



How Millennials Could Upend Wall Street and Corporate America

Morley Winograd and Dr. Michael Hais

INTRODUCTION

Together, Dr. Michael Hais and Morley Winograd are co-authors of three books, *Millennial Majority: How a New Coalition is Remaking American Politics* (2013), *Millennial Momentum: How a New Generation is Remaking America* (2011), and *Millennial Makeover: Myspace, YouTube, and the Future of American Politics* (2008).



Morley Winograd

is a Senior Fellow at the University of Southern California's Annenberg School Center on Communication and Leadership Policy.



Dr. Michael Hais

has served as Vice President for Entertainment Research at Frank N. Magid Associates. He earned his PhD in Political Science from the University of Maryland.

In his Oscar-winning original screenplay for the movie “Her,” Spike Jonze creates a world set in the not-too-distant future which is completely dominated by the Millennial generation (born 1982-2003). The movie’s hero, Theodore Twombly, falls in love with an intuitive operating system, Samantha, symbolizing the technological obsessions of the generation. But the film’s real stroke of genius lies in the way it portrays a world where Millennials’ values are infused into every aspect of society.

Theodore works at a company called “BeautifulHandwrittenLetters.com” where he spends his day with fellow co-workers dictating missives for people who request them to be sent to their loved ones as a special way to celebrate an important moment in their relationships. The movie shows him working at this task with no supervision, prompted by a computer when it is time to produce the next piece of product, which is printed out in cursive writing on unique pieces of stationery. His work day ends when he dutifully scans the envelopes into a mail deposit device as he exchanges pleasantries with the male receptionist who seems to provide the only supervisory support for the work.

As portrayed in the movie, all of Theodore’s personal relationships—especially his painful divorce and his enduring friendship with a real girl, but even lesser ones such as a touching moment at his goddaughter’s birthday party or a double date with the receptionist—are constrained by Theodore’s desire to avoid confrontation and do what is best for everyone involved. Surrounded by technologies that are at least a generation or two more advanced than the ones we know, Theodore returns to nature—from beaches to cabins in the snow—when he needs to get in touch with his emotions at a deeper level.

THE EFFECT OF MILLENNIALS ON THE AMERICAN ECONOMY

The movie “Her” portrays an array of values that are already evident within the Millennial generation (born 1982-2003), a cohort whose dominating presence will make its behaviors the major motif of American life in the next decade. The generation’s distinctive culture and approach to life present such a sharp break from the recent past that it is often perceived by older generations to be an alien, even dangerously different, change in American society. Nevertheless, those beliefs, by dint of demography if nothing else, represent the attitudinal and behavioral future of America.

So far, this generationally-driven shift has had the most impact in endeavors such as entertainment and politics which are particularly susceptible to the influence of younger participants. But now, as the generation enters young adulthood, the force of the changes they are capable of creating is beginning to be felt in all sectors of America’s economy. The initial tremors are already changing consumer markets and forcing corporations to change their workplace practices. But soon, as Millennials become an increasingly large share of the adult population and gather more and more wealth, the generation’s size and unity of belief will cause seismic shifts in the nation’s financial sector, shaking it to its very foundations and leading to major changes in the nation’s board rooms. As Millennials become CEOs, or determine the fate of those who are, they will change the purpose and priorities of companies in order to bring their strategies into alignment with the generation’s values and beliefs.

MILLENNIAL VALUES

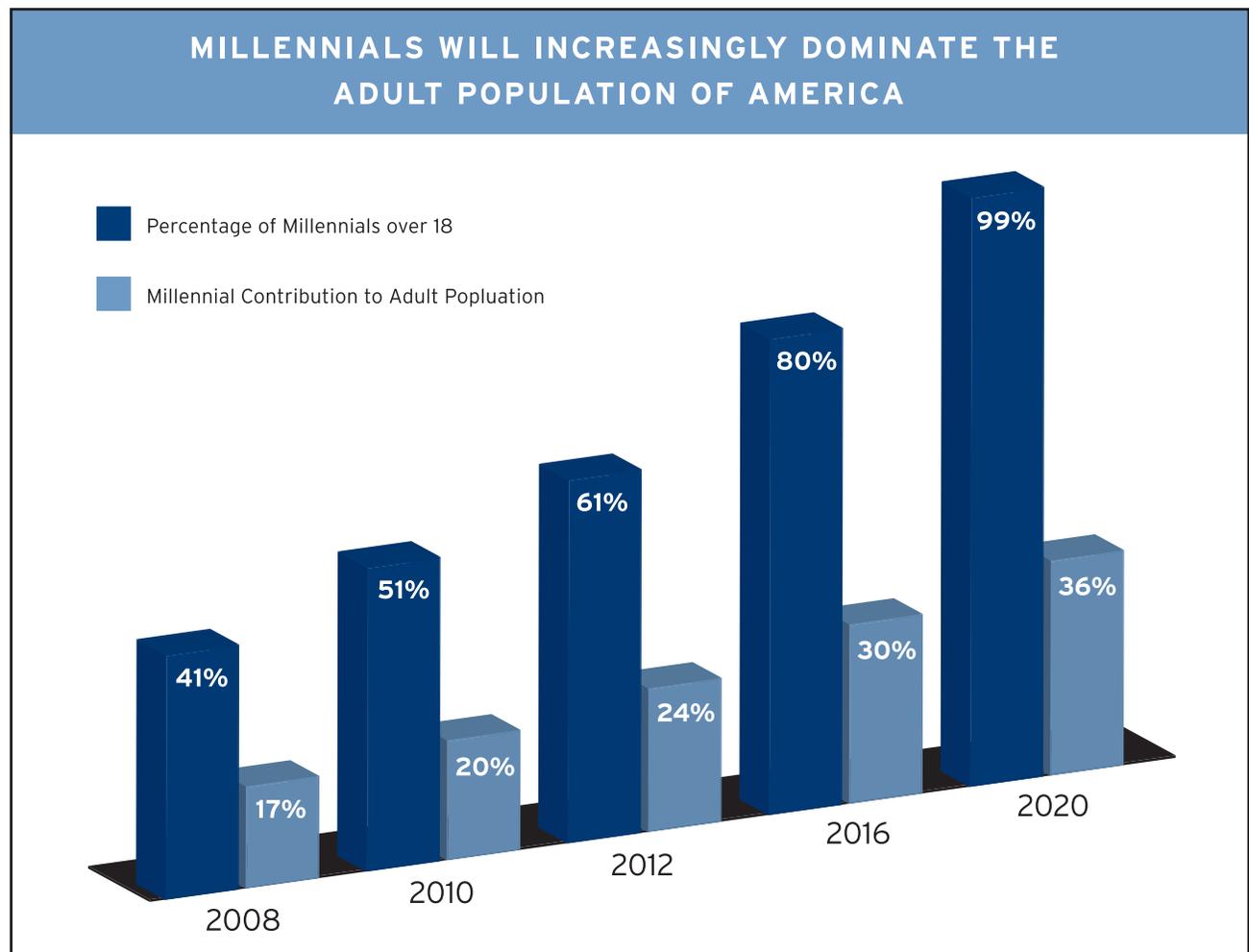
By 2020, Millennials will comprise more than one of three adult Americans. It is estimated that by 2025 they will make up as much as 75 percent of the workforce. Given their numbers, they will dominate the nation’s workplaces and permeate its corporate culture. Thus, understanding the generation’s values offers a window into the future of corporate America.

In the future, most Americans, taking their cue from Millennials, will demonstrate a greater desire to advance the welfare of the group and be less concerned with individual success. They will be less worried about being guided in their daily decisions by software and more intrigued by the opportunities it offers. Even without any major environmental disaster, they will display a greater reverence for the environment and less interest in the acquisition of things as opposed to experiences.

It will be a world that is radically different than the one those who wield power today have grown accustomed to leading. The Baby Boom generation, born between 1946 and 1964, has made confrontation the touchstone of its existence. In their youth, Boomers protested the

Vietnam War, or fought against those who did. As they aged, both conservative and liberal Boomers polarized America's politics, making compromise morally unacceptable. Throughout their lives, Boomers have honed conflict and competition to a fine art.

As Boomers begin to leave the corridors of power in Congress and the executive suites of corporate America, they are being replaced by members of Generation X (born 1965-1981), who are largely devoted to the pursuit of the bottom line—preferring speed over reflection and autonomy over collective decision-making. For example, the Gen-X self-styled “Young Guns” in the U.S. House of Representatives Republican leadership consider it perfectly proper to publicly exhort Boomer Speaker John Boehner not to compromise and, when he does, to vote against him. Similarly, Silicon Valley CEOs, many of whom are drawn from the ranks of Generation X, look with disdain on the good old boys network of their Wall Street counterparts and are eager to leverage the technologies they have developed to gain advantage in the marketplace over the older, more established titans of the media and telecommunication sectors.



Source: US Census Bureau

This is not to suggest that Millennial CEOs are, or will be, any less interested than Boomers or Gen-X'ers in assuring the success of the enterprises they now, or eventually will, lead. Rather, it is to emphasize the importance of recognizing the differences in how Millennials define success and the way they make decisions in order to envision the future of corporate America.

For example, the most famous, and wealthiest, Millennial CEO today, Mark Zuckerberg, was criticized by many for the eye-popping \$19 billion his company, Facebook, paid to buy WhatsApp, a mobile messaging service with 465 million users worldwide. Critics said the price was too high and the cultural incompatibility too great for the deal to work.

Jan Koum, the Ukrainian immigrant who co-founded WhatsApp, had publicly and pointedly distanced his company, which is gaining one million subscribers per day, from any intention of ever selling ads. His statements were at the very least an implicit criticism of Facebook's ever greater focus on doing just that since going public, especially on mobile devices,

None of that deterred Zuckerberg from pursuing his successful courtship of Koum. "Jan and I have known each other for a couple of years," Zuckerberg told investors as he described how he made his proposal. "Eleven days ago, last Sunday evening, I proposed if we joined together it would really connect the rest of the world. He thought about it and over the course of the week he said he was interested ... then we got the price later in the week and came to terms."¹ As part of those terms, Zuckerberg agreed to have WhatsApp continue to operate as an independent company and to put the independent-minded Koum on Facebook's board.

As Koum explained on the same investors call, "Monetization is not going to be a priority for us. Zuckerberg focuses on things 5 or 10 years from now. So in 2020, or 2025, 5 billion people will have a smartphone and we will have a potential for 5 billion users to give us money."

Of course, one obvious difference between Zuckerberg and most CEOs is that he has all the voting rights among Facebook shareholders and can afford to focus on the long term with no consideration of his investors' possibly more short term needs. But, more than his unique status, it is Zuckerberg's classic Millennial beliefs and behaviors that provide an unvarnished insight into what a corporate world dominated by Millennial values might look like.

¹ Jim Edwards, "Zuckerberg: It's the Only App We've Ever Seen with Higher Engagement than Facebook Itself," *Yahoo Finance*, February 19, 2014. <http://finance.yahoo.com/news/live-facebooks-investor-call-whatsapp-225719757.html>

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In that world, just as Millennials create communities built around shared interests not geographical proximity, causes will create compatibility between otherwise disparate groups. The desire of Millennials for pragmatic action that brings results will overtake today's emphasis on ideology and polarization as Boomers finally fade from the scene. This cultural shift will be felt in all aspects of the American economy from its marketplaces to its workforce and from its board rooms to the daily decisions of its CEOs.

The distinctive and widely shared attitudes and beliefs of this generation will slowly, but surely, reshape corporations in its image and end the confrontational and bottom-line oriented world that Boomers and Gen-X'ers have created.

MILLENNIALS AS CONSUMER-WORKERS

Almost two decades ago, Peter Drucker wrote in his book, *Managing in a Time of Great Change*, that “economic performance is not the only responsibility of a business...Furthermore, without responsibility, power always degenerates into nonperformance and organizations must perform. So the demand for socially responsible organizations will not go away; rather, it will widen.”² Since those words were written, an entire generation of socially responsible consumers, Millennials, has been born and is coming of age demanding that companies wishing to earn their generation's loyalty in the marketplace and in the workplace demonstrate support for causes Millennials believe in and prove it with deeds as well as words.

Ever since Drucker penned his prediction, Cone Communications has been tracking the attitudes of American consumers toward businesses' involvement in social issues. Over that span, as Millennials became a larger and larger share of the marketplace, the idea of “cause marketing” has evolved from a nascent promotional strategy to the key differentiator, not only in deciding what to buy, but who to trust and reward with brand loyalty. Furthermore, Cone's most recent study found that cause marketing was no longer a competitive differentiator unless it was also accompanied by a genuine effort on the part of companies to demonstrate how their efforts were making a real impact on achieving results.

² Peter F. Drucker, *Managing in a Time of Great Change*, (Dutton: 1995), 84.

Cone's 2013 survey of over 1,200 U.S. adults found Millennials to be the generation most focused on corporate social responsibility when making purchasing decisions.³ Almost all Millennials responded with increased trust (91%) and loyalty (89%), as well as a stronger likelihood to buy from those companies that supported solutions to specific social issues (89%). A majority of Millennials reported buying a product that had a social benefit and 84% of a generation that accounts for more than \$1 trillion in U.S. consumer spending considered a company's involvement in social causes in deciding what to buy or where to shop. In 2013, 89% of all American consumers said they would consider switching brands to one associated with a good cause if price and quality were equal. That percentage was 23 points higher than when Cone first did its survey in 1993, at a time when no Millennials were part of the adult population.

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Not only are Millennials creating the need for companies to pay attention to their corporate social responsibilities, but they are also leading a shift in buying behavior away from the glorification of consumerism to a more measured view of what's important in life. Young & Rubicam's brand attribute survey in 2009 of 2,300 adults found that a majority of Millennials belonged to a segment labeled "Spend Shifters." Not only did three-fourths of the "Spend Shifters" say they "made it a point to buy brands from companies whose values are similar to my own," almost all of them (87.5%) disagreed with the statement that "money is the best measure of success."⁴

The authors of *Spend Shift*, John Gerzema and Michael D'Antonio, pointed to a major shift between 2005 and 2009, just as the first wave of Millennials became adults, in what consumers were looking for in the companies with which they wanted to do business. Attributes such as exclusive (-60%), arrogant (-41%), and sensuous (-30%) fell from favor while values more associated with those of the Millennial generation rose dramatically. Kindness and empathy rose 391 percent in these five years, the biggest shift in attitudes ever seen in the seventeen year history of the survey. Other values associated with the generation, such as friendly (+148%) and socially responsible (+63%), also rose dramatically. These shifts in consumer attitudes driven by Millennial values will give every American corporation that

3 "2013 Cone Communications Social Impact Study: The Next Cause Evolution," *Cone Communications*, 2013. http://www.conecomm.com/stuff/contentmgr/files/0/e3d2eecie15e858867a5c2b1a22c4cfb/files/2013_cone_comm_social_impact_study.pdf

4 John Gerzema and Michael D'Antonio, *Spend Shift: How the Post-Crisis Values Revolution Is Changing the Way We Buy, Sell, and Live*, (San Francisco: Jossey-Bass, 2011), XX-XXV.

These shifts in consumer attitudes driven by Millennial values will give every American corporation that wants to attract customers, not to mention workers and investors, no choice but to deliver on a commitment to make the world a better place one cause at a time.

wants to attract customers, not to mention workers and investors, no choice but to deliver on a commitment to make the world a better place one cause at a time. Companies will also have to behave a lot more nicely than they are accustomed to in order to deliver those results, more like the characters in “Her” than those in “The Graduate.”

Just as Peter Drucker predicted more than two decades ago, the surest way to ensure the failure of a firm’s economic performance in the Millennial era that is now emerging is to focus solely on profits, because a company’s future ultimately rests on the loyalty of its customers to the values the company and its brand represent. Furthermore, the strategy that must be employed to win Millennial consumers’ loyalty, is the same one that must be used to win the loyalty of the company’s Millennial employees.

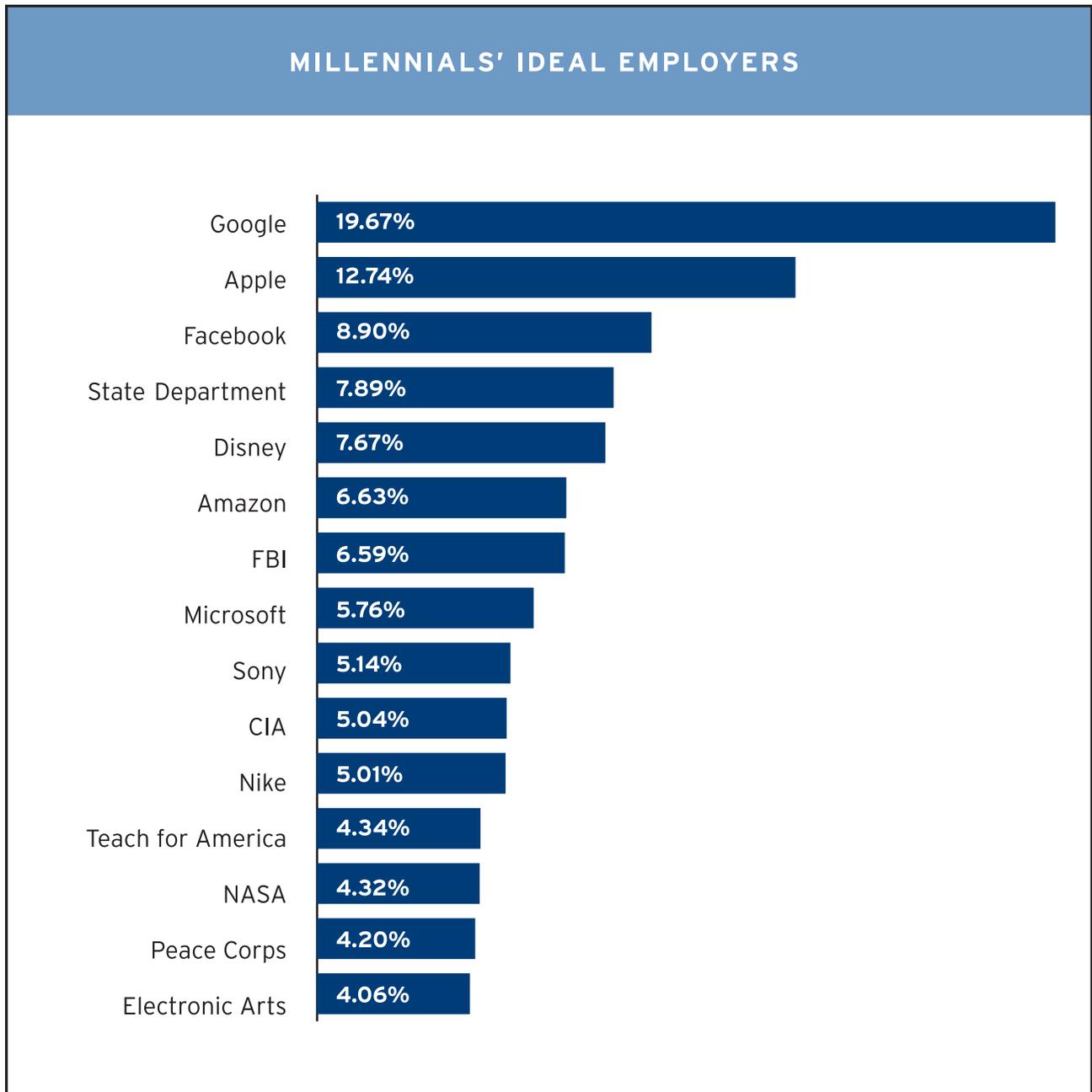
In 2013, the National Society of High School Scholars (NSHSS), surveyed the best and the brightest of America’s 15-27 year olds and asked them where they would most like to work.⁵ St. Jude’s Children’s Hospital ranked number one, joining three other health care providers in the top ten among all employers mentioned. Although the listing of high tech and entertainment firms with a strong Millennial brand reputation such as Disney (#2), Google (#4) Apple (#5) and Microsoft (#10) in this top ten list might have been predictable, most analysts were surprised that the FBI was ranked seventh, and the CIA eighth.

An examination of the top 25 companies or organizations on NSHSS’s list provides further insight in how Millennials think about where they want to work. Eight of the potential employers listed were health care related companies. Government agencies, including the State Department (#12) and the NSA (#17) along with branches of the armed services were the second most popular type of employer with six slots in the top 25. Outside of the high tech sector, the type of employers that were most appealing to Millennials as a place to work were those whose mission is to change the world for the better.

These are not just the opinions of young, possibly naïve Millennials who have yet to experience the world of work. A survey of ten thousand Millennials with one to eight years of experience in the workplace, conducted by the consulting company Universum in 2011 produced similar

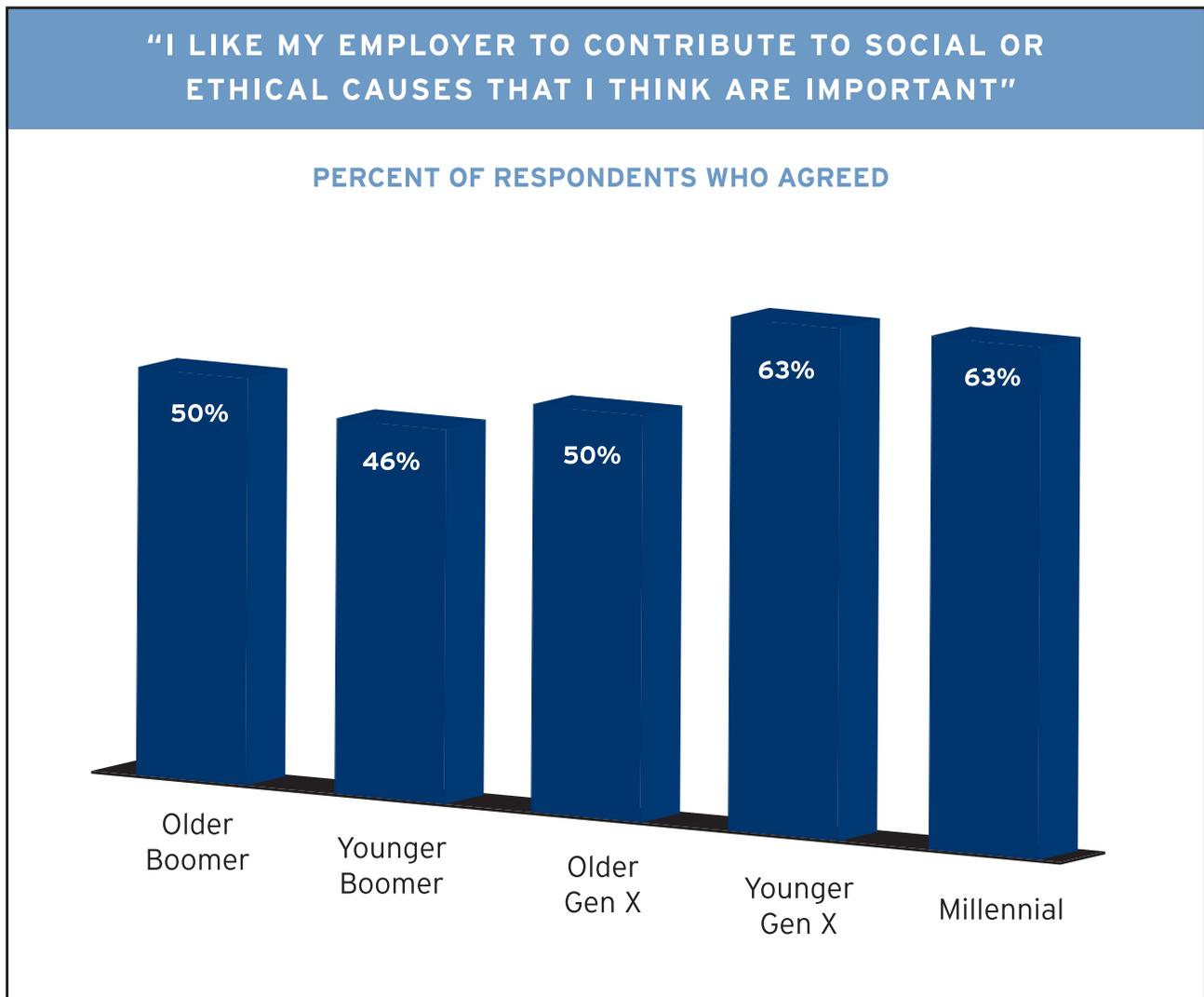
⁵ Susan Adams, “The 25 Companies Where Top Millennials Most Want to Work,” *Forbes*, May 9, 2013. <http://www.forbes.com/sites/susanadams/2013/05/09/the-25-companies-where-top-millennials-most-want-to-work/>

results to the NSHSS study. It asked respondents to rank order ideal employers from a list of national firms (which meant hospitals like St. Jude weren't on the list). In the Universum survey of currently employed Millennials, the FBI was ranked seventh and the CIA tenth. Outside of high tech firms, government agencies occupied the most number of slots in the top 15 with the State Department ranked fourth, right between Facebook and Disney.



Source: Universum/The US Professional Survey 2011

Evidence that these attitudes represent a generational shift, not one based simply on age, can be found in a benchmark survey of 1,250 insurance company employees conducted for LifeCourse Associates in 2012.⁶ Almost two-thirds of Millennial employees said they wanted their employer to contribute to social or ethical causes they felt were important. Only half of the Boomers and older Gen Xers surveyed felt the same way.



Source: National Benchmark web survey of 1,250 nationally representative full-time employees across multiple industries, conducted June 16-24, 2011.

This desire on the part of Millennials for their daily work to reflect and be a part of their societal concerns will make it impossible for corporate chieftains to motivate Millennial employees simply by extolling profits, or return on investment for their shareholders, or even employee salaries. For example, a recent Intelligence Group study found that almost two-thirds

⁶ "Why Generations Matter: Ten Findings from LifeCourse Research on the Workforce," *LifeCourse Associates*, February 28, 2012. <https://www.lifecourse.com/assets/files/Why%20Generations%20Matter%20LifeCourse%20Associates%20Feb%202012.pdf>

(64%) of Millennials said they would rather make \$40,000 a year at a job they love than \$100,000 a year at a job they think is boring.⁷ Corporate leaders wishing to build employee loyalty will need to emphasize the company's participation in the same world of causes and commitments that are the keys to successfully attracting Millennial customers.

This attitude presents a particular challenge to leaders of firms with more mundane or practical purposes, such as manufacturers or distributors, who will need to find ways to inject more meaning into their enterprise's activities if they wish to retain the loyalty of their Millennial employees. One way to accomplish this is to expand their goals beyond simply growing profits to include additional ones focused on the full range of their stakeholders, such as serving communities and satisfying customers.

However, the changes that Millennials' presence in the workplace will drive are much deeper and more profound than simply a shift in a company's goals. In its study comparing 13,000 Millennials and Gen Xers working at the consulting firm PricewaterhouseCooper throughout the world, USC's Center for Effective Organizations (CEO), found that the key to retaining and engaging younger workers was "good task leadership AND [sic] good talent leadership."⁸ By that they meant it was important to "make good use of worker's time, be transparent with them, and provide a supportive work community." In response to the findings, PwC abolished annual performance reviews in favor of more instant feedback. Directly in line with Millennial values, PwC refocused their vision and recognition programs on their employee's efforts "to change the world."⁹ These are the types of changes all companies will need to make to retain the loyalty of their Millennial workforce.

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Steven Pearlstein identified trust, or "social capital" as the "necessary grease" without which today's complex system of "democratic capitalism cannot survive."¹⁰ For Millennials, trust comes from shared values and commitments to common causes. All successful corporations

7 Jessica White, "Millennial generation eager to work, but 'on their terms,'" *The Columbus Dispatch*, March 30, 2014 <http://www.dispatch.com/content/stories/business/2014/03/30/eager-to-work-but-on-their-terms.html>

8 Alec Levenson, George Benson, and Jennifer Deal, "What works for leading the new multi-generation workforce," Center for Effective Organizations, August 2013.

9 "The connected employee experience," PriceWaterhouseCooper, February 2014. http://www.pwc.com/en_US/us/technology/publications/assets/pwc-technology-connected-employee-experience.pdf

10 Steven Pearlstein, *Social Capital, Corporate Purpose, and the Revival of American Capitalism*, (Washington, DC: The Brookings Institution, January 2014), 4. <http://www.brookings.edu/research/papers/2014/01/10-corporate-purpose-american-capitalism-pearlstein>

in the future will need to rebuild their stock of social capital by aligning their management practices and priorities to reflect the values of the increasingly dominant Millennial Generation in order to increase the level of trust they currently receive not only from their workers and their customers, but from their investors as well.

MILLENNIALS THINK ABOUT MONEY DIFFERENTLY

In its latest study of the Millennial Generation, *Millennials in Adulthood*, the Pew Research Center found that America's youngest adults were the least trusting of any generation.¹¹ Only 19 percent of Millennials agreed with the statement that "most people can be trusted," a percentage that was about half of all other older generations.



Source: Pew Research Center, *General Social Survey* data, 1987-2012

¹¹ Pew Research Center, "Millennials in Adulthood," March 7, 2014. <http://www.pewsocialtrends.org/2014/03/07/millennials-in-adulthood/>

This result reconfirms Pew's earlier findings about Millennials' attitudes toward America's major institutions. Eighty-three percent of Millennials agreed with the statement that "there is too much power concentrated in the hands of a few big companies," a percentage statistically greater than that of all other generations. About two-thirds of the Millennials surveyed in 2012 also agreed that "businesses make too much profit," which was the highest level of

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agreement among all generations. At the same time, less than half of Millennials thought "unions had too much power"; by contrast, a majority within all other generations agreed with that statement. Even more telling from a generation noted for its general lack of trust in institutions, 72 percent of Millennials, compared to only 61 percent of Xers and Boomers, agreed with the statement that "labor unions were necessary to protect the working person," a level statistically significantly higher than that of older generations. These findings reflect the generation's belief in fairness and equality, and reflect its dissatisfaction with the current institutional and economic status quo.

This unique Millennial sensibility will extend into the marketplace as the generation begins to think about which, if any, financial institutions to trust with their money. A recent survey by MFS Investment Management found that nearly half of Millennials "never feel comfortable investing in the stock market."¹² The survey also showed Millennials keep more of their assets in cash, less in stocks, and, in spite of their relative youth, have a shorter time horizon—less than five years—for their investments than Boomers or Gen Xers. A report by UBS Wealth Management in the Americas described Millennials as "the most conservative generation since the Great Depression" with regard to its savings habits.¹³ According to UBS's research, the average investor aged 21 to 36 has 52 percent of their savings in cash, compared to 23 percent for other age groups.¹⁴

Clearly, one reason for this avoidance of the stock market stems from the same experience of extreme volatility and risk that the Millennials' GI Generation great grandparents experienced when they were coming of age during the Great Depression. A 2013 study by Accenture confirmed these attitudes, with 43 percent of Millennials identifying themselves

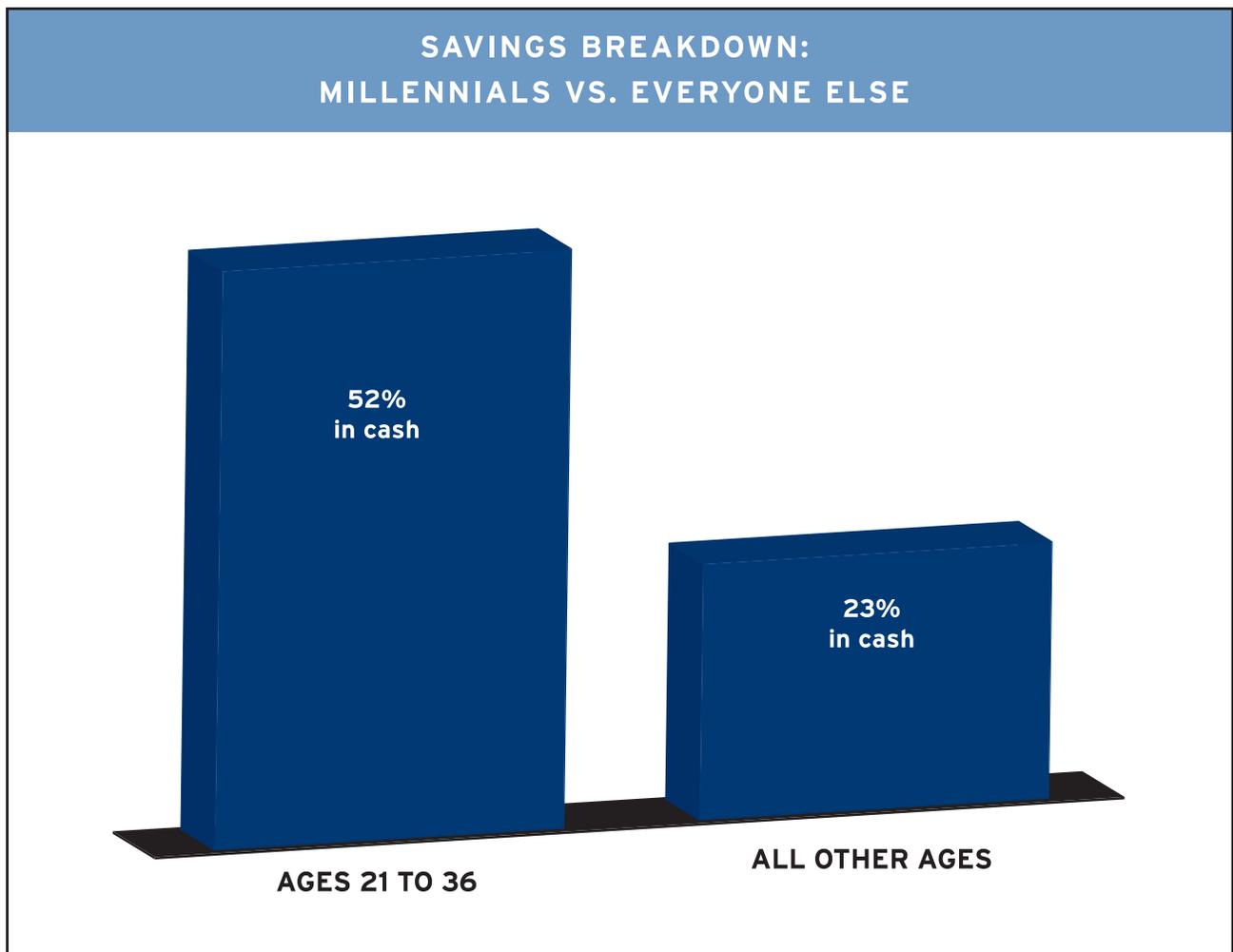
¹² Sean Lavery, "Millennials take a conservative investing approach," *The Boston Globe*, March 9, 2014. <http://www.bostonglobe.com/business/2014/03/09/wary-millennials-take-conservative-investing-approach/V8BBU5WABEHX-G9ucKkpq8J/story.html>

¹³ "Accidentally Conservative: The Risk that Lies Ahead for Millennials," *Nasdaq.com*, February 24, 2014. <http://www.nasdaq.com/article/accidentally-conservative-the-risk-that-lies-ahead-for-millennials-cm328928#ixzz2wSD0aYer>

¹⁴ "Think you Know the Next Gen investor? Think again." *UBS*, 2014. <http://www.ubs.com/content/dam/WealthManagementAmericas/documents/investor-watch-1Q2014-report.pdf>

as conservative investors, compared with 27 percent for Generation X and 31 percent for Boomers.¹⁵ But the survey also uncovered a deeper reason than just the Great Recession for this cautious investing behavior by Millennials.

The Accenture survey found high levels of mistrust of financial institutions among Millennials and a greater reliance on the Internet, social media, and personal networks for financial advice. As Kelsey Raycroft, a Boston-based Millennial put it, “The personal connection is important to me, especially with money stuff.... When I see these commercials with big companies, I’d rather go to somebody I trust.”¹⁶



Source: UBS Wealth Management, 2014.

In fact, this deep level of distrust toward the banking industry led the authors of the Millennial Disruption Index to identify the financial sector as the industry most likely to experience

¹⁵ Sean Lavery, *Boston Globe*, 2014.

¹⁶ *Ibid.*

severe disruption in its business model.¹⁷ Their three-year research study of more than 10,000 Millennials also found that of the ten least-liked brands among members of this generation four belonged to the nation's most powerful banks—J.P. Morgan Chase & Co., Bank of America Corp., Wells Fargo & Co., and Citigroup. Seventy-one percent told the researchers that they would “rather go to the dentist than listen to what banks are saying.”¹⁸

Furthermore, this generation of careful consumers and selective savers is perfectly ready to embrace a future without banks. Already, Millennials are three times more likely than Boomers and twice as likely as members of Generation X to be “unbanked,” i.e. have neither a savings nor a checking account.¹⁹ When asked, about 70 percent of Millennials thought that the way we pay for things five years from now will be totally different and one-third of them told the Millennial Disruption Index researchers they didn't believe that they will need a bank at all in the future.

The source of this disruption is perfectly clear to Millennials, even if it's not a future that bodes well for the banking system. Almost all (88%) of Millennials do their banking online and half of those use their smart phone to do so.²⁰ This experience leads about three-fourths of Millennials (73%) to be “more excited about a new offering in financial services from Google, Amazon, Apple, Paypal or Square” than from a nationwide bank.²¹ Since both the technology and the financial wherewithal to offer such services exists within these firms, the study's prediction of “seismic” change in the near term future of banking appears to be at least as realistic a vision of the future as that presented in “Her.”

It is possible that the generation's lack of interest in using traditional banking services could be cured if the industry offered new, high tech products and services or maybe changed its advertising approach. Another possibility is that community banks will enjoy a rise in popularity with Millennials since their name expresses an affinity with Millennials' favorite environment. This possibility might become even more likely if community bankers seized the opportunity and ran their bank the way Jimmy Stewart's character in the movie “It's a Wonderful Life” ran his.

But the odds are that banks, along with other parts of the financial sector, will continue to lose ground with Millennials as investors because of the fundamental mismatch between the

17 “The Millennial Disruption Index,” *Scratch/Viacom Media Networks*, 2014 <http://www.millennialdisruptionindex.com/>

18 *Ibid.*

19 Gary R. Mottola, “The Financial Capability of Young Adults—A Generational View,” *FINRA Foundation Financial Capability Insights*, March 2014. http://www.finrafoundation.org/web/groups/sai/@sai/documents/sai_original_content/p457507.pdf

20 “Millennials Invest More Time in Digital Banking,” *emarketer.com*, March 25, 2014. <http://www.emarketer.com/Article/Millennials-Invest-More-Time-Digital-Banking/1010704/1>

21 “Millennial Disruption Index,” 2014.

generation's beliefs and the culture of Wall Street. As Gene Smith, born on the cusp between Millennials and Gen X, so eloquently wrote in 2012 upon his resignation from Goldman Sachs after a very successful twelve-year career, "I have worked here long enough to understand the trajectory of its culture, its people and its identity. And I can honestly say that the environment now is as toxic and destructive as I have ever seen it."²²

If Millennials continue to avoid investing their money in the institutional titans of the financial world, those firms that today are most intent on focusing CEOs' attention to the bottom line, may well find themselves with less financial clout to exert that kind of influence in the future. The cultural clash between Millennials' values and beliefs and the priorities of bankers and financiers could signal the death knell for not just Milton Friedman's position that maximizing shareholder value should be management's only priority, but for an entire way of life inside the world of high finance.

But the odds are that banks, along with other parts of the financial sector, will continue to lose ground with Millennials as investors because of the fundamental mismatch between the generation's beliefs and the culture of Wall Street.

CLASH OF CULTURES UNDERMINES WALL STREET'S FUTURE

The actual experiences of eight Millennials who started their careers in the financial sectors were documented in the book, *Young Money*, by Kevin Roose.²³ He documents the disillusion each of them experienced during their first two years of employment at companies whose brands are among those least liked by Millennials—Goldman Sachs, Citigroup, Bank of America/Merrill Lynch, Wells Fargo, and J.P. Morgan Chase—as well as the German (Deutsche Bank) and Swiss (Credit Suisse) versions of those companies. During their initial year of employment these entry level employees were expected to work twenty hours a day (a 9 to 5 workday meant 9 a.m. until 5 a.m.), often every day of the week including weekends. At work, their lives were at the mercy of irrational, bullying older bosses that saw hazing as a necessary ritual to sort out the good from the mediocre. As a result, this diverse group of new employees rapidly lost their health, relationships, and, in most cases, their pride. Talent in this particular world of work was meant to be torn down and task leadership consisted of creating a fear of failure so intense it drained the creativity out of the group. No attempt was made to build trust or teams,

²² Greg Smith, "Why I am Leaving Goldman Sachs," *The New York Times*, March 14, 2012. http://www.nytimes.com/2012/03/14/opinion/why-i-am-leaving-goldman-sachs.html?pagewanted=all&_r=2&

²³ Kevin Roose, *Young Money: Inside the Hidden World of Wall Street's Post-Crash Recruits*, (New York: Hachette Book Group, 2014).

let alone to demonstrate how the work these young financial apprentices were asked to do would contribute to the greater good.

Their stories took place against the backdrop of the Great Recession as jobs became extremely scarce and graduates were more ready to trade their ideals and personal lives for a six figure income in the first year after graduation. But as Roose documents, money soon became less of an allure to Millennials who were more interested in finding meaning in their lives; by 2011 the percentage of seniors who went directly to work in the financial services industry had fallen dramatically. The Occupy protests even generated efforts by Millennials to picket recruiting events on campus with signs reading, “Take a chance, don’t go into finance,” or with messages to the potential recruits from their peers suggesting “our talents will be wasted if we send all our best and brightest to Wall Street.” Many Millennials seemed to agree with these sentiments. In 2011, Teach for America recruited more seniors at Brown and Columbia than Goldman Sachs; today, one out of every six Ivy League seniors applies for an opportunity to teach in America’s most challenged school districts.

Of the eight Millennials whose stories Roose chronicles, only one continued working on Wall Street. Two others joined the world of finance in Latin America but focused their careers on economic development. Three of the other five joined high tech startups, one went to work for a hospital and one went to work in community banking—outcomes very much in line with Millennials’ rankings of ideal employers. Even though the eight people whose lives are captured in the book hardly represent a statistically reliable sample of all Millennials, their work experiences accurately describe an industry culture that is completely out of synch with Millennial values.

William C. Dudley, president of the Federal Reserve Bank of New York—the arm of government that interacts with Wall Street more than any other—called this outdated, in-bred, insular culture just as much of a threat to the success of the industry as the changes in risk management practices mandated by the Dodd-Frank financial reform legislation passed in the wake of the financial system’s collapse in 2008. “I think they [the banks] really do have a serious issue with the public,” Dudley said, “And I think that trust issue is of their own doing.”²⁴ He told the Global Economic Policy Forum in November of 2013 that,

There is evidence of deep-seated cultural and ethical failures at many large financial institutions. ...Tough enforcement and high penalties will certainly help focus management’s attention on this issue. But I am also hopeful that ending too big to fail and shifting the emphasis to longer-term sustainability will encourage the needed cultural shift necessary to restore public trust in the industry.²⁵

²⁴ Peter Eavis, “Regulators Size Up Wall Street, With Worry,” *Dealbook/The New York Times*, March 12, 2014. http://dealbook.nytimes.com/2014/03/12/questions-are-asked-of-rot-in-banking-culture/?_php=true&_type=blogs&r=0

²⁵ William C. Dudley, “Ending Too Big to Fail,” (Remarks at the Global Economic Policy Forum, New York City, November 7, 2013) <http://www.newyorkfed.org/newsevents/speeches/2013/dud131107.html>

THE MILLENNIAL RECKONING

This matter of trust as it relates to the financial sector's future might be of interest only to those in the industry, or those with the responsibility to do something about it, if it weren't for the enormous power the industry wields in the management and investment decisions of all corporate CEOs and Boards of Directors, to say nothing of the entire economy. As Pearlstein points out in his paper, "The most extensive infrastructure supporting the shareholder value ideology is to be found on Wall Street."²⁶ As the industry continues to lose ground with the generation that is destined to dominate American life, its influence in corporate board rooms will also inevitably wane.

All organizational cultures that lose touch with the changes that are taking place in society pose a clear danger to the future of those organizations. The stronger those cultures are, the more likely the organization will reject any attempt to change how "we do things around here." In the same way that individuals react to cognitive dissonance by rejecting information that contradicts deeply held beliefs, data from the external environment that suggests the need for an institution to change is summarily dismissed by those within the institution. Instead, the insiders discredit the new information from the outside as coming from sources that don't understand the importance of the existing culture in assuring the firm's success. As happened to most of the Millennials described in *Young Money*, hiring new people into an organization which doesn't share the cultural values of the institution usually results in the incumbent culture spitting out the newcomers before they can change the existing way of doing things.

Meanwhile, most Millennials are likely to continue to find an outlet for their desire to change the world for the better somewhere other than on Wall Street, not just as investors or workers but also as customers.

This organizational truth doesn't bode well for the survival of America's current corporate governance practices. Those Millennials who do go to work in the industry and get accepted within the existing culture are likely to represent a minority among the generation, further eroding the industry's overall base of political support. Furthermore, as a matter of self-selection, such Millennials are the least likely new employees to want to change the existing culture and demand anything more than the kind of cosmetic cultural adaptations that the industry is already grudgingly putting in place. Meanwhile, most Millennials are likely to

²⁶ Pearlstein, *Social Capital*, 9.

continue to find an outlet for their desire to change the world for the better somewhere other than on Wall Street, not just as investors or workers but also as customers.

The power of the Millennial Generation was first felt at the beginning of this century in consumer markets, especially those such as entertainment and fashion that are focused on younger customers. Then, in 2008 and 2012, the Millennial wave of disruption entered the world of politics, with the generation playing a critical role in President Obama's election and re-election. More recently, it has begun to transform the world of work. Now, as the oldest members of the generation enter their thirties, they will have the ability to meld their considerable political clout with an increasing amount of economic power.

Millennials don't intrinsically dislike American business and believe corporations, including those on Wall Street, make an important contribution to the American economy. But they are a generation more prepared than older generations to regulate economic entities which they perceive as not contributing to the greater good. According to Pew's research, a plurality of Millennials, unlike older generations, mostly disagree with the statement that "government regulation of business usually does more harm than good."

As the culture of Wall Street becomes more and more isolated from the beliefs and values of America's largest adult generation, it is likely to be disrupted by Millennials' desire to use government's involvement in the economy to create a fairer and more equitable society. Ultimately, the generation's group orientation, its preference for win/win solutions, its deep sense of fairness and its desire that everyone in the group share benefits as equally as possible will lead Millennials to support the type of regulation and policy prescriptions that Pearlstein suggests will impact not just Wall Street, but all of America's corporate governance practices.²⁷

Furthermore, demographic trends make it clear that over the next decade increasingly greater numbers of Millennials will be elected to office, giving them the power to enact laws that can change how corporations are governed and what responsibilities those entities owe to all of their stakeholders. When that happens the entire edifice of corporate governance constructed on the idea of only maximizing shareholder value will come crashing down and a new foundation for American corporations, built on trust and the values and beliefs of Millennials will arise in its place. Those companies that dedicate their future to changing the world for the better and find ways to make it happen, will be rewarded with the loyalty of Millennials as customers, workers and investors for decades to come. Those that choose to hang on to outdated cultures and misplaced priorities are likely to lose the loyalties of the Millennial generation and with it their economic relevance.

²⁷ Pearlstein, *Social Capital*.

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The Brookings Institution
1775 Massachusetts Ave., NW
Washington, DC 20036
Tel: 202.797.6090
Fax: 202.797.6144
brookings.edu/governance.aspx

Editor

Christine Jacobs
Beth Stone

Production & Layout

Beth Stone

EMAIL YOUR COMMENTS TO GSCOMMENTS@BROOKINGS.EDU

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