Strategic Management and Engaging Millennials in Wealth Management

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Executive Summary

The millennial generation is different than any other previous generation. This generation was born into the internet arena and experienced first-hand the impact of a declining stock market in the Great Recession of 2008. This generation is also estimated to inherit over $40 trillion in the upcoming decades which make them a very lucrative client for the wealth management industry by providing a lifetime of education, mentoring, and leadership (Leonhardt, 2015; Wadhwa, 2016). The SWOT analysis conducted by the researcher disclosed internal strengths (large workforce in over 52 countries, global wealth management sector, and divisional organizational structure) in which wealth management industry can employ in order to minimize the internal weaknesses of the industry and maximize external opportunities within the wealth management industry. The exploitation of these strengths can be effectively implemented by utilizing both the path-goal and servant leadership theories within the organization. The application of these leadership theories within the organization will ensure an effective strategic plan is developed to meet the needs of the Millennials and remain competitive in the wealth management industry.
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Strategic Management and Engaging Millennials in Wealth Management

Introduction

The millennial generation or Millennials are recognized as the age group which was born after 1980 until the present (Havens, 2015, pp. 23-24). The Millennials’ population is currently estimated to be over 78 million, have generated a gross worth over $24 trillion and will inherit over $40 trillion in the upcoming decades (Leonhardt, 2015; Wadhwa, 2016).

The problem is that employers of this generation do not offer the traditional pensions that previous generations may have received and therefore the Millennials must rely on their savings and investment tactics in order to have enough funds to sustain them through the retirement years. The wealth management industry can embrace this necessity and include in their strategic planning the effective use of a SWOT analysis (Hill, Schilling, & Jones, 2017, pp. 20-23) to develop organizational changes to meet the requirements of the Millennials (“Millennials Manage Their Finances,” 2015). This problem can be solved by identifying the internal factors which can be controlled in order to minimize the external factors within the wealth management industry. The implementation of leadership models in conjunction with the results of the SWOT analysis to conduct effective strategic planning and develop an enduring business plan to ensure effective organizational changes and accomplish the goal of engaging Millennials in a lifetime of wealth management.

This paper will conduct a SWOT analysis of the wealth management industry and its capability to lure and maintain Millennials as lifetime clients. The SWOT analysis will be utilized as a template to the internal and external factors which need to be addressed in order to remain competitive.
The author is a student at Central Michigan University pursuing a graduate degree in Administration with a concentration in leadership.

**Analysis**

The following SWOT analysis will be conducted on Union Bank of Switzerland (UBS) Global Wealth Management which employs over 33,000 employees in 52 countries (“UBS,” n.d.). The author is utilizing UBS as an example, however; the wealth management industry will face the same environment as UBS and can utilize the analysis as a template to examine their individual organization.

The SWOT analysis will examine the **Strengths**, **Weaknesses**, **Opportunities**, and **Threats** (See Appendix A) that UBS will encounter in order to develop and implement an effective business plan to meet the requirements of the Millennials and ensure a competitive advantage (Hill, Schilling, & Jones, 2017, pp. 20-23).

**Strengths**

1. Large workforce in over 52 countries
2. Establishment of global wealth management
3. Divisional organizational structure

In February 2018, UBS merged all wealth management businesses within its organization into one Global Wealth Management division. The Global Wealth Management division employs over 33,000 employees in 52 countries (“UBS,” n.d.).
The global approach utilizes the assets of the organization to develop investment strategies which reflect a diverse global environment and provide the most options to the client. The approach of diversifying investment in the global market will not only provide a wider range of strategies but also increase the profitability of the wealth management organization (Kim, Hoskisson, & Lee, 2015).

The utilization of a divisional organizational structure (See Appendix B) provides the capability to concentrate and alter the organization quickly to change direction in order to maintain a competitive advantage (Robbins & Judge, 2017, pp. 502-503).

**Weaknesses**

1. Limited diverse workforce
2. Limited understanding of Millennials’ requirements
3. Limited integration of technology into a business model

A limited diverse workforce based on gender, age and cultural restricts creativity, productivity, and organizational profitability. Organizations, including the wealth management industry, are suffering from the lack of diversity and research has disclosed that companies that embrace a diverse workforce have approximately 35 percent higher profitability than their competitors (Hunt, Layton, & Prince, 2015).

The average age of a wealth management advisor is 51 years old coupled with the Millennial requirement of increased use of technology and conservative investment strategies put the Baby Boomer financial advisor at a disadvantage (Horan, 2015). The limited understanding of the client’s requirements will weaken the relationship between the wealth management
advisor and client which will ultimately cause the client to seek a wealth management organization that fulfills their requirements (Yeh, 2015).

Investors, not just Millennials, are requiring that the wealth management industry provides a secure, technology-based solution to investments within the next five years. The wealth management industry prides itself on one-on-one relationships with their client and is afraid of being replaced by “robo-advisors”, however; investors will seek an alternative investment venue or organization if the technology is not integrated into the means in which investment strategies are presented (Horan, 2015).

**Opportunities**

1. Integration of technology

2. Development of personal relationships

3. Increase Millennial workforce

4. Offer sustainable investments

The Millennials rely on technology and expect flexibility, convenience, multi-channel, high-speed internet-based applications to conduct business and require both a digital and personal relationship with their advisor (Field, 2012; Thompson, 2017). Millennials also require the establishment of a personal trust-based relationship and savings and investment advice in all phases in their life (Colby & Bell, 2016).

The increase in the Millennial workforce provides the opportunity for reverse mentoring which enables more experienced wealth management advisors the opportunity to increase empathy and emotional intelligence for the Millennial client (Marcinkus, 2012). A diverse
workforce increases creativity which ultimately leads to a competitive advantage in the marketplace (Michie, 2011).

Millennials have a desire to make an impact both socially and environmentally which influences their investment strategies. Increasing the number of investment opportunities directly related to environmentally and socially responsible companies would lure and maintain the Millennials (Gilbert, 2012; Balbi, 2014).

**Threats**

1. Aggressive competition
2. Diverse and dynamic government regulations
3. Global political and economic condition

The number of potential clients within the Millennial generation is vast, however; as research has disclosed Millennials are more concerned with investment strategies that influence change and are easily accessible (Gilbert, 2012; Field, 2012). The advancement of technology which increases the flexibility of reaching the Millennials and directly correlates to the competition amongst wealth management companies (Thompson, 2017).

Government regulations have a direct impact on advice that is provided to clients for their investment strategy. There is a delicate yet necessary balance between government oversight and the wealth management industry that is required but may also have an impact on profitability (Barnett, Henriques & Husted, 2018).

The Great Recession of 2008 had a negative impact on the investment strategies of the Millennials. The Millennials are a conservative in their savings and investment strategies
because of the negative effect felt by their parents. The political and economic instability molds their investments which have a direct impact on investment strategies presented to them by wealth management organizations (Barton, 2017).

Leadership

Strategic Leadership

The key to success is to provide strategic leadership from the senior level of the organization to those in the trenches. Strategic leadership provides the foundation for the development of the business plan in order to be competitive in the market. Key functions that need to be articulated from senior leadership are a consistent vision and commitment. Internal factors from the SWOT analysis such as a limited diverse workforce, understanding of Millennial requirements, and integration of technology must be on the forefront of senior leadership. The development of a business plan can be easily implemented to combat these deficiencies (Hill, Schilling & Jones, 2017, pp. 31-34).

Path-Goal Theory

The path-goal theory establishes the vision and solution but also provides a roadmap. This theory can be utilized in resolving the internal factors developed in the SWOT analysis mentioned above. The goal is articulated by the senior leadership to the first level managers and establishes the culture of the organization. The path is determined by the input from both leadership and the workforce on the best method in which to reach the goal which develops a buy-in from the entire organization (Northouse, 2016, pp. 115-132).
Servant Leadership

The servant leadership model is established by leadership providing what is necessary to fulfill the goal or objective determined by the strategic plan to the followers or frontline workers. This allows for the followers to accomplish the goals and provides for the maximum customer satisfaction (Northouse, 2016, pp.225-242).

Ethics

Ethics is critical to building a solid foundation between the wealth management advisor and the Millennial client. The financial strategies which are presented must directly reflect the appropriate norms defined by society (Northouse, 2016, p. 330). The relationship established between the wealth management advisor and the Millennial client is the basis for the loyalty of the client. Ethical and socially responsible advice provided by the wealth management advisor will ensure the relationship is firm and more importantly a lifetime partnership (Yeh, 2015; Duska, 2005).

Literature Review

The following is a literature review examining key findings of the SWOT analysis as it relates to engaging Millennials in wealth management.

Strengths

A 2014 study published by the Strategic Management Journal examined the effect of geographic diversification on Korean manufactures and company profits. The study observed the impact of investing in economic and resource poorer countries. The study
concluded that investing in a global market even though the country may have inferior resources reflected a higher profit (Kim, Hoskisson & Lee, 2018).

A 2013 article published by *Entertainment Close-Up* disclosed that the UBS Global Asset Management Pension 500 Database analyzes world markets and makes recommendations based on client needs and has increased both client and company profits by broadening the investment market for Millennials (“UBS Global Asset,” 2013).

**Weaknesses**

A three-year study conducted by *McKinsey and Company* examined 366 public companies worldwide to determine the effects of diversified leadership and workforce and company profitability. The study concluded that a more diverse leadership and workforce increased the talent pool, innovation, decision making, and customer satisfaction (Hunt, Layton & Prince, 2015).

A 2015 article published by *CFA Institute* disclosed that the average wealth management advisor is of the Baby-Boomer generation, does not reflect the same ideology of the Millennial generation, and is hesitant of implementing technology into the relationship equation with their Millennial clients (Horan, 2015).

**Opportunities**

A 2014 article published in *Institutional Investor* disclosed that the transfer of inheritance, approximately $41 trillion, from the Baby-Boomer generation to the Millennials is significant. The Millennials are more concerned with investment strategies that will have a positive impact on the world and the wealth management industry must incorporate this
philosophy into their business model when presenting investment options to this very lucrative
generation (Gilbert, 2012).

A 2011 article published in Policy Studies disclosed that diversity in the wealth
management industry is needed in order to reflect the world market and increase profitability. The diverse workforce is critical for innovation and will reflect varied cultural, gender, and generational viewpoints which will positively impact the business model and increase the trust between the client and advisor (Michie, 2011).

Threats

A 2017 article published in Journal of Securities Operations & Custody disclosed that wealth management organizations must incorporate into their strategic plan the capability of a two-prong approach to their advisement strategy which includes digital and human interfaces (Thompson, 2017).

A 2018 paper published in Advances in Strategic Management disclosed that there must be a mutual cooperation between investors, wealth management organizations, and government oversight. Government oversight is required, however, extensive oversight will limit investing and potentially hamper the economic growth of the country’s economy (Barnett, Henriques & Husted, 2018).

Conclusion/Recommendation

The Millennials are different than any other prior generation. This generation was born into the internet arena and experienced first-hand the impact of a declining stock market in the Great Recession of 2008. These two significant generational mileposts influence the needs and
wants of this generation. In addition, the Millennials have the potential to inherit over $40 trillion in the upcoming decades which makes this generation a very lucrative client for the wealth management industry.

The SWOT analysis (See Appendix A) conducted by the researcher disclosed internal factors that the wealth management industry can control in order to minimize the external factors of the industry. The internal strengths revealed by the analysis include a large workforce in over 52 countries, the establishment of a global wealth management organization, and the utilization of a divisional organizational structure. The internal weaknesses revealed by the analysis include a limited diverse workforce, limited understanding of Millennial requirements, and limited integration of technology.

Based on the research the author recommends capitalizing on the strengths of the organization in order to develop a strategic plan to minimize the weaknesses to pursue the opportunities and remain competitive. The minimization of weaknesses which increases the opportunities can be accomplished by implementing both path-goal and servant leadership theory in the organizational structure and will provide the ultimate in customer satisfaction to the Millennial client.
References


Millennials manage their finances well for the short-term, but poorly for longer periods, survey shows. (2015). *ABA Bank Marketing & Sales, 47*(1), 3.


Appendix A

SWOT Analysis of Wealth Management Industry

**Strengths**
- Large Workforce
- Worldwide Division
- Divisional Organizational Structure

**Weaknesses**
- Limited Diverse Workforce
- Limited Understanding of Millennial Needs
- Limited Integration of Technology

**Opportunities**
- Integration of Technology
- Development of Personal Relationships
- Increase Millennial Workforce
- Offer Sustainable Investments

**Threats**
- Aggressive Competition
- Government Regulations
- Global Political and Economic Condition
Appendix B

UBS Organizational Chart

Source: https://www.ubs.com/global/en/about_ubs/about_us/ubs_group/group.html