Make way for Millennials

The digital economy cannot arrive fast enough for Millennials. The first generation to grow up with the internet is already the largest cohort in the workforce, and as its members move into leadership roles they are impatient for change—and skeptical of the ability of older executives to make it happen. The smart strategy is to make room on leadership teams for these rising talents and their more experience colleagues, and let their combined expertise drive digital transformation.

Our survey of 4,100 executives and employees in 21 countries, conducted in 2016, included 351 Millennial managers and over 1,000 non-executive workers born between 1980 and 1997. We know from a previous study that Millennials in the workforce have more in common with other age groups than is often supposed, but our current research shows a perception gap when it comes to progress toward digital transformation.

Younger executives are:

■ **Dubious about the digital skills of mid-level and senior management.** They are much less likely than older executives to say their managers are proficient at using technology to achieve competitive advantage, facilitating collaboration inside the organization, inspiring and motivating employees, and managing employee retention.

■ **Skeptical of the leadership culture of their organization.** They are less likely to say executives give ample feedback, that employee satisfaction is valued, that complexity and bureaucracy are discouraged, and that their company has talent-development strategies for digital skills.

■ **More focused on diversity and its benefits.** Millennial executives are considerably more likely to work for companies that are taking steps to build diversity and to say their company has seen measurable improvements to financial performance as a result.

These differences are about more than the impatience of youth. The Millennial generation has been shaped by digital culture like no others before it, and non-Millennial executives—however valuable their own experiences—should be looking for ways to leverage the unique perspectives of their younger colleagues. Smart companies will tap into the energy of Millennial leaders as they move into executive positions at a rapid pace, and optimize their talents, along with those of veteran colleagues, to power the transformation most organizations already seek.
Meet the Digital Winners

We identified a set of characteristics and practices that define the best-managed companies, and isolated a set of survey respondents that meets these criteria. We call this group of high performers Digital Winners, because they have executives who are better prepared for the digital economy than those at other companies—and their focus pays off.

These companies have:
- better revenue and profit growth numbers than others (76% vs. 55%);
- more mature strategies and programs for hiring skilled talent (85% vs. 64%), building diversity (56%, vs. 48% of others), and succession planning (72% vs. 50%);
- more satisfied employees (87% vs. 63%) who are more likely to stay in their jobs if given the chance to leave (75% vs. 54%).

How executives drive digital transformation

Embrace digital technologies
- Execute on a company-wide digital vision
- Embed technology in all aspects of the organization

Streamline decision-making
- Make data-driven decisions in real time
- Distribute decision-making across the organization

Flatten the organization
- Focus on reducing complexity and bureaucracy
- Offer the latest technology to all employees

Build a digital workforce
- Improve digital proficiency among managers and employees
- Emphasize transformation readiness and strategic use of technology
A different view of the world

Sweeping statements about huge groups of people often prove to be little more than stereotypes or clichés. Yet it is broadly true that Millennials came of age at a time when computing technology and digital culture were becoming increasingly robust and ubiquitous—and our survey makes it clear that the timing of these advances have had an impact on these younger workers; they see the world differently from older generations in some important ways.

Paimaan Lodhi, vice president of urban planning and data analytics for The Real Estate Board of New York, does not usually think of himself as a Millennial, and at age 34 he may have more in common with a 40-year-old executive than a new hire just out of college. Yet one of the first things he noticed upon joining the venerable trade association in 2012 was its lack of emphasis on technology he viewed as essential to the job.

“We have added GIS capabilities,” he says, referring to geographic information systems. “From a research and analysis point of view, it was important that we start using it.” Leadership strongly encourages new research tools and moved ahead with the systems upgrade needed to run the programs after Mr. Lodhi made the case for the expenditure. “They got the value right away, but they needed someone to bring the idea to life,” he says.

Perspectives and priorities change when people think digitally by default. Our survey shows that younger leaders are not as impressed with the digital management skills of senior executives as senior executives are with their own abilities. For example, Millennials are less likely to say top management is highly proficient at facilitating innovation (42%, vs. 61% of senior executives) or using technology to achieve competitive advantage across a range of approaches (37% vs. 60%); similar gaps exist on opinions about middle management skills. Non-Millennial executives are also more confident that their organizations are focused on improving digital skills for managers in the next three years.

**Fig. 1: Generational perspectives on digital skills**

Q: How proficient is your organization’s leadership in the following areas?

<table>
<thead>
<tr>
<th>Area</th>
<th>Millenial executives</th>
<th>Non-Millenial executives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital transformation readiness</td>
<td>67%</td>
<td>68%</td>
</tr>
<tr>
<td>Facilitating innovation</td>
<td>42%</td>
<td>55%</td>
</tr>
<tr>
<td>Using Big Data/analytics to plan for the future</td>
<td>42%</td>
<td>39%</td>
</tr>
<tr>
<td>Facilitating collaboration inside the organization</td>
<td>61%</td>
<td>60%</td>
</tr>
<tr>
<td>Using technology to achieve competitive advantage</td>
<td>37%</td>
<td>60%</td>
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</tbody>
</table>
Soft skills are hard

Our definition of a digital organization goes far beyond technology adoption and data-driven processes. Today's most advanced companies see the bigger picture and focus on talent, human experiences among both workers and customers, and diversity. Here, too, Millennials believe that their companies could do better. They do not think that current leadership is moving quickly enough to foster meaningful change, or communicating a sense of urgency for doing so. While three-quarters of non-Millennial executives say leaders give ample feedback to employees, younger executives (62%) are less convinced; Millennials are also less confident that managers are creating a culture that values employee satisfaction.

Perspectives on training and development vary with age as well, with younger professionals unconvinced that adequate resources are being devoted to attracting a highly qualified set of applicants or training the next generation of leaders. And Millennials express less faith in their organization's ability to help people grow on the job. They rate their organizations less highly by multiple measures, including talent development strategies, encouraging workers and top leadership to continually develop new skills, and developing talent within the organization.

Mr. Levy says it can be difficult to know where to concentrate development resources in an era of rapid change. “I would argue that younger people need soft skills, flexible minds, good personalities, and a willingness to cultivate relationships,” he says. “But I think most would forego those skills and say you need Excel, programming, and modeling skills. The reality is that you need both, but the latter is often emphasized at the former’s expense, and those with the former are not always given a chance to learn the latter.”

Progress on workforce diversity is not seen as wholly satisfactory by any age group we surveyed. Yet young executives take a sunnier view of institutional approaches than their senior leaders. They are more likely to say the diversity programs at their company are effective, diversity is recognized as important by senior management, and that diversity has had a positive impact on financial performance.

Millennials may also bring a more nuanced view of diversity to the workplace than older colleagues, who grew up at a time when “diversity” tended to concern matters of race and a binary view of gender, rather than the broad range of social factors in play today. “What does diversity mean?” asks Mr. Levy. “I’m ‘diverse’ in
Conclusion

Our previous research underscores the hazard of viewing Millennials as some sort of new species, when in fact they have proved to be much like previous generations in the workforce by many important measures. Yet there are meaningful differences in the way Millennials view technology and broader digital values, and good managers can leverage these new ways of thinking to the advantage of their organizations.

Senior executives have a lot to learn from Millennials when it comes to digital transformation. They also have plenty to teach them. The most successful companies understand age is a type of diversity, and capitalize on the insights and talents of Millennials—and Generation Z behind them—accordingly.

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