

THE MILLENNIAL CHALLENGE FOR INCLUSIVE CAPITALISM

PARTNERS:



Csorba & Company



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Introduction

Over the past years, millennials have received copious amounts of coverage in the public eye, with countless books, reports and articles written on the consequences of this generation's thinking on the future of work. Generally considered to fall between the ages of 18 and 35, millennials are now entering leadership roles across multiple facets of society, whether in business, government or non-profits. Indeed, 50% of the world's population is under the age of 27, with millennials expected to represent approximately 75% of the world's workforce by 2025.

Although there is tremendous variation within the millennial demographic as a whole, based on factors such as education, geography and socioeconomic background, our research and work with millennials over the past years suggests that millennials are a generation with a strong social conscience. According to the National Careers Service, 70% of young people want to find a career that changes the world for the better. Meanwhile, ethics as a motivation for buying things has risen 26% since 2008 (Edelman), and 84% of millennials consider it their duty to improve the world, says a report from Deloitte. Millennials have entered the workforce and are now building their careers, at a time of tremendous economic, political and technological change. Together, these changes pose many challenges, but equally, opportunities for leaders with the energy and vision to engage their counterparts in this generation. Indeed, millennials believe that their work can – and should – further social change.

In March 2016, and in partnership with the Coalition for Inclusive Capitalism, we hosted a gathering of 80 millennials and a distinguished panel of speakers, including Lady Lynn Forester de Rothschild, at the HM Treasury in London. Over the course of the evening discussion, participants explored questions related to social capital and the future of work; however, it was clear that there was an appetite for more intimate and focused discussions on how best to “commit to the future.” Building on this, we have since held roundtables with over 50 outstanding millennials across four cities. Together, these participants represent a diverse set of sectors and 12 countries, with their perspectives allowing for a rich discussion on topics related to the Coalition for Inclusive Capitalism's October 9-10 conference theme, “Committing to the Future.”

As millennials ourselves, and based on our work and research in this space over the past 10 years, we are excited to share our findings with you. We see the Coalition for Inclusive Capitalism and Annual Conference on Inclusive Capitalism as tremendous opportunities for the world's leaders in business, government and social change to engage meaningfully on how best to include millennials in their leadership. We look forward to hearing from you and continuing to build this dialogue in the future.

Sincerely,

Emerson Csorba, *President*, Csorba & Company Ltd.

Noa Gafni Slaney, *CEO*, Impact Squared



Millennials have come of age during a time of instability, including the dot-com bubble bursts, a mortgage crisis, stock market crashes, and foreign market meltdowns. These cycles have made the group skeptical of the time horizon and motivation for business investment, re-orienting their focus toward Inclusive Capitalism principles

Letter from the Coalition for Inclusive Capitalism

With an estimated \$30 trillion in wealth expected to transfer from baby boomers to millennials in the next 30 years, there is a deepened interest in learning about what millennials value as employees, customers, citizens, and investors. As you will see in the following note, millennials pursue the fulfillment of their values in everything they do – personally, professionally, and financially. Because millennials are so purpose-driven, they also want their finances invested with a purpose, as they no longer view business growth and social purpose as sequential pursuits, but as fundamentally simultaneous ones.

Millennials have come of age during a time of instability, including the dot-com bubble bursts, a mortgage crisis, stock market crashes, and foreign market meltdowns. These cycles have made the group skeptical of the time horizon and motivation for business investment, re-orienting their focus toward Inclusive Capitalism principles such as promoting long-termism, integrating environmental, social, and governance (ESG) metrics into investment and business practices, and increasing workforce opportunity.

According to a Market Insights Report by FIS, most millennials prefer simplified and efficient approaches, which allow them to be more deeply involved in the investment process, to traditional advisor relationships. The FIS study states that historically approximately a third of children fire their parent's financial advisors after receiving their inheritance, warning that if firms do not engage with millennials now, that number could increase to over 90 percent. Investment professionals need to make an effort to incorporate the values of millennials into their business models, otherwise millennial wealth will naturally flow away from traditional institutions in favor of service providers that have invested in attracting and retaining the generation. It therefore behooves asset managers to make concerted efforts to invest in accordance with the values of millennials, in order to best engage the cohort. A failure to do this will mean sacrificing the extraordinary value millennials bring in their capacity as customers, employees, and investors.

Process

Between May and August 2016, Noa Gafni Slaney (Impact Squared) and Emerson Csorba (Csorba & Company Ltd.) led five roundtable conversations with over 50 exceptional millennials across four cities: London, New York, Edmonton and Calgary. Together, participants shared perspectives from their experiences in a wide range of industries, such as finance, technology, social impact, non-profits and academia, with representation of twelve countries. Over the course of these 90-minute roundtables, participants engaged in free-flowing discussions based on three guiding questions:

- **How do millennials approach the need for business to champion a long-term and societal approach to investment, particularly as they enter adulthood and imagine their futures?**
- **How can business best gather millennials' support in order to adopt sustainable and ethical investment practices?**
- **How can we equip millennials to adopt a long view to their lives and careers, in a society where insecurity and uncertainty are increasingly the norm?**

Following the interviews, notes were compiled and shared with roundtable participants in order to gather additional feedback. This report is the culmination of these five roundtable sessions, further conversations with millennials based on roundtable insights, and an overview of recent work and research focused on millennials, social impact and the future of work.

Inclusive Capitalism and Millennials

Economists have for long talked about ‘recognition lag’: the time delay between economic shocks happening and politics responding to those shocks. 2016 has been a year when politics finally caught up with economics. In Britain, for one, the economic history of the last decade – stagnant wage growth and rapid economic change – helped deliver a political response that severed a four decade long tie between economics and politics.

The millennial response is not assuring. Millennials have a great deal of social and environmental concern. Indeed, that was the central thrust of roundtables held across London, New York, Calgary and Edmonton. But the focus of their concern threatens to entrench, not resolve, the shock politics of 2016.

This is because themes of concern to millennials – technological entrepreneurship, rejection of deferential tradition, blurring of personal and professional life boundaries, diminished national distances – are largely irrelevant to the political concerns and social realities driving recent, tumultuous Western politics. Where millennials search for technological solutions, majorities driving political outcomes rue loss of historical industries, in part, to technological replacement. Millennials want to run the next tech start-up; sampling shows 71% of those voting for British Brexit view the Internet as a force for ill [Lord Ashcroft’s polling]. Where millennials comfortably eschew the divide between personal interest and professional pursuits, political majorities bitterly experience personal lives eroded by precarious professional terms, contracts and pay. Where millennials are largely comfortable winners from international openness and travel, political majorities feel fully the friction as the wheels of social change rapidly turn to make way for economic globalization. It is no surprise to note the link between changes in immigration and Brexit voting in the UK: a 10 percentage point rise in the proportion of migrants raised the leave vote by 3.9 percentage points [Resolution Foundation analysis].

For firms and governments, there are then two distinct, and opposing challenges. One, the development of labour markets, organizational cultures and firms which speak to contemporary millennial expectations. But second, a political and economic settlement that combines the prosperity of economic openness with greater control on the pace and nature of accompanying social friction.

This note focuses largely on the first: the millennial challenge for Inclusive Capitalism. It builds on a series of discussions held with millennial leaders across sectors – finance, technology, government and social sector – as well as geographies, drawing on roundtables in the UK, USA and Canada to represent a subset of millennial views. But in doing so, it attempts to suggest moves that reconcile the millennial challenge with the broader political and social challenge faced by western, democratic capitalism.

As employees, as customers and as citizens, millennials demonstrate a particular scrutiny on the time horizon and motivation for business investment. Regaining long-termism and a social purpose to business investment and action is seen as a priority in each of the three roles that millennials play in the economy and society.

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1 Millennials and the need for business to champion a long-term and societal approach to investment

Aggregate evidence and our anecdotal international discussions highlight the distinctive nature of millennial attitudes towards business' role. As employees, as customers and as citizens, millennials demonstrate a particular scrutiny on the time horizon and motivation for business investment. Regaining long-termism and a social purpose to business investment and action is seen as a priority in each of the three roles that millennials play in the economy and society.

But distinctly, millennial advocacy for long-term and social business investment now goes further than hitherto corporate action. Conducting the vast majority of business as usual, while separately packaging corporate social responsibility action, is viewed with suspicion, seeming insufficient and insufficiently sincere. Deloitte's Millennial Survey captures 64% of millennials believing that businesses focus on their own agendas, not wider societal interest. Instead, millennials concern themselves primarily with the conduct of the mainstream parts and activities of firms – taxation, employee engagement, the social impact of firms' core business activities. Business growth and social purpose are no longer seen as sequential pursuits, but as fundamentally simultaneous ones.

Given that overarching approach, millennial discussions highlighted a central feature and a practical course of action. The central feature was a focus on leadership. Large shifts in firm behaviour and action are difficult to embed through specific projects and programmes alone. Instead, leaders have a crucial role in setting the tone, shaping culture, actively championing social initiatives and in defining the scope of legitimate business activity. Firms may struggle to justify piecemeal, socially-driven initiatives; a leader, however, can help overcome these obstacles by re-setting the norm, making social purpose and long-term investment the baseline for business action, not subjected to individual cost-benefit calculations that will continue to prize short-term business growth alone. And to support the commercial foundation for such moves, robust examples of practice can help, showing how, for example, re-branding businesses to create sustainable living brands can boost sales and validate leaders setting social purpose as markers of business objectives.

Yet, millennials continue to believe in the significance of firm earnings – and their translation into aggregate output – as a driver of prosperity. In that context, a practical recommendation has been to discern how tweaks – rather than upheaval – in investment practice can help. To help shareholders make long-term decisions, there is a call of support for firms to consider going beyond a constant focus on the next set of quarterly earnings reports, which shorten the time horizon of incentives for management and narrow the range of information for investors. A longer, and wider, set of corporate reporting, working towards the inclusion of environmental, social and governance progress, would be a robust aspiration for investment firms to adopt.



Consumption choices are much more weighted by social, environmental and reputational concern, driving business prospects. In that context, authenticity is vital: a firm will sustainably and reliably maintain millennial support if it can openly demonstrate social and ethical investment practice.

2 How can business best gather millennials' support in order to adopt sustainable and ethical investment practices?

Businesses looking to adopt sustainable and ethical investment practices can face barriers in doing so. Millennial support can help overcome this, offering a compelling and certain source of motivation for sustainable and ethical investments.

Business can gather millennial support for 'social' investment practices by focusing on each of the three roles millennials eagerly play in seeking out sustainable and ethical practices: as employees, as consumers, and as campaigners.

As employees, millennials are increasingly motivated by sustainable and ethical investment. In Deloitte's Millennial Survey, 88% of millennials intending to stay with their organization for over 5 years are satisfied with its sense of purpose. Where they work in investment management, or form future pools of talent for investment firms, the continued pipeline of talented millennial leaders for the industry is reliant on investment choices chiming with millennial attitudes. Firms which are able to do this soonest, by focusing on harnessing social attitudes and concerns of millennial employees, will be quickest in attracting and retaining millennial talent.

These attitudes are practically pursued in millennials' habits as **consumers and investors.** Digital banking products are rising to cater to millennial habits and focus on banks which conduct transparent pricing. Companies have learnt about the pace and impact with which millennial consumption responds to perceived shortcomings in social performance, e.g. on taxation. Consumption choices are much more weighted by social, environmental and reputational concern, driving business prospects. In that context, authenticity is vital: a firm will sustainably and reliably maintain millennial support if it can openly demonstrate social and ethical investment practice. Combined with that ultimate underlying sincerity of investment practice, firms need to consider contemporary digital engagement: millennial perception and choices are driven by rapidly formed online reputations, reputations which companies must pay authentic attention to.



Most crucially, the central challenge is to convince millennials – who are increasingly concerned with robust measures of value and impact – of the clear, continuing benefits of active investment management, and to assure millennials of the merits of its social ends.

And at their most active, millennials are **engaged citizens**, leading a range of campaigns and shaping wider public perceptions of investment practices, most prominently displayed in recent campaigns about renewable energy investment and in successful attempts to make large academic and religious organizations divest from particular non-renewable investments. Firms can actively build support for sustainable and ethical investments, by using existing and latent millennial public advocacy. For one, that advocacy offers a window into rapidly shifting millennial expectations of acceptable objects of investment, especially its focus on transparent, outcome-driven metrics of investment performance in a context of some suspicion about actively managed funds. Additionally, millennial advocacy is a distinct channel, too, which intelligent investors can understand and intentionally engage with, in the course of influencing large-scale corporate behaviour.

Most crucially, the central challenge is to convince millennials – who are increasingly concerned with robust measures of value and impact – of the clear, continuing benefits of active investment management, and to assure millennials of the merits of its social ends. On Accenture research, 59% of millennial respondents actively sought financial advice, but only 40% entrusted financial advisors with the task. As passive funds gain over active managers, and net outflows plague asset managers, the central challenge for businesses is to convince millennial employees, prospective investors and millennial members of the public of their on-going merits. They can do so by:

- **Focusing on harnessing social attitudes and concerns of millennial employees;**
- **Acting as intelligent investors to understand and intentionally engage with millennial public advocacy, in the course of influencing large-scale corporate behaviour;**
- **Convincing millennial employees, prospective investors and millennial members of the public of the continuing merits of active investment in ethical and sustainable causes;**
- **Adopting widely-held industry standards of employee attraction, recruitment, performance management and retention, to open up investment management to a much wider set of millennial backgrounds.**



Finally, at the personal level, millennials are both more socially and ethically expectant, and more persistently aware through online media of bumper peer successes, making personal consideration of careers much more fraught with comparative anxiety.

3 How can we equip millennials to adopt a long view to their lives and careers, in a society where insecurity and uncertainty are increasingly the norm?

Millennials face a triple whammy of labor market changes – macro, sectoral and personal – all of which entrench insecurity and uncertainty in career and life planning.

At the macro-level, western trends of greater top- and bottom-end jobs at the cost of a ‘hollowed out’ middle make the jobs market riskier and, by definition, more polarised.

At the sectoral level, rapid shifts in technology mean rapid shifts in sectoral boundaries, and often quick shifts in corporate structure and in employee composition. These sectoral trends imply weakening of a context where specific domain expertise was seen as sufficient guarantee of employment. Millennials have adopted with relative comfort and even enthusiasm a move towards cross-sector intangible jobs, tackling ambiguous problems with openness across sectors, in contrast to historical focus on single professions and sectors as homes for decades of professional practice. But over time, that flexibility will need common currency of achievement and skills transfer that allow employees moving across sectors to signal their skills and experiences with sufficient credibility and completeness.

Finally, at the personal level, millennials are both more socially and ethically expectant, and more persistently aware through online media of bumper peer successes, making personal consideration of careers much more fraught with comparative anxiety.

The combination of these three factors have large implications for business branding, recruitment and retention, all of which are crucial in better equipping millennials to navigate an uncertain, transient jobs market. Prominently, there is a positive tack that a more uncertain jobs market can take:

- **Institutional structures – e.g. employment insurance products and cross-sector skills qualifications and accreditations, flexible and rapid training programmes – can form the foundations of some security;**
- **Firms can grasp the opportunity to mirror in opportunity the preferences of millennials for roles which simultaneously combine social purpose, entrepreneurship aspects and work that carries self-worth, rather than separating ‘day work’ from separate social purpose pursuits;**
- **As in mainstream technology firms, millennials could be well-served by the development of similar flexible, short-term product cycles delivered by teams comprised of multiple discipline professionals. Doing so not only adds to millennial interest in their roles, but also prepares the multiple skills foundations and signalling that will be crucial as the jobs market develops.**

Participants in Roundtables

- **Marc Jansen**, University of Cambridge Judge Business School
- **Enrica Sighinolfi**, Opportunity Network
- **Alvin Carpio**, Joseph Rowntree Foundation
- **Matt Black**, Numbers for Good
- **Paolo Rigutto**, Ernst & Young
- **Christian Busch**, Innovation and Co-Creation Lab, London School of Economics
- **Sarah Noble**, Peace Talks
- **Farooq Abbasi**, Mosaic Ventures
- **Laura Jamer**, DIRTT Environmental Solutions
- **Elizabeth Davis**, Purpose Collaborative
- **Megan Scholyar**, Purpose Collaborative
- **Jessica Kovac**, Purpose Collaborative
- **Kelly Stefanick**, Purpose Collaborative
- **Lindsay Hoffman**, Independent
- **Gregory Hill**, GCH Partners
- **Abby Mayerhoff**, Impact Squared
- **Derek Pollak**, Impact Squared
- **Diane Villavieja**, V2V Associates
- **Rachen Senha**, System Studio
- **Barbara Chami**, Nexus Global Youth Summit
- **Cecilia Katzenstein**, Nexus Global Youth Summit
- **Oliver Libby**, The Resolution Project
- **Erica Viegas**, World Economic Forum
- **Jack McMackiw**, Rockefeller & Co., Inc.
- **Sarika Bansal**, Medium.com
- **Harminder Sanghera**, Freedom of All Mankind
- **Julia Kim**, Freedom of All Mankind
- **Lauren Mobertz**, Independent
- **Kalm Paul-Christian**, Rothschild
- **Dan Rose**, Edmonton Economic Development Corporation
- **Sahr Saffa**, Nimbus Creative
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- **Zain Jinnah**, White & Case LLP
- **Liana Gilmour**, DIRTT Environmental Solutions
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- **Vikay Narayen**, University of Edinburgh/Hong Kong University
- **Dalisu Jwara**, University of Cape Town/Weir Group
- **Medhi Azmayesh**, Queen Mary University of London
- **Kiara Clement**, University College London

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Csorba & Company



About

Impact Squared

Impact Squared is a social change consultancy that works with leading organizations to elevate their message, motivate people to act and evaluate their impact. With dual headquarters in London and New York, Impact Squared works with leading organizations such as the United Nations Foundation, International Crisis Group and Schusterman Family Foundation.

Noa Gafni Slaney, Impact Squared's CEO, is a regular contributor to the Harvard Business Review, Triple Pundit and the Huffington Post. Her recent speaking engagements include the World Bank, Financial Times and United Nations. She is a Social Innovation Fellow at the University of Cambridge and a Professor of Practice at New York University.

Csorba & Company Ltd.

Csorba and Csorba Ltd. is a boutique consultancy focused primarily on the education sector, working and partnering with organizations in Canada, the United States, the United Kingdom and Israel. Its work blends the practical and theoretical, through access to a global network of changemakers and an academic grounding in educational philosophy.

Emerson Csorba, founder and CEO, is a contributor to the Harvard Business Review, The Globe & Mail, Daily Telegraph and World Economic Forum Agenda. He serves as a Fellow of the Royal Society of Arts in London, and Fellow of the Canada's Public Policy Forum.

Coalition for Inclusive Capitalism

The Coalition for Inclusive Capitalism is a not-for-profit organization that is dedicated to promoting the Inclusive Capitalism movement. The Coalition is focused on working with asset owners, asset managers, corporations, NGOs, labor leaders, public policy experts, government officials and the public to identify, develop and share the concrete steps that various stakeholders can take to make modern capitalism an engine for long-term, broadly shared prosperity.

For further information, please contact Noa Gafni at hello@impactsquared.com

THANK YOU
