Diversity and Engaging Millennials in Wealth Management

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Executive Summary

The millennial generation was raised on the internet and has distinct wealth management requirements such as the need for internet-based platforms, whole life financial advice, long-term personal relationships with wealth management advisor, and conducting sustainable investments. This generation has the potential to be a very lucrative client and estimated to inherit over $40 trillion in the upcoming decades (Leonhardt, 2015; Wadhwa, 2016). The millennial generation is also comprised of dimensions of diversity such as gender and race which also influence savings and investment strategies. The wealth management organizations must recruit and maintain employees which are diversity conscious in order to reflect the organizational objectives of attracting and maintaining lifetime relationships with this generation. The establishment of a Millennial conscious organization can be accomplished by establishing a diversity-conscious and transformational leadership cadre and emphasize diverse recruitment, training, immersion, and mentoring programs.
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Introduction

The Millennials are recognized as those individuals who were born after 1980 (Havens, 2015, pp. 23-24) and are estimated to inherit over $40 trillion from the Baby Boomer generation (Leonhardt, 2015; Wadhwa, 2016).

The problem is that wealth management organizations must transform their organizations to be sensitive to culturally diverse requirements of the Millennials. The Millennial generation has unique cultural requirements. In addition to the cultural requirements of this generation, wealth management organizations must be capable of handling the dimensions of diversity within the Millennials (Bucher, 2015, pp. 20-24). This problem can be solved by identifying the dimensions of diversity with this generation and implement programs to enhance the diversity consciousness of the organization. The implementation of diversity-conscious and transformational leadership models in conjunction with initiating recruiting, training, and mentoring programs will increase diversity and emotional intelligence within the organization and guarantee effective diversity change to provide the environment to attract and maintain this very lucrative client.

This paper will examine the dimensions of diversity within the millennial generation, leadership models, and techniques for change that wealth management organizations can utilize to improve cultural diversity and consciousness.

The author is a student at Central Michigan University pursuing a graduate degree in Administration with a concentration in leadership.
Diversity Requirements

The Millennial generation requires utilization of technology, access to internet-based platforms, whole life financial advice, and the establishment of long-term personal relationships (Field, 2012; Colby & Bell, 2016). Millennials also want to make a difference both socially and environmentally and choose investment strategies which meet these requirements (Gilbert, 2012; Balbi, 2014).

The Millennial generation also contains a myriad of cultural dimensions of diversity. Dimensions of diversity are those qualities which one perceives as distinguishing one group from another. This paper will only focus on two race and gender. Race is characterized by the physical traits of an individual and gender distinguishes one as being either male or female (Bucher, 2015, pp. 20-24).

The following will examine the specific wealth management nuances of the race and gender diversity dimensions within the Millennials.

Race

Studies have shown that white households have a 13 times greater household income than black households and 8 times than Hispanic households. Household ownership and income decreased significantly less for white households compared to black and Hispanic households since the Great Recession of 2008 (Kochhar & Fry, 2014).

The factors of income and home ownership significantly impact savings and investment strategies. White investors are more likely to save and invest more of their income. Black and
Hispanic investors are more conservative and tend to invest less and spend for the here and now (Hamilton & Darity Jr., 2017).

The racial diversity dimension of the millennial generation requires that wealth management advisor understand these unique needs and provide savings and investment strategies accordingly (Sullivan, Meschede, Dietrich, & Shapiro, 2015).

**Gender**

Women earn less income, save less than their male colleagues and are less likely to take a risk in investments. The risk tolerance of women may be influenced by emotion, knowledge, and income difference and impact savings and investment strategies. Males are more likely to invest in common stock and equity funds than their female counterparts (Montford, & Goldsmith, 2016); Bhushan, & Medury, 2013).

Women live longer than men and are estimated to control over $22 trillion by 2020. Women’s presence in the workforce is increasing, are inheriting more from their families, and becoming the primary income generator (Horan, 2015).

The gender diversity dimension of the millennial generation requires that wealth management advisor understand these unique needs and provide savings and investment strategies accordingly (Montford & Goldsmith, 2016).

**Leadership**

The Millennial cultural dimensions discussed above require that the wealth management organization’s workforce and leadership have the cultural diversity to lure and maintain this very lucrative client base. Research has disclosed that diverse-conscious and transformational
leadership theories are key to success and promote cultural diversity within the workforce. This positive force will encourage the ability to increase effectiveness and emotional intelligence (Guillaume, Dawson, Otaye-Ebede, Woods, & West, 2017).

**Diversity-Conscious Leadership**

The key to success in organizational management is to understand that there are differences amongst cultures and diversity dimensions. Diversity-conscious leadership provides the tools and path for one to recognize, understand, and adjust to the differences in order to provide optimum leadership to obtain the goals of the organization. Critical proficiencies required to be successful as a leader are the capability to adapt to a dynamic and diverse workforce, to empathize to other’s perceptions, and to access and monitor one’s own behavior and change accordingly to acclimate to the situation (Bucher, 2015, pp. 220-222).

**Transformational Leadership**

Transformational leadership is the means by which a leader inspires and changes followers to obtain the organizational objectives. Transformational leaders look forward and utilize charisma to influence their followers (Northouse, 2016, pp. 161-181).

Transformational leadership has been demonstrated as one of the key leadership theories utilized in a culturally diverse environment and enables this type of leader to increase their emotional intelligence, empathize with the differences, and implement the vision for the organization. Followers will take notice of the increase in emotional intelligence and implement strategies to obtain the objectives and vision of the transformational leader (Ashikali & Groeneveld, 2015).
Techniques for Change

Increasing diversity within the wealth management organization will ensure that employees have a better understanding and increased empathy towards their client’s need. Increased understanding, empathy, and contact will produce a wealth management advisor that provides a more effective savings and investment strategy (Peretz, Levi, & Fried, 2015; Ashikali & Groeneveld, 2015). Research has demonstrated that recruiting, training, and mentoring increase diversity within an organization (Steinbach, Holcomb, Holmes Jr., Devers, & Cannella Jr., 2017; Dobbin & Kalev, 2016).

Recruitment

Targeted efforts involving management in the recruiting and hiring of a diverse workforce and management promotes inclusiveness and increases diversity within an organization. Management and employee involvement in recruiting efforts increases contact and understanding of the myriad dimensions of diversity and increases emotional intelligence (Drosou, Jagadish, Pitoura, & Stoyanovich, 2017; Dobbin & Kalev, 2016).

Training

Voluntary training programs which include a culturally, gender, and ethnically diverse student population enhances emotional intelligence and increases diversity awareness within an organization (Moore et al., 2017; Dobbin & Kalev, 2016).
Mentoring

Mentoring groups which include individuals from all dimensions of diversity provides both management and employees to understand and respect the differences between the diversity groups (Stockdale, Chrobot-Mason, Chance, & Crosby, 2017; Dobbin & Kalev, 2016).

Ethics

The relationship between leadership and the workforce is critical for success. Ethics is the foundation of this relationship in order for followers to rely on and believe in the diverse-conscious and transformational leader. The wealth management advisor will follow their lead and pass this ethical philosophy to their clients (Ruiz-Palomino & Martínez-Cañas, 2014).

Ethical leadership promoting diversity will permeate the organization and the financial strategies presented to the clients. The key to ethics in the wealth management industry is not only what should be accomplished but also what the organization will not ethically tolerate (McCann, Sparks, & Kohntopp, 2017). The lifelong relationship between the culturally and ethically competent wealth management advisor and the Millennial client is strategic to success and will solidify the relationship (Yeh, 2015).

Literature Review

The following examines literature related to cultural dimensions of diversity, leadership, and techniques for change required in the wealth management organization.
Dimensions of Diversity

A 2015 article published by the Institute for Assets and Social Policy examined the 2011 results from the Survey of Income and Program Participation collected by the United States Census Bureau. The income, education level, and homeownership were evaluated from white, black, and Hispanic households to determine potential public policy changes that would be most effective to reduce the economic disparity between the different groups. A Racial Wealth Audit was developed to evaluate the various parameters to suggest changes to public policy such as enforcing anti-discrimination housing laws, modifying mortgage loans, investment in preschool education, subsidizing college funds, and the establishment of a federal job hiring program (Sullivan, Meschede, Dietrich, & Shapiro, 2015).

A 2014 examination published by the Pew Research Center of data from the Federal Reserve since the Great Recession of 2008 disclosed that wealth inequality has increased between white, black, and Hispanic households. The factors which have greatly influenced the difference were a decrease in black and Hispanic incomes, stock recoveries for white investors and reduction in homeownership in black and Hispanic households (Kochhar, & Fry, 2014).

A 2013 study published in the Asian Journal of Research in Business Economics and Management to evaluate the effects of gender on investment strategies. The study concluded that gender has an impact and that female investors take less risk, prefer diversity in mutual funds, and prefer a known level of return on investments (Bhushan & Medury, 2013).

Leadership

A 2015 study published in the Review of Public Personnel Administration which analyzed the connection between transformational leadership and diversity management within
an organization. The study analyzed 10,976 Dutch employees which worked in the public sector and concluded that transformation leadership had an overall positive impact on employee satisfaction, commitment, and increased diversity consciousness (Ashikali & Groeneveld, 2015).

Techniques for Change

A 2016 article published in *Harvard Business Review* disclosed that diversity programs within an organization which has the most positive impact are voluntary and not mandatory. Diversity programs that had the most impact include workplace training, immersion, recruitment, and mentoring (Dobbin & Kalev, 2016).

A 2015 study published by *McKinsey and Company* which evaluated the relationship between company profitability and a diverse workforce concluded that a diverse workforce and management team increased profitability amongst competitors by an average of 20 percent. The study also disclosed that a diverse organizational culture can be obtained by recruiting, voluntary training and immersion, mentoring, and sponsorship (Hunt, Layton, & Prince, 2015).

Conclusion/Recommendation

The Millennials were raised on the internet and have distinct wealth management requirements such as the need for internet-based platforms, whole life financial advice, long-term personal relationships with wealth management advisor, and conducting sustainable investments. Included in the Millennials are dimensions of diversity such as gender and gender and race which have a direct impact on savings and investment strategies. The wealth management organizations must recruit and maintain employees which are diversity conscious in order to reflect the organizational objectives of attracting and maintaining lifetime relationships with the Millennials.
Based on the research the recommendation for wealth management organizations is to establish a diversity-conscious and transformational leadership team from senior leadership to first-line supervisors. The leadership team is accompanied by programs which emphasize diverse recruitment, training, immersion and mentoring. The stressing of voluntary within these programs will enforce the leadership theories and the norm of the culture will be a diverse and profitable organization.
References


healthcare management education in preparing culturally competent healthcare managers.

*Journal of Health Administration Education, 34*(2), 319-343.


