



The Asian Millennial Workforce and the Travel Industry



ASIA
TRAVEL LEADERS
SUMMIT

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Contents

EXECUTIVE SUMMARY.....	1
01. WHY DO MILLENNIALS MATTER?.....	4
02. SO YOU THOUGHT YOU KNEW THE ASIAN MILLENNIAL?	6
03. HOW IS THE TRAVEL INDUSTRY LIVING UP TO ASIAN MILLENNIALS' EXPECTATIONS?	12
04. WHAT DOES THIS MEAN FOR THE TRAVEL INDUSTRY?	18
APPENDIX: RESEARCH FRAMEWORK.....	26
CREDITS	28

The Asian travel industry's workforce has a large proportion of Millennials driven by different work values

3 OUT OF **4** workers globally will be Millennials by 2025

UP TO **80%** of the current workforce in some travel companies in Asia are Millennials

49% of Asian Millennials chose their current travel industry job for the good opportunities for career progression, making it the most important job selection factor



39% of Millennials indicate they are likely to stay with their company for the next three years

51% of Millennial employees are considering staying in the travel industry if they were to leave their current job

48% of managers in the travel industry believe the industry performs strongly at developing and retaining Millennial talent

Executive Summary

Millennials, the generation born between 1981 and 1995, will soon come to dominate the workplace and shape the future of organizations. By 2025, three out of every four workers globally will be Millennials. For the fast-growing Asian travel industry, Millennials already make up to 80 percent of the workforce in some companies.

When compared with previous generations, Millennials are characterized as having a fundamentally different outlook to their careers, with heightened expectations of their employers and employment experience. They tend to approach their career in increments of 2 to 3 years, assume a steep development curve and expect to be rewarded for their hard work.

Managing the Millennial workforce is a pressing issue, but it's also an opportunity for companies to rethink their talent management practices to capture the potential this workforce presents. Travel companies that are able to effectively understand, develop and retain Millennials will have a competitive advantage with a stronger, more stable workforce that is able to better understand and serve their emerging Millennial customers.

ASIAN MILLENNIALS IN THE TRAVEL INDUSTRY DISPEL SOME, BUT NOT ALL STEREOTYPES

In many respects, Millennials in Asia appear to conform to the typical Millennial characteristics observed globally across industries. For instance, they are eager to move up management ranks quickly; nearly half of the survey respondents say they chose their existing jobs because of potential opportunities for career progression. They are also notorious job hoppers; only 39 percent indicate that they are likely to stay with their company for the next 3 years.

However, the survey also dispelled some commonly held stereotypes. For instance, work-life balance – a

factor that is typically deemed highly important to Millennials globally – is one of the least influential attributes that affects job satisfaction for Asian Millennials. They also place a high value on job security and prestige; company reputation is one of the most important reasons why Asian Millennials select their jobs. This is contradictory to the characterization of Millennials as preferring entrepreneurship over establishment.

ASIAN MILLENNIALS ARE NOT ALL ALIKE

Despite sharing certain broad characteristics, Asian Millennials are not a homogenous group. There exist five distinct segments with different expectations and desires, largely determined by personal priorities and life stage. The younger segments – the “idealists” and “want-it-alls” – are more likely to be motivated by factors such as meaningful work, whereas older segments – the “money seekers”, the “family-focused” and the “breadwinners” – tend to place greater value on more practical financial and lifestyle factors including compensation and work-life balance. Geographically there are differences too. China, for example, has a disproportionately high representation of idealists; 24 percent of the Millennial workforce can be categorized as idealists compared to 18 percent in the rest of Asia.

ASIAN MILLENNIALS ARE GENERALLY SATISFIED WITH THEIR WORK EXPERIENCE

Two thirds of Asian Millennials indicate they are satisfied with their overall working experience in the travel industry. In particular, respondents are satisfied with companies' efforts to build strong reputations and to provide opportunities to meet and interact with new people. These two factors are among the top three that influence where they choose to work in the travel industry.

THE INDUSTRY IS, HOWEVER, FAILING TO MEET EXPECTATIONS ON REMUNERATION AND ADVANCEMENT

The industry is failing to meet expectations on two key elements – financial compensation and career development. Only 43 percent of our Millennial survey respondents feel they are paid a fair wage, and just 54 percent are satisfied with the prospects for career progression in their respective companies. Managers also acknowledge these challenges in Millennial talent management. Forty-five percent of managers feel their company pays a fair and competitive wage compared to peers; and only 50 percent of managers agree that their companies provide promotion opportunities for their employees.

AREAS WHERE MILLENNIALS ARE LEAST SATISFIED ARE ALSO THE MOST IMPORTANT FACTORS FOR BUILDING LOYALTY

Asian Millennials are dissatisfied with remuneration and career advancement, yet these are the most significant drivers of loyalty. Remuneration and benefits, for example, explains 51 percent of the variance in Millennials' intention to stay with their company. The second key factor influencing retention is learning and development. This includes training, capability building, professional development and career advancement – the latter being the most significant area of underperformance in the eyes of Millennials.

INDUSTRY IMPLICATIONS

The research gives rise to a number of key insights for the Asian travel industry to consider when thinking about a talent management strategy that assures a competitive advantage:

- **Get the basics right:** Fair and transparent performance review processes are essential, especially in light of the importance that

Millennials place on career progression and salary, and the industry's underperformance in these areas. Additionally, enhancing the employee journey by building the organizational culture, and by ensuring that every critical touch point in the employee's career is a positive experience will not only lead to happier employees, but also happier customers.

- **Forget one-size-fits-all:** Given the variances across Millennial segments and countries in Asia, companies should tailor and target talent management practices accordingly. This begins with collecting data to understand the needs of the workforce, and offering greater variability in talent management practices to accommodate different preferences and needs.
- **Take advantage of churn:** Travel companies must accept that increased turnover is the new reality. The Millennial job-hopping phenomenon should be viewed not as a challenge, but as an opportunity to weed out mismatches between jobs and workers, and develop and retain high-potential employees. This means, for instance, shaping career development opportunities in 3-year blocks to align with the average length of time Millennials stay in a company.
- **Balance enthusiasm and experience:** Asian Millennials feel confined by hierarchy and structure, but often lack the necessary experience and skills to progress in their careers as quickly as they would like. Companies can nevertheless provide fresh opportunities and promote new skills and professional development by offering “role-hopping” options such as rotational development programs, and by fostering “intrapreneurship” – entrepreneurship within the company.



01.

Why do Millennials matter?

Millennials (born between 1981 and 1995) have gained much attention since the generation first entered the workforce. Compared to their predecessors, Millennials are viewed as having a fundamentally different outlook towards their careers and employment experience. Within this context, the group is typically characterized as demanding, and having high expectations. They tend to approach their career in increments of 2 to 3 years, assume a steep development curve and expect to be rewarded for their hard work. They demand flexibility, and are willing to make trade-offs for a better lifestyle. When their needs are unmet, Millennials have no qualms about switching jobs. Several studies have shown that Millennials place greater emphasis on employability than on employment.¹

Globally, human capital remains the number one challenge on a CEO's agenda.² CEOs, already grappling with a talent and skills gap, are further challenged by the Millennial dilemma.

Why does this matter now? Millennial employees will soon dominate and shape the workforce. By 2025, three out of four workers globally will be Millennials. Managing this workforce will become a profound challenge to most management teams, given the generation's different perceptions and expectations of employment and the work place. For the fast-growing travel industry in Asia, in which Millennials currently account for up to 80 percent of the workforce,³ this is even more pressing. Furthermore, with as many as 44 percent of Asian Millennials holding management positions today, senior leaders may require a different mindset toward their C-level succession planning as this cohort is groomed to become future leaders.⁴

In this report, we dig deeper into the profiles of Asian Millennials to understand their motivations, and how companies can better engage and retain them to be able to fully capture the generation's potential. Travel companies that are able to effectively do so will be at a competitive advantage; not only because they will have a stronger, more stable workforce, but also because their employees will be able to better understand and serve the emerging Millennial customer base.

About this research

This research is based on survey responses from 4,975 Millennials and 1,460 managers across 12 companies in the Asian travel industry, including hotels, travel agents, airlines and other travel-related sub-sectors such as attractions.

Ninety-five percent of the Millennials we surveyed work in Australia, China, India, Indonesia, Japan, Malaysia, Myanmar, Singapore, Thailand or Vietnam.

Of the Millennial respondents, 81 percent work for hotels, 12 percent for travel agents, 5 percent for airlines, and 2 percent for other travel-related sub-sectors. The insights from this research are governed by this distribution within our sample, and are consequently skewed towards the hotel sector.

1. "PwC's Next Gen: A global generational study," *PricewaterhouseCoopers*, April 2013.
2. *The Conference Board CEO Challenge*, 2014.
3. Charles Mitchell, Rebecca L. Rey, and Bert Van Ark, "The Conference Board CEO Challenge," January 2014.
4. *Ibid.*



02.

So you thought you knew the Asian Millennial?

ASIAN MILLENNIALS IN THE TRAVEL INDUSTRY DISPEL SOME, BUT NOT ALL STEREOTYPES

At first glance, Asian Millennials in the travel industry appear to conform to the typical Millennial characteristics observed globally.

Eager to rise up the management ladder

Millennials are often highly ambitious and impatient for accelerated career advancements. In a recent PricewaterhouseCoopers survey on global Millennials, the opportunity for career progression was rated as the most attractive attribute in a potential employer.⁵ In Asia, our survey respondents share similar views, where 49 percent indicate career progression as the single most important factor for selecting a job (Exhibit 1). This is nearly twice as high as the second most influential factor – the company’s prestige and reputation. These results are widely recognized by our surveyed managers. One respondent, for example, noted that, “Millennials are hungry for experiences and success. They can’t wait to be promoted or be given opportunities.”

Notorious job-hoppers

While prior generations are accustomed to the notion of employment for life, this is markedly different for Millennials. It is increasingly difficult to retain Millennial talent, with 60 percent of Millennials globally planning to leave their jobs within the next 3 years.⁶ Likewise, in Asia, only 39 percent of our respondents indicate that they are likely to stay with their company for the next 3 years (Exhibit 2).

Managers of companies surveyed also indicate that up to 43 percent of Asian Millennial employees leave every year.⁷ As one manager noted, “Loyalty is not a key value to [Asian] Millennials. They switch jobs to seek higher remuneration or for perceived better working conditions”.

Exhibit 1

Asian Millennials are attracted by career progression

Why did you choose your current job?¹



1. Percent saying “yes” to statement (up to 3 answers allowed)

5. “PwC’s NextGen: A global generational study,” *PricewaterhouseCoopers*, 2013.

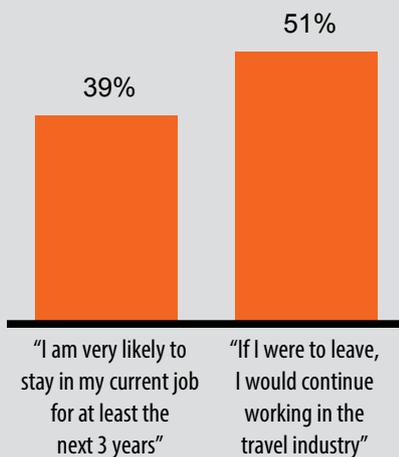
6. Kate Taylor, “Why Millennials are ending the 9 to 5,” *Forbes*, August 23, 2013.

7. Based on data from managers in travel companies, who participated in the Asian Millennials survey, where attrition rates range from 10 to 43 percent.

Exhibit 2

Asian Millennials are not loyal to their companies or industry

Percent of Millennials who (strongly) agree



However, deeper analysis of our survey results shows three key characteristics that distinguish Asian Millennials from their global peers.

Work-life balance and flexibility are not defining drivers of satisfaction

While most studies on global Millennials find that work-life balance is one of the most significant drivers of employee retention, our survey finds it is one of the least.⁸ Less than a third stated that they would opt for flexible working arrangements if it meant compromising career advancement or prestige in their jobs.

Job security and company's reputation are key motivators

Current thinking suggests that Millennials are mostly leery of big corporations and do not share the

same motivations as their predecessors for joining a corporate organization.⁹ They are believed to be intrigued by entrepreneurship over establishment; a survey of global Millennials by Deloitte indicates that seven out of ten global Millennials want to work for themselves.¹⁰

In contrast, 58 percent of Asian Millennial respondents indicate they value job stability and security. Furthermore, company reputation is ranked as the second highest factor influencing choice of employer, after good opportunity for career progression. Millennials that state they work for a prestigious company more often say their company offers good career advancement and training opportunities, and a stable and secure environment. Not surprisingly, a prestigious company might therefore be perceived as the safest career option.

Service aspects of the job are a positive

Contrary to popular opinion that Millennials are narcissistic with a strong sense of entitlement, our respondents say they enjoy the service aspects of their jobs.¹¹ More than 70 percent relish the opportunity to meet and interact with different people and another 69 percent say they enjoy the opportunity to serve (Exhibit 3). However, a self-selection bias may be at work here. Millennials know what to expect when entering the hospitality industry, which is traditionally service-oriented and has a heavy people component.

ASIAN MILLENNIALS ARE NOT ALL ALIKE

Asian Millennials in the travel industry are far from being a homogenous group. Our survey finds they have distinct differences in job expectations and desires, based on their values and phase of life. Young, single employees, for example, free of parental and financial obligations seem to be motivated above all else by meaningful work. On the other hand, practical decisions about salary and lifestyle tend to influence older Asian Millennials working in the travel industry.

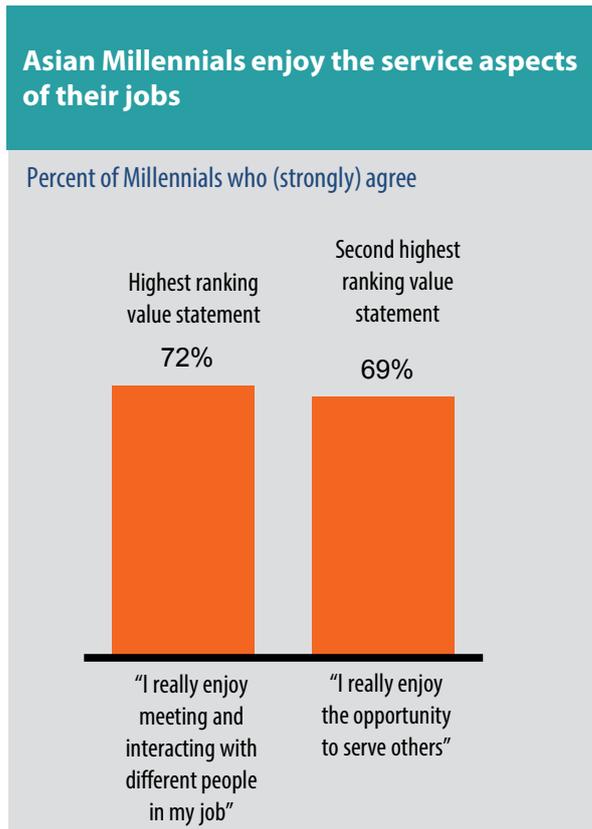
8. "PwC's NextGen: A global generational study," *PricewaterhouseCoopers*, 2013.

9. "YouGov Omnibus Generational Survey," *YouGov*, September 2014.

10. "Big demands and high expectations: The Deloitte Millennial Survey," *Deloitte*, January 2014; Lisa Curtis, "The Millennial Startup Revolution," *Forbes*, November 28, 2013.

11. Joel Stein, "The Me Me Me Generation," *Time Magazine*, May 20, 2013.

Exhibit 3



Five segments in the travel industry

In the course of our industry research, we uncovered five distinct segments (Exhibit 4).

i) Idealists

Idealists are aspirational with lofty ideals about their work and experiences. Like other Millennials, they are ambitious and in search of quick career progress, but, above all, they are driven by meaningful work and the idea of a job with a prestigious company. To achieve these goals, they are willing to compromise on salary. More than half of this group is willing to accept a job with a 20 percent lower salary for more meaningful work or greater prestige. Idealists make up almost a fifth of the Asian Millennials surveyed,

and tend to comprise young, single, and well-educated females.

ii) Want-it-alls

Want-it-alls seemingly embody all the qualities of the narcissistic, entitled Millennial stereotype. Yet, they only make up 13 percent of the Asian Millennial workforce surveyed – the smallest of all the segments.

Want-it-alls look for the best-of-all worlds in a job: meaningful work, international exposure, flexible working arrangements and prestige. As young singles with no previous travel industry experience, they seem to be experimenting with the job and not really finding what they are looking for. Only half are satisfied with their overall experience working in the travel industry, and only 44 percent would recommend working in the industry to a friend. As a result, they are not only likely to change jobs but also likely to change industries.

iii) Money-seekers

Salary and international exposure top the list of motivating factors for money-seekers, which form 18 percent of the Asian Millennial workforce surveyed. More than half prefer a job with international exposure, even if they have to sacrifice flexible working arrangements and accept slower career advancement. Unlike the lofty idealists and demanding want-it-alls, money-seekers place a much greater emphasis on salary when compared with meaningful work and prestige. In fact, less than 10 percent of money-seekers would sacrifice salary for more meaningful work and prestige. In contrast, idealists are 4 times more likely than money-seekers to make the same compromise on salary.

iv) Breadwinners

Breadwinners are driven by salary, but, unlike money-seekers, are less keen on international exposure. Instead, they value quicker career advancement. Only 11 percent of breadwinners would prefer a job with international exposure over faster career

progression, compared to 50 percent for money-seekers. Breadwinners' motivations for higher salary are driven by financial obligations as they are more likely to have children (25 percent) and own property (18 percent – higher than any other segment). They are often older, married males. Of all the segments, this group appears the most satisfied in their jobs, companies and industry; more than 70 percent are proud of working in their company and travel industry. Overall, breadwinners make up almost a third of our respondents – the largest Asian Millennial segment working in the travel industry.

v) Family-focused

This group of Millennials in Asia, largely married females with children, is driven by family-oriented lifestyle factors. Family-focused workers value flexible working arrangements and meaningful work. In return, they are willing to compromise on career prospects and international exposure. More than half would prefer a job with flexible working arrangements, even if their promotions lag behind their peers.

MILLENNIALS DO NOT DIFFER SIGNIFICANTLY FROM ONE TRAVEL SUB-SECTOR TO THE NEXT – BUT THOSE IN SOME COUNTRIES SHOW DISTINCT VARIANCES

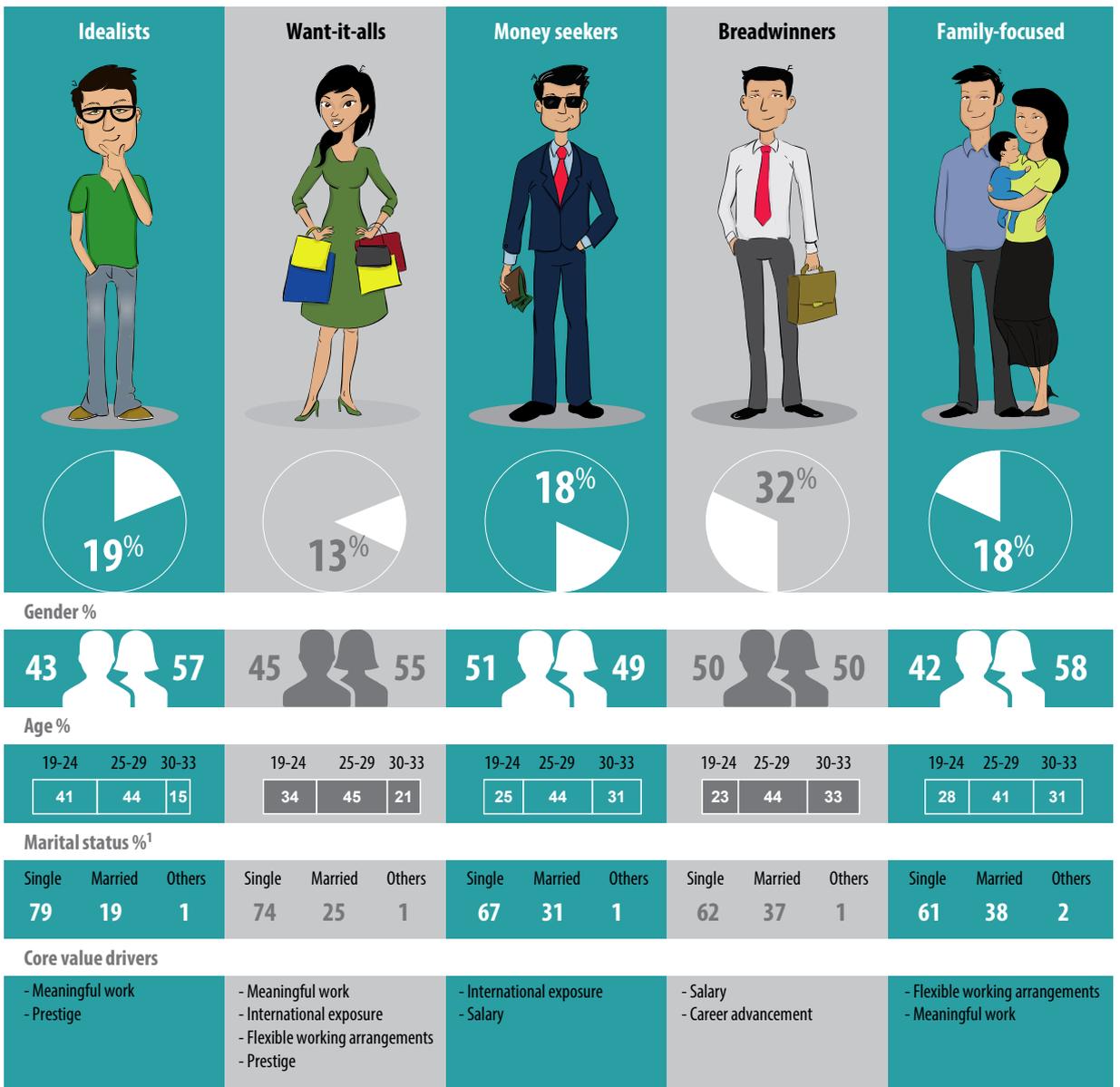
Our research shows no pronounced differences in the profiles of Asian Millennials across the hotels and travel agency sub-sectors.¹² For example, breadwinners make up almost a third of the Asian Millennial workforce in both hotels and travel agencies, as is the same for the industry as a whole.

Asian Millennials working in different geographies also follow similar broad trends. For example, across most Asian countries, breadwinners represent the largest segment and want-it-alls represent the smallest. A similar pattern is seen across the other Millennial segments too.

However, there are some country-level nuances. China, for example, has a disproportionately high representation of idealists; 24 percent of the Millennial workforce compared to 18 percent in the rest of Asia. This suggests more Millennials in China are in pursuit of opportunities for career advancement, meaningful work and prestige compared to their counterparts in the rest of Asia. India has a relatively low proportion of family-focused Millennials (11 percent, compared to 18 percent in the rest of Asia), indicating a lower proportion of workers who prioritize flexible working arrangements and meaningful work. In Indonesia, 44 percent of the Millennial workforce are breadwinners compared to 32 percent in the rest of the region. Here it seems more Millennials place greater value on a job with higher salary and career advancement opportunities.

12. Other sub-sectors were excluded from this analysis due to small sample size.

Exhibit 4
Our industry research has found 5 distinct Millennial segments



1. May not add up to 100% because of rounding



03.

How is the travel industry living up to Asian Millennials' expectations?

OVERALL, ASIAN MILLENNIALS ARE SATISFIED BUT THERE IS ROOM FOR IMPROVEMENT

Our survey indicates that overall satisfaction is quite high. Two-thirds of Millennial respondents say they are satisfied with their overall experience working in the travel industry.

Still, an in-depth analysis of satisfaction levels confirms there is room for improvement. Looking across the segments, the want-it-alls are the least satisfied. Only 50 percent of this group says they are satisfied with working in the industry. At the other end of the spectrum, the older segments of family-focused workers and breadwinners are the most satisfied at 71 percent.

Across industry sub-sectors, satisfaction levels also vary. More than 70 percent of respondents working in hotels are satisfied, while the respondents working for travel agents are lagging at 56 percent. Likewise, there are variances by geography. Millennial employees in Japan have the lowest satisfaction levels, at 44 percent. In contrast, those working in India and Indonesia appear to be very happy working in the industry; 75 percent and 73 percent respectively say they are satisfied. Millennials working in Singapore are somewhere in-between, at 66 percent.

LEVERAGE STRENGTHS AND IMPROVE AREAS WHERE EXPECTATIONS FALL SHORT

To improve satisfaction levels of Asian Millennials in the travel industry, companies would need to understand what this workforce is looking for in their jobs and examine whether the industry is

meeting their expectations. Our survey findings indicate specific opportunities for improvement.

Strengths in reputation and opportunity to meet new people

Career progression, strong company reputation and the opportunity to meet and interact with new people are the top three most decisive factors which influence where Asian Millennials choose to work in the travel industry, at 49 percent, 26 percent and 25 percent respectively. Asian Millennial respondents report that the industry meets, if not exceeds, their expectations on the latter two indicators (Exhibit 5).

In fact, managers rank these two attributes as the most important investments in their talent management practices. Sixty-six percent of managers agree that their company invests significant resources to build and maintain a strong reputation in the travel industry; while 64 percent agree that their company offers employees the opportunity to meet and interact with different people in their job. Travel companies therefore have an opportunity to promote their distinctive strengths in these areas as a compelling value proposition to attract and recruit Millennials.

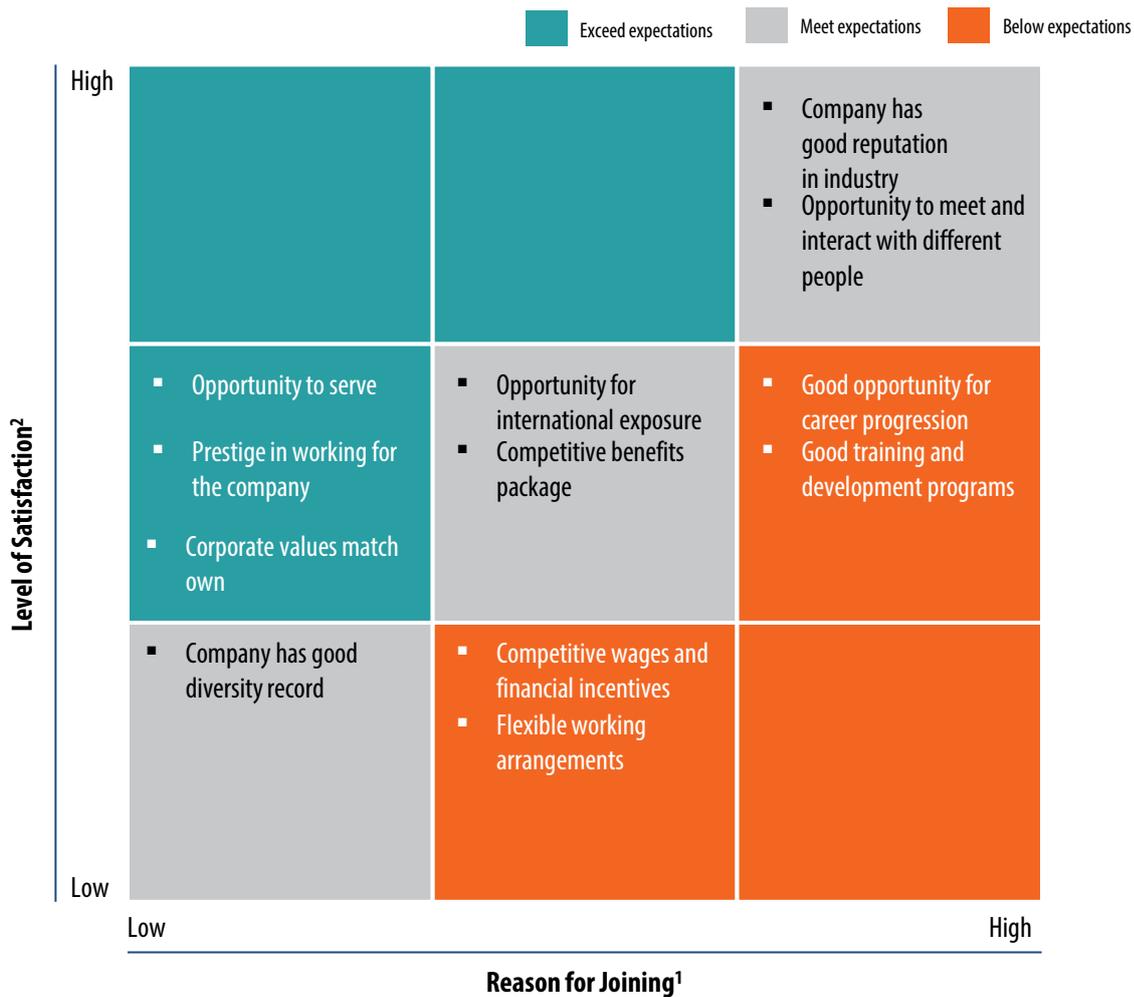
Below expectations on remuneration and advancement

There is, however, several dimensions on which the industry is failing to meet expectations, most notably remuneration and career advancement. Asian Millennials, regardless of segment, sector or geography, consistently indicate low levels of satisfaction on these indicators.

Here, only 43 percent believe their company pays them a fair wage for the jobs they perform. Even

Exhibit 5

Industry is failing to meet expectations on competitive wages and opportunities for career progression



1. Why did you choose your current job? Percent saying “yes” to statement; High is >25%; Medium is 10-25%; Low is <10%
 2. How satisfied are you now that you have joined the company? Top 2 box score; High is >70%; Medium is 50-70%; Low is < 50%

managers agree, with only 45 percent agreeing their company pays a fair and competitive wage when compared with competitors, and only 41 percent believing their company’s salary compensation process is fair and transparent.

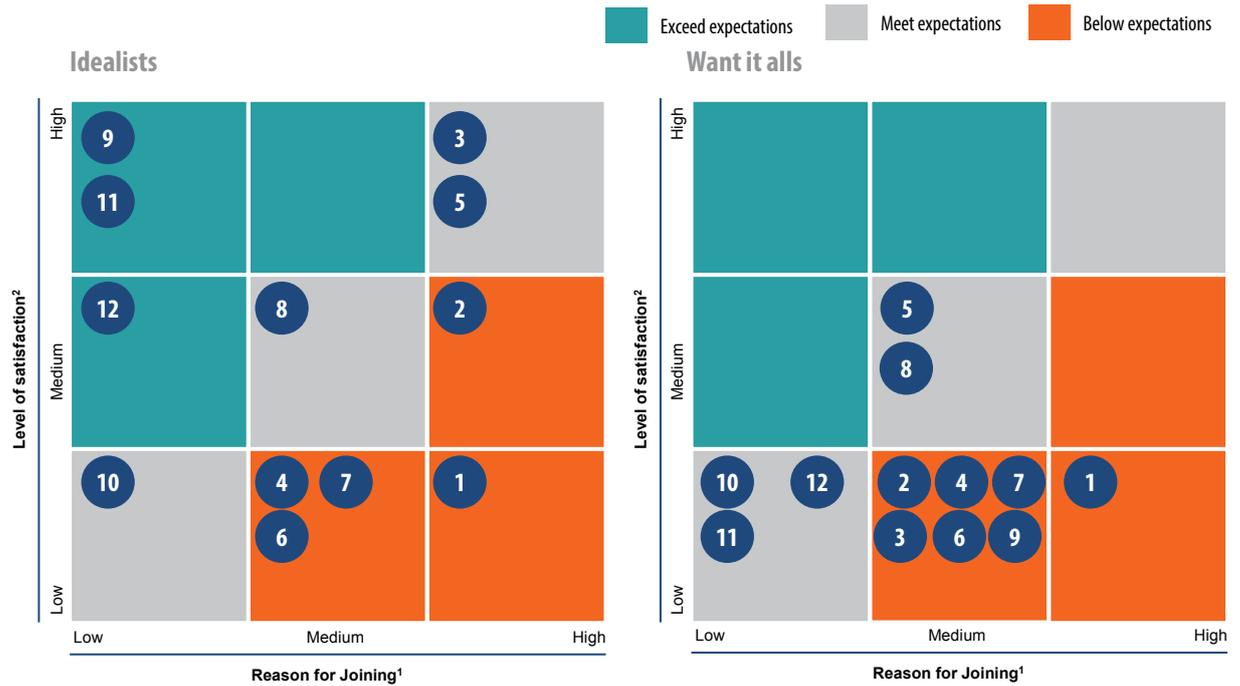
Only 54 percent of Asian Millennials are satisfied with prospects for progress in their respective companies. As one frustrated Asian Millennial respondent noted, “[My company] is a great place to work, but after 3 years of waiting for a promotion that I deserve, this is just a waste of time. I can’t afford to stay at a place

where I am stuck in a position with no opportunities for advancement”.

Other opportunities for improvement vary according to segment

Our segmentation analysis reveals that older Asian Millennials groups – breadwinners, family-focused and money-seekers – are broadly quite satisfied. Only the aspects of career progression and salary are not meeting their expectations. As one money-seeker noted, he would like to see “more career enhancement opportunities and a competitive market salary”.

Exhibit 6
Younger Millennial segments are least satisfied with opportunities for career progression



- 1. Good opportunity for career progression
- 2. Good training and development programs
- 3. Opportunity to meet and interact with different people
- 4. Competitive wages and financial incentives
- 5. Company has good reputation in industry
- 6. Flexible working arrangements

- 7. Opportunity for international exposure
- 8. Competitive benefits package
- 9. Opportunity to serve
- 10. Company has good diversity record
- 11. Prestige in working for the company
- 12. Corporate values match own

1. Why did you choose your current job? Percent saying “yes” to statement; High is >25%; Medium is 10-25%; Low is <10%
 2. How satisfied are you now that you have joined the company? Top 2 box score; High is >70%; Medium is 50-70%; Low is < 50%

However, younger Asian Millennials – idealists and want-it-alls raise several issues (Exhibit 6). Apart from career progression and salary, they note other aspects that are not adequately addressed by their companies such as flexible working arrangements, training programs and international exposure. When asked about their ideal working environment, one want-it-all responded, “I want flexible working hours, a strong team and reasonable work responsibilities that do not require frequent overtime or my personal

time.” This suggests that younger Asian Millennials, as typically portrayed, have higher, and sometimes unreasonably high, expectations.

AREAS WHERE MILLENNIALS ARE LEAST SATISFIED ARE ALSO THE MOST IMPORTANT FACTORS FOR BUILDING LOYALTY

We see that Asian Millennials are dissatisfied with remuneration and career advancement, yet our study

also shows that these are the two most significant drivers of loyalty that influences Asian Millennials to stay with their companies.

Of the five attributes we surveyed, satisfaction with remuneration and benefits indicators explains 51 percent of the variance in their intention to stay (Exhibit 7).¹³ As one respondent noted, “I think salary for the travel industry should be increased to a more competitive level. I believe many of my peers do not continue their career in this industry because of low salary levels as compared to other industries”.

Managers are aware that remuneration and benefits matter but feel that their companies are the least effective in this area. As one manager mentioned, “companies should pay a competitive remuneration so that Millennials can perform better in their job”.

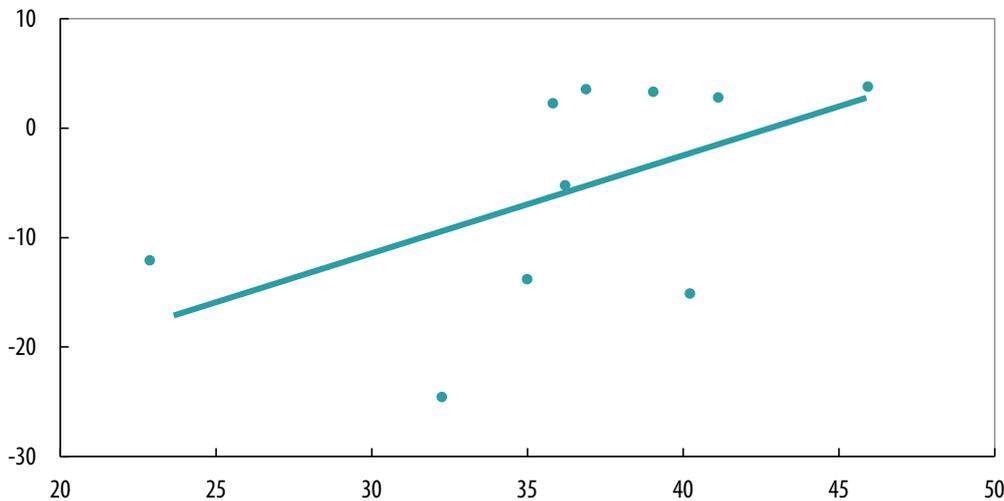
Learning and development is the second highest driver of loyalty, and one of the areas where expectations are currently falling short. This is despite the fact that Asian Millennials feel that their company practices in this area are the most effective of all other attributes (Exhibit 8), suggesting that good is not good enough

Exhibit 7

Remuneration and benefits build loyalty and improve retention

Remuneration and benefits satisfaction¹

Percent above/below industry average



Intention to stay¹

(Percent of Millennial respondents who (strongly) agree to the statement: I am very likely to stay in my current job for at least the next 3 years)

51% of the variance in intention to stay is explained by satisfaction with remuneration and benefits based on responses of 4975 Millennials

1. Each data point represents a company (2 companies were removed due to small sample size)

13. The other four attributes incorporated in the survey were engagement and connection; learning and development; organization culture; and recognition and reward.

where better is expected. Within learning and development, the worst performing factor is career advancement, followed by training and capability building and development direction.

the company can do differently to retain Millennial talent, training consistently tops the list. One manager suggests that companies should introduce “more training hours and intensive coaching”, while another manager notes that companies should “offer more (varied) training programs, such as opportunities to have cross trainings with other departments”.

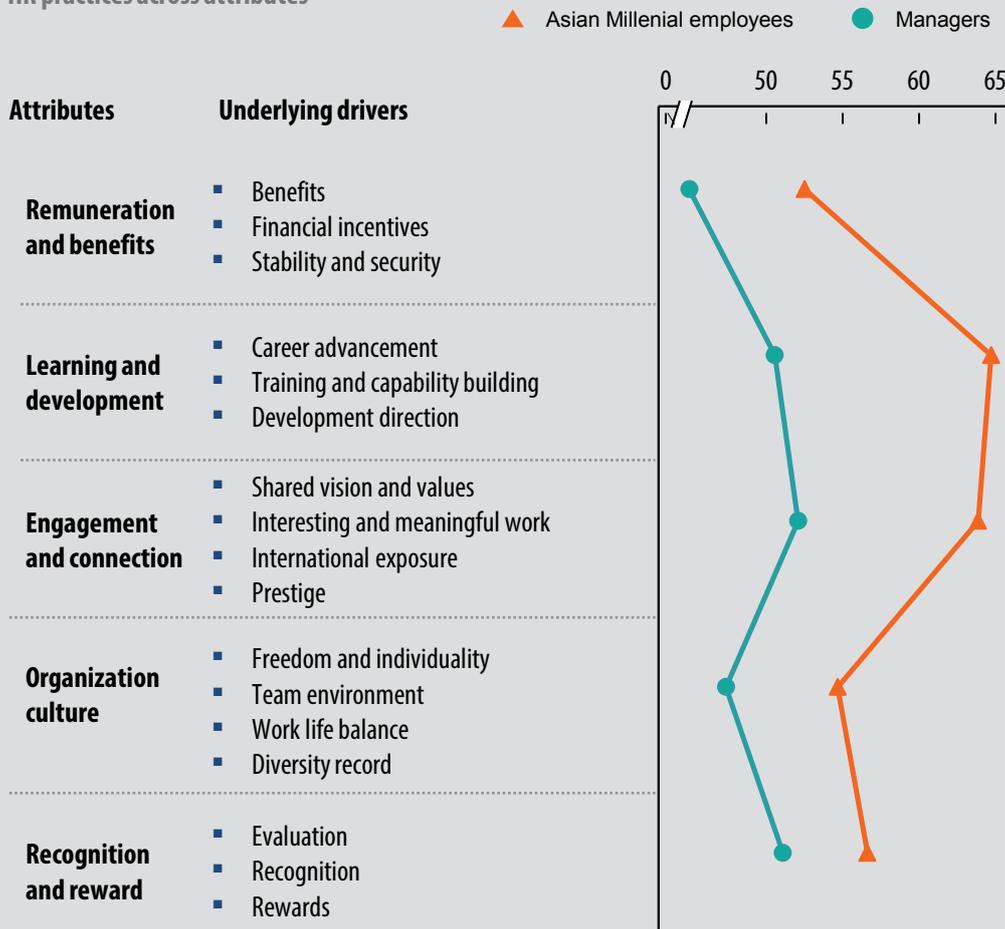
Managers recognize that more needs to be done. Only 50 percent of managers acknowledge that their companies provide advancement opportunities for their employees. Additionally, when asked about what

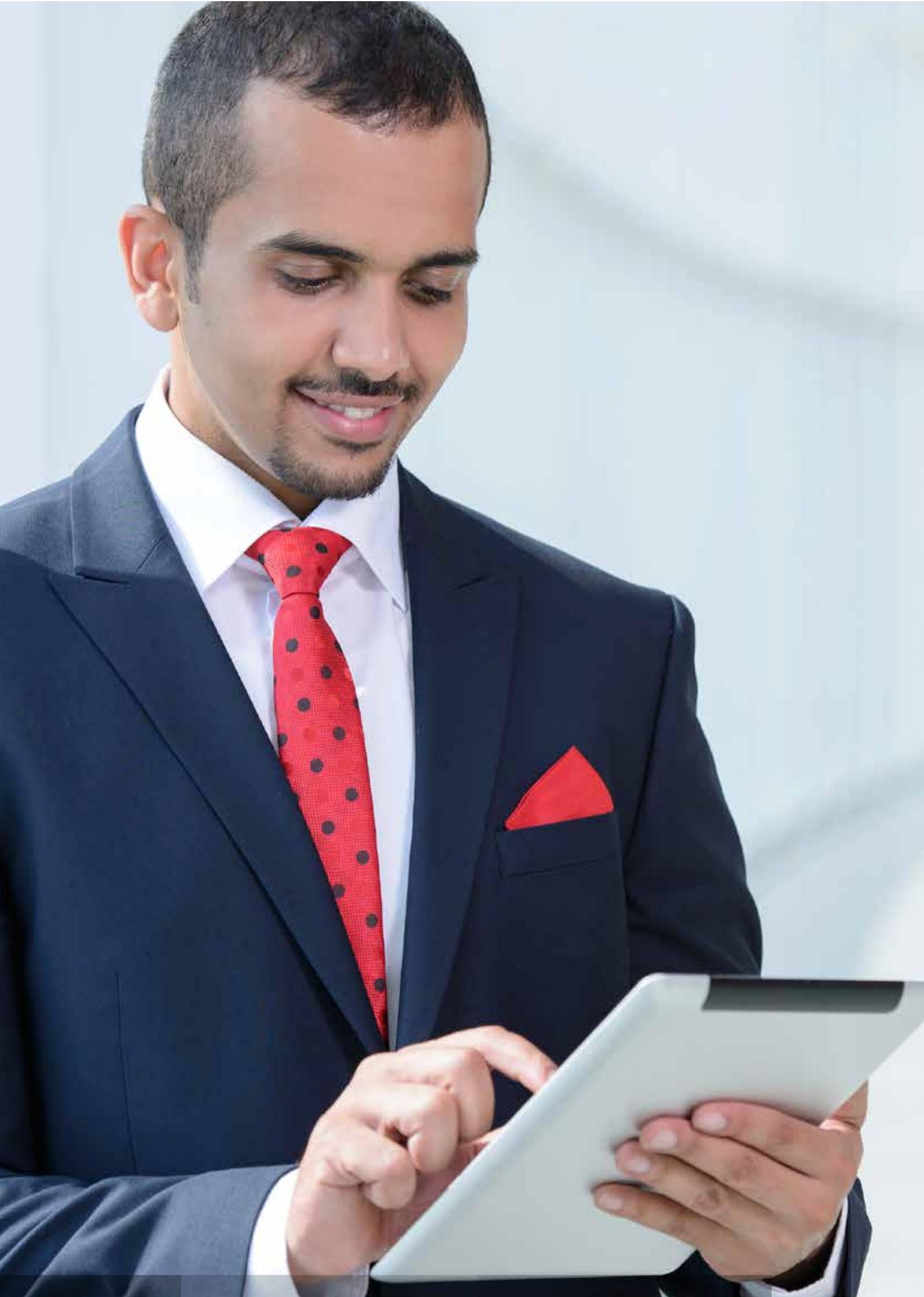
Exhibit 8

Managers are more critical than Millennials

Comparing the two survey results, we find that the general trend across key employment attributes is similar for both managers and Asian Millennials. Yet, when asked to rate their company’s practices, Asian Millennials are significantly more positive than managers. It is unclear why managers are more pessimistic. One possible reason based on conversations with the companies involved, is that managers have long been aware of these issues, but are still not confident they have found a solution.

Percent of Asian Millennial employees and managers who (strongly) agree on effectiveness of company’s HR practices across attributes





04.

What does this mean for the travel industry?

GET THE BASICS RIGHT

Millennials and non-Millennials alike benefit from robust Human Resource practices. As Exhibit 8 illustrates, however, there are specific attributes where there is a clear need for action.

Reinforce equitable compensation

With salary and financial incentives emerging as the largest driver of retention, this is a critical factor that companies cannot ignore. Increasing salaries across the board, while obvious, may not however be the most practical solution. Many Millennials want it all, but not as many are qualified to get it all. While there is no straightforward solution, nor a standard approach, companies can be smarter about compensation to reinforce meritocracy and reward high performers.

Accordingly, companies should strengthen their performance review processes to ensure fair and transparent assessments. Managers across the industry consistently identify the performance review process as a sore spot for their company. Only 53 percent of managers agree that performance measures are clear, consistent and quantifiable, and 51 percent feel that performance processes differentiate between high, average and low performers.

Regardless of generational differences, merit-based compensation packages and clear performance review processes are fundamental to talent management. And, in light of Millennials' thirst

for career advancement and greater recognition, these factors are even more pressing. As one Asian Millennial respondent noted on what would make him stay longer at the company, "I want a better understanding of how my performance is measured, and to receive fair, transparent appraisals and adequate recognition for the work that I do."

Foster a positive working environment

Our research reveals that a strong team environment is critical to the happiness of Millennials; 67 percent of job satisfaction can be attributed to team-based factors such as a sense of community, inspiring leadership, and friendships at work. However, only 60 percent of Millennials report that they feel inspired by their immediate managers and only 61 percent feel a strong sense of community in their workplace.

Importantly, creating a strong team environment is not the sole responsibility of the HR department. It should be a company-wide exercise. For example, McKinsey & Company research shows that employees who are personally guided through their employment journey by (senior) coaches and mentors feel more recognized, are more satisfied and are easier to retain. Accordingly, the principles of apprenticeship and mentorship are cornerstones of the company's talent development strategy, and McKinsey actively tracks whether every employee has a network of peer and senior mentors they can turn to for support and coaching.

PepsiCo also recognizes that people are less likely to leave companies when they have formed deep and meaningful relationships. It has set up a reverse mentoring program called Pepsi Conn3ct where Millennials are linked to senior leaders in the company. Millennials not only get the opportunity to share their improvement ideas for the company, but also receive exposure and sponsorship from senior leaders. The program often accelerates their careers.¹⁴

Enhance the employee journey

HR groups have an opportunity to shape their employees' experiences at various critical times in their careers, including onboarding, training and evaluation. Within the employee journey, an important touch point that is often overlooked is the moment of exit. When employees leave, it is important that they leave happy. Not only will they be more likely to return, they will also continue to be advocates and ambassadors for the company. This is particularly pertinent with Millennial employees in light of the generation's greater propensity to share thoughts openly on social media or with peers. Employers should therefore pay attention to the final stages of their employees' journey as well. This not only means conducting effective exit interviews, but also supporting employees in their search for a new job (e.g., tapping networks to help make introductions, offering paid time off for employees to search for new positions and attend interviews, providing interview coaching).

Enhancing the employee journey not only leads to happier employees, it also leads to happier customers. For several players in the American airline industry, research conducted by McKinsey showed that 85 percent of the variance in customer satisfaction scores can be explained by the variance in employee satisfaction levels. Consequently, given this strong link, investing in an employee-centered philosophy will not only lead to satisfied employees, but also to satisfied customers, and as a result better business results.



14. Dan Schawbel, "You're Probably Wrong About Millennials," *Harvard Business Review Blog Network*, September 3, 2013.



FORGET ONE-SIZE-FITS-ALL

Asian Millennials working in the travel industry are not a homogenous group. As such, companies cannot take a one-size-fits-all approach to their Millennial employees, but instead must tailor and target talent management practices accordingly.

Truly understand your talent

For many years companies have collected information about their consumers to better understand their behaviors and what drives them; these same principles can also be applied internally to employees. Companies have enormous potential to access a wealth of information about their employees, from which to develop rigorous people analytics. As Bill Gates noted, “How you gather, manage, and use information will determine whether you win or lose.”¹⁵

For example, an insurance company used data gathering and analytics to identify the most important drivers of employee satisfaction and retention. This revealed that retention bonuses had no effect on retention, leading the company to discontinue the ineffective scheme. It also helped management identify who was ‘at risk’ of leaving so that the company could better target and manage retention and succession planning. Additionally, the initiative uncovered significant dissatisfaction with training offerings, causing managers to revamp the training curriculum targeted by role and interest. Overall, the use of people analytics in the company resulted in savings of USD 20 million in annual retention bonuses, a 50 percent reduction in attrition and an increase in employee engagement.

Optimize for optionality

The five distinct segments described in Chapter 2 underscore that Asian Millennials not only have different job expectations and desires based on their values, but also that these can evolve depending on the person’s phase of life.

15. Josh Bersin, “Reid Hoffman: How To Manage Talent In The Networked Age,” *Forbes*, August 30, 2014.

For the money-seekers, companies could offer international exposure opportunities such as short-term projects abroad, to longer multi-year cross-country lateral moves. For family-focused workers however, these options may not resonate. Instead, companies could offer these Millennials more flexibility in deciding when, where and how many hours to work.

The major telecommunications company, Telstra, used attitudinal segmentation to create different incentive plans and work schedules for its field force with the goal to increase performance as well as employee engagement.¹⁶ The company identified four basic segments and tailored their employment structure and incentive package accordingly. For example, “Hungry and Ambitious” workers could opt for a pay-for-performance arrangement that offered a relatively low salary base but sizeable bonuses if they exceeded performance and quality goals. “Waiting for Retirement” employees could work only part time and still qualify for their retirement pensions. The outcome of this segmentation effort? A 70 percent increase in field force performance and a 30 percent reduction in unit costs.¹⁷

Similarly, in 2009, 3M identified eight clusters among its high-potential employees globally. These segments included those who were motivated by alternative work arrangements (“in it to have a life”), by rapid, regular promotions (“in it to ascend”) and by fast-paced, highly challenging, risk-taking environments (“in it to win it”). Based on these clusters, managers and HR staff were given the autonomy to tailor career development and incentive packages to address the different needs of each segment in order to maximize retention.¹⁸

TAKE ADVANTAGE OF CHURN

Many companies today expect employee loyalty without committing to professional development or job security.¹⁹ This often leads to Millennials leaving the company when a better opportunity arrives.



16. “Telstra Corporate Responsibility Report 2005/06”, Telstra.

17. Jeff Melton, Kevin Loh, and Jolyon Dove, “Using employee segmentation to bring out the best in your workforce” *Bain insights*, August 12, 2011.

18. Roberts, Bill, “Celebrate Differences.” *Society for Human Resource Management*, 2012, Volume 57, Number 12

19. Reid Hoffman, Ben Casnocha, and Chris Yeh, “The Alliance: Managing Talent in the Networked Age,” *Harvard Business Press*, 2014.



As noted in Chapter 2, only 39 percent of Asian Millennials indicate that they are likely to stay for the next 3 years.

Irrespective of best talent management practices, higher churn is here to stay. Increased turnover however should not be viewed as a trend to reverse or an organizational challenge to overcome. Instead, travel companies could see this Millennial phenomenon as an opportunity to weed out the bad, groom the good and retain the great. To do this effectively, companies must focus on developing and retaining top performers and high potential employees.

The most dynamic, competitive companies in the world embrace churn. In Silicon Valley, many companies apply a new concept developed by LinkedIn founder, Reid Hoffman, called the “Tour of Duty”.²⁰ The concept urges companies to start thinking of employees as allies on a tour of duty. Employment should be seen as a mutually beneficial deal, with explicit terms between employer and employee. The company aims to create meaningful opportunities for employees in deployments of 3 to 5 years, and the employee agrees to help transform part of the business by meeting incremental objectives. In return the company agrees to transform the employee’s career by enhancing specific skills and experience. Instead of vague promises, such as “you’ll get an invaluable experience”, it aims to offer the employee specific career benefits, such as “you will develop excellent negotiation skills”.

Companies big and small are starting to adopt this model. They acknowledge that employees can and will leave. Given the 3 to 5 year deployment timeframe, they create opportunities for both parties to have frequent and honest career conversations to discuss professional goals and time horizons. This results in more engaged employees that work to achieve tangible results for the business in return for accelerated professional development.

20. Ibid.

Although not every company in the travel industry needs to foster the same level of Silicon Valley entrepreneurship and adaptability, the industry undeniably faces a new employee reality. It therefore needs to embrace some of the same thinking and practices to stay competitive and enhance employee satisfaction.

BALANCE ENTHUSIASM AND EXPERIENCE

Our research shows that Millennials across the industry in Asia are disappointed with their level of career advancement, particularly in the early years of joining the company, and this is a key driver for them to leave their company and the industry. They feel confined by the industry's structure and hierarchy. As one Asian Millennial notes, "I don't care that it took the previous generation 20 years to become a general manager, I want to get there in 5 years".

Accordingly, retaining high-potential talent will require companies to find the sweet spot between experience and enthusiasm. Here lies an opportunity to not only give credence to the value of experience, but also to foster and build Millennial talent to drive innovation and fresh thinking.

Offer Millennials role-hopping as an alternative to job-hopping

Millennials don't singularly define career progression as promotions up the traditional job ladder. Rather, Millennials also view career progression as opportunities for greater exposure, taking on new challenges, and learning new skills. As one Millennial notes, "[I would like my company to offer] transfers and cross trainings at regular intervals and across cities, for me to get more exposure and understand the work cultures, best practices and cuisines in other regions". Some companies have already started doing this through rotation programs where high performers get to move between departments every few months. Global cosmetics company L'Oreal for example, has established a Millennial development program. For 18 months the Millennial completes



rotations across four to six different departments. The program offers "opportunities, not only a career" as a senior Vice President at L'Oreal puts it. "Millennials want a plan that is specific to them. They want a lot of information and guidance on their development."²¹

Encourage intrapreneurship

Entrepreneurship is a noun that most identify with startups only. Yet it can act as a catalyzer

21. Ladan Nikraven, "The Gen Y Workplace," *Chief Learning Officer*, October 6, 2011.



within big and established companies as well. Intrapreneurship, or entrepreneurship within a company, combines the two critical components that Asian Millennials are looking for. On the one hand, intrapreneurship offers Asian Millennials job security and the strong company reputation that they value, while on the other hand it supports Millennials to unleash their ambition beyond their traditional job description. As Matt Britton, founder and CEO of MRY, a branding and technology

giant, notes, “Promoting intrapreneurship keeps ambitious employees happy”.²² Although the model that tech companies such as Google and Apple use – encouraging employees to spend about 20 percent of their time each week experimenting on their own ideas – might not be workable for the travel industry, there are alternate models to foster intrapreneurship. LinkedIn for example, offers 30 to 90 days “away from regular work programs” for employees to develop ideas of their own into new products and services.²³ Intrapreneurship kills two birds with one stone. Not only does it enable players to differentiate themselves and keep them ahead of competition, it also enables them to attract and motivate their Asian Millennial talent.

THE MILLENNIAL FUTURE

By 2025, 3 out of 4 workers in the travel industry will be Millennials. While the rise of the Millennial generation presents management teams with a new set of challenges, it also promises to offer significant opportunities. The Millennial workforce is not only more attuned to the needs of the emerging class of Millennial travelers, it is also more in touch with the digital innovations that are transforming the modern travel experience.

A stronger, happier Millennial workforce is essential for any travel company hoping to seize these opportunities. This starts with understanding what motivates Millennials, identifying where companies are falling short of expectations and learning from the best practices and innovations of other sectors that are also grappling with similar challenges.

Travel companies which act to both strengthen and adapt their talent management practices will stand to unleash the ambition of Millennial talent and claim a competitive advantage.

22. Catherine Clifford, “Keeping Your Employees Loyal By Encouraging Them to Pursue Their Own Projects and Passions,” *Entrepreneur.com*, October 17, 2013.

23. “LinkedIn Gone Wild: ‘20 Percent Time’ to Tinker Spreads Beyond Google”. *Wired*, December 6, 2012.



Appendix: Research Framework

This report aims to uncover granular insights on Asian Millennials working in the travel industry. Two quantitative surveys were conducted across 12 delegate companies of the Asia Travel Leaders Summit. One employee survey targeted Millennial workers, those born between 1981 and 1995. The other targeted managers, those who play a role in the professional development of other employees, including Human Resource managers and team leaders.

Both surveys were conducted through a combination of web-based and paper-based channels, and in five languages (English, Chinese, Japanese, Bahasa Indonesia and Thai).

The two surveys were extended to a large proportion of Millennial employees and managers in participant companies, ensuring representation across demographic dimensions including gender, age and job functions. The employee survey was completed by 5,421 Millennials. Ninety-five percent of this group works in Australia, China, India, Indonesia, Japan, Malaysia, Myanmar, Singapore, Thailand or Vietnam.²⁴ The manager survey was filled out by 1,573 managers. The age of the respondents ranged from 20 to 67 years, and 95 percent of this group work in Australia, Bangladesh, China, India, Indonesia, Malaysia, Singapore, Thailand or Vietnam.²⁵

Within travel industry sub-sectors, 81 percent of employee survey respondents represented hotels, 12 percent from travel agents, 5 percent from airlines, and 2 percent from other sectors. Due to the unavailability of reliable benchmarks of workforce

distribution among the various sectors in the Asian travel industry, a correction on the sector distribution was not possible. The insights from this research are therefore governed by this distribution within our sample, and thereby skewed towards the hotel sector.

The survey data was rigorously examined, and stripped of any outlier responses to the values and work-related behavior questions. As a result, the research data set was reduced to 4,975 respondents in the employee survey and 1,460 respondents in the manager survey.

In order to segment Millennial employees, the survey included value questions that asked Millennials to make trade-offs from a combination of six themes: prestige, meaningful work, salary, career advancement, international exposure and flexible working arrangements. To identify distinct Millennial employee segments, an analysis was performed to identify key questions representing each value driver theme, which were used along with key demographics.

24. The remaining 5 percent of Millennial respondents work in Bangladesh, Cambodia, Hong Kong, Korea, New Zealand, the Philippines, Sri Lanka or Taiwan.

25. The remaining 5 percent of manager respondents work in Cambodia, Germany, Hong Kong, Japan, Korea, Maldives, Myanmar, New Zealand, the Philippines, Sri Lanka or UAE.





Credits

This study was commissioned by the Singapore Tourism Board for the Asia Travel Leaders Summit 2014. McKinsey & Company was the Summit Knowledge Partner and provided fact-based analysis for this study.

Created and spearheaded by the Singapore Tourism Board, the fifth edition of the Asia Travel Leaders Summit will continue to gather the leading minds and voices of the Asian travel industry and inspire purposeful dialogue in response to key issues facing the industry.

This by-invitation-only Summit is intended to be an intimate dialogue among key business leaders who have strong interests in the development of the travel industry in Asia, and seeks to lay the foundation for potential collaborative efforts among leaders to meet the needs of the industry.

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Acknowledgments

The authors would like to thank the twelve ATLS delegate companies for their enthusiastic participation in the research study. We would also like to thank Martin Rinck and his team from Hilton Worldwide for the critical input they provided in shaping the research framework, questions and findings.

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