investment strategies.

Employee profile

- People are graded and profiled at the age of 16 and categorised for work suitability both in terms of capability and individual preference.
- The top talent is highly prized and fought over. In most cases people are linked to an organisation by the age of 18.
- University education is managed by the company according to the organisational career path chosen by the individual.
- At the top level, employees take far greater control of their careers; often senior executives have their own personal agents who represent them to find the best roles and deals.
- Lower level employees are also taking active charge of their careers; they are aware of the value that their human capital represents and are demanding about the circumstances in which they will invest.
- Those outside the corporate sphere find employment choices are limited to smaller companies that are unable to provide the same level of development and financial benefits.

A people management model for the Blue World

In the Blue World where corporate is king, the people and performance model below is the closest to what many leading companies are aspiring to today – linking HR interventions to improvements in business performance and using more sophisticated human capital metrics to evaluate corporate activity. Under this scenario the management of people and performance becomes a hard business discipline, at least equal in standing to finance in the corporate hierarchy.

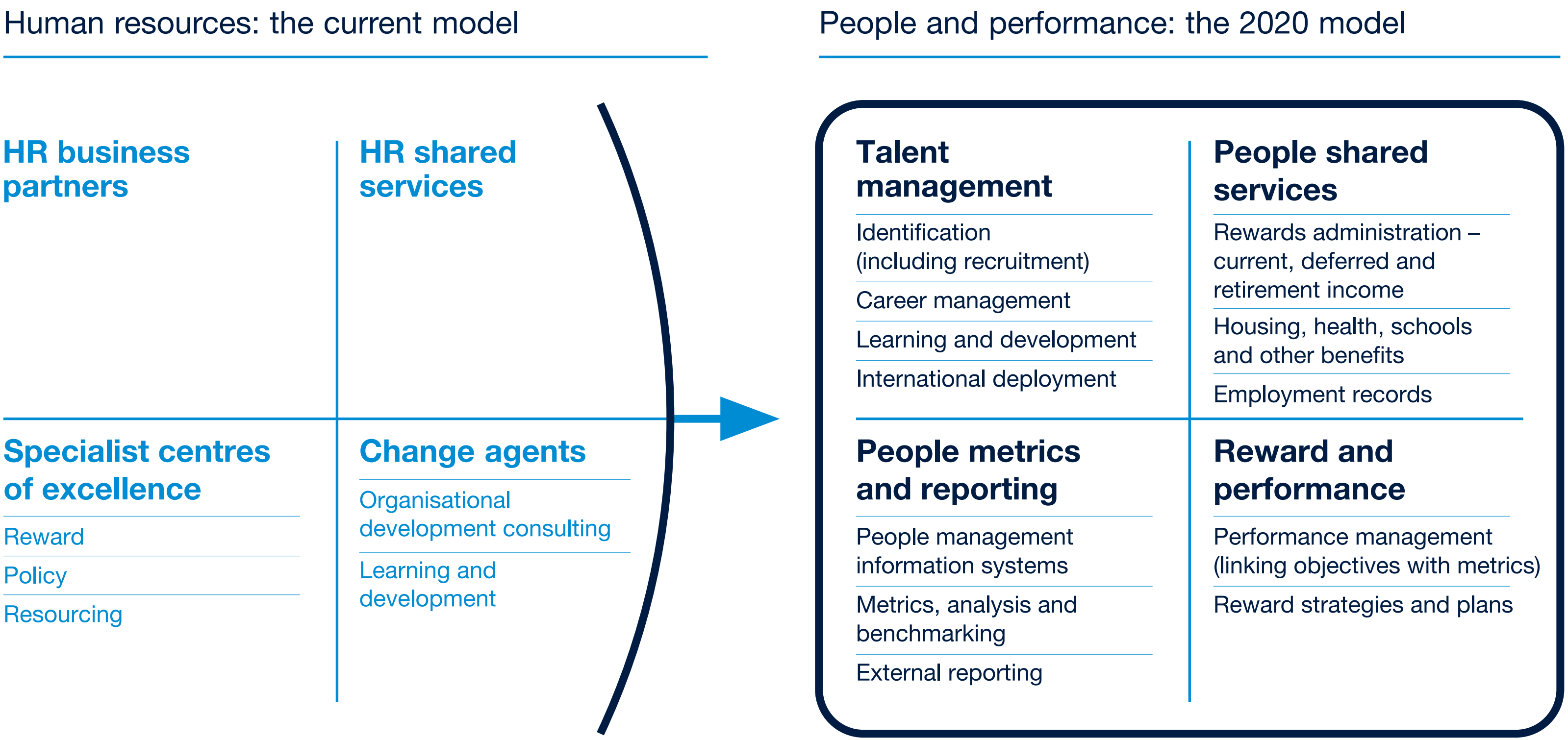


Figure 2

Future view

Extract from a newspaper in 2016

People metrics are integral to analysts' pricing strategies

WORLD FINANCIAL NEWS

3rd April 2016

NEWS IN BRIEF

Italian pharmaceutical giant Como saw its shares climb higher yesterday in expectation of positive news in its quarterly results due next week. The company, now worth an estimated € 20bn has profited from the success of its new line of statins in Europe and America, but also in China, the fastest growing pharmaceutical market globally.

The quarterly report will be looked at closely by companies inside the industry and beyond. Many credit Como's unusually rapid rise and dominance of parts of the sector to the way CEO Mario Fabrizzi manages the organisation's human capital, which the company also reports on in detail. Last year earnings per employee rose by 7% while costs per employee fell 5%, generating a much improved return on human capital.

Mr Fabrizzi said, "You have to measure the things you attach value to. Measuring the performance of our people has allowed us to quickly make improvements to any underperforming part of the business, to make effective plans for succession and to return real value to our shareholders."

Companies care: the Green World

Where consumers and employees force change

In a nutshell:

Companies develop a powerful social conscience and green sense of responsibility. Consumers demand ethics and environmental credentials as a top priority. Society and business see their agenda align.

2010	2012	2013	2018	2020
The UK launches the London Carbon Trading Exchange	The US signs the Kyoto II agreement and becomes a leading advocate for actions to reduce the rate of global warming	India becomes a key player in the corporate social responsibility agenda with a focus on preserving the Indian culture and heritage	Hybrid or fully electric cars outnumber petrol-powered cars	A group of scientists confirm that the rate of global warming is slowing

94%

of respondents believe they will work across geographic borders more than their parents did.

Consumers drive corporate behaviour

The environmental lobby is so pervasive that companies must be quick to react to consumer concerns about any aspect of their business which could be deemed unethical. Clear communication and clarity about products and services is essential.

Supply chain control

Companies have strong control over their supplier networks to ensure that corporate ethical values are upheld across the supply chain, and be able to troubleshoot when things go wrong. This has led to many organisations taking greater ownership of key components of the supply chain through vertical integration. Rigid contractual obligations are in place covering every eventuality.

How green are you?

The audit process and quarterly company reports are characterised by a focus on measuring greenness detailing carbon emissions ratings, and carbon exchange activity, as well as the more traditional company valuations. This is an indication of the importance shareholders and investors place on these issues which are reflected in the share price.

Big corporate fines

In the business world ethical behaviour is the most important attribute to attain and preserve. Brands can rise and fall on the basis of perceived green credentials, with government imposed corporate fines for bad behaviour in this highly regulated world. Corporate responsibility is not an altruistic nice to have, but a business imperative.

"We are developing an employer brand reflecting our identity as an employer and promoting our long term commitment with our employees."

Hughes Fourault,
Global Head of Compensation, Benefits and International Mobility,
Société Général

90%

of US respondents will actively seek out employers whose corporate responsibility behaviour reflects their own.

Managing people in the Green World

- New graduates look for employers with strong environmental and social credentials; in response HR departments play a key role in developing the corporate social responsibility programme.
- Employees are expected to uphold corporate values and targets around the green agenda. Most are given carbon credit tokens which are used like ration books to be cashed in for printing documents in hard copy, company travel and other anti-societal activities.
- The HR function is renamed ‘People and Society’, the leader being a senior member of the company’s executive team.
- The need to travel to meet clients and colleagues is replaced with technological solutions which reduce the need for face-time. Air travel in particular is only permitted in exceptional circumstances and is expensive.

Working across teams in different locations therefore presents enormous challenges to global businesses, and the HR function dedicates significant energy to generating virtual social networks across the operation and the client base.

- Most companies provide staff with corporate transportation options between work and home to minimise the need for car use. This has led to many companies choosing to relocate parts of their operation to where people are based and out of big cities.

Who leads people strategy?

- The CEO drives the people strategy for the organisation, believing that the people in the organisation and their behaviours and role in society have a direct link to the organisation's success or failure.
- The CEO works closely with the Head of People and Society (HPS) who, with a team comprising a mix of HR, marketing, corporate social responsibility and data specialists, drives the social responsibility programme.
- Employment law drives responsible employer behaviour and forces the HPS to develop innovative solutions in times of downturn – such as sending employees on secondments to other organisations where they can develop their skills and contribute to the wider society, bringing employees back in when the economic environment improves. The HPS is therefore a well-networked individual.

Organisational challenges

- Quality assurance and vigilance to minimise risk is paramount.
- The greatest threat to businesses in this scenario is the possibility of non-socially responsible behaviour either within the organisation or in any part of its supply chain.
- Organisations operate in a highly regulated world, where employment law makes it difficult to lay people off in line with market fluctuations. They struggle to monitor everything across the operation to be compliant with the ethical ideal for which they strive. But being compliant is not enough: organisations are under pressure to raise the bar and establish policies and practices which go beyond regulatory requirements. The danger in such a regulated world is that companies are so preoccupied with compliance policies that the ability to be flexible and explore new opportunities is hampered.

Employee profile

- The common belief is that employees choose employers who appear to match their beliefs and values. The reality is that the talent pool for the brightest and best remains competitive, and whilst CSR rankings are a factor, the overall incentive package remains all important. Incentives however are not just reward-related; for example, they include paid secondments to work for social projects and needy causes – a popular trend post-2010.
- Because organisations adopt a more holistic approach to developing their people, including personal development and measuring the impact they have on the wider world, employees are more engaged and as a result are often likely to have a job for life.

A people management model for the Green World

In the Green World where companies care, corporate responsibility (CR) is good. The CR agenda is fused with people management. As society becomes a convert to the sustainable living movement, the people management function is forced to embrace sustainability as part of its people engagement and talent management agendas. Under this scenario successful companies must engage with society across a broader footprint. Communities, customers and contractors all become equal stakeholders along with employees and shareholders.

Human resources: the current model

People and society: the 2020 model

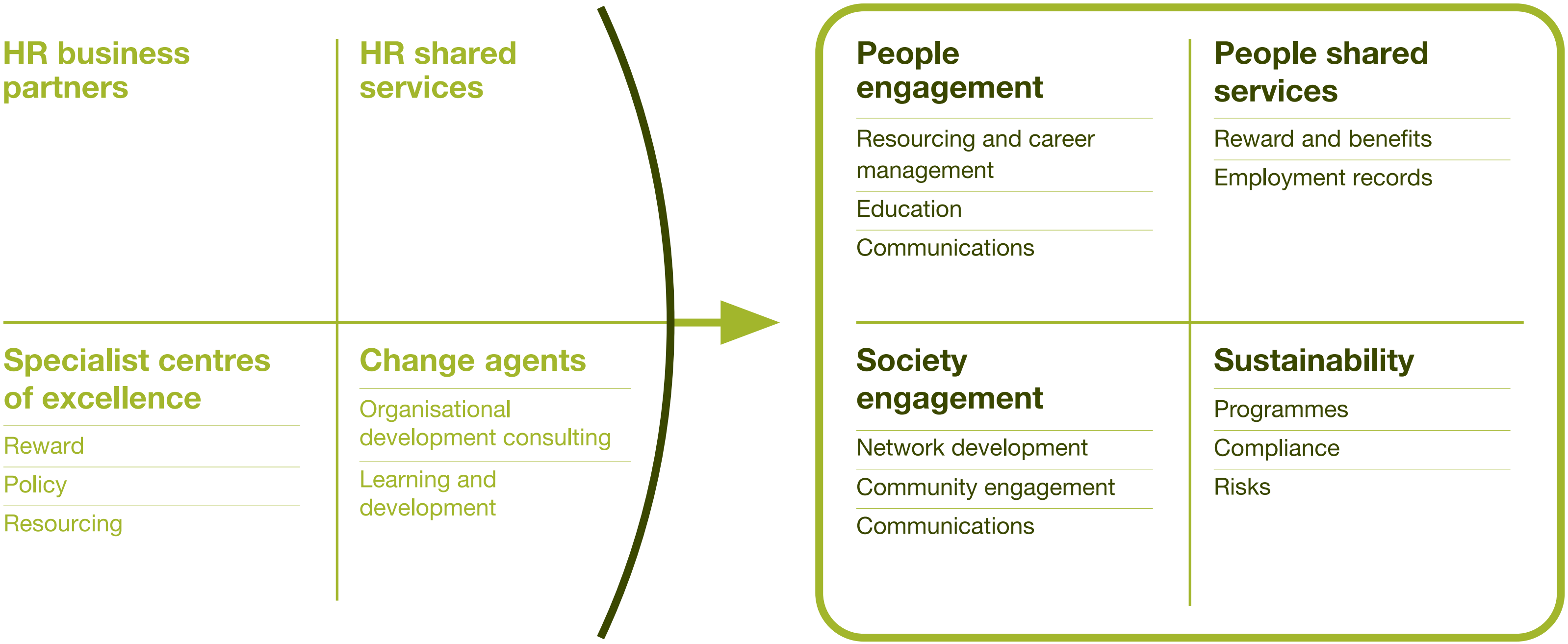


Figure 3

Future view

Extract from operating review

In 2020, it is a legal requirement that companies disclose their environmental activity. This also acts as a key differentiator when recruiting and retaining talent.

G-Bank
Sustainable business report

G-BANK

G-BANK recognises its statutory responsibilities under the Climate Change Act 2015, Ecosystem Change Act 2016, and all other sustainability legislation. We have been active participants in the International Business Panel on Climate Change since it was established in 2010.

The group has adopted the European Sustainable and Responsible Corporations guidance and has comprehensive company-wide policies on sustainability, energy and climate change, and responsible procurement. We require all suppliers to be certified as carbon balanced and eco-friendly.

During 2020 G-Bank made further changes in its energy providers in 25 countries, so that 95% of our total energy consumption now comes from renewable sources. Our extensive use of videophone technology and virtual meeting software means that business travel has reduced by 75% over the past five years.

In the last quarter of the year our environmental auditors completed their annual sustainability audit and issued an unqualified opinion. This has allowed G-Bank to retain its status as a AA+ company within the S&P sustainability index.

Key environmental data is provided below

Key Environmental Statistics	2020	2019
Energy use – properties		
Total energy consumption – Gw	1,015	1,200
Energy consumption/FTE – Kw	0.10	0.13
Renewables as a % of total energy consumption	95%	91%
CO_2 emissions – properties		
CO_2 – kilotonnes	21.0	21.8
CO_2 – tonnes/FTE	0.21	0.23
Business travel		
Total travel-related CO_2 – kilotonnes	1.0	1.9
Travel-related CO_2 per FTE – tonnes/FTE	0.01	0.02

Small is beautiful: the Orange World

Where big is bad, for business, for people and for the environment

In a nutshell:

Global businesses fragment, localism prevails, technology empowers a low impact, high-tech business model. Networks prosper while large companies fall.

2009	2010	2012	2014	2020
Facebook global membership reaches 1 billion people	Skill shortages push up wages in China, switching the balance of power to the individual away from the collective	Record number of corporate demergers and spin-offs	71% of Europeans shop at local farmers markets, popularity of supermarkets in steep decline	The California Gaming Guild achieves record pay deal for its 7 Star rated contractors

0.6%

Only 0.6% of UK respondents think that they will mainly work from home

A free economy

Trade barriers come down creating a truly free market economy and countries such as China quickly realise that without embracing full free-market forces they will be unable to compete.

Networks are key

The dream of a single global village has been replaced by a global network of linked, but separate and much smaller communities. The exponential rise in the efficiency of online systems for buying, selling and trading services and skills has debunked completely the old orthodoxy that economies arise from scale. Businesses are much smaller and roles are more fluid.

Complex supply chains

Supply chains are built from complex, organic associations of specialist providers, varying greatly from region to region and market to market. The solution is now not to outsource, but to fragment. Looser, less tightly regulated clusters of companies are seen to work more effectively. Often functions are picked up on a task by task basis by ‘garage’ operations, with each transaction bought and sold by the second on one of a number of electronic trading platforms, with local and global exchanges.

Millennials drive technology use

The millennial generation, comfortable with technology, is driving the usage of technology as the interaction with services, government and work, with an emphasis on choice and anti-monopoly thinking encouraging innovations in this area.

“Diversity is a huge challenge, but also a great opportunity. Getting diversity right will be a critical future success factor for us.”

Peter Johann
Director Global HR Management
BASF

11.5%

of Chinese female respondents expect to have more than ten employers during their career

Labour market enters the guild era

In a tightening labour market individuals develop portfolio careers, working on a short-term, contractual basis. They join craft guilds which manage career opportunities, provide training and development opportunities.

Managing people in the Orange World

- Organisations recognise that their employees and the relationships they have across their networks are the foundation of company success. Companies seek to promote and sustain people networks. This is achieved through incentivising employees around achieving connectivity goals and collaborative behaviours.
- As guilds become more important, they take on many of the responsibilities previously assumed by employers including sourcing talent, medical insurance and pensions, development and training.
- Employees are usually aligned to guilds and access opportunities through professional portals provided by guild networks – work can be bought, sold and traded in this way. Employment contracts are flexible to accommodate staff churn and a rapid turnaround.
- Workers are categorised and rewarded for having specialist expertise; this has created increased demand for workers to have a personal stake in the organisation’s success with direct ownership share schemes and project delivery-related bonuses becoming the norm.
- Recruitment has become largely a sourcing function and has been merged with the management of the huge number of contracts and price agreements required for each company’s network of partner organisations.

Who leads people strategy?

- People strategy is replaced with sourcing strategy, as maintaining the optimum supply chain of people is key to this networked world.
- The People Sourcing Director liaises with expertise networks and guilds to attract what they need for the best price.

Organisational challenges

- Organisations are heavily reliant on their external networks to deliver what they need, and a combination of watertight contractual agreements combined with a healthy degree of business trust is imperative.
- When a part of the network breaks down, the smaller size of organisations means they are able to flex and adapt quickly to change. But the flip side of this means that the lack of company infrastructure and resources to deal with sudden problems can be a challenge
- There is also a strong emphasis on technology to support the supply chain and to develop social capital and collaboration.

Employee profile

- The responsibility for skills development shifts wholesale to individuals.
- People are more likely to see themselves as members of a particular skill or professional network than as an employee of a particular company.
- Employees rely on achieving high scoring ‘eBay’ style ratings of past job performance to land the next contract.
- Specialisation is highly prized and workers seek to develop the most sought after specialist skills to command the biggest reward package.

A people management model for the Orange World

Our third world is in many ways the most radical. In this world, economies are comprised primarily of a vibrant middle market, full of small companies, contractors and portfolio workers. People management is about ensuring these small companies have the people resources they need to function competitively. This allows an important role to be carved out for HR, one where the people supply chain is a critical component of the business and is strategically led by the HR function. But the flip side is that this could also see in-house HR becoming a sourcing or procurement function, with the high-end people development aspects of HR being managed externally by guilds.

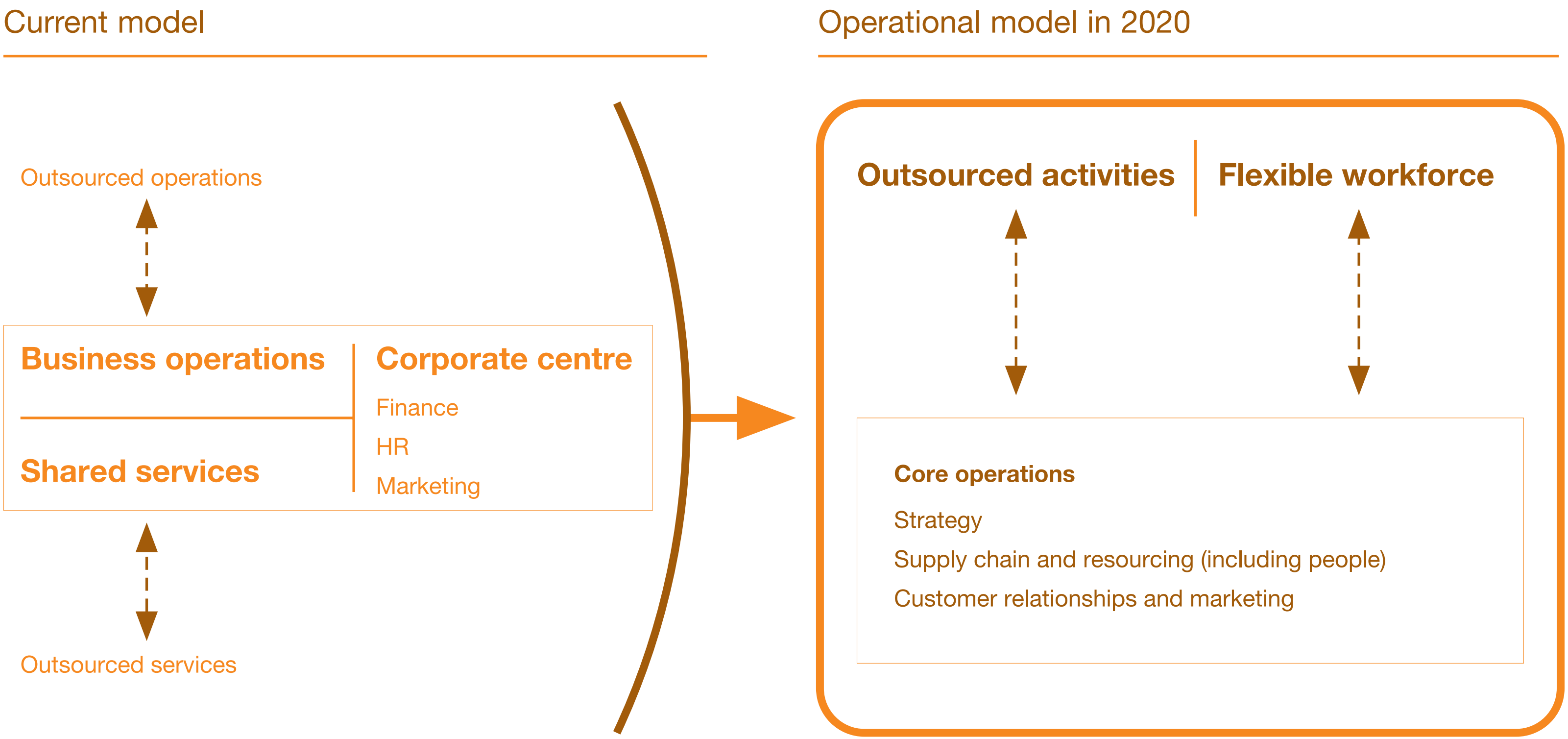
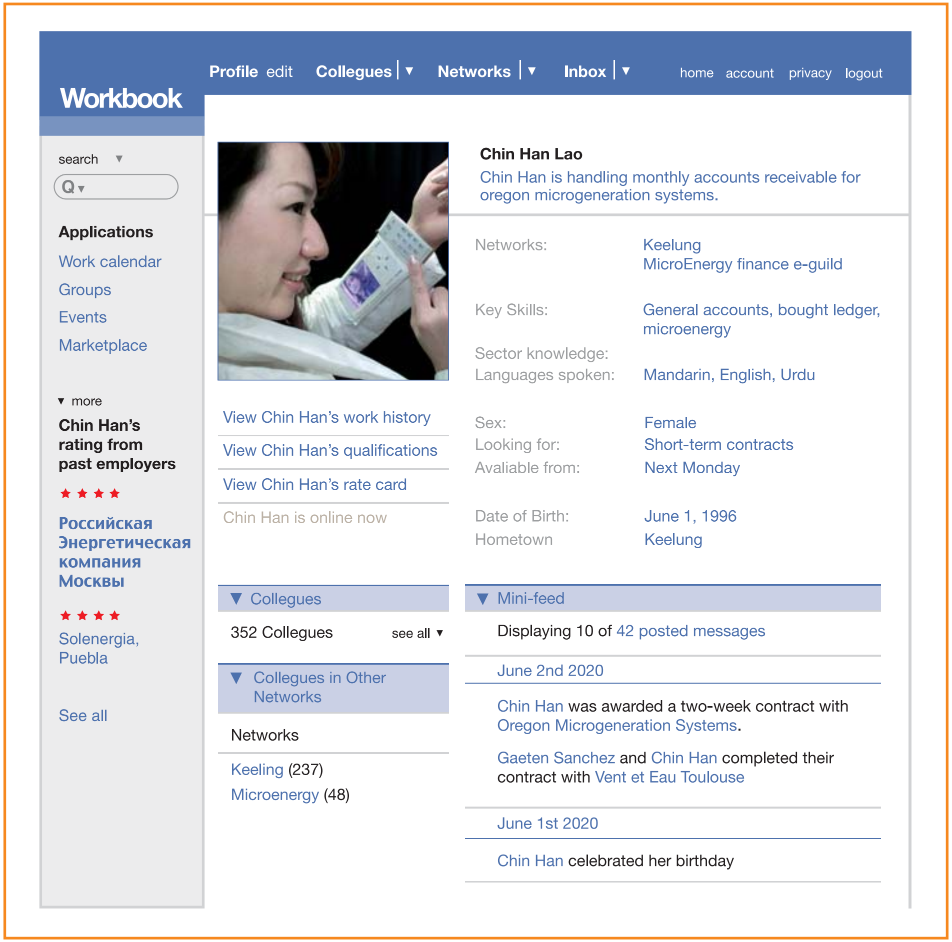


Figure 4

Future view

Extract from employment networking site in 2020

In the Orange World, Workbook, an employment networking site, is used as a key route for people to find jobs, host their work experience and join networks



Summary

A summary of the people management characteristics in 2020

	Blue World	Green World	Orange World
Resourcing and Succession	Long careers and career planning. Succession plans for key performers.	Holistic whole company approach to manpower planning.	Short-term careers. Lots of contracting. HR strongly focused on filling fixed-term vacancies.
Talent Management	Strong performance focus across all levels. Top talent have personal agents.	Broad definition of talent. Competencies focus.	Minimal – key players in the central 'core' only, but liaison with external agents crucial
Employee Engagement	Engagement around performance and performance metrics. Heavy promotion of corporate culture attributes and behaviours.	Engagement around work-life balance and social responsibility.	Short-term engagement around projects.
Reward and Performance	Strongly performance-related. Pay for performance. Highly structured according to role segmentation.	Focus on total reward over career life-time.	Contract based-pay for projects. Individual stake in projects as incentive for contractors.
Learning and Development	Begins at school. Focus on skills for the job – metrics driven.	Holistic approach to learning – much provided in-house. But secondments and paid sabbaticals for worthy causes are common	Minimal provision in house. Skills training via new crafts guilds.

Table 1

Are you ready for tomorrow's world?

What will the world look like in 2020 – Blue, Green, Orange or something else entirely? We believe it is highly plausible that all three organisational models described in this report will feature in tomorrow's world, sometime or somewhere and to some extent. We already see some multinationals heading in the direction of the Blue World business model. The energy industry has been demonstrating elements of the Green World for some time. We firmly believe that, as the CSR and sustainability agenda grows many other industries (and geographies) will take on characteristics of the green business model, for example the retail and manufacturing sectors. Consumer preference will have a huge impact when it comes to the green agenda.

The Orange World in some ways represents the most radical departure. Will big business find itself outflanked by a vibrant, innovative and entrepreneurial middle market? Will the work expectations of the millenials be such that portfolio lives will become far more pervasive? Will some larger organisations introduce internal markets and formal networks in place of old style hierarchies to create structures where agility, speed and flexibility are key to success?

The world of work is going to become even more complex. Our message is: take a long hard look at your organisation models and current people management strategies; how are you addressing reward, international mobility, employee engagement, development and learning? Think about how these might change in the future and whether or not the strategy you currently have in place is future proof, is sustainable, sufficient and relevant for the plausible worlds of tomorrow.

The survey we conducted is clearly representative of only a part of the millennial generation. But what truly surprised us is the desire in this group for stability and regularity in a changing world. Many people said they expect to work regular hours, from the office or on location, and would have only

"HR will continue to increase its alignment to the business, with greater accountability for delivering specific corporate objectives. This will result in a greater need for HR to quantify itself in respect of how we deliver against the bottom line. ...

> ...We will also need to prepare ourselves for a new generation entering the market place. A significantly more mobile generation with differing expectations from an employer, and we will need to adapt to reflect this."
>
> Michael Poulten
> Personnel Manager
> Reward and Benefits
> Tesco Stores

between two and five employers in a lifetime. But equally let's not ignore the Chinese women in our sample who expected far more flexibility and to have at least ten employers in a lifetime – perhaps these might be workers for the Orange World of the future.

Our final message is to the HR function itself. We believe there is a significant opportunity for the HR function to really own the people management agenda within organisations, to truly drive strategy and have the tools and information to become one of the most powerful and influential parts of the business operation. But – and yes there is a but – we can also see that complacency and a failure by HR to take the lead could result in the function being outsourced almost entirely, or absorbed by line managers or into other functions such as finance or marketing. The fate of HR as a function hangs in the balance. The challenge for HR is to figure out how to make itself relevant for tomorrow's world.

How can organisations plan for the future of people management?

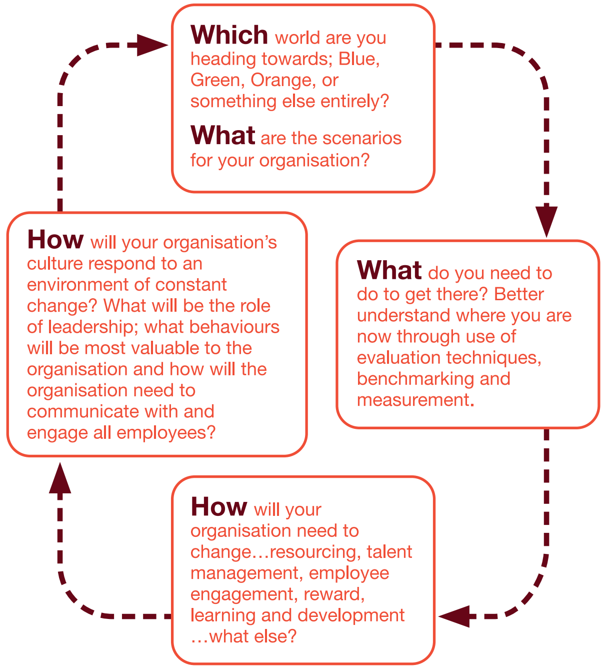


Figure 5

Appendix

A1 Definition

Scenarios

We worked with the James Martin Institute for Science and Civilisation at the Said Business School in Oxford to think about the factors that currently affect business and those which we believe will grow in importance in the future. We mapped these around a matrix and developed a number of scenarios: plausible futures around each. The result was the three worlds which we describe in this report. Shell famously used scenarios to help them to predict the Middle East oil crisis in 1973. The process can help organisations think differently about the future and plan for the inevitable surprises.

Millenials

Wikipedia says 'The Millenials' are also known as: 'Generation Y – a term used to describe someone born immediately after Generation X…one of several terms (also including The Internet Generation) used to identify the same group. There is much dispute as to the exact range of birth years that constitutes Generation Y and the Millennials and whether these terms are specific to North America, the Anglophone world, or people worldwide.'

For the purposes of this document, we refer to 'Millennials' as those who entered the workforce after 1 July 2000.

A2 2020: our methodology

We started our research by examining the forces that currently affect global business and are likely to have significant impact on the future. Clearly there are many social, environmental, religious and demographic factors that will have significant influence but we felt that some of these issues have been tackled extensively in other studies. We chose to focus on a number of potentially conflicting factors which we feel have the greatest impact on our subject matter – people management. Initially we explored the following eight forces: (see diagram opposite).

Scenarios

Our scenario planning exercise revealed that individualism, collectivism, corporate integration and business fragmentation would be the most significant factors affecting global business for the purposes of our study. We aligned these along two axes, around which we developed our scenarios further. We call these ‘worlds’. We began with four worlds: yellow, red, blue and green, with the yellow and red worlds straddling the top half of the quadrant. In these fragmented worlds we discovered through our analysis that the differences across individualism and collectivism were hard to define in the fragmented world. Both of these worlds relied upon networks to survive, were, small, nimble and adaptable. The motivations were the only variant factor where the red world was more self-serving than the collective altruism of the yellow world. We decided therefore to combine these themes to create a single orange world which represented the fragmented business model.

Global forces

Figure 6

A3 PwC graduate survey findings

In July 2007, 2,739 graduates from China, the UK and the US were polled about their expectations of work. They had all been offered jobs at PwC but had yet to start.

		Total	China	US	UK
Do you believe you will work across geographic borders more than your parents did?	Yes	93.9%	97.2%	92.1%	92.9%
	No	6.1%	2.8%	7.9%	7.1%
Do you envisage using a language other than your first language at work?	Yes	52.7%	89.4%	32%	35.3%
	No	47.2%	10.4%	68%	64.7%
Will you deliberately seek to work for employers whose corporate responsibility behaviour reflects your own values?	Yes	86.9%	87.2%	90.2%	71.2%
	No	13%	12.6%	9.6%	28.8%
Do you think you'll work...?	A mix of locations	74%	75.7%	71.8%	79%
	Mainly from home	4.6	7.4%	3.8%	0.6%
	Mainly in an office	21.2%	16.7%	24.3%	20.4%
	Not answered	0.1%	0.1%	0%	0%

		Total	China	US	UK
Do you think your office hours will be…?	Mainly flexible hours	13.9%	17.6%	12.9%	7.4%
	Mainly regular office hours	11%	7.1%	14.0%	10.0%
	Regular office hours	75%	75.1%	73.1%	82.5%
	Not answered	0.1%	0.2%	0.1%	0%
How many employers do you think you will have in your career?	1	8%	9%	8%	7.4%
	2-5	78.4%	74.4%	80.4%	79.6%
	6-9	7.9%	6.3%	8.5%	9.7%
	10+	5.5%	10.3%	3.2%	2.6%
	Not answered	0.1%	0.0%	0.1%	0.6%

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