



Cultivating the future workforce

The year 2020 is only a decade away. Yet the communications industry's workforce and the way it is sourced, organized, and managed will change radically by that date. Using scenario planning to look back from the vantage point of 2020, PwC has mapped out how organizations and their human capital might evolve through three scenarios, each of which we believe will be relevant and influential among communications operators and one especially so.

We also have examined the distinct values, aspirations, and priorities that characterize the "millennial generation," whose members are starting work now and will populate these new worlds. Put simply, the future workforce is already with us and communications 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.

During the recent economic conditions, the response of many communications businesses has been to focus on survival and to balance rigorously cutting costs with laying down a solid platform for future growth. For most companies, people costs—accounting for up to 70% of spending in some organizations—represent the largest business cost. As a result, people costs usually are among the first to be targeted in the effort to reduce expenditures. While cutting head count can yield significant, immediate savings, it also may risk undermining an operator’s ability to compete when the upturn arrives and thereby may endanger the business’s long-term sustainability.

However, successful long-term investment in human capital is not about merely how much money is spent, but also the way it is spent. Concentrating on short-term survival may distract management’s attention from the underlying trends that will shape the future of employment: an aging workforce, chronic talent shortages in many parts of the world, an increasing need for global worker mobility, and the profound organizational and cultural issues arising from the shift in economic power toward emerging economies.

Furthermore, the recent global financial crisis has raised fundamental questions about the institutions and practices of modern business life. Across the world, doubt has been cast on whether organizations that previously were highly trusted—most obviously in financial services but also in other sectors, including communications—actually behave responsibly toward society as a whole. Confidence in the underlying ethics of business has been shaken, and a new generation of workers is reassessing the balance between the financial rewards employers offer and the ethical values under which they operate.

Three scenarios for the future

To investigate the implications of these developments, PricewaterhouseCoopers (PwC) has produced a report called *Managing tomorrow’s people—How the downturn will change the future of work*. Using a scenario planning approach, the report analyzes three alternative views of the workplace a decade from now, envisaging three distinct “worlds,” or business models, for 2020 that we believe may coexist in the future.

The first scenario, the Green World, can be characterized as collectivist. In it, the demand for greater transparency and social responsibility has led to a situation where sustainable business is equated with good business. In the second scenario, the Blue World, individualism has triumphed, with big-company capitalism and individual preferences overriding corporate responsibility. In the third scenario, the Orange World, ongoing fragmentation has seen the business world split up into myriad small, lean, highly specialized companies and providers that interact and collaborate in countless ways.

As we will see, these three worlds are not mutually exclusive, and all three bring implications for communications operators. Given a future in which these three worlds coexist, one of the main differentiating factors between the

companies in each world would be their ability to attract different types of personalities from among the millennial workforce.

To help identify the characteristics and expectations of this new generation, we can draw on another piece of PwC research in the same series: *Millennials at work: Perspectives from a new generation*. As this study points out, all employers, communications operators included, need to start preparing themselves now to recruit, develop, and retain young talent, whose demands and aspirations will be very different from those of preceding generations.

Scenario 1: The Green World

In the Green World, companies are recognized and appreciated for good corporate behavior, not just for their business results. People decide to work for particular businesses, and to buy their products and services, because they share their ethical and environmental values.

Clearly, a reputation for responsible behavior is already increasingly important for companies across all sectors. Businesses aspiring to play a central role in this version of the future need to be aware of the long-term impact of today’s decisions on the sustainability of their business model. Short-term action that may appear to conform to an ethical and green agenda could have long-term negative implications.

The Green World

“Sustainable business is good business”

Companies have a powerful social conscience intrinsic to their brand and to a green sense of responsibility. The focus is on sustainable, ethical ways of doing business and a strong drive to minimize and mitigate risky business practices. The responsibility ethos is enforced by governments and regulators at a national and an industry level. Green World employees engage with their company’s brand, and are prepared to work for it because it reflects their own values but likely will leave if they believe the company has ceased to live by those values.

For example, some companies will look to make radical changes to their reward/bonus programs and staff contracts because of the backlash against perceptions of excessive pay. Changes that are too rapid, or poorly thought through, could result in a first-mover disadvantage if staff feel their benefits have been significantly reduced compared to other organizations. This could seriously undermine the company's ability to attract and retain talent over the long term.

Similarly, new zero tolerance/zero risk approaches in areas such as ethical behavior or business expenses could produce good short-term results by sending the market a signal that bad behavior is being stamped out. However, such approaches also could contribute to the creation of a highly risk-averse culture within an organization that would seriously hamper creativity and innovation over the long term.

Given the global downturn, companies in survival mode may view the green agenda as not critical for the time being, meaning sustainability projects and initiatives might be put on the back burner. However, cutting this investment too far could leave a company's reputation and brand more exposed to damage and could affect its ability to engage with employees and customers.

Often, for example, green motives are used as the excuse for stripping back travel expenses to control costs as a result of the downturn. Many organizations that operate globally, however, rely on "social capital"—the ability of their global networks to cooperate and collaborate across borders to support the business and deliver products and services to customers. By limiting face-to-face contact, companies could

risk undermining many years of investment in building social capital across their global operation.

The Green World has some major areas of relevance to communications operators. One lies in their opportunity, as major consumers of energy in their own right, to reduce their internal power consumption by making facilities such as data centers more energy efficient. However, operators' internal opportunities to reduce energy usage are dwarfed by their massive potential to help their customers across all industries cut their own emissions—by helping others work in more efficient ways and reduce physical travel. This broader beneficial impact may be especially attractive to talent in the Green World.

Communications companies' positive impact can extend to the social arena as well. In developing markets such as Africa, mobile services have the potential to let society leapfrog the relative lack of fixed line services and harness huge social and lifestyle benefits. At a basic level, someone who walks five miles from a village and finds water can alert everyone else immediately. In the longer term, operators can play a key role in tackling poverty in emerging markets by enabling the rollout of mobile banking and money transfer services.

Scenario 2: The Blue World

Weighing the long-term consequences of their actions is equally important for companies in PwC's second scenario—the Blue World. This scenario embodies a future in which collective social responsibility is subordinated to individuality, and in which big companies with big brands take a paternalistic and potentially career-long interest in their employees' lives.

In the Blue World of 2020, against the backdrop of the emerging world's growing economic dominance, a culture of performance and efficiency has developed for managing global companies that have grown larger than many individual countries. Blue World companies have invested in size, technology, strong leadership, monolithic global branding, and sophisticated metrics. They have highly engaged, committed workforces who are well trained and skilled and who operate in a globally interconnected way.

In the Blue World, long-term investment in securing the talent pipeline is critical for businesses to remain competitive. Clearly, recruitment decisions made today will have significant ripple effects. For example, reducing graduate intake numbers for a couple of years could seriously limit the options for leadership succession in 10 or 20

The Blue World

"Corporate is still king"

In 2020, Blue World companies embody big-company capitalism. Blue World companies have invested in size, technology, the talent pipeline, strong leadership, and sophisticated metrics. They have highly engaged, well-trained, and strongly committed global workforces. Work may be pressurized and fast paced, but staff enjoy a wide range of benefits that help them run busy lifestyles and that "lock" them into the organization. For those who perform well, the rewards can be very high. Blue World companies attract people who like the security of working for a big, potentially career-long employer.

years' time. Cutting back on training and development is used widely to reduce costs in the short term. Possible long-term risks, though, include not only damaging customer service or product quality, but also lacking the right skills to compete in the upturn—and being forced to incur the higher costs of hiring new talent.

The Blue World scenario also involves a heightened emphasis on metrics to measure people performance and productivity. This reflects the need for companies to deal with the reality of having to do more with less, which in turn means that having the right data is critical. Currently, relatively few organizations tackle people metrics in a rigorous or structured way, and many struggle with knowing what to measure and how to interpret the data. The danger in a downturn is that companies make cuts to their people management akin to “conducting surgery by candlelight”, generating short-term savings but also problems down the line.

Trying to operate in the Blue World brings major implications and challenges for communications operators. As fundamentally innovative and talent-based businesses, operators need to safeguard their future intellectual capital. To do this, some may choose to bind their best employees and even those employees' offspring to the company for life, by expanding beyond traditional training, development, and benefits programs to create corporate universities, schools, hospitals, and even towns. This trend will gain momentum as companies become bigger than countries and take on some activities formerly handled by nation states.

Such a cradle-to-grave approach may help a Blue World company ride out the impact of having to rely on an

increasingly aging workforce. Also, as the war for talent intensifies, the business's wider role in supporting its employees' families may give it access to a pipeline of young talent as its employees' children grow up. However, a Blue World organization may well miss out on some of the more innovative and mercurial talent, who will reject the idea of being “owned for life” by a single employer. By their nature, these individuals, whose numbers are set to increase in the millennial workforce, place a high value on their own independence, flexibility, and work/life balance, and are eager to gain wide experience with different companies. These people may well fit more comfortably into our third scenario: the Orange World.

Scenario 3: The Orange World

The Orange World represents the most radical departure from current models of big-company capitalism. It is also the scenario that PwC believes may carry the greatest relevance and resonance for the future of the communications industry. In our view, operators will participate in the Orange World of 2020 in two ways: first, by adopting it as a way of organizing and managing their own operations; and, second, by providing innovative products and services that enable businesses in other industries to become Orange World organizations.

In the Orange World, the pre-existing trends of outsourcing and of globalizing the workforce have been taken to the logical conclusion permitted by technological progress. The result is a future made up of myriad small companies, where businesses are fragmented, networked, and nimble and rely on an extensive, ever-changing network of outsourced providers. These businesses have multiple clients and contracts. They tap into a global workforce on a flexible basis as required, supported by continual technological advancement and innovation.

Communications operators are ideally suited to such an environment. With technology continuing to advance, and with services such as mobile voice having evolved from an expensive luxury to a near-utility lifestyle necessity, the communications industry is facing either wide-scale consolidation or fragmentation and potentially both. At the same time, there is massive interdependence throughout the communications value chain. Consumers, however, are moving toward demanding a single, easy-to-use device that handles all their needs, one that encompasses voice, Internet, e-mail, messaging, and MP3.

All these forces point to a future in which small, highly specialized, innovative companies collaborate

The Orange World

“Tribes thrive”

In the fragmented Orange World, companies are usually small, lean, and nimble and rely on an extensive network of suppliers. They have multiple clients and contracts, and they access a globally diverse and flexible workforce of team workers on a supply-and-demand basis. Employees in the Orange World are technology savvy and are networked to communities of other employees with similar skills. They enjoy the freedom and flexibility of setting and controlling their working pattern and work/life balance. This structure is closely correlated with the communications industry, which is enabled by continual technological advancement and innovation and where loose, collaborative “cloud” networks can come and go, project by project.

flexibly with partners of all sizes to develop and deliver communications-related products and services tailored closely to customers' evolving needs. Apple's iPhone is an early illustration of a potential new way of working. In the first nine months after the launch of the iPhone, Apple sold a billion software applications for use on the mobile device. The vast majority were created by individuals, and Apple reviewed, tested, and marketed the applications in exchange for a percentage of the revenues.

In line with this emerging trend, in the Orange World individuals who provide professional services, such as programming expertise, will market themselves more like companies or sports stars than traditional freelancers. They will be able to sign up with agents who offer their services via online communities to the highest bidder for specific projects anywhere across the world. Technology and high-bandwidth communications links will make the place where innovation takes place irrelevant, and prices for particular skill sets will vary as demand for various specializations rises and falls.

Rather than qualifying in a discipline, working for a few decades, and then retiring, skilled individuals will learn, retrain, and reshape their lifestyles throughout their lives, a far cry from the traditional linear career common in today's corporation as well as in the Blue World of tomorrow.

Clearly, collaboration within and across the fragmented Orange World is enabled by communications technology. By demonstrating the benefits and viability of the Orange World on a day-to-day basis, communications companies will encourage companies in other industries to adopt the same model, thereby growing the market for their own products and services. Also, as we have already pointed out, organizations in the Orange

World will be able to coexist and collaborate with their counterparts in the Green and the Blue Worlds, especially when these businesses need specialized innovation and skills unavailable within their own organizational structures.

To join the Orange World, communications operators and their suppliers must start preparing today. They should actively embrace the new currency of social networking sites and start exploiting the sites' potential as a tool for developing contacts and clients, and for promoting the operators' services. Indeed, the tech-savvy new generation of employees will expect them to be doing this. One of the key reasons they choose an employer is a prospective company's ability to use advanced technology to bring greater flexibility to their working lives.

Preparing for the millennial generation

A further key consideration that companies must take into account while approaching any of the three scenarios we have described is the need to successfully attract, retain, and develop the millennial talent now entering the workforce. In the next decade, a unique combination of forces will see the global war for up-and-coming talent intensify to unprecedented levels. Whatever world they choose to inhabit, companies must either equip themselves to win this war or face losing competitive edge, innovative momentum, and, ultimately, revenues as the best talent goes elsewhere.

Two factors in particular will serve to intensify the war for talent. One is ongoing demographic shifts resulting from a steady rise in life expectancy and declining birth rates in many parts of the world, especially in developed economies. These changes will lead to a shortage

of younger workers and a need to keep employees working until well past current retirement ages. The other factor is the ongoing rise in remote and flexible working patterns enabled by technology, as prefigured in our description of the Orange World. With location becoming increasingly irrelevant, even local talent will be subject to global competition from other potential employers or clients.

As a result, we believe that by 2020 maintaining the people supply will be the most critical factor driving business success, making the millennials the most powerful generation of workers the world has ever seen. Also, PwC's recent study of more than 4,200 of our own graduate recruits confirms that they have a mind-set, aspirations, and expectations markedly different than those of all previous generations. While our own graduate intake may not be representative of the population as a whole, it will be largely aligned with the type of ambitious, commercially minded, high-achieving millennials whom communications companies will be competing to employ.

Several clear trends emerge from our research, all illustrating key aspects of the Green, Blue, and Orange World scenarios we have described. For example, as in the Orange World, millennials already view their careers in a flexible, global context and expect job mobility. With 80% saying they would like to work abroad and 70% expecting to use other languages during their career, they want the opportunity to experience overseas assignments.

Corporate responsibility is a critical consideration for this generation: 88% say they will choose employers who have corporate social responsibility (CSR) values that reflect their own. Equally significant is the fact that 86%

would consider leaving an employer if its CSR values no longer matched their expectations. Companies that join the Green World must stay in it if they are to keep their employees.

Not everything will change, however, and that reflects the likely emergence of a Blue World. Our research—which found that the majority expect some element of office-based work and only 3% expect to work mainly at home or other locations—debunks the theory that the next generation will reject traditional work practices. Most expect to work regular office hours, and only 18% expect primarily flexible working patterns. And the notion of portfolio careers is not likely to become a reality for this group, as 75% believe they will have between two and five employers in a lifetime.

Some of our findings have profound implications for all three of our world scenarios. One of the most evident is the critical importance millennials attached to training and development, which is the employee benefit they value most highly. Asked to name the most important benefit an employer can provide, three times as many cited training and development as cash bonuses. And 98% believe working with strong coaches and mentors is an important part of their own career and personal development. Together with the findings on CSR, these preferences show that millennials are motivated primarily by issues other than money, a factor that companies will need to recognize in their reward and benefits packages.

Facing up to the future

Overall, our future scenarios and empirical research suggest that the world in 2020 will represent a very different environment for communications companies seeking to identify, recruit, retain, and incentivize talent.

For the millennial generation of employees, it will be a world where many ways of working are on offer. They will have opportunities to experience multiple forms of employment in one or many organizations, and in worlds that differ widely in organizational structure and culture. Depending on their own personalities and preferences, employees will seek to align themselves with organizations and working patterns with the closest fit to their lifestyle, priorities, and ideals. Individuals will also move between worlds over time; for example, many of the skilled, flexible people used by the Orange World will start developing their capabilities by working for Blue World businesses.

For employers, the challenges involved in adapting to the world in 2020 are likely to be even greater than for employees. The competition for talent will continue to intensify, employees' expectations will only expand, and organizations will have to try to overcome these hurdles against the backdrop of an even more competitive global market. Communications operators face particular challenges in addition, given the migration of communications services toward utility status, the industry's need to innovate continually to sustain the value it adds, and the prospect of wide-scale industry consolidation possibly combined with fragmentation of much of the value chain.

To prepare for the future workforce, companies should examine the three scenarios we have outlined and decide which of them will deliver the base of skills and the positioning that offers the greatest long-term success to their business. They should also take a long, hard look at their own employer brand and offer and decide how it needs to change in order to attract the necessary skills within their chosen world.

As companies take these steps, one thing is certain. Decisions being made today already are creating a legacy for the next generation, and they are shaping how organizations will look 10 years from now. In other words, the future has already begun.

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