

Preparing ambitious organisations for...

# THE GENERATION Z INNOVATION CHALLENGE



DEVELOPING INNOVATION-LED ORGANISATIONS

What is it that makes one organisation a worldwide success whilst others fade away?

During the recent recession why did some businesses thrive whilst others went under?

How do some brands 'capture the imagination' whilst others barely survive in the background?

# Introduction

The answers to the three questions opposite are simply down to the way in which the culture of successful organisations is geared around innovation and producing game changing products, services and experiences, which resonate with customers. Granted, 'right place right time' may play its part but in business as in life, you make your own luck and those who seek their fortunes have to understand and follow the roadmap to success.

This white paper is about understanding that 'innovation roadmap', in particular the new roadmap, which will be driven by Generation Z. Along the way I'll touch on some of the key aspects of innovation, such as why a culture of innovation is important, innovation drivers and what it's going to take to build 'Next Generation Organisations'. If this brief brush with those elements whets your appetite you can find more thought leadership and thinking by visiting [www.crisbeswick.com](http://www.crisbeswick.com) and browsing some of my other downloads which cover those aspects in more detail.

To understand the future, you need to start with the past; partly to realise just how wrong you can be if you make assumptions rather than trying to find out what is actually going on. If you are already familiar with our thoughts on the importance of building a culture of innovation to create game-changing 'Next Generation Organisations' then feel free to skip ahead to the sections which deal specifically with the Generation Z challenge. If not or you just need a quick refresher then read on.

# Right product, wrong time!

“And all our yesterdays have lighted fools  
The way to dusty death”

Shakespeare



## Brabazon

The World's First Jumbo Airliner

Robert Wall

The history of invention is littered with examples of one product succeeding whilst a competing product failed. Go back a few generations and look at the way in which VHS soundly beat off the Betamax competition despite, in the eyes of the purists, Betamax providing a better quality recording. Wind the clock further back to just after the Second World War and take a look at the Bristol Brabazon airplane. Designed as a luxury alternative to the passenger liner, this airliner was rejected in favour of smaller faster and more economical planes which would pave the way for flying the masses across the globe.

These are just two examples of inventions, which in theory were superior in terms of quality but which failed to meet the mood of the time.

These inventors thought that quality was all, that only the rich wanted to travel, but the world had moved on and the world of tomorrow was one which valued cost effectiveness over luxury and in which products previously thought the preserve of the few were now seen as being in the grasp of the many. So whilst some luxury offerings remained, others fell to the march of time and went to their dusty deaths.

And this brings us to one of the most fundamental rules of business; no matter how good the product, if it doesn't resonate with the customers it won't succeed. It must be relevant!

# The product dimension

The world of business is no longer purely the preserve of the product alone. One of the key attributes of the internet world is that every person and every business potentially has access to the same level of technology and reach.

Take advertising for example. In the past, the richer the organisation, the more it could reach out across all forms of traditional media. Now, anyone from a one-man-band upwards can advertise to the world for a comparatively modest sum. All it takes is an internet connection and you are talking to billions.

But the web doesn't just bring marketing to our door. A phone chip, clever packaging, an intricate processor - whatever you need to make your product, just go on line and order it up or in the very near future, even 3D print it! It's no coincidence that phones have evolved from simply a device for making calls to being cameras, internet access points and music centres. When everyone can access the same technology then the pace of change accelerates as competing organisations seek to outdo each other with 'extras' and what one organisation adds as a unique gimmick today is copied by everyone else tomorrow as a standard feature.



The ultimate consequence of this is that although the pace of change remains high, the products converge. And in a homogenous world, businesses now, more than ever need to differentiate; to shift their offer on from product/service only to experiences. A move from the 'what' to the 'how.' And to successfully integrate contemporary differentiation into the business model requires the adoption of an innovation culture.

# Innovation culture

**“Our wretched species is so made that those who walk on the well-trodden path always throw stones at those who are showing a new road.”**

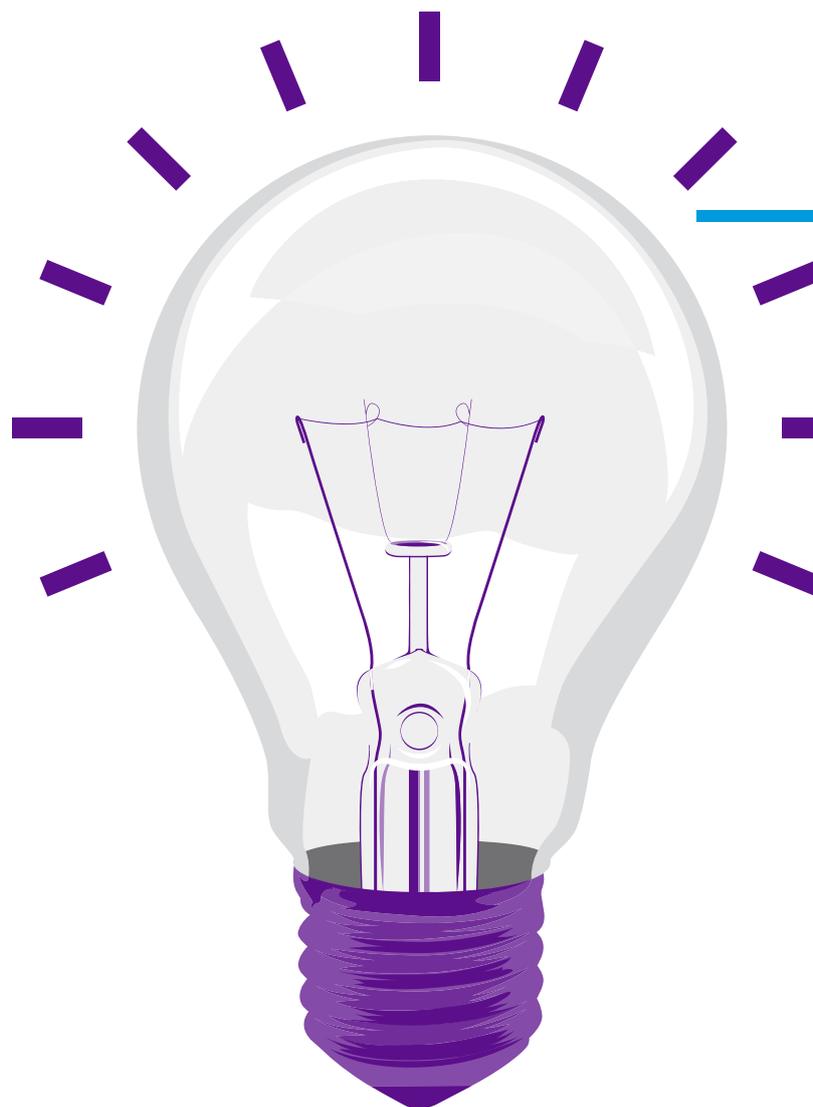
**Voltaire**

What is an innovation culture? Quite simply an innovation culture is one in which every person and process within the organisation is geared up to create products, service levels and experiences which will drive the organisation to stand out from its competitors. And a culture of innovation is far different from simply thinking of ideas or new products. If you want to simply invent a new product you lock a few 'boffins' in a room and let them get on with it. If you want to create a true culture of innovation then you involve everyone in the process to build organisation-wide capability.

For example given the right tools anyone can design a light bulb, and with talent and backing some can design a superior light bulb. A differentiated innovation strategy forces companies to think about “what will make us unique”; how not only our light bulb but every aspect of our company will make our light bulb and the experience around it shine brightly in the hearts and minds of customers. So we look at packaging and price, selling process, after sales service, marketing and the entire customer journey. In essence, every aspect of the organisation is geared up to not only producing a light bulb but to producing a robust, long lasting experience which will exceed customer needs, be easy and a pleasure to buy and will turn the purchaser into a loyal advocate of the organisation and brand.

In effect, with an innovation culture driving the organisation not only do we get game-changing products, more importantly we also get a whole new way of working which more relevantly, leads to exceptional experiences. But successful innovation cultures go one further. They understand that to really make a difference they have to not only respond to customer demand; they have to be at the forefront of the demand, leading and driving the change. They have to be able to shape the future.

There are three types of business in this world, those which failed to survive the recession, those which survived but are in slow decline and those which will shape the future. We call these last businesses Next Generation Organisations.



# Next generation organisations

Next Generation Organisations understand that the future is not simply a regurgitation of past ways of working. They know that the game has moved on from 'what' to 'how' and that they need to master 'strategic innovation' in order to deliver new business models and to deliver differentiated experiences. And to be a Next Generation Organisation they need to focus on three core elements of innovation, namely Intelligence, Collaboration and Adaptability.

## INTELLIGENCE:

An increased focus and new approaches to gathering a deeper understanding of customers, consumers and markets;

in order to know more about the world, influence people, create opportunities, shape markets, change the game and lead the way.

### Why?

60% of major UK business leaders admit their senior teams fail to understand their customers.

## ADAPTABILITY:

An increased focus on agility and the ability to execute better and faster;

in order to adapt in the face of uncertain, complex and changing markets and stay more relevant than the competition.

### Why?

68% of UK corporates take just as long to innovate and get solutions to market now as they did five years ago.

## COLLABORATION:

An increased focus on internal and external strategic communities;

in order to build powerful connections that drive the design and co-creation of new business models, solutions and experiences.

### Why?

66% of major UK business leaders claim their current organisational structure makes it difficult to share knowledge & understanding.

The innovation message is starting to percolate throughout the business community but as yet, in far too many instances it is more a cute slogan to add into annual reports than an adoption of game-changing methodologies. 69% of UK corporates now name innovation within their top three priorities but having a priority is very far from taking the plunge into an entirely new way of working. And make no mistake, innovation isn't a bolt-on to an existing culture, it is an organisation-wide plunge into new values, processes, outlooks and behaviour.

The past is a far country in which rules and processes abounded and in which customers and employees were necessary nuisances. The future is flexible, exciting and fast paced and draws customers, suppliers and employees together in a harmonious whole within a new business ecosystem. But those who think that just because they collect customer metrics they have a head start on the future are in for a shock. Waiting in the wings are the inhabitants of Generation Z and they have a completely different agenda.

# Generation Z

In 2014 those born at the end of Generation Y will turn 18. That generation has already had a profound effect on interactions within the workplace and on customer/consumer habits. Plunged into the world of work just as the world wide web was starting to entwine its tendrils around people and processes, Generation Y were then faced with the prospect of deep recession and mass unemployment. With the survivors picking themselves up and emerging blinking into the new dawn of an interconnected world, they find that hard on their heels are Generation Z.

Now if you think that Generation Y demands shook up the way we viewed the world, just wait until Generation Z hits the marketplace in force. Born around the turn of the century this generation has already widely been recognised as the most diverse, technologically savvy generation we have ever seen.

Generation Z inhabitants have never known a time without fast access to broadband. According to an Ofcom report in August 2014, 6 year olds have the same digital understanding as 45 year olds and those aged 14 & 15 are way out in front when it

comes to digital quotient scores. These are the young people for whom 94% of their communication time is spent on social networking or instant communications at the expense of e-mail (2%) and voice calls (3%). These are the always on, connected, multi-tasking generation whose attention span may be just 8 seconds but who also pack so much into those 8 seconds that they put earlier generations to shame.

Organisations that cling to the old way of working, which believes that product, is only as important as the cheapest price point and that customers & employees are necessary nuisances are in for a profound and steep learning curve if they are to successfully interact with Generation Z.

Even Next Generation Organisations will have to stay on top of their game to meet the expectations and worldview of the 'post-millennial internet generation innovators'.



**“In times of change, the learners inherit the earth, while the learned find themselves beautifully equipped to deal with a world that no longer exists.”**

Eric Hoffer

# Adapting to Generation Z

**“In the time it takes you to understand a 14-year-old, he turns 15.”**

**Robert Brault**

Make no mistake, over the next ten years as Generation Z matures it will transform the business landscape. Out goes unthinking acceptance and passivity and in comes ownership and interaction. As an insightful report on Generation Z from Pluralthinking says;

**“Gen Z have never been passive recipients of brand messages, users of products or choosers of ideas. They expect to be involved in a brand’s creation and destiny.”**

If you take sports shoes as an example, we’ve been through the ‘white plimsoll’ generation, moved on into ‘brand loyalty is all’ and have now reached the time in which we can go on line and design our own individual colour and style.

Not only does Generation Z expect their chosen brands to interact with them, they also expect them to reflect a more mature, ethical viewpoint. Growing up in the chaos of recession and unrest, Generation Z is a far more mature and caring generation than that which went before.

A report from Sparks & Honey, which looked at Generation Z in the USA, revealed that Generation Z is hyper-aware about their impact on the planet, more caring, with 60% being keen to volunteer. They’re more self-directed because they are used to looking for answers on line and are also more entrepreneurial with 72% wanting to start their own business.

They also think in 4D, are at home communicating with images and the ease with which they multi-communicate has stepped them out of the team orientation of previous generations and towards a collective consciousness. In fact, so different are Generation Z from the preceding generations that it will take a concerted leap for organisations to successfully integrate them into the world of business, as customers, consumers and as employees.

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# The generation Z customer dimension

Numbering just over 1.87 billion, in many societies Generation Z is multi-racial and globally switched on. In fact for them, global is their backyard and this means that in their search for identity they are far more likely to embrace products and services, which they can identify as having a personal or local meaning.

Responding to this new generation requires organisations to adapt to an innovative and agile methodology. Social media is not just an adjunct to marketing it is now an intrinsic part of the product itself. Selling is now less about the product and more about the experience. In a world in which interconnectedness is taken for granted, those seeking to stand out have to offer original 'relevant' and innovative experiences, which bring a sense of connection and meaning to the user.

Never before has it been so important to take the time to completely understand the customer base. 60% of major UK corporate directors may admit that their leadership teams fail to understand their customers but when it comes to Generation Z the percentage will be far higher. And this is where 'Next Generation Intelligence' is so important. Just as an innovation culture is far more than simply inventing things, so too is next generation intelligence far more than simple metrics. The old adage that if you want to understand someone you should walk a mile in his or her shoes is frankly un-ambitious. Forget the how much and the volume and the 'someone who purchased x also bought y' information. To understand Generation Z you need to know them as people, as individuals; what are their internal drivers, how do they see their interactions with the world, what makes them the people they are.

To match the Generation Z outlook, businesses will have to profoundly change their own outlook. In response to the financial services scandals, the regulators are already imposing new standards of care on businesses. The non-existent ethics of profit before all has been replaced by the ethics of care and the ethics of reason. Corporate regulators are imposing new reporting standards, which seek to inform investors rather than bamboozle them with rhetoric.

But Next Generation Organisations have to go even further, to co-create solutions in tandem with their customers and stakeholders, to meet ever-changing needs and to operate with responsibility and sustainability.

There is one further change being imposed by Generation Z consumers and that is the idea of hyper-localism. Because the world is their backyard, in their search for identity this generation is far more likely to embrace products and services, which they can identify as having a personal or local meaning. This idea of providing a local slant to a global product will only grow in as Generation Z come into their own.



In fact, according to a Cultural Intelligence report from Pluralthinking, this rise in hyperlocalism has already seen McDonalds offering country specific products such as Ebi Shrimp in Japan whilst at the 2014 World Cup Brazilians turned out in force wearing locally made products.

In fact, when you think about it, hyperlocalism is one of the natural next steps to take in response to an increasingly homogenous world. When all can be the same then the differentiator increasingly has to have meaning. How we provide exceptional customer experiences is one aspect of this, as is involving the customer in the design of the product, in the innovation process; but so is creating a product which speaks to and has a personal meaning for the customer.

# The generation Z employee dimension

With Generation Z being more caring, more mature and more tech-savvy it stands to reason that the workplace needs to be a very different place. The silo based hierarchical daily trudge is not for them! When these individuals hit the workplace they will want to be involved, to use their multi-tasking creativity as a force for good. They'll want to co-create, co-innovate; they'll want to put a ding in the universe!

From the business perspective Generation Z is just what is needed to transform the landscape. They don't need to have the benefits of an open, innovative business culture explained to them because they live it on a daily basis. This generation not only believes in inclusion and communication, it is part of their DNA. But woe betide any organisation which seeks to pigeonhole these people into an existing hierarchical system. Generation Z won't sit passively by and accept a situation in which they are uncomfortable. They'll be off, taking their talents to a more open and innovative business culture or to set up business on their own.

This poses huge challenges for business leaders. Those, which have already moved to an innovation-led culture, stand a chance; those, which haven't, will undoubtedly find themselves faced with huge unrest.

So leaders need to start embedding innovation into organisational culture now. This means launching and supporting initiatives that lead to more experimentation. It requires a change in mindset to appreciate failure as a part of learning and it means starting to build collaborative communities which work as a unified whole towards the innovation ideal.

Moving to an innovation-led culture is not a quick fix bolt on to existing processes; it is a root and branch resetting of the entire culture and ethos of the business. This requires a structured approach, which flows, from 'innovation strategy' through 'innovation leadership' and onwards to 'innovation culture' until the organisation is finally geared up to capitalise on innovation as a core capability and thus a competitive advantage. This approach enables CEOs and senior teams to create the innovation vision, to align it to corporate strategy and to give it clear direction and purpose. Building a culture of innovation requires leadership teams to be clear on the behaviours required of them, to embrace the move away from traditional management culture and towards a more entrepreneurial style of operating. And finally it means building a culture that pulls innovation from every corner of the organisation, from every employee, from every level.



# Conclusion...

**“Everyone has a plan until they get punched in the face”**

**Mike Tyson**

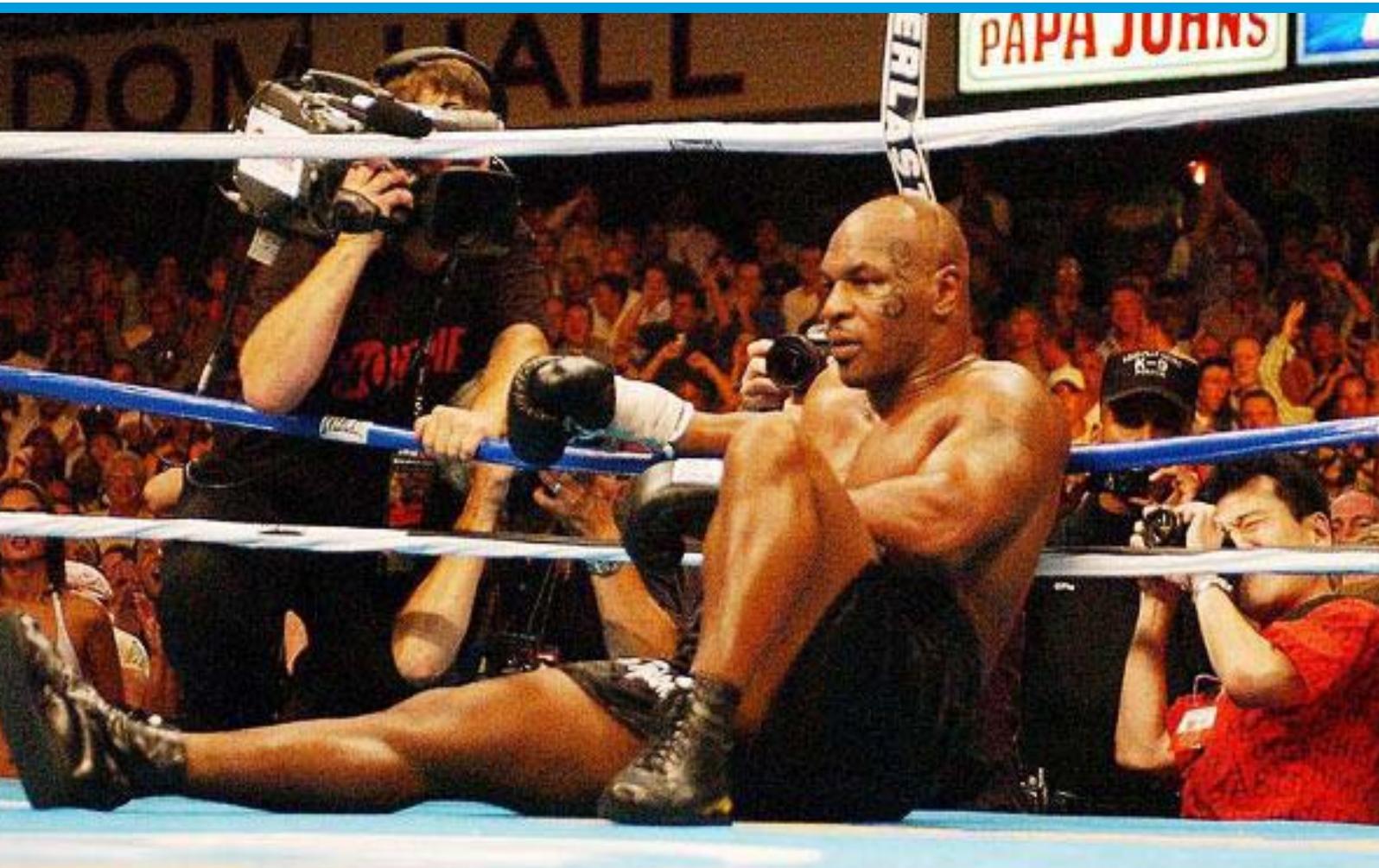
Changing culture in pursuit of innovation, one which embraces the Next Generation Organisation traits of Intelligence, Collaboration and Adaptability is not easy. Innovation is the natural game for Generation Z but if those looking to innovate tend to be of a single generation or background then understanding and meeting the challenges of Generation Z can and will be counter-intuitive.

So not only is pure innovation the name of the game, so too is collaboration alongside a move towards open innovation in which customers and other stakeholders all have a part to play. In fact, research from Kellogg revealed that diverse groups

outperformed more homogeneous groups not because of an influx of new ideas, but because diversity triggered more careful information processing that is absent in homogeneous groups.

The business world has had its punch in the face, which sent the old plan flying out of the window. Open innovation, co-creation, diversity and fast product development allied to a focus on customer experiences is the new plan and there are nearly 2 billion reasons why it will be driven to succeed.

If you want to find out more about responding to the ‘Generation Z Innovation Challenge’ perhaps it’s time you got in touch for more information on how I help some of the worlds most ambitious companies and their senior teams become exceptional through innovation.



# About the author...

## Cris Beswick

### Strategic Advisor on Innovation, Bestselling Author & Keynote Speaker.

Originally trained as a product & industrial designer, Cris spent over a decade as a successful entrepreneur & CEO building an award-winning strategy & design group.

He is now a strategic advisor on innovation, recognised globally as a thought leader on innovation strategy, leadership and culture and has helped some of the world's most ambitious CEOs, visionary leaders, Fortune 500 companies and Governments solve their most complex innovation challenges, develop game-changing innovation capability and build a culture of innovation.

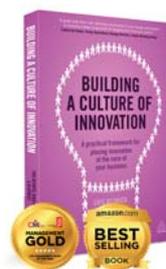
Based in London but working internationally Cris is a Visiting Fellow and Professor at several of the world's leading Business Schools and a regular keynote speaker at global innovation and intrapreneurship conferences.

Cris is also the author of two books on innovation, 'The Road to Innovation' and 'Building a Culture of Innovation', an amazon bestseller and voted one of the CMI's top books on innovation in 2017.

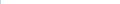
He is also the co-founder of innovation thought leadership website 'The Future Shapers', which brings together a global network of innovation experts, thinkers and practitioners to provide world-class perspectives on the challenges of driving innovation in a VUCA world.



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