



FIXING THE TALENT GAP IN ARMED FORCES WORLDWIDE

By Peter Geluk, Matthew Schlueter, Troy Thomas, and Silvio Erkens

MANY MILITARIES WORLDWIDE CANNOT maintain the readiness of their armed forces and thus cannot meet their national defense commitments; troop levels and skills are increasingly falling short of requirements. Critical technical skills in digital technology and data analytics, which are needed to develop, operate, and sustain advanced capabilities, are in particularly short supply, in part because the private sector is vying for these same skills. But a bigger underlying challenge is that many militaries don't have the HR capabilities to effectively compete in the talent marketplace.

Defense ministries have a wide variety of policy reform options available to address these skill shortfalls and improve readiness. We surveyed and benchmarked military and commercial HR practices across the globe to identify the most promising reforms—most already in use in the private sector—that militaries can apply. Specifically, we believe that flexible career paths, an agile organization, and customized training have the potential to deliver a sig-

nificant ROI. In addition to implementing reforms, a ministry needs foundational capabilities including strategic workforce planning, workforce analytics, and project management to optimize outcomes.

This is a significant undertaking, but it's essential to ensure that forces have the skills they need in order to meet future mission requirements.

A Shifting Talent Landscape

People are the decisive advantage for any military, yet most armed forces are experiencing a large and growing talent gap, which has become acute in the past few years and is almost certain to get worse. Demographic shifts are one contributing factor. Aging populations in many developed countries have led to a net outflow from the military and a smaller pool of younger people from which to recruit. And younger people have far different standards and expectations for their career than people in previous generations. For example, they have different expectations

regarding a work-life balance, and in many cases, they want to start companies rather than work for one.

A bigger factor is that military operations have become increasingly complex, as forces operate in new domains such as space and cyber. Technology continues to advance at an accelerating rate, with all functions increasingly dependent on advanced data analytics, digital engineering, artificial intelligence, and related fields. These new technologies also require that militaries work in new ways, with more agile training cycles, more specialized activities, more collaboration with a wider range of stakeholders, and, most important, a greater reliance on data and information technologies.

But perhaps the biggest challenge is that militaries must contend for talent with private employers that are—not coincidentally—vying for an insufficient pool of workers with the same critical skills. The labor market has become far more competitive, with basic laws of supply and demand leading to higher salaries and more attractive offers from private-sector employers for people with high-demand skills, including pilots, engineers, and data scientists. In fact, because companies recognize that any shortage of this kind of talent is a limiting factor on their growth, many are taking ambitious measures to transform their employee value proposition and approach to talent management.

In contrast, many militaries still have immature HR functions in areas such as strategic workforce planning, workforce analytics, and tailoring the employee value proposition to the needs of the market. They don't have a clear sense of what skills they will need in the future, or when, and they're unable to measure the effectiveness of any individual initiative. In the war for talent, they are outgunned and—perhaps predictably—they're losing.

Operational Readiness at Risk

In the aggregate, all of these factors are significantly eroding militaries' ability to recruit, and the resulting skills gaps are put-

ting military readiness at risk. Consider:

- The US Army missed its recruiting target in 2018—despite spending tens of millions of dollars on a marketing campaign—as did militaries in Denmark and Australia.
- The Royal Canadian Air Force did not meet its North American Air Defense Command and NATO requirements in 2019 because of a shortfall of both pilots and maintenance personnel.
- The German military recently opened a new cyber defense facility, but it has struggled to reach full staffing levels.
- The British military has contracted in size for the past nine years, with the Army falling 7,000 troops short of its target of 82,000.
- The Dutch military has considered filling troop shortfalls with soldiers from other countries that have ties to the Netherlands, including South Africa. The militaries in Britain, France, and Belgium already include noncitizens among their ranks.

We have seen these issues firsthand in militaries around the world. Personnel policies are decades old and no longer fit for purpose. In these organizations, leaders are unable to identify future needed capabilities. They cannot hit recruiting targets, particularly when it comes to diversifying their ranks with more women and minorities. Support for the families of current members is often insufficient, particularly for child care, housing, and health care. They do not focus enough on talent management and development. And worst of all, they lack detailed personnel data and analytics, leaving them with no clear understanding of why service members are joining or leaving.

As a consequence, personnel shortfalls are contributing to a failure by many militaries to meet their readiness targets. Readiness is not just a function of available platforms (such as ships and planes), and it is not a

problem that organizations can solve by simply improving equipment or material readiness rates. In fact, buying more platforms, systems, and hardware often exacerbates the problem, in that shortages in instructors, maintainers, and other key roles mean that new equipment can't be put into service.

In addition to operational readiness, there are financial consequences to the talent shortfall in the form of higher spending on temporary fixes (such as external recruiting firms and trainers). Perhaps most pervasive is a drop in morale among the current members of the military, who must work that much harder to meet mission requirements. Bad morale leads to increased attrition—and further compounds the staffing problem.

Three Promising Personnel Reforms

These challenges create a strategic imperative for defense ministries to transform their personnel policies and systems to recruit and retain the right talent to sustain readiness. Fortunately, they can choose from a wide variety of potential policy options. Drawing on our extensive experience with industries and our discussions with major defense ministries, we believe the following three offer a significant ROI and should be priorities for most armed forces.

- **Flexible Career Paths.** Militaries can evolve beyond the standardized career paths of the past and instead create more differentiated options that provide recruits with the flexibility that they seek and that the military actually needs. For example, the traditional approach to promotion and development is “up or out,” which forces people with highly specialized skills, such as flight instructors or IT specialists, to separate rather than stay and build up deeper expertise.

That approach also emphasizes seniority and tenure, sometimes at the expense of performance. A more flexible model for promotion and development,

used by most companies, is to reward superior performers by letting them move up the ranks faster and by providing greater mobility. The US Department of Defense began reforming some of its HR processes through a comprehensive initiative known as Force of the Future. As part of the initiative, DoD reformed its “up or out” promotion policies and now allows nonlinear career tracks.

Similarly, DoD now allows service members to take “career intermissions”—limited breaks from service to pursue higher education, for example, or to transfer to the reserves for a period of time—without derailing their career path. The program gives military personnel an opportunity to build up new skills by taking internships with private-sector technology companies, without impacting their ability to reach higher ranks in the service. Overall, these reforms allow DoD to develop critical capabilities and retain people who might otherwise want to leave the service. After a three-year implementation period, DoD made the career intermission program permanent in 2018.

- **An Agile Organization.** Many traditional defense organizations still have the same basic structure and processes they've had for decades. And as the world has evolved, those structures and processes have hardened into a rigid bureaucracy. Today, the pace of change is accelerating, and the threat environment is far more diffuse. To remain fit for purpose, defense organizations need to become more adaptive and nimble—in other words, they need to become more agile.

Specifically, armed forces need streamlined acquisition processes, centered on equipment that is more modular. Decisions need to happen faster, with fewer layers separating commanders and troops in the field. Strategic planning needs to happen more frequently, with some forms of authori-

ty pushed down to lower levels in the organization. The right measures will vary from one country to the next, but virtually all armed forces need to be better able to adapt quickly to changing external and internal requirements. Agile enables organizations to do that.

- **Customized Training and Development.** Traditional training programs have forced service members to adapt to the needs of the service. However, a smarter training strategy can be more individualized, flexible, and practical, tailored to meet the needs of the individual and the mission. For example, soldiers should be taught only what they actually require for their posts, with an emphasis on competency rather than working through a predetermined set of lessons. This is particularly applicable to technology skills, which evolve rapidly and need to be trained at a faster cycle than traditional topics. In addition, training should take full advantage of digital learning options to offer content designed to be accessible and digestible by personnel at a time and place that fits best with their learning style.

One final note on these reforms: a 2018 BCG survey asked more than 300,000 employees across industries and countries to rank their priorities regarding job satisfaction. The reforms that we propose cover three of the top five priorities that employees cited: work-life balance (ranked second among respondents), learning and training opportunities (fourth), and career development (fifth). The remaining two—relationships with colleagues and with one's superior—are more situationally specific and harder to address via broad policy reforms.

Foundational People Capabilities

Regardless of which policy reforms a military chooses to implement, the success of any individual reform rests on several foundational capabilities that allow defense leaders to better understand the

unique needs of their service, to design solutions, and to gauge the effectiveness of those solutions.

Strategic Workforce Planning. The changing supply and demand of talent require organizations to understand their future workforce challenges and the broader labor market at an extremely granular level. Currently, most militaries simply cannot. In practice, this capability requires identifying skills and capabilities that will be more needed in the future, mapping those to the current workforce, and developing plans to close the gap across a variety of potential scenarios through data-driven, value-based recruiting. Importantly, this process is not a one-time event but a recurring process that happens annually or biannually and is enabled by advanced data analytics.

Advanced Data Analytics. The second key capability is using data and analytics to better understand the organization's current personnel situation and assess the impact of potential policy reforms. Many militaries have vast amounts of data, but they don't have the right data or the ability to harness it for insights into why people enter or leave military service or how their career development can be improved. To address this problem, ministries should establish a transparent data lake and create an analytics function explicitly tasked with running workforce analytics. Advanced data analytics will help military leaders to understand the current labor environment and demographic changes and to identify emerging personnel gaps and skills gaps. Analytics tools can also predict the impact of specific initiatives, gauge those against real-world results, and improve their accuracy over time.

Project Management. Last, ministries must carefully analyze the suite of potential policy reforms, prioritize them based on their strategic impact, and phase them in through deliberate implementation. Large-scale change will come only through a structured process that generates early successes to build organizational momentum and generate buy-in from force lead-

ers. To that end, each measure should have a set of KPIs and key milestones during the implementation process so that leaders can accurately gauge progress over time.

Financial costs should be part of the analysis, as they're critical in generating a business case and ROI for specific initiatives. For example, a ministry could consider a performance bonus—5% of base salary to the top 20% of performers in the service. It's possible to model the effects of this initiative in advance—in terms of more successful recruiting, reduced attrition, improved readiness, and other factors—and translate those aspects to a bottom-line cost for the initiative. In this way, the overall program can potentially pay for itself based on early successes.

Once a ministry chooses a set of reforms, it must turn to implementation. Personnel systems are among the most resistant to change, and large-scale initiatives have a notoriously bad track record—50% to 70% do not hit their objectives. Successful reform requires a deliberate change management plan supported by dedicated employees, significant governance, and a change in mindset among senior leaders to overcome obstacles and ensure that change takes root.

In our experience, several measures can tip the odds in a ministry's favor:

- Quantifying the true scope of the problem and the potential benefit from improvement measures; there is no substitute for accurate data and transparency
- Setting ambitious goals that force the organization to move slightly faster

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than is comfortable; more time lowers the odds of success

- Establishing standardized HR policies that minimize deviations and exceptions; services should not need to be convinced of the need for each initiative because implementation should be the default, with exceptions granted only in the rare cases in which a service has extenuating circumstances
- Creating a central toolkit of policies and resources to help service leaders
- Setting broad goals and allowing units some degree of autonomy and customization in how they achieve the goal; this increases buy-in and ultimately leads to faster progress
- Breaking through the often insular culture in many services and learning from the outside world; many organizations have gone through similar HR transformations and have lessons to share

LIKE ANY ORGANIZATION, militaries are only as good as the people within them, and currently many militaries simply lack the talent they need for a shifting technology and security landscape. The staffing shortages at many armed forces have become so acute that they threaten operational readiness. No external factors are likely to change that situation; instead, it is up to government and military leaders to ensure that they have the right talent in place to execute their missions. Private-sector organizations are already investing to transform their personnel policies. With so much more at stake, the armed forces need to do the same.

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