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.
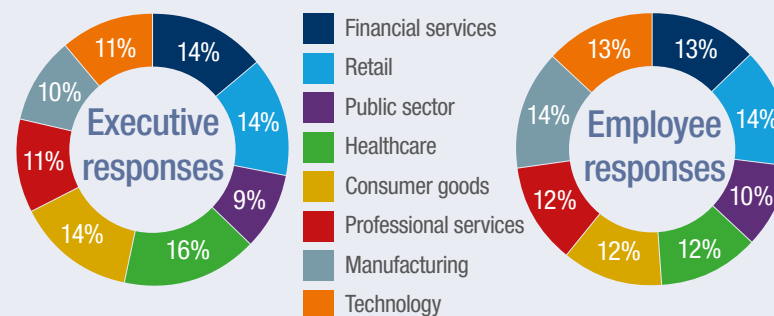
These differences are about more than the impatience of youth. The Millennial generation has been shaped by digital culture like no others before it, and non-Millennial executives—however valuable their own experiences—should be looking for ways to leverage the unique perspectives of their younger colleagues. 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.

About the research

Oxford Economics surveyed more than 2,050 executives and 2,050 non-executive employees in 21 countries and across multiple industries during the second quarter of 2016.
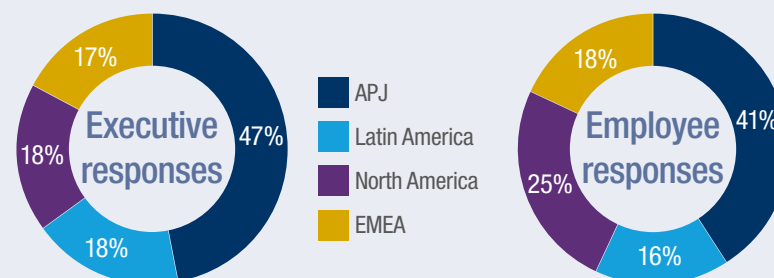
Of the employees we surveyed, 50% are Millennials aged 18–37—the percentage expected to make up the workforce by 2020; the executive sample also includes a meaningful number of Millennial respondents (17%).

Millennial respondents by industry

Executive responses: 14%, 14%, 9%, 16%, 14%, 11%, 10%, 11%

Employee responses: 13%, 14%, 10%, 12%, 12%, 12%, 14%, 13%

- Financial services
- Retail
- Public sector
- Healthcare
- Consumer goods
- Professional services
- Manufacturing
- Technology

Respondents represent companies headquartered around the world, with a range of sizes (measured by both revenue and employee count).

Millennial respondents by region

Executive responses: 47%, 18%, 18%, 17%

Employee responses: 41%, 16%, 25%, 18%

- APJ
- Latin America
- North America
- EMEA

Both senior executives and employees represent a broad range of functional areas, including HR, finance, IT, sales, marketing, procurement, and product development.

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%).

Our survey shows that executives at Digital Winner companies view the path to enterprise transformation more like their Millennial colleagues than other senior executives. But younger executives are eager for their companies to look even more like Digital Winners than they already do. Executives at Digital Winners are more likely to say that technology is an essential part of all processes across the business, and that up-to-date technology is available to all employees; younger executives, meanwhile, are less likely to see these positive traits at their own companies. Obviously, younger workers do not have all the answers, but our research shows they are asking many of the right questions.

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

Embrace digital technologies

Streamline decision-making

Flatten the organization

Build a digital workforce

DIGITAL WINNERS
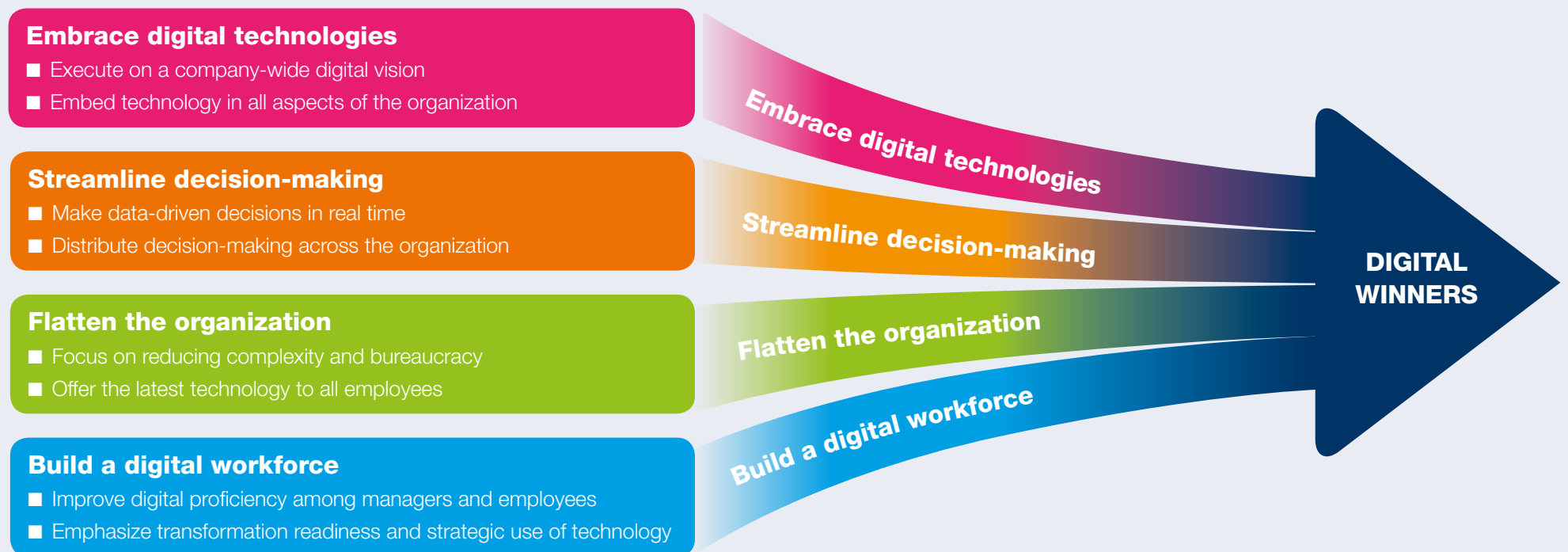
A different view of the world

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.
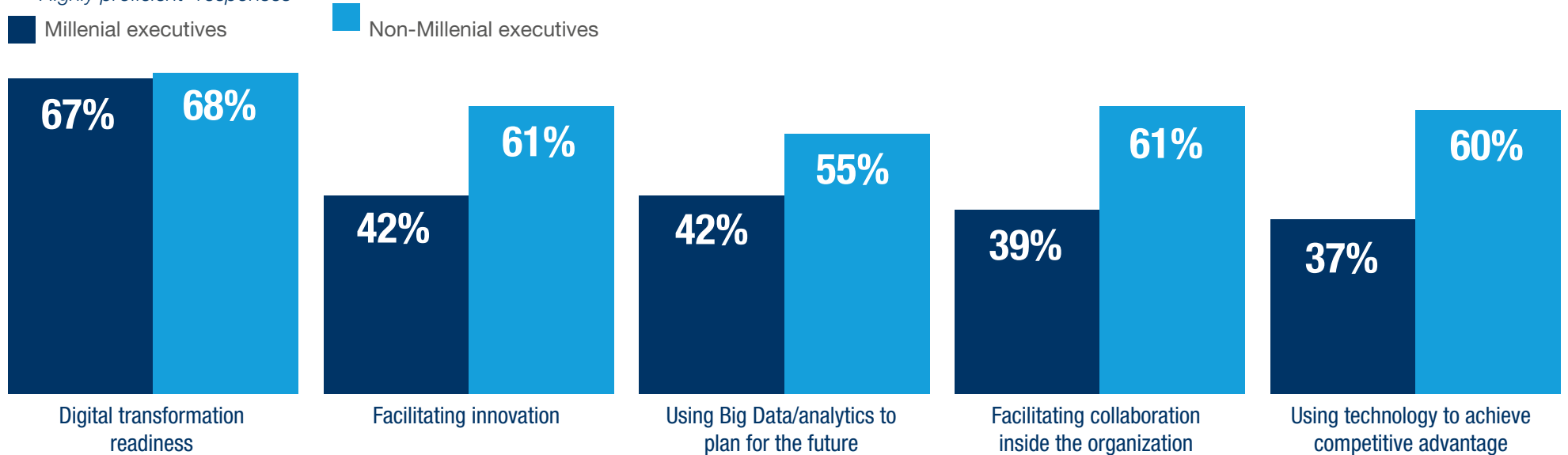
Paimaan Lodhi, vice president of urban planning and data analytics for The Real Estate Board of New York, does not usually think of himself as a Millennial, and at age 34 he may have more in common with a 40-year-old executive than a new hire just out of college. Yet one of the first things he noticed 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?
  "Highly proficient" responses

Millenial executives   Non-Millenial executives

	Digital transformation readiness	Facilitating innovation	Using Big Data/analytics to plan for the future	Facilitating collaboration inside the organization	Using technology to achieve competitive advantage
Millenial executives	67%	42%	42%	39%	37%
Non-Millenial executives	68%	61%	55%	61%	60%

The confidence gap extends to critical areas of decision-making. Millennials are less confident than senior executives that leadership decisions at their company are made in real time (31%, vs. 45% of older executives) and can be mapped directly to company strategies (38% vs. 59%). And while neither group is very likely to say that decision-making is distributed across the organization, young executives are somewhat less likely to say that complexity and bureaucracy are discouraged.

"Big decisions are made centrally and imparted to offices across the globe," says Edward Levy, a 30-year-old, London-based contracts specialist for a commodities trading firm. He also sees the absence of urgency for digital investments as a constraint on performance. "Lack of effective technology equals more human error," he says. "Decision-making in the commodity markets is all about data." Yet providing workers with the up-to-date tools they need has been an afterthought following a recent acquisition, he says, rather than a strategic focus.

Fig. 2: Analog decision-making in a digital world

Q: At the senior level, how are decisions made in your organization?
"Most of the time" or *"All of the time"* responses

■ Millenial executives ■ Non-Millenial executives

Decisions are data driven	**60%** / **54%**
Decisions are transparent to the people affected by them	**46%** / **44%**
Decision-making is distributed across the organization	**43%** / **41%**
The organization is capable of adapting to decisions in real time	**43%** / **46%**
Decisions can be mapped directly to company strategies	**38%** / **59%**
Decisions are made in real time	**31%** / **45%**

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.
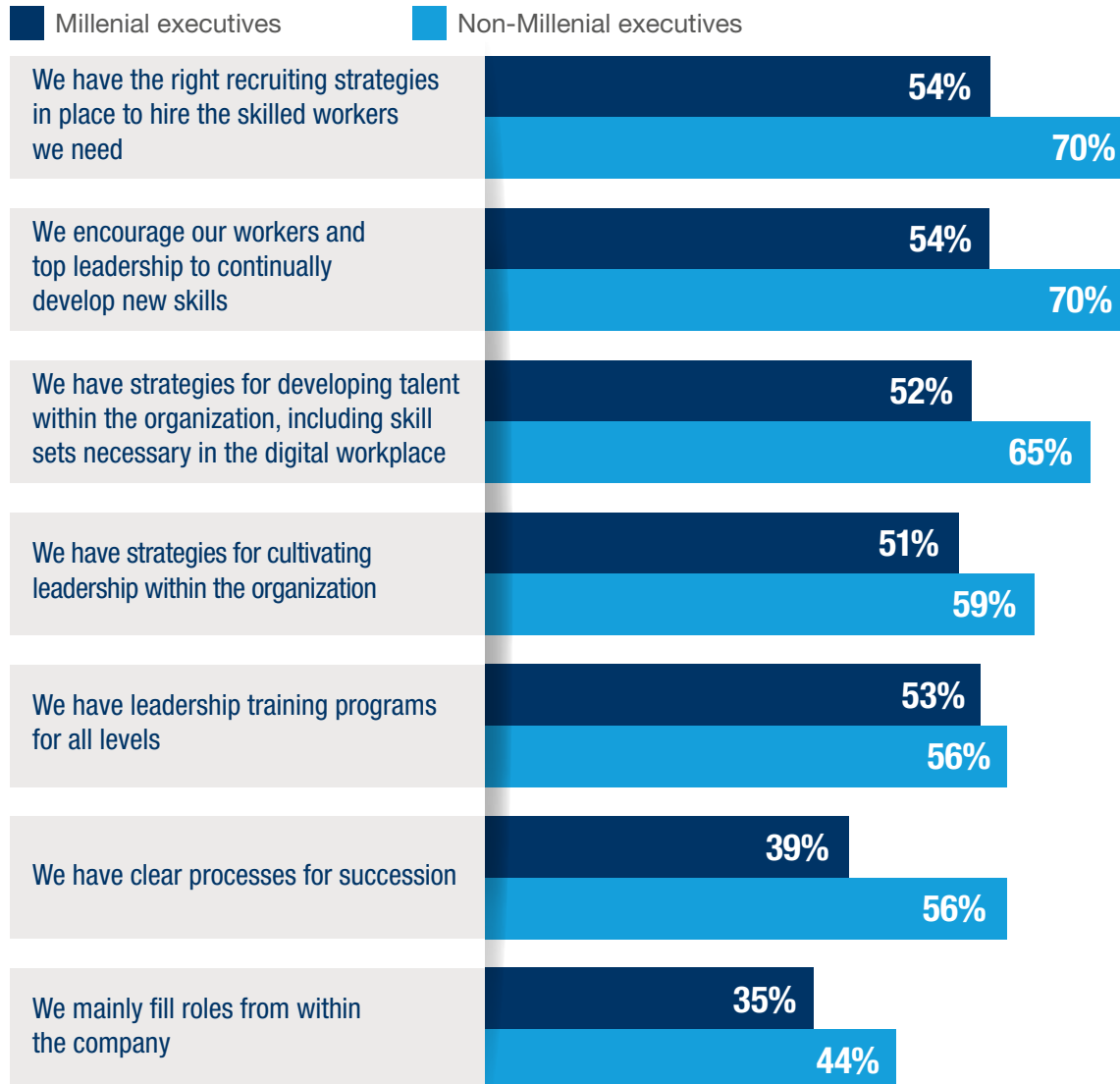
Mr. Levy says it can be difficult to know where to concentrate development resources in an era of rapid change. "I would argue that younger people need soft skills, flexible minds, good personalities, and a willingness to cultivate relationships," he says. "But I think most would forego those skills 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

Fig. 3: Millennials say development needs development

Q: How proficient is your organization's leadership in the following areas?
"Proficient" and "Highly proficient" responses

■ Millenial executives　　■ Non-Millenial executives

We have the right recruiting strategies in place to hire the skilled workers we need
54%
70%

We encourage our workers and top leadership to continually develop new skills
54%
70%

We have strategies for developing talent within the organization, including skill sets necessary in the digital workplace
52%
65%

We have strategies for cultivating leadership within the organization
51%
59%

We have leadership training programs for all levels
53%
56%

We have clear processes for succession
39%
56%

We mainly fill roles from within the company
35%
44%

that I have a disability, but that may be a newer way of looking at the subject than older executives take." Similarly, Mr. Lodhi points to the hiring of a design-school graduate amid data scientists and mathematicians as another way of considering what diversity can mean.

Even as Millennials have become the largest cohort in the workforce and the older members of the group begin to take their place in executive ranks, the next generation behind them are starting to make their own impact felt. Sometimes called "Generation Z," these young people cannot remember life without smart phones or social media.

"Their skill sets are advancing much more quickly than what we had seen in the past," says Mr. Lodhi. In terms of political skills, though, Mr. Lodhi says there often is a steep learning curve— "But I think that would be the case for any young employee."

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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