

## Factor Influencing Gen Z Preferred Working Environment in Malaysia

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**Abstract:** Managing the working environment expected by Generation Z is an important element which needs to be addressed by an organization because they are able to project positive impact to the organizational objective and image. Organizations worldwide are now demanding for potential workforce that has extraordinary qualities to manage and lead them towards exceptional success. Workers with good characteristic, measurable expectation, positive leadership attributes and sound communication skills are seen to be the preferred workforce to spearhead the new challenges in achieving the organization's objectives. This research employs an exploratory research methodology to explore the factors influencing the relationship between Generation Z characteristic, expectation, preferred communication and preferred leadership towards preferred work environment from the students' perspective at a private college in Malaysia. Data were collected from 327 students studying at a private college to gauge their preferences related to the working environment they hope to be part of in the future. The results show that the relationships between the variables are strong and positively related to each other. For further understanding, future studies are recommended to explore the findings of this study by doing a comparative analysis across institutions and sectors.

**Keywords:** Gen Z, work expectation, leadership

### 1. Introduction

One of the approaches aimed at increasing the number of professionally effective workers is to support them at the beginning of their professional career. Negative emotions, such as job dissatisfaction, might reduce professional commitment and increase the risk of turnover, whereas positive work environments might decrease turnover rates. History has shown that when a new generation enters the workforce, it often prompts comparisons to those who came before, along with much anticipation, and predictions on how the generation could disrupt the workforce. As an example, the Millennial were prone to introduce new forms of communication and prioritize the social responsibility of their employers [1], while demonstrating less loyalty to the organizations they serve [2] as compared to their predecessor the Gen X. Further, [1] suggested the shifting behavioral patterns of the Millennial which are attributed to their higher levels of college debt and delayed family planning as well as the past economic recession.

As generations evolve, from baby boomers to Gen X, Y (or Millennial) and now Gen Z, the demographics of a country posed significant challenges not only for local, but also for multinational organizations. The arrival of Gen Z is no different as evident by most studies that focus on the impact that omnipresent personal technology has had on society [3]. Hence, many have speculated about how much influence will an "always-connected generation" have on the workplace. For example, in a study of 4,000 Gen Z participants, 92% are concerned about the generational gap that technology is causing in their professional and personal lives (Stillman & Stillman, 2017).

Since Malaysia does not have much literature on Gen Z with the exception of some studies by [4] on Generation Z behavioral characteristic and its effect towards hostel facility therefore more information is needed to create better awareness and preparedness to the employers in receiving this generation into the workforce.

In addition, the LinkedIn Opportunity Index 2020 survey of 30,000 respondents from 22 countries including Malaysia and USA showed that the biggest skill gaps seen today are soft skills among Gen Z and the Millennial, and tech skills among the older generation [3]. Finally, a recent study by [5] provides some ideas on Gen-Z consumers' value with high emphasis on functional value, fun value and value for money when adopting smart retailing technology. Previous research mentioned that, technology has weakened the ability of Gen Z to maintain strong interpersonal relationships and develop people skills therefore, the needs in acquiring these skills to adapt into the workforce is seen critical in retaining this generation in the workforce.

**2. Literature Review**

**Generation Z**

In our study good preparation of Generation Z to professional work has been indicated in knowledge area. [6] revealed that Baby Boomers Generation perceived themselves as highly competent in basic knowledge, proficiency and skills and scored higher in the domain of professional development compared with Gen X, who scored higher than did Generation Y. [7] and [8] postulate that there are five categories of generations from 1900 till now (refer Table 1). Every generation has different set of experience which influenced their behavior and attitude in lives. Previous research has proven that different generation have different approach in tackling their working lives thus, setting the work culture at that particular point in time. For example, [9] and [1] suggest that employers have to understand the different generations, i.e. Gen X, Y and Z, as their preference and matters of importance are different. Therefore, to ease planning and development journey and the success of organizations in Malaysia, the authors believed that employers need to understand Gen Z as they are entering the workforce today and more will be the dominant workforce of the future. Further, Gen Z are also known as the “Net Gen” generation who have embraced information technology and internet to the max.

According to [10], Gen Z is the latest generation that is currently growing up and will be dominating the world in the next decades. Gen Y, also termed as Millennial are logically the biggest group in any workforce. On the other hand, Gen Z is made of the tweens, the youngsters, the adolescent and youthful grown-ups of our worldwide society. They are the early adopters, the brand influencers, the internet-based life drivers, the popular culture pioneers. They contain about 2 billion individuals internationally, and they don't simply speak to what is coming, they are making it. Gen Z has been naturally introduced to the emergency time of psychological warfare, terrorism, the worldwide retreat and environmental change.

Previous researchers have shown that Gen Z is different from the Millennial such as reported by [7] in a survey of 3,200 Gen Z in Brazil, China, Germany, India, Japan, Mexico and UK and US which indicated that Gen Z value employers that provide equal opportunity for pay and promotion, opportunities to learn and advance professionally. They also reported that Gen Z prefer employer who treat people with respect, ethical behavior, fair compensation and promotion, open and transparent communication, and wise business decision-making. However, 11% of global respondents, which includes 18% from the US indicated that their caretakers’ work experience had a “very or somewhat negative” impact on the level of trust they would place in future employers [11]. They also include that poor quality of raises, a dislike of job, or dislike or distrust of boss, colleagues or top-level executives.

[8] conducted a survey of 1,000 adults and 400 teens to examine their mindset behind changing consumer behavior between millennial and Gen Z on retail consumption, and found that different concepts can be applied to consumption of educational resources. [12] also found that Gen Z desire more personalized micro-experience and feel like “anything is possible”. They are also prone to purchase product online due to ease, efficiency, convenience, better selection and lower price [13].

**Table 1.** Dominant characteristics of generations [3]

Generation	Range of Birth Year	Dominant Behavioural Characteristics
Traditionalists	1900-1945	Loyal and disciplined
Baby Boomers	1946-1964	Responsible, strong work ethics
Generation X	1965-1980	Independent thinkers, efficient
Generation Y	1981-1994	More social, confident, less independent
Generation Z	1995-2012	Poor communication skills, extensively engaged to technology

**Work Expectation**

Every generation has different set of experience that influences their behavior and attitude in lives especially at the workplace. The authors believe that the expectations, characteristics and traits, preferred communication style and preferred leadership style could shape the working environment of Gen Z. According to [14] Gen Z wants some form of human element woven into their work and team interactions. This means a workplace needs to provide the technology aspect with a twist of human connection. Gen Z does not only value frequency with feedback, but they also value measurability based on a technology portal that can track, or even trend, their performance.

A study [15] identified certain leadership traits favored by Gen Z. Gen Z are appreciative of organization leaders who can provide work environment that promotes inclusivity, curiosity, self-motivation, generosity and perseverance. Additionally, Gen Z wants mentorship and understands that working for leaders who are willing to talk about their own paths will allow them to forge mentor-mentee relationships that may last for the entirety of their careers [15].

This study is also hope to provide more understanding on Gen Z needs and expectation in their working life and also to provide employers with knowledge to prepare themselves on what to expect in terms of planning, leadership style, workplace environment and communication. The study is also hope to close the gap in literature and provide more knowledge on Gen Z in Malaysia. Therefore, based on the empirical evidences from past literature on the correlation between Gen Z expectations, characteristics and work environment as well as from the research gap identified, the researcher hypothesized that:

H1: There is a relationship between Gen Z characteristics and work environment

H2: There is a relationship between Gen Z expectation and work environment

H3: There is a relationship between Gen Z preferred communication and work environment

H4: There is a relationship between Gen Z preferred leadership and work environment

### 3. Methodology

This exploratory study was conducted among students of a private college, in Malaysia. A questionnaire was developed based on adaptation of articles written by [13], [14], [7]. Several self-developed items were included to ensure the questionnaire is reflective of the work environment in Malaysia. A pilot study was carried out among undergraduate students to identify potential error to improve the reliability and validity of the research questionnaire. The questionnaire was then content validated by three professors from a renowned university who are experts in demography and organizational behavior. In conducting the research, the authors used convenience sampling method as this is an exploratory study. The data were collected from five branches of the private colleges through Google form. Care was taken to avoid accepting respondents who are more than 25 years old as they will not be classified as a Gen Z. Finally, in addition to descriptive analyses, statistical techniques such as correlational analysis and Mann Whitney U were used to measure the correlation and difference of means respectively. Statistical package for the social sciences (SPSS) and SmartPLS were used to analyze collected data respectively.

### Structural Equation Modelling

The data obtained from 327 respondents were analyzed using partial least squares structural equation modeling (PLS-SEM). This second-generation data analysis technique was suitable to be used in the present study because it allows the formative measurement model to be assessed [14]. SmartPLS 3 was used as this is an exploratory study [14]. Based on Figure 1, three constructs, which are characteristics, preferred communication, and preferred leadership, were modeled formatively. Besides, using SmartPLS 3 allows the researchers to account for unique contribution of every manifest variable to the model estimation instead [14].

The assessment of a PLS model follows the two-stage approach [14]. At the first stage, the measurement model was assessed in order to establish its reliability and validity. Once the objective was achieved, then the assessment proceeds with evaluating the structural model. The assessment criteria for the measurement model differ according to its type. Whereas reflective measurement model is assessed by examining indicator loading, indicator reliability, internal consistency reliability, convergent validity, and discriminant validity, formative measurement model is assessed by examining convergent validity, variance inflation factor (VIF), as well as outer weights and significance. The standard assessment criteria for a structural model include examining coefficient of determination ( $R^2$ ), effect size ( $f^2$ ), magnitude and significance of path coefficients, and out-of-sample predictive relevance ( $Q^2$ ).

### 4. Results and Discussion

The results for reflective measurement model assessment involving constructs expectation (EXPE) and working environment (WOEN). Six of the indicator loadings surpassed the threshold value of 0.707 and the remaining indicator loadings were within the range 0.548 (x18) to 0.696 (x16). Although these loadings were below the threshold value, they were retained in the present study given that the composite reliability and average variance extracted were above 0.70 and 0.50, respectively. The internal consistency reliability was also evidenced by examining the Cronbach's alpha values whereby the values were 0.858 for expectation, and 0.713 for working

environment. The discriminant validity was also established with HTMT0.85 value of 0.847. This means that the study constructs in the model were distinctive.

Results for formative measurement models are shown in Table 3. Redundancy analysis was run to identify the constructs' convergent validity. The variance inflation factor values for all items were below 5, ranging from 1.090 (x2) to 1.889 (x10), which indicate that there was no collinearity issue. Next, relative contribution of the formative items was assessed. With an exception of two items, all items in the formative measurement model were significant, with outer weights ranging from 0.182 (x7) to 0.611 (x5). Following [14] suggestion, the outer loadings for x6 and x9 were assessed. In both cases, the outer loadings were above 0.50; hence, the two items were retained in this model.

**Table 2.** Reflective measurement model results

Construct	Items	Outer Loadings	Cronbach's Alpha	Composite Reliability	Average Variance Extracted
EXPE	Work environment develop potential	0.791	0.858	0.89	0.506
	Develop meaningful relationship in workplace	0.723			
	Value desire to grow and develop naturally	0.812			
	Well-being reflected ability to work competently	0.773			
	Like intangible rewards	0.641			
	Like to be given authority when doing work	0.696			
	Like to plan own career development	0.667			
	Work better if get higher pay	0.548			
WOEN	View professional development as top priority	0.679	0.713	0.822	0.538
	Cultivated work ethics to increase productivity	0.775			
	Geographical setting and time zone not barriers	0.642			
	Community friendly organization	0.823			

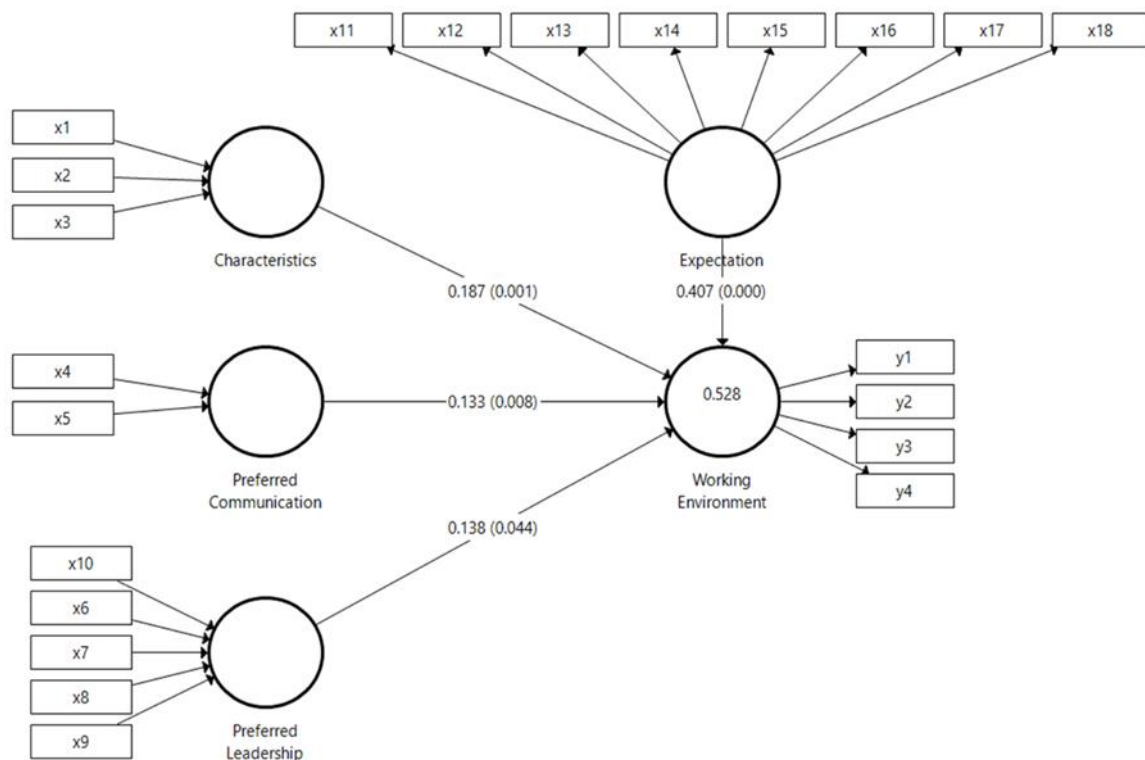
Note: EXPE = Expectation, WOEN = Working Environment

**Table 3.** Formative measurement model results

Construct	Item	VIF	Outer Weight	Sig.	Outer Loading	Sig.
CHAR	Realistic and optimistic	1.236	0.597	0.000	0.849	0.000
	Voice to be heard	1.090	0.409	0.000	0.628	0.000
	Self-reliance	1.154	0.370	0.000	0.641	0.000
PRCO	Prefer good environment	1.292	0.553	0.000	0.843	0.000
	Allow to respond	1.292	0.611	0.000	0.874	0.000
PRLE	Honest leadership	1.614	0.182	0.061	0.711	0.000
	Transparency	1.253	0.272	0.006	0.627	0.000
	Develop talents	1.691	0.365	0.000	0.823	0.000
	Give recognition	1.588	0.193	0.081	0.701	0.000
	Freedom to share opinion	1.889	0.330	0.003	0.802	0.000

Note. CHAR = characteristic, PRCO = preferred communication, PRLE = preferred leadership

The first stage assessment clearly shows that reliability and validity for the measurement models were established. Therefore, structural model was assessed at the second stage using the assessment criteria as outlined previously. First, collinearity was assessed by examining the variance inflation factor values. In the present structural model, no collinearity issue was detected because all variance inflation factor values for the constructs were less than 5. Next, the coefficient of determination, R<sup>2</sup>, was assessed. Given that the R<sup>2</sup> value was 0.528, it indicates that 52.8 percent of the variance in the endogenous latent variable was explained by the four predictors. Although there was no large effect size for the four predictors, expectation has a nearly medium effect size ( $f^2 = 0.148$ ) as compared to the other three predictors. The lowest effect size was for preferred leadership ( $f^2 = 0.017$ ), which means that this construct has no effect on the endogenous construct using the current sample. Next, the out-of-sample predictive relevance was assessed using two procedures, which are blindfolding procedure and PLS predict procedure. Results show Q<sup>2</sup> values were 0.273 and 0.495, respectively, which indicates that the model has good predictive relevance.



## 5. Conclusion

The structural model result shows that expectations, characteristics and traits, preferred communication style, preferred leadership style are all positively and significantly related to work environment with p-values less than 0.05. In addition, expectation has the highest correlation coefficient of 0.407 while preferred communication is the lowest at 0.133. This finding is consistent with a study by [18] that indicate organizations should provide an employee with a cordial environment that complies with employees' expectations from the job. According to [19], communication between managers and employees is a major driver of employee engagement in the workplace as disengaged employees often do not perceive their direct managers as effective communicators [20]. In particular, Gen Z must pay attention to the development of communication competence to assure that empathetic communication does not become a lost art [21] as well as communication with co-workers would be effective and satisfactory. [22], further attest the importance of leadership styles and outcome patterns on work environment based on the outcome of an extensive literature review.

On that note firstly, it is suggested that the organization should encourage learning at work concept, where learning takes place while the work is being performed. Secondly, to plan for organizational learning where employees are encouraged to master single-loop learning and enabling double-loop learning to evaluate what is being done. Thirdly, to create a climate for learning where employees are facilitated for learning by taking risks and finally, to develop a learning structure in a flexible and organic organization, which provides autonomy, decentralization, empowerment, continuous learning and a non-hierarchical structure. The authors believe that a combination of [15] systematic view and [23] practical perspective would be an ideal way to implement the process and

development of learning at an organization to retain such workforce in the future. To effectively implement the aforementioned plans, the leadership of the organization also needs to practice more people management skills as well as implement equal opportunity policy for all employees to avoid gender biasness in order to create a sense of belonging among the Gen Z.

For further understanding the applicability of this framework, the authors would recommend other researchers to expand the findings of this study by doing a comparative analysis across institutions and sectors. An in-depth qualitative analysis could uncover more meaningful insights to the perceptions of the Gen Z preferred workplace environment. Therefore, the good results of newly graduated Gen Z theoretical preparation should be considered in future studies as combined analysis. Our study also revealed that the generation of people born into a world with constant access to the internet and information [15], [17] has a problem with integrating knowledge into practice. A more practical dimension of theory enriched with problem solving should form the basis of vocational training. Moreover, this competence is the basis of further, more complex critical thinking [6]. In earlier studies, simulation was reported to help bridge theory-practice gaps by offering an opportunity to apply theoretical knowledge to practical experience [11]. Considering improvement of Gen Z expected working environment, practical education and the use of acquired knowledge in practice, a simulation could be adopted in preparing the workplace for them when they join the workforce.

To conclude both educators and practitioners must realize and consider the unique learning experience and transition needs of Gen Z work demand, as they are soon to become the future of the workforce [16]. The descriptive analyses show that the samples involved are representative of the population parameters. The employees have the capabilities to become the drivers but they must proactively evolve and respond to change swiftly in order to cope up with and meet the demand of a knowledge-and-technology-intensive society [17] especially the Gen Z as the future workforce.

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