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Overcoming workforce and HR challenges within defence organisations in the European and the Antipodean region

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Bottom Line Up Front:

- The worldwide geopolitical context and the war in Ukraine has caused the need for proper workforce management that will contribute to higher operational readiness
- The workforce challenges for defence organisations in the European and Antipodean region consist of a shift from life-long careers towards individuals having multiple careers through their working life, increased competition for talent, technological implications, and (gender) equality
- To overcome these challenges in the future, we suggest three courses of actions defence organisations could consider taking: developing a workforce strategy aligned with organisational goals, attracting and retaining talent through modernised people value proposition, and ensuring a broad talent pool through embracing diversity and inclusion.

The war in Ukraine has caused significant global disruptions to organisations, particularly impacting energy, commodity, financial markets, international trade and supply chains already facing difficulties due to the COVID-19 pandemic. These disruptions have globally led to increased political and societal pressure for a higher operational readiness from defence organisations. A higher operational readiness can however only be achieved through proper workforce management, an information driven and responsive organisational backbone and the readiness of supporting material ('fleet availability').

This blog covers the workforce challenges and the war for talent defence organisations in Australia, the Netherlands, New Zealand, Norway and Sweden are currently facing, amidst an ageing workforce and the need for rapid technological advancements. It addresses four primary workforce challenges for defence organisations within the European and Antipodean region, whereafter it presents several suggestions to the sector on how to move forward.





Workforce challenges

1. The current labour market is undergoing a significant shift from life-long careers towards individuals having multiple careers through their working life. Many organisations are embracing non-conventional career structures wherein personal potential, differentiation in learning paths per individual and well-being are increasingly relevant. At the same time defence organisations struggle to harness this trend to its full potential as they are still largely oriented towards people who intend to join the defence forces for their whole career. This is further demonstrated through the limited availability of non-conventional career pathways within defence forces. It is not unusual for a defence organisation to experience an increase in attrition at earlier points in individuals' careers, however they do not have the ability to hire laterally into mid-career roles. This has in many countries resulted in staff shortages and unfulfilled vacancies, with workforce shortages carried for many years.
2. As the market for warfare intelligence grows, also the need for agility and adaptability becomes crucial, leading to increased competition for talent between defence organisations and the commercial sector. The current remuneration packages within defence organisations are however often too inflexible to offer the required agility to attract employees with certain specialised expertise. Lack of individual tailoring in line with the work performed (rather than the 'rank' of a staff member) and performance-based compensation (also considering work-based personal sacrifices made by military and civilian staff) makes defence organisations regularly fall behind the commercial employment market. Also, leading to dissatisfaction amongst currently hired staff.
3. To add even more to the above-mentioned challenges, also emerging technologies present a new set of workforce challenges as a lot of the rapid technological advancements may allow future military platforms to operate with reduced manpower or even be unmanned. For example, the need for a strong cyber defence will likely get more and more important looking forward. Re-training and re-educate current staff and recruiting and retaining the skill sets required to develop and sustain these technologies (to be able to act sovereign) can lead to uncertainty about future workforce requirements. This is exacerbated by the fact that the pace of change within technology is high, whereas it takes a longer period to adjust workforce skills within the defence force.
4. Last but not least, the sector still struggles with the concept of gender equality in their respective workforce. In both the European and the Antipodean region women still face several challenges, e.g., a culture built on masculinity and discrimination, including a lack of equipment developed for the female body.

Redefining the workforce strategy and actions to consider

Looking at the four workforce challenges above, one could say that the individualism that is a strength for an effective workforce strategy and talent management can in practice be challenging to replicate within a defence organisation. The main question in both the European and the Antipodean region is how to develop a flexible organisation that can grow and scale-up its operations in accordance with the increase in military investment. Also acknowledging the modernization of warfare, wherein gathering, and utilising information is becoming a key aspect in securing military advantage. Both aspects create a need to increase cooperation and collaboration between government agencies (including defence organisations, the commercial sector and academia), instead of creating a bidding war on the same limited talent.

Implementing a significant increase in service personnel with the aim to achieve a sustainable increase in operational readiness, requires defence organisations to revisit their workforce strategy to be able to attract and retain a fit-for-purpose workforce for the long term. This is even more relevant for countries reviving from budget cuts which, due to the worsened geopolitical context, now have as a main challenge to also address how to develop new capabilities and increase their military workforce, whilst at the same time investing and increasing military spending, in some cases to 2.0 percent of GDP (i.e. the NATO aimed target for all individual allies).

To help bring further any solutions to these workforce challenges following the required organisational transformation within defence organisations, we suggest three courses of actions defence organisations could consider taking:

1. developing a **workforce strategy** aligned with organisational goals,
2. attracting and retaining talent through a modernised **people value proposition**,
3. ensuring a broad talent pool through embracing **diversity and inclusion**.

To ensure defence organisations remain competitive and resilient, they need a more agile and capable military workforce. Adopting a human-centric work design approach, developing talent sourcing and internal labour markets respectively

redesigning performance management practices can all contribute to this. More specifically:

1. Workforce strategy development

Developing a ‘future of work strategy’ is crucial in responding to changes in work methods and demographics. Defence organisations should try to adapt employment models to accommodate non-life-long careers and flexible work arrangements to attract and retain talent. Given the nature of defence organisations workforce management today, it would be advised to prepare for adversities by planning and shaping a more agile workforce. This entails considerations on how defence careers paths and work activities are currently being shaped by technological, generational, and societal shifts and how the rapidly evolving technological landscape and the rise of cyber warfare demand an upskilling of the workforce. Also, it requires a workforce strategy that efficiently balances employment models, technology and skills to achieve talent demands.

Based on our experiences from working with governmental organisations, including the Ministry of Defence, we advise following three steps when drafting a sustainable workforce strategy:

- a. Draft the Future of Work strategy: Creating a plan for adapting to changes in work methods, personnel, and definitions of work, both near and long-term. A human-centric work design approach is a core component on mitigating the disruptions on attracting and retaining talent. To put this into practice, workflows, business processes and space utilisation should be designed around employee needs, with the concept of flexibility for both military and civilian staff as a main driver for change.
- b. Adapt the Talent Management Strategy and practices: Determine the talent needs for future success and have a strategy in place to have the right mix of talent, technology, and employment models to achieve organisational goals. A key HR challenge is the balance of reducing staff turnover whilst also creating opportunities to obtain talent with essential skills and experience, which is the case in countries such as

Norway and the Netherlands. It is not only about acquiring the right resources, but also assessing and developing the current workforce in line with the desired level of skills and capabilities to meet the future organisational requirements.

A focus on personalised onboarding, open HR feedback on transformations, talent development and sourcing, and personal and team development from a willingness to learn mindset with a focus on intellectual agility and resilience, is essential for building a more adaptable and effective military workforce.

- c. **Redesign Performance Management:** The organisation needs to determine what should be decided centrally versus what can be unique to specific areas of the organisation. This to reduce turnover, better fulfil vacancies and to be able to create more flexible career paths. This requires a modernisation of the traditional methods of performance management with performance management indicators that suit organisational goals as well as employee needs and preferences.

As an example, the Ministry of Defence of the Netherlands collaborated with PwC to define new guidelines for the in-, through-, and outflow of employees, with a focus on talent development and talent-based management. As a result, high level designs of the HR processes were defined that entailed the integration of a talent scan and a matching system of employees and positions based on talent. Moreover, we've created a high level design for the conversation and performance cycle through employee-journeys, in which employees have continuous conversations about performance, reflection, development and objectives with both managers and peers.

While the design of these initiatives has yet to be tested and implemented, it already opens a closer link with workforce strategy, as they would give insights in the talents, competencies, and capabilities of the current workforce.

2. Modernising the People Value Proposition

A People Value Proposition (PVP) that prioritises the well-being and personal experiences of employees plays a critical role in attracting and retaining talent. When drafting a PVP it should be kept in mind that it should be able to adapt to market and demographic changes (such as managing a

workforce across multiple generations with varying needs and expectations). Also, it is important to analyse the already existing employment models and adopt the best combination to achieve the organisational goals.

To give a few examples, within the Netherlands such a PVP involves offering a mix of fixed and variable pay, clear communication about expectations, and creating a strong sense of purpose (also for the profession itself via means other than financial compensation). By providing employees with a meaningful and purpose-driven work environment, defence organisations can enhance their appeal to both current and potential employees.

In summary, to make the PVP more attractive for current and potential employees, we advice the following:

- **Provide increased fixed salary and put less emphasis on variable pay:** Looking at the current economic climate, but for example also the mortgage market within the Netherlands, employees prefer stability and the importance of a good basic salary over variable pay.
- **Define/vocalise the organisations' sense of purpose:** This is particularly evident among young employees who place great significance on a company's sense of purpose and corporate responsibility to society. Employees feel more connected when their employer's mission and objectives are meaningful.
- **Focus on proper management of expectations:** Various additional working conditions and perks do not automatically result in better performance without clear communication. Use the available HR analytics combined with a focus on the needs of the employee, in alignment with the organisational goals and strategy.

3. Diversity and inclusion

When setting a workforce strategy and plan, it is important that defence organisations can and do appeal to the broadest range of talent within a nation's workforce. This means that defence organisations need to truly embrace and live diversity and inclusion, to ensure they are attracting and retaining all genders, and all ethnicities within their workforce.

Many defence organisations are built on a history and culture of masculinity. This can manifest in a range of ways for individuals, from the way their performance as well as

It is worthwhile bringing together public and private sector experiences to overcome the workforce and HR challenges described above. What lessons could defence organisations to your opinion take from other uniformed organisations in the development of their workforce strategy, and PVP?

their culture is measured, the behaviours that define success and career progression, through to the uniforms genders wear and the equipment they are expected to use. It is important to consider how they can not only attract a diverse workforce, but also retain them through embracing inclusion. This means adapting work practices throughout the employment lifecycle, and as noted above, can mean adjusting the PVP to work for all genders.

Many defence organisations have made significant strides in increasing gender diversity in particular. For example, the New Zealand Defence Force (NZDF) has a work programme named Wāhine Toa. The vision of this programme is to influence NZDF's culture to be one where our wāhine (women) feel valued, included, safe and empowered. This programme covers all aspects of the serviceperson experience including Attract (making the Defence Force an attractive employer for women), Recruit (recruiting women to join the Defence Force), Retain (focused on valuing women within the Defence Force) and Advance (focused on career progression), with each of those contributing initiatives that are progressing towards gender equality and equity within NZDF. There is a complementary programme for men within the Defence Force, Tāne Toa. The aim of this programme is to support and promote inclusive practices for men within NZDF.

Another example is the Swedish Armed Forces that have been actively implementing equality measures for several years. A key element of these efforts is the Swedish Armed Forces Equality Plan. This outlines steps taken, for example, to increase the proportion of female officers, national service personnel and managers. The Swedish Armed Forces clearly states that cultural

diversity is one of its greatest strengths. They've also implemented core values that influence the work they do and form the basis for how they develop and command operations on professional and personal levels.

Both the Dutch and the Swedish Armed Forces have also actively worked towards being a more inclusive and diverse workplace. Besides the work with gender diversity, they have also had a big focus on LGBTQ+. For example, they offer webinars and podcasts where presumptive candidates can meet LGBTQ+ employees working in the armed forces. During the yearly Stockholm / Amsterdam Pride Week they are involved in seminars as well as showing their support for Pride with various campaigns. Also, the purpose of participating in Pride is to create and strengthen a positive picture of the armed forces as an authority as well as an employer by communicating the core values as well as the armed forces view and support to the LGBTQ+ community.

In summary

To support all of the above, driving diversity and inclusion is facilitated by proactive and data-driven HR functions. The current HR function in many defence organisations is however working with outdated technology and limited availability of data that can be used to drive the workforce strategy and understand the impact of diversity and inclusion interventions. By investing in modern technology and workforce analytics, defence organisations can gain valuable insights to support the overall people experience. Furthermore, the HR team can also be the custodian of the long-term view of the workforce that is key to driving inclusion and making enduring changes to embrace a broader talent pool. ■