

MILLENIAL ORGANIZATIONS

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Abstract: Millennials, the age cohort born between 1980 – 2000, is by far the most educated generation that history has ever known. They are as well the largest group in the workplace. Research shows that Generation Y also works differently than their older colleagues, and they shape how today's organizations are designed and managed. According to the research conducted by Gallup, for Millennials "job is more than just a paycheck". When submitting their job applications, not only do they think about their future income, but they consider many non-materialistic factors. The aim of this paper is to present the new (millennial) organizational culture concepts and to see how they influence employees' satisfaction and engagement on the one hand and contribute to the organization's overall success on the other hand.

Keywords: agile management, holacracy, creative class, Millennials, culture of organization.

1. Introduction

The economic crisis of 2008, as probably no crisis before it, revealed the weaknesses and contradictions of capitalism. It was after the 2008 financial breakdown that books such as „The Capital in the Twenty-First Century” (Piketty, 2013), “Post Capitalism: A guide to our future” (Mason, 2015), or “Utopia for realists”. And how we can get there (Bregman, 2017), and many similar were published.

Although written from a bit different perspective and on various topics, they all embrace the criticism of modern capitalism and the belief that the recent crisis has opened a window to a new social and economic order.

Alongside with those ideas, the significant social and demographic changes have occurred. Since companies do not leave in a void, they naturally have to look for a new way of managing and organizing in the modern reality.

The aim of this paper is to present focus on new concepts of the organizational culture in the light of the socio-economic changes.

2. New socio-economic order

Before the 2008 bubble burst some were foreseeing the arrival of a new socio-economic order that will be neither communist, nor capitalistic. Already in the seventies Daniel Bell was describing the emergence of a post-industrial society, in which the economy is based primarily on the services sector and the development of knowledge/information. Progress in the field of new technologies is the most important factor for Bell, shaping the post-industrial reality. Knowledge itself becomes a commodity, it is the main resource and thus plays the role of classically conceived capital. Economic changes have also remodeled the social structure, according to the author of “The End of the Age of Ideology”; the most important role in the new society is to be played by technical (technocratic) elites (Bell, 1975).

Bell's concept is a vision of a knowledge-based society (Bell, 1975). His thought seems to be continued by Alvin Toffler. In the pages of the “The Third Wave”, he talks about the birth of a new civilization. The author of “The Shock of the Future” divides history into three great epochs – wave hits. The first wave is the result of an agricultural revolution that has shaped people's way of life for thousands of years. The sign of the time was a plow, and the land and its crops are the largest capital. The second wave introduced the agricultural society into the industrial era. The invention of a steam engine, the construction of large factories, all changed the existing social patterns. Mass employment in industry is also the migration of people from villages to cities, the emergence of huge urban centers, social classes, with a dominant division into the proletariat and the bourgeoisie. In the second half of the twentieth century, the third wave began to undermine the basics of industrial society. The place of the steam engine, as a symbol of an era, was taken by the computer. The basis for the functioning of the industry has ceased to be coal, oil, and was replaced by renewable, diversified sources of energy. Ford production is to go to the past, and new times offer different patterns. The market structure is changing; there are not big factory halls dominating, but innovative enterprises, often service ones, largely based on the latest technology. Classical, Marxist division into classes ceases to be adequate; a new elite is created, whose personal capital is knowledge (Toffler, Toffler, 1996.)

The guru of organization theory – Peter Drucker – in his “Post-capitalistic society” claimed that developed countries were shifting away from capitalism into post-capitalism – a socio-economic structure based on new resources and shaped by completely different to the old social classes. In this society it's knowledge, not the means of production, which is the most important resource (Drucker, 1999).

Similarly, the American sociologist Richard Florida perceives social development. Like the previously quoted researchers, he sees the foundation of agricultural and industrial epochs in certain goods/material factors (land and human work/natural resources, physical work – factory). The latest revolution differs from the previous ones, according to the author of the Birth of the creative class, that instead of a new material factor, it is based on human creativity (Florida, 2010).

For these researchers, the post-industrial era means not only a change in the way of production, but also a social revolution. In accordance, they postulate the disappearance of the class struggle. Moreover, they argue that the classic division into the bourgeoisie and the proletariat does not reflect the actual social structure in which highly educated specialists or managers have a dominant role. One of the deeper analyzes of the social consequences of the post-industrial revolution is proposed by Antonio Negri and Michael Hardt, the authors of the famous “Empire”. In their famous book, they explain how the development of modern technologies allows one to free oneself from alienated work, which was based on exploitation (Hardt, Negri, 2005).

Even stronger Negri’s ideas are visible in the book entitled “Goodbye, Mister Socialism”. Negri claims that the work of a post-industrial day, where the most valuable commodity becomes knowledge, allows one to free itself from the Marxist shackles of exploitation and alienation. Currently, the dominant class is not the proletariat, but cognitariat – educated specialists who develop enterprises, create their added value through their creativity, free creations of their minds. Thanks to the key role of post-Fordism (intangible labor) today, capital, as the organizer of the means of production, becomes unnecessary. Post-industrial economy needs not so much material capital, which used and alienated employees, as it is closed in the free, innovative heads of specialists. Thus, the old Marxist model of alienated labor "goes to nothing". Post-modern production is free, because it releases creativity, innovation, independence, and socialized at the same time, because it implies cooperation and participation in work products. The development of technology/knowledge is equal to human freedom, and liberation from centuries of exploitation (Negri, 2008).

To sum up the above considerations, we can draw the following conclusions about the post-capitalistic society. First, it is based on knowledge. This means that knowledge becomes the main capital and a factor that guarantees development. So, the main driver of the post- industrial era is educated, creative people.

3. New creative class

Richard Florida, in his “The rise of the creative class”, describes the emergences of a new social class, creative specialists, who, according to him, play the predominant role in the modern economy. In his study, he presents the set of values shared by the creatives, which highly influence their working style:

- opportunities to learn and grow,
- quality of manager,
- quality of management,
- interest in type of work,
- opportunities for advancement (Florida, 2010).

The way the American theorist pictures this new class is like what sociologists see in the Y generation. Millennials, how some authors also describe them, include people born between 1980 and 2000. According to several studies, this generation is focused on self-fulfillment and satisfaction. Other core values, especially visible in the working environment, include respect, recognition, continuous development, fairness, tolerance and equity (Sonnet, Kralj, Kandampully, 2012).

Regardless of the label, sociologists agree that this generation is not mainly money-driven and that above mentioned values play more significant role to them in a workplace than the height of their salary (Florida, 2012). To better understand this phenomenon, let us recall here the famous world value survey of Ronald Inglehart. What we know from his study, is that generations raised in welfare are less willing to make trade-offs and sacrifice their individual autonomy for the sake of economic and physical security. They take this security for granted and focus on being self-fulfilled and living up to their values (Inglehart, 1977).

4. Organization culture models

In the light of recent socio-economic changes, organizational culture (company culture) has become one of the most important aspects of the management models.

Company culture can be described as the “behavior of humans within an organization and the meaning that people attach to those behaviors”. It includes the organization’s vision, values, norms, systems, symbols, language, assumptions, beliefs, and habits (Needle, 2004).

The significance of the company culture has been rising in the recent years due to the cultural shift on the job market driven by the Generation Y.

Millennials, as they are also called, the age cohort born between 1980-2000, is by far the most educated generation that history has ever known. We are as well the largest group in the workplace.

As mentioned above, research shows that Generation Y also works differently than their older colleagues, and without doubt we shape how today’s organizations are being designed and managed.

Since for Millennials *job is more than a paycheck*, organizations are putting more emphasis on organization culture, in order to build working environment where non-materialistic purposes of the young generation could be fulfilled.

Let’s have a look at two of organizational culture models and compare them with the studied company culture.

- Agile culture – agility is a methodology, which has its source in software development. In 2001, seventeen developers published Agile Manifesto, with an aim to improve and ease software engineering processes. It is based on four core values, and twelve principles. The agile set of values is composed of the following:

- a) Individuals and interactions over processes and tools.
- b) Working software over comprehensive documentation.
- c) Customer collaboration over contract negotiation.
- d) Responding to change over following a plan (agilemanifesto.org, 12.09.2018).

The principles help developers putting agile concepts into action:

- a) Our highest priority is to satisfy the customer through early and continuous delivery of valuable software.
- b) Welcome changing requirements, even late in development. Agile processes harness change for the customer's competitive advantage.

Jurgen Apello, in his "Management 3.0", summarizes agile development in these words:

"Agility is about staying successful in ever-changing environments" (Apello, 2011, pp. 376).

- Holacracy: is a method of decentralized management and organizational governance, in which authority and decision-making are distributed throughout a holarchy of self-organizing teams, as opposed to the traditional, hierarchical systems. It based on the principles of flat hierarchy and self-governance (holacracy.org, 12.09.2018).

To summarize, both of these models are based on the ideas shared by such authors like Daniel H. Pink, Richard Florida or Alan Burton-Jones, who claim that employees are driven by self-directed processes, self-management, autonomy, and purpose, much more than by financial incentives.

The examined company leans towards the agile model, after initial experiments with holocracy. It is a 5-years old tech startup with 68 employees. Hierarchies and departments exist, but they are flat, and employees work very cross-functionally. Most of the projects involve representatives of at least two teams; for instance, new career page design is being done by People, Creation and Production and Engineering teams.

The company also established value code and claims to be driven by five core values:

- We adhere to highest standards of integrity.
- We make data-driven decisions.
- We move fast.
- We are rebellious.
- We focus on impact.

In order to check how this model works, the author of this paper did a study within this organization (region: Berlin, Germany). First of all, a series of "values", "pulse and engagement" surveys were conducted. On top of that, retention rate in the past 2 years was examined. The second factor is of a high significance; studies show that the average retention rate in a startup is exactly of two years.

"Values survey" was focusing on how the company's official values are lived and implemented by the members of the organization. On top of that, employees were asked to share other values, which they associate this company with (not the core official ones).

The survey was running through April 2019 – May 2019. The completion rate was of 82%, and all the questions were answered. Conclusion of the study are as follows:

- All of the company's official values mark a strong presence in the employees' day-to-day work (let's have a look at the mostly present ones):

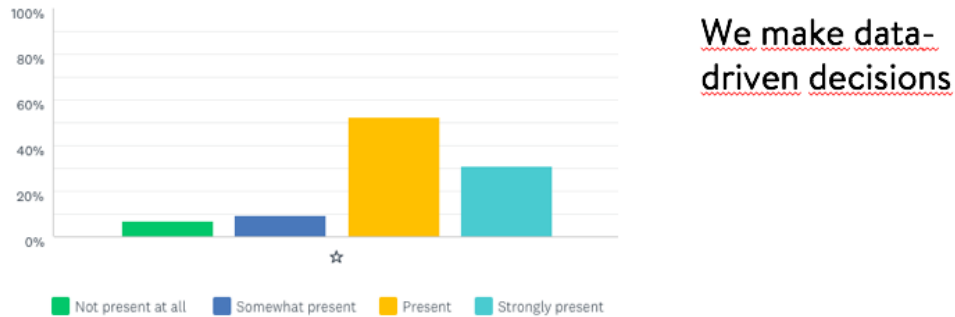


Figure 1. “We make data-driven decisions”, source: author's research, region: Berlin, Germany.

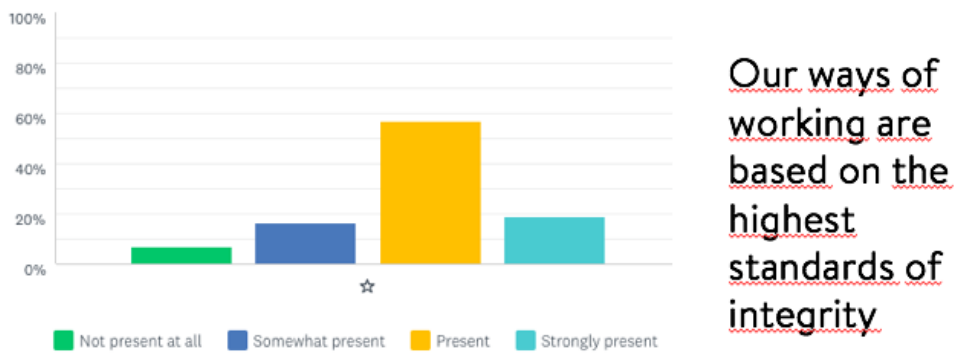


Figure 2. “Our ways of working are based on the highest standards of integrity”, source: author's research, region: Berlin, Germany.

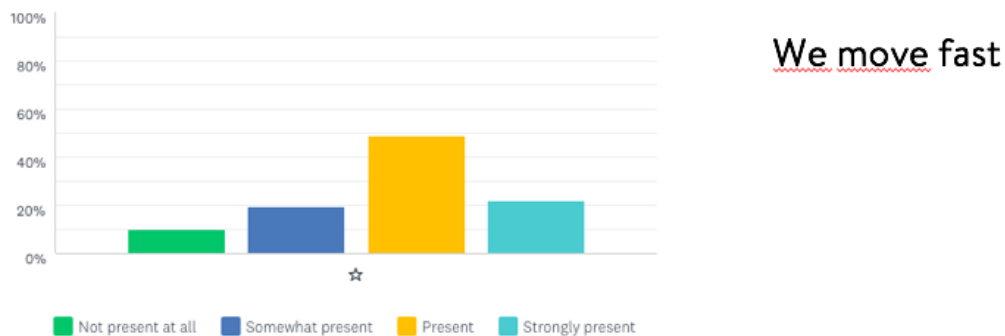


Figure 3. “We move fast”, source: author's research, region: Berlin, Germany.

- Employees of the company mentioned the following values, which are also, in their opinion, strongly present in their organization:

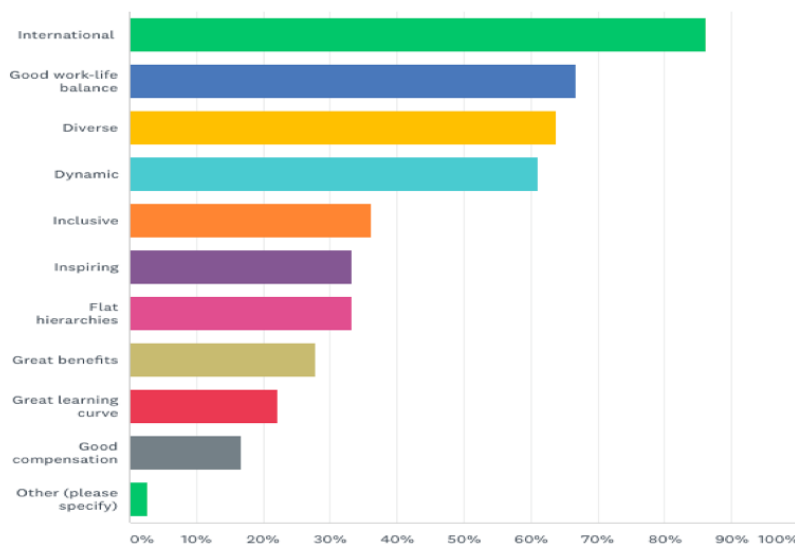
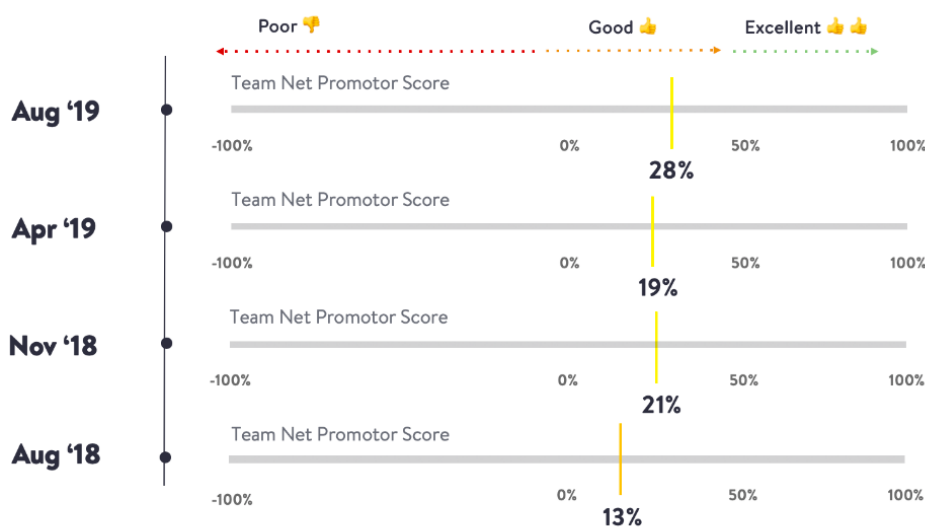


Figure 4. “Important values for the employees”, source: author’s research, region: Berlin, Germany.

As we can see, compensation was one of the least important factors mentioned by the respondents. However, when we examine turnover rate in the past 24 months at this organization, we will see it is on average level of 2,9%. This is a very low figure; most of the companies of that size have an ideal retention rate to achieve of 90% (which hardly ever happens) (<https://carta.com/blog/employment-tenure-startups/>, 06.09.2019).

If we analyze the results from the “pulse” surveys (they have been conducted in the company on a quarterly basis since August 2018), we will notice that overall satisfaction has been rising and that employees have been always eager to recommend their employer to their friends:



eNPS question: How likely are you to recommend working at Asana Rebel to your friends?

Figure 5. “eNPS”, source: author’s research, region: Berlin, Germany.



Figure 6. “Overall job satisfaction”, source: author’s research, region: Berlin, Germany.

What makes this company relatively successful in comparison to its market competitors?

Based on the other research mentioned earlier and the author’s study, we can conclude as follows:

- From the very beginning, the company has been designing a management model and an organization culture highly based on values. These values are strongly present in the day-to-day work and are collectively shared by all the employees.
- The organization has a lot to offer to the purpose-driven, “more-than-a-paycheck” Millennials: it is very diverse, has good work-life balance, helps its employees to stay healthy and fit (there are free daily work-outs, yoga sessions, running clubs; on top of that on a weekly basis there is a free, healthy, vegan lunch delivered to the company).
- The company is really flexible and lean; as the best example, let’s bring here up its smooth shift from holocracy to an agile organization. In this case, intuitively, the founders felt that as the company grows, it simple does not work anymore. However, it was probably one of the wisest decisions, given how negatively holocracy has been affecting many organizations – despite of the undisputable “hype” for this type of management among organization, management and human resources theorists and practitioners. To be more precise, let’s bring here a very well-known example of Zappos, which was one of the first organizations to have implemented this type of culture. As a reminder, Zappos’ CEO, Tony Hsieh in 2015 gave his employees an ultimatum – you either accept the holocratic organizational model, or you need to find another employer. In theory, all the foundations of this managerial shift sounded highly positive: flat structure that does away with top-down management and puts the decision-making in the hands of autonomous circles populated by self-managed employees, work is defined by roles rather than by job specifications, one employee executes multiple roles (<https://medium.com/infinitebeta/how-holacracy-is-killing-businesses-a425fd0b7eb4>, 06.09.2019). However, 200 people, which constituted back than 14% of the staff, decided to leave immediately. In the past two years, employees’ turnover at Zappos is at 29%.

Some critics of holocracy refer to this model as a cult, a sect; a group of firm believers, who do not accept any shade of gray and doubts regarding their “religion”.

5. Conclusions

According to the Gallup’s study only 10% of the adult fulltime employees are satisfied with their job. Also, the same number of working people are engaged in what they do. Most of them fulfill the orders with no mental nor emotional engagement in their tasks (Anonim, 12.09.2018).

Why is actually employee engagement so important? According to several studies, a high employee engagement reduces staff turnover, improves productivity and efficiency, retains customers at a higher rate, and make more profits. What is more, engaged employees are happier, both professionally and personally (<https://www.engagementmultiplier.com/blog/why-is-employee-engagement-so-important/>, 06.09.2019).

Cities like Berlin have a flourishing startup scene, where companies experiment with the different organizational models: the above-mentioned agile management, holocracy, and more, such as squad model, lean management, etc. However, the staff’s turnover rate is high, employees’ engagement is low, and, as a result, most of these ventures fail. Many of these young companies offer to employees, what David Graeber called “bullshit jobs”. Those jobs, contrary to what they promise (and they promise fulfillment, purpose, flexibility) are alienating, the employees are forced to constantly work over-time for the reason of falsely understood engagement and flexibility (strikemag.org/bullshit-jobs, 12.09.2018).

Statistics and the above-described case study show it quite clearly – for a longer run, you cannot fool an employee. If an organization pretends to be offering a new, better way of working, but in fact wants to simply have a leaner, cheaper way of work, the employees (of course, the specialists, those, who have the choice), will leave and the organization will fail. On the other hand, if a company is genuinely driven by values and listens to the employees’ needs, then both employees and employers can succeed.

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