



Organizational Brain Drain

What measures can the Danish Defence take to increase employee commitment and reduce the organizational brain drain?

Martin Søvang Ditlevsen

**Lokaverkefni til MPA-gráðu í opinberri stjórnsýslu
Félagsvísindasvið**



HÁSKÓLI ÍSLANDS

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Ritgerð þessi er lokaverkefni til MPA-gráðu í opinberri stjórnsýslu og er óheimilt að afrita ritgerðina á nokkurn hátt nema með leyfi rétthafa.

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Útdráttur

Þessi 30 eininga mastersritgerð í opinberri stjórnsýslu mun fjalla um atgervisflóttu frá opinberum stofnunum. Ritgerðin mun lýsa þeim viðeigandi þáttum sem öguð mannauðsstjórnun þarf að hafa í huga, til þess að stöðva flóttu frá störfum innan hins opinbera. Ritgerðin er byggð á rannsóknarskýrslum og vettvangsrannsóknnum sem unnin voru innan danska hersins, en hann upplifir mikinn atgervisflóttu eftir tvær stórar endurskipulagningar.

Þessi ritgerð inniheldur fræðilega umfjöllun, þar sem viðeigandi kenningum vegna þeirra þátta sem hafa áhrif á atgervisflóttu verður lýst. Við vinnslu vettvangsrannsóknarinnar eru notaðar niðurstöður fjögurra starfsmannakannana sem voru lagðar fyrir starfsmenn danska hersins. Þar kemur fram að þeir starfsmenn sem hyggjast yfirgefa herinn fer fjölgandi og að skuldbinding þeirra stafsmanna sem eftir eru fer minnkandi.

Megin niðurstaða þessarar ritgerðar er sú að danski herinn mun ekki geta stöðvað atgervisflóttann nema að stofnunin fái frið frá frekari endurskipulagningaráformum. Forsenda þess að stjórnendur geti brugðist við flóttanum er sú að stjórnendur verða að hafa tækifæri til þess að bregðast við upplýsingum um flóttann í kunnuglegum kringumstæðum. Þetta mun gefa stjórnendum færi á að treysta stoðir nýrrar stofnunar og forgangsraða skipulagsbreytingar með tilliti til þeirra breytinga sem gerðar voru við gerð síðasta varnarmálasamnings. Það ætti því að leggja höfuð áherslu á að veita rekstrareiningum stofnunarinnar nægilegt svigrúm og fjármagn og skapa þannig sýnilegar starfsþróunarleiðir, bæta endurmenntun starfsmanna og bæta orðspor stofnunarinnar. Ef ekki er tekið tillit til þessara þátta og engum aðgerðum beitt, mun skuldbinding starfsmanna fara enn minnkandi og atgervisflóttinn heldur áfram.

Abstract

This 30-ECTS thesis for the degree of Master of Public Administration (MPA) focuses on brain drain in public organizations. The paper describes relevant factors within the discipline of human resource management that are needed to stop organizational brain drain. It is a documented research paper and a case study of developments at the Danish Defence that is experiencing brain drain after two rounds of major restructuring.

The thesis has a literature review chapter where relevant theories concerning factors that influence brain drain are described. The case study uses data from four human resource measurements conducted amongst the employees in the Danish Defence. The data shows an increase in employees that are leaving the organization and that employee commitment is decreasing amongst those who are remaining.

The main conclusion from the thesis is that the Danish Defence will not be able to stop its brain drain before the organization is given peace from further restructuring thereby allowing the top leadership to act upon relevant information gathered in a known environment. This will allow the leadership to consolidate the new organization and create the needed urgency around the changes that were made in the last defence agreement. Focus should be on providing relevant resources to the operational parts of the organization, creating visual carrier paths, improve employee development opportunities and improve the reputation of the organization. Without addressing these issues, the employee commitment will further decrease and the brain drain will continue.

Preface

In this thesis, relevant literature and theories are compared with the case of the Danish Defence that currently is experiencing brain drain, in order to find solutions to how to stop the brain drain. The thesis is a documented research paper and a case study of the human resource developments at the Danish Defence from before the financial crisis of 2008 up until now. I have twice left a public organization, once leaving the Danish Defence when moving to Iceland and later leaving the Icelandic Coast Guard going back to Denmark. Having first-hand experience with brain drain was my inspiration to the topic of this thesis.

I would like to thank my wife, Bryndís Helgadóttir, who very patiently has supported me through my six years of study and always encouraged me to keep pushing whenever I hit trouble. I would like to thank my children, Simon, Emma and Kristian, who are a constant source of inspiration and the thought of doing well for them keeps me going.

This thesis was the final assignment in the MBA studies of Political Science at the University of Iceland and accounts for 30 ECTS credits. Instructor during the writing was Ómar H. Kristmundsson, professor at the University of Iceland.

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1. Introduction

Brain drain has predominantly been connected to the way that bright and well-educated people leave their country in search for a better life somewhere else. States such as Turkey or South Africa have seen their youths leave their country after spending large sums and time providing good education for them. As this is a large problem for a country, this phenomenon can be a potential disastrous problem for major public organizations. Brain drain is in this thesis defined as “the exit of employees that hold any skill, competency or personal attribute that makes them highly needed and therefore an organizational asset”.¹ When an organization is unable to maintain its employees for various reasons, it can be a sign that the organization is becoming a declining organization. Public organizations are funded and exists to provide a certain service to the citizens of a country and thus spend time and money to select, school and develop its human capital. There can be many reasons why the organization is hit by brain drain in the first place. Lack of funding, lack of equitable compensation structure, lack of relevant tasks, poor management etc. can often be the reason for decreasing employee commitment.² Lack of employee commitment means that when affected by the other impacts of the declining organization the employees’ searches for positions outside the organizations thus triggering the brain drain.³ When an organization is hit with difficulties such as the effect of brain drain during financial improvement the highly skilled employees will be the first to move leaving the organization undermanned and only equipped with those who stayed to counter the difficulties that started the brain drain. In this thesis, the reasons and effect of brain drain will be discussed and the public organization of the Danish Defence will be used as a case study. The Danish Defence is one of the oldest public organizations in Denmark established in the 16th century its history is parallel to the history of Denmark.⁴ The Danish Defence has during the last ten years undergone thorough restructuring and is now employing approximately 19.000 people.⁵ HR measurements show that ¼ of all employees, nearly 4.000 people, are actively looking for employment outside the organization. This leaves the organization in a situation where it is losing more employees than it can feed by recruitment and training. Being an organization that

¹ Rosenblatt, Z. and Sheaffer, Z. Brain Drain in Declining Organizations: Toward a Research Agenda in *Journal of Organizational Behaviour*, 22, 2001, 409.

² Ingi Runar,Edvardsson, Knowledge Management and HRM strategies in *Working Paper Series no. 01 2004.(Akureyri: University of Akureyri, 2004)*, 13.

³ Rosenblatt, Z. and Sheaffer, Z. Brain Drain in Declining Organizations: Toward a Research Agenda in *Journal of Organizational Behaviour*, 22, 2001, 410.

⁴ Nørby, Søren, *Det Danske Forsvar*, (Copenhagen: Aschehoug Dansk Forlag, 2006) ,8.

⁵ Ibid, 29.

spends significant resources on training its employees the lack of employee commitment is especially damaging.⁶ Without using the term brain drain, the Danish Defence has come to the conclusion that it is having problems retaining skilled employees. During the last two defence agreements budgets have been cut, but the tasks remained the same. In 2013 a new human resource strategy was launched and human resource measurements have been conducted from 2013-2015. By analysing these human resource measurements and comparing the situation in the Danish Defence, the author of this thesis will aim to find the reasons for the current brain drain and come with suggestions how to stop it.

⁶ Rosenblatt, Z. and Sheaffer, Z. Brain Drain in Declining Organizations: Toward a Research Agenda in *Journal of Organizational Behaviour*, 22, 2001, 417.

2. Aim of the Thesis and Research Question

During the financial expansion in the early 2000s, the Danish Defence officers left the organization and moved to other public organizations and private companies. The officers that were leaving typically had 5-7 years of experience. Initially this caused little concern since production of new officers could cover the loss. The financial crisis of 2008 had positive effect on the loss of personnel from the Danish Defence, however it did not reverse the effect as expected. The Danish Defence has traditionally been financed by a 5-year defence agreement by a majority of the political parties in parliament. This usually generates stability on the defence area with regards to finances, equipment and tasks. Since the financial crisis there have been two defence agreement and we are two years into the second one. The unforeseen departure of employees has now increased since 2012 and ¼ of all employees in the organization are actively looking for jobs outside of the Danish Defence. Since 2007 the defence have actively worked to counter the loss of personnel and in 2013 it introduced a human resource strategy for all employees in the defence group; the army, navy, air force, operative commands and the functional services. The fact that the new human resource strategy from 2013 hasn't worked yet and the brain drain from the organization is increasing creates the research questions for this thesis: **What measures can the Danish Defence take to increase employee commitment and reduce the organizational brain drain?**

To answer these questions there is a need to explain strategic human resource management and human resource strategy as well as factors such as social capital, employee commitment and reward programmes along with specific factors that have influenced the Danish Defence since 2008.

3. Research design, data collection, ethics and risk analysis

3.1. Data collection

This thesis will use the method of a work-based research design consisting of a literature review and traditional research.⁷ The foundation of the research will be a literature review chapter where scholar articles and books from specialists from the field of Human Resource are used. The literature review research will focus on areas that are vital in the field of Human Resource in public organizations with regards to create employee satisfaction and commitment. The literature review will be found in chapter 4. Chapter 5 will consist of an analysis of the Human Resource management in the Danish Defence from the period before the financial crisis of 2008 up to today. This analysis will be built on the chapter conclusions from chapter 4 as well as scholar articles, books from specialists and four Human Resource measurements amongst the Danish Defence employees contracted by the Danish Defence in the period of 2013 to 2015. The purpose of this mixed research scheme is to find the reason or reasons for why the personnel in the Danish Defence are dissatisfied and what measures the Danish Defence can do to reverse the current brain drain that it is experiencing.

The thesis and the research in it is somewhat connected to the author's main job function. The concept to the thesis was developed while the author was working in a public organization in Iceland, but the author has since then accepted a position within the Danish Army. The results of the thesis will follow the theories of a work-based thesis, meaning that the results need to be capable of implementation into the organization.⁸ The intention is that the author's insight to the way the Danish Defence handle its human resources will add to the academic research rather than being hampered by it.

The objective is that the research is underlined with empiric deductions build on already existing data. The research will to a very little extent be quantitative, while well aware that it builds on exploiting the quantitative data found in the Danish Defence human resource measurements. In these cases the research will analyse already existing data and data processing and to some extent evaluate what conclusions the Danish Defence has made based upon the measurements.

⁷ Hart, Chris. *Doing your Masters dissertation*. (Los Angeles: Sage, 2011), 119

⁸ Ibid, 128.

3.2. Ethics and risk assessment

The legality of the research is connected to usage of documented research combined with analysis of the data collected by the Danish Defence itself. The reliability of the research is best secured by using deductive analysis, thus ensuring that others will come to the same conclusions as the author when presented to the same data.

The fact that the Danish Army employs the author can be both a strength and a weakness for the research. The strengths can be that the author through his network quickly can gather relevant data and that the author should possess a better view of the human resource processes that the Danish Defence is using. A weakness can be the fact that some information is prohibited within the Danish Army, which can make it difficult to discuss in a non-classified document, this is rarely the case with human resource topics but could potentially influence the research. Another risk is that the author's position within the Danish Army can colour the observations. This risk is assessed to have minimal effect on the research since its focus is on finding solutions to an observed and recognized problem rather than pointing fingers at bad decisions in the past or present. While being in an officer's position the author is not employed in a human resource unit or a place where being able to change the process during the research. It goes without saying that the author will in his research take a foundationalism perspective with regards to ontology and a realist perspective with regards to the epistemology. The research perspectives thus allows for a mixed research of qualitative and quantitative research. This approach means that the author can observe and describe reality without influencing or being influenced by reality, thus being objective.⁹

⁹ Marsh, David and Stoker. *Theory and Methods in Political Science*, 3. Edition (Houndmills: Palgrave Macmillan, 2010), 190.

4. Human Resource Management in Public Organizations

In this chapter relevant literature and practises concerning brain drain and what measures can be taken to counter brain drain will be described and analysed. The sub conclusions in this chapter will be used as theoretical basis for the discussion. The discussion will lead to suggestions as to how the Danish Defence can use tools from the Human Resource Management domain to stop the current brain drain and re-engage its employees to the organization.

4.1. Brain Drain in Public Organizations

Traditionally when discussing brain drain scholars use the term to describe a situation where skilled or highly educated workers decides to leave their country in search for something better. Brain drain can, accordingly to Rosenblatt and Schaeffer be defined as “the exit of employees that hold any skill, competency or personal attribute that makes them highly needed and therefore an organizational asset”.¹⁰ The same term can, thus, be used to describe the main effect of what is happening when employees decide to leave their positions in large numbers in a public organization. When losing a large part of its employees the public organization will experience a brain drain, where employees find positions outside of the organization for various reasons.

Brain drain is damaging for all organizations, a public organization under influence of brain drain will have difficulties performing its core duties.¹¹ Organizations can use different strategies in order to maintain its market or relevance to the people it services. A public organization is created in order to serve a purpose for the public administration and has a number of mechanisms that ensures it reaches its goal. The environment in which the organization operates is under constant change and the organization must transform to have continuously relevance for its users.¹² Internal and external processes and factors influence most organizations while they transform in order to fulfil their goal. This adaptive transformation is a given direction by the top management, the strategic apex, and an explicit product of how the top management feels the organization can be most effective and make best use of its human resources.¹³ Based on their entrepreneurial problem, how the strategic apex decide best to

¹⁰ Rosenblatt, Z. and Sheaffer, Z. Brain Drain in Declining Organizations: Toward a Research Agenda in *Journal of Organizational Behaviour*, 22, 2001, 409.

¹¹ Ibid, 410.

¹² Ibid, 418.

¹³ Miles, Raymond E., Charles C. Snow, Alan D. Meyer, and Henry J. Coleman. 1978. “Organizational Strategy, Structure, and Process”. *The Academy of Management Review* 3 (3). Academy of Management, 547.

transform the organization, an organization can be of four types: either defenders, prospectors, analysers or reactors. In an organization, where the top management has chosen the defending strategy to its entrepreneurial problem the organization will often end up delivering its services to a narrow segment of the market.¹⁴ With a defending strategy, organizations will often compete on prices or deliver high quality of products, neglect development and trends outside of their product and in the end deliver a niche product, all in order to maintain stability.¹⁵ The prospectors will respond completely opposite to the defenders, it will see the environment as being dynamic and have the possibility to access other parts of the market while maintaining the origin. The prospectors will thus constantly be searching for new market opportunities and products.¹⁶ Between the defender and prospector, working on a continuum, we find the analyser. This type of organization utilizes a combination of the defending and the prospector strategy. The organization will work to be as effective as possible while minimizing risks during the development of new market shares and products. The analyser strategy will need a consistency in its base environment in order to reduce risk while following prospectors into new opportunities.¹⁷ While the defenders, prospectors and analysers all can be proactive within their field of expertise there is a fourth approach where the organization reacts to change. The reactor will only react when forced to by environmental change and will only then show a response that is both inconsistent and unstable.¹⁸ Since the reactor doesn't fully understand its environment the adaptive cycle will respond inappropriately to change in environment. Not having succeeded with the first changes will leave the organization with the reacting strategy reluctant to act resolutely to changes, thus enforcing the effect into the future.¹⁹ Only a few public organizations can allow themselves to act as prospectors, many of them set with a fixed set of rules to comply and have their goals defined by political stakeholders.²⁰ In times of budget cuts or when tasks are transferred to other organizations, the public organization will find itself

¹⁴ Meier, Kenneth et al. Strategic Management and the Performance of Public Organizations: Testing Venerable Ideas against Recent Theories in *Journal of Public Administration Research and Theory* 17 (Oxford: Oxford university press, 2006), 358.

¹⁵ Miles, Raymond E., Charles C. Snow, Alan D. Meyer, and Henry J. Coleman. 1978. "Organizational Strategy, Structure, and Process". *The Academy of Management Review* 3 (3). Academy of Management, 551.

¹⁶ Miles, Raymond E., Charles C. Snow, Alan D. Meyer, and Henry J. Coleman. 1978. "Organizational Strategy, Structure, and Process". *The Academy of Management Review* 3 (3). Academy of Management, 553.

¹⁷ Ibid, 557.

¹⁸ Meier, Kenneth et al. Strategic Management and the Performance of Public Organizations: Testing Venerable Ideas against Recent Theories in *Journal of Public Administration Research and Theory* 17 (Oxford: Oxford university press, 2006), 358.

¹⁹ Miles, Raymond E., Charles C. Snow, Alan D. Meyer, and Henry J. Coleman. 1978. "Organizational Strategy, Structure, and Process in *The Academy of Management Review* 3 (3), 557.

²⁰ Meier, Kenneth et al. Strategic Management and the Performance of Public Organizations: Testing Venerable Ideas against Recent Theories in *Journal of Public Administration Research and Theory* 17 (Oxford: Oxford university press, 2006), 362.

in a situation, where it is not responding to change as aggressively as a private company might do and it is unable to find a new market. An organization cannot follow a reacting strategy indefinitely; it will have to return to either the defender, analyser or prospector.²¹ In the meantime, while the management hesitates finding the solution to the adaptive transformation strategy, the brain drain from a declining organization can begin. Public organizations have traditionally been defenders, trying to stay in a stable environment where they can deliver an effective service according to their organization regulation and size, this is changing and public organizations are being encouraged by their stakeholders to be innovative.²² Failing to serve the political level stakeholders will often leave political enforced changes to the public organization that will find itself to be a reactor.²³

Brain drain is a potential damaging situation for all organizations, to find themselves in, regardless which kind of organizational cycle they are. However, brain drain is especially damaging to organizations that are crisis inflicted, such organizations need their most talented employees to help turn around the crisis and facilitate success in the long run.²⁴ Theories and practise show that those are the employees most likely to leave the organizations even before the brain drain becomes evident to others. Some symptoms for the declining organization can to a high degree be the initiators of the brain drain and include financial troubles, bad morale, decreasing options for carrier development and organizational dysfunction.²⁵

There are in general three wide categories as to how brain drain predictors are found, the organizational-level, individual-level and the environmental-level predictors. The first level of brain drain predictors are the organizational-level predictors. These are the factors that tend to push, especially the more talented, employees out of the organization during organizational decline. When an organization is in decline it tend to downsize on all fronts, the conventional carrier paths will disappear or become blurry. This will leave fewer opportunities for the carrier oriented employees to seek more responsibility and promotion thus pushing them out of the

²¹ Miles, Raymond E., Charles C. Snow, Alan D. Meyer, and Henry J. Coleman. 1978. "Organizational Strategy, Structure, and Process in *The Academy of Management Review* 3 (3), 558.

²² Meier, Kenneth et al. Strategic Management and the Performance of Public Organizations: Testing Venerable Ideas against Recent Theories in *Journal of Public Administration Research and Theory* 17 (Oxford: Oxford university press, 2006), 360.

²³ Ibid, 362.

²⁴ Rosenblatt, Z. and Sheaffer, Z. Brain Drain in Declining Organizations: Toward a Research Agenda in *Journal of Organizational Behaviour*, 22, 2001,

²⁵ Ibid, 410.

organization. Making structural changes and focus on core competencies will allow the competent survivor of the brain drain a carrier path.²⁶

Unbalanced workload is another organizational-level push factor. When an organization finds itself in decline, management will tend to assign more tasks to fewer employees. While more responsibility and challenging assignments tend to motivate employees in a normal environment, this increased workload during decline will often be perceived as an unwelcomed job enlargement that pushes the competent employee to seek a different organization with a better-balanced workload. When nothing is done, the surviving employees will often tend to report work overload, role ambiguity and role conflict.²⁷

Trying to do their best for their employees and often forced by unions organizations in decline design incentives that encourage employees to disengage voluntarily. This is often used when organizations wishes to dispose of redundant employees while keeping its key employees. When offered on an equal basis to all employees in the organization the employees that have better job prospects as a whole will tend to accept the proposed option, on the contrary to the organization's best interest, thus making this strategy a self-defeating threat to the organization.²⁸ These three organizational-level push factors are all foreseeable challenges that organizations in decline can counter if they are observed. Being in a state of brain drain will create an unstable environment for the management to operate in, which can be the reason to why they often fail to counter these organizational-level push factors and instead leaves them to push the better employees out of the organization.²⁹

At the individual-level predictors of brain drain in declining organizations will variate on the level of skills of the employee. "We are our people" is something that is often heard at motivational speeches by top management. Organizations in decline however does not always utilize the full potential of its employees due to budget cuts on developing projects. Highly skilled employees will feel under-challenged and thus under-motivated consequently they will quit their jobs to find challenges in a better functioning organization. This will most likely not happen to low-level employees that have little value for the organization and are not affected by brain drain. Highly educated employees will typically be in centre of either the core production or part of the administration team needed for the organization to function. They are,

²⁶ Rosenblatt, Z. and Sheaffer, Z. Brain Drain in Declining Organizations: Toward a Research Agenda in *Journal of Organizational Behaviour*, 22, 2001, 412.

²⁷ Ibid, 412.

²⁸ Ibid, 412.

²⁹ Ibid, 412

unlike the low-level employees, affected by the individual-level predictors seeking new challenges thus creating brain drain.³⁰ Leadership, managerial and entrepreneurial talent are the groups dearly needed during organizational decline, however those categories of employees are also the ones prone to find an option outside the organization. In today's knowledge heavy organizations younger employees will often possess the most innovative knowledge within their field of expertise. The younger employees will, not to the same extent, feel as committed to the organization as their more experienced colleagues. The more experienced employees will think of factors such as retirement, social constraints or family obligations unlike their younger colleagues that are less patient when it comes to success and challenges.³¹

There are four categories of why employees choose to leave an organization, *the new adventure*, *the disappointed goodbye*, *the professional self-optimization* and *the professional restart*. Employees that belong to the category of the *new adventure* are those who feel at home in the organization but want to start elsewhere and have geographically or more personal reasons for leaving the organization. The employees that leave who can be categorised as belonging to the *disappointed goodbye* are those who did not feel at home in the organization. There can be many reasons for this, perhaps the expectations did not match the reality of the position or the social aspect of the position did not work. The *professional self-optimization* are the employees that are positive concerning their own career within an organization but feel they can achieve more by moving to another organization. The group of employees that fall into the category of *professional-restart* those who feel their career have come to a dead end within the organization and that they need to start over. Employees that fear for their job security can also find themselves in this category, moving to another organization that offer better employment security.³²

The sub conclusions that we can take away from this subchapter concerning organizational brain drain are the following:

The environmental-level predictors are those in the environment around the organization in decline. This pull factor comes from the labour market opportunities around the employee in a declining organization. Some employees will always be looking at the job market around him/her and weigh the options, while others will not look outside the organization before a

³⁰ Rosenblatt, Z. and Sheaffer, Z. Brain Drain in Declining Organizations: Toward a Research Agenda in *Journal of Organizational Behaviour*, 22, 2001, 415.

³¹ Ibid, 415.

³² Buergin, Alexander and Erzene-Burgin, D. Educated in Germany, Working in Turkey: The Emigration Motivations of Persons of Turkish Origin in *German Politics* 22, 4 (Routledge Journals, Milton Park, 2013), 473.

negative spiral has begun. If the job opportunities are good outside the organization this will contribute to the pull factor creating brain drain from the organization in decline.

Brain drain thus have both pull and push factors that affects the employees simultaneously. The exit of the high performers and skilled employees in a declining organization creates a situation where the survivors of the first round are affected increasingly by brain drain. When they just have become the most valuable employees for the organization, the increasing push and pull factors accelerates the brain drain and imposes more damage to the organization when the negative spiral of brain drain continues.

4.2. The Human Resource Strategy

A strategy is a document that defines the long-term goal of the organization, the organization of how it predicts to achieve the goal and the resources it sees necessary to reach the goal.³³ With the strategy, the organization defines where it aims in the future, thus being forward looking. Secondly, the strategy states the organization of how to fulfil the goals of the company, allocating how it sees its resources best used to obtain the goal. The third characteristic of the strategy is the strategic fit, the analogue connection between resources and tasks. The strategy should be seen as how senior management respond to environmental restraints and opportunities.³⁴ To achieve a competitive advantage the organization or company must effectively align its resources and capabilities to where the opportunities are found within its area of business.³⁵ This puts a demand on the HR strategy to work in concert with the other company strategies, such as the business, environmental and information strategy. The HR strategy is closely connected to the general strategy of the organization and as such functions as a derivative from it. The HR strategy complements the general strategy by describing how the organization manage its human resources and human capital. The culture and main purpose of the organization plays a vital part of the organization's general strategy and is the foundation for work that goes into creating the human resource strategy.³⁶ The strategy needs to express how the organization intends to reach its goal. The strategy is a plan made based on today's

³³ Armstrong, Michael. *Armstrong's Handbook of Human Resource Management Practice*, 11. edition. (London: Kogan Page, 2009), 28.

³⁴ Meier, Kenneth et all. Strategic Management and the Performance of Public Organizations: Testing Venerable Ideas against Recent Theories in *Journal of Public Administration Research and Theory* 17 (Oxford: Oxford university press, 2006), 358.

³⁵ Armstrong, Michael. *Armstrong's Handbook of Human Resource Management Practice*, 11. edition (London: Kogan Page, 2009), 27.

³⁶ Lynch, Richard. *Corporate Strategy*, 4th edition. (London: FT Prentice Hall, 2005), 6.

knowledge about the future.³⁷ HR strategy is not to be viewed as an isolated part of the organization but complements the general strategy of the organization and derives from it.³⁸ The HR strategy supports the general strategy of the organization and helps the organization to achieve the best possible result based on the human resource that is available.

The purpose for a company or public organization to have a HR strategy is to send out a clear message concerning the working environment that the organization is aiming to produce for its employees for them to perform to their optimum. The HR strategy needs to describe the purpose and objectives so that every employee in the organization can pull in the required direction. Without a clear strategy for the organization, the resources of the organization, including the human resources, will be used inefficiently and thus wasted. Middle managers will fill the void with ideas of what they believe the organization should be doing instead of pulling in the same direction. The HR strategy states the ways of communication and helps the employees to know what the organization intends of them. The HR strategy enables the organization to have a uniform way of how the human resource is best utilized and how individual employee issues are handled.³⁹

Many organizations have their own HR strategy, however many of them are inexplicit and are passed down to new employees through the organization. This of course is a problem for the new employee and it consequently takes longer time for the new employee to get a grasp of the way the organization works within different areas of human resource management. The HR strategy is a tool that helps counter this, and the management should consider possible questions when creating the strategy. Of course, one can never foresee all possible questions but through a thorough process the HR strategy can shed light on the vital focus areas within HR management of the organization. A thorough strategy should include a general introduction to the tasks of the organization and the properties of the environment in which the organization operates. The overall aim and responsibility of the organization and the purpose of the HR strategy should be part of the introduction; this is here where the connection to the business strategy of the organization and the organization administration has the possibility to put its focus areas into the HR strategy. A part of the aim is a definition of the organization values and how the management will use the values to carry out the tasks. Here the ethics of the organization comes into play. The organization expects its employees to behave and act a certain way when it comes

³⁷ Slagmulder et al. *Managing for Performance Excellence*. (Leuven: Lannoo-campus Publishers, 2012), 73.

³⁸ Armstrong, Michael. *Armstrong's Handbook of Human Resource Management Practice*, 11th edition. (London: Kogan Page, 2009), 27.

³⁹ Slagmulder et al. *Managing for Performance Excellence*. (Leuven: Lannoo-campus Publishers, 2012), 72.

to the working environment in order to fit the ethics of the organization. When the overall aims, responsibilities and purpose of the organization have been described it is important to describe how the organization plans to reach the aims. Without a description of how management intends to reach these goals, the employees will see this as just another idea that will never produce any good.⁴⁰ The description of what needs to be done, and how it should be done is to include areas such as the daily management and leadership, how the organization plans to institutionalize tacit knowledge and make sure that the right knowledge reaches the right employees. Salary is a vital part of everyone's perception of fair compensation for the time spent at work. For that reason alone, how the employees are compensated needs to be part of the HR strategy. Having a clear regime of how employees are rewarded is important since people instinctively measure their own performance and pay against other employees.⁴¹

A good human resource strategy should include the basic values of the organization concerning hiring, equality, human resource development and work culture. If done correctly the human resource strategy will be visible, precise and accepted by the employees. The strategy should present how the strategic level of the organization intends to lead the employees towards the common goal set in the general strategy for the organization. This of course only works if the HR strategy is precise, up to date and considers future changes within the organization.⁴²

4.3. Behaviour formalization

In international companies, the importance of delivering the same service in every outlet has long been the practice. Although we might not realize it in Iceland, chains such as Bonus have formalized all aspects of the customer/store relations. For Bonus this is done so the customer knows where to find the certain product needed and he knows what price and service to expect. In the end, it has primarily been done because research and experience have shown that formalization increases the profit. The governmental organization will have to formalize behaviour for different reasons than private companies that work primarily to make a profit. A governmental organization cannot risk that citizens are treated differently based on social or family status. When dealing with citizens applying for building permissions it is key that there is congruence in the process of each application. So while formalization can be misunderstood

⁴⁰ Kotter, John P. *Leading Change*, (Boston:Harvard Business Review Press, 2012), 89-90.

⁴¹ Armstrong, Michael. *Armstrong's Handbook of Human Resource Management Practice*, 11. útg. (London: Kogan Page, 2009), 515-516.

⁴² Ingi Runar,Edvardsson. Knowledge Management and HRM strategies in *Working Paper Series no. 01 2004*.(Akureyri: University of Akureyri, 2004), 5.

as bureaucracy it is important for keeping the trust in the organization's ability to function and treat each citizen equal.⁴³

The Hawthorne studies in the 1930s, initially set out to find practical solutions to increase productivity, revealed that workers in the operating core responded well to the attention given by the researchers. Further research into the field of industrial psychology has shown that the urge to resist formalization and act against the expected behaviour when dealing with clients or keeping up production will increase without rules and proper supervision.⁴⁴ In fact, workers wanted the bureaucratic rules for how to behave at work since they saw that everybody, also managers, had to follow the rules. This would in turn protect workers from arbitrary decisions from managers. Behaviour formalization is most used at the operating core, the fire fighters need to know who connects the hoses to water, but behaviour formalization can be useful in all five structures of the organization. All parts of the organization will benefit from knowing the formal way of conducting business from the strategic apex to the operating core.⁴⁵

Indoctrination has a quite negative sound to it, however can be useful for organization in order to formalize and control employee behaviour. As Mintzberg defines indoctrination it is the label used for the deliberate parameters of which the organization socializes its employees for its own effort.⁴⁶ Typically, organizations use apprenticeships and job rotation to ensure that new employees in the management level get to know the company and feel the company "culture". When training happens outside of the organization students are presented with certain images of what it means to perform in their specific training topic. When a political science student has to do his/her apprenticeship at a public organization it involves some indoctrination that the organization can use when the same student later joins as a junior employee. This means that the organization has some possibility to use indoctrination as part of employee behaviour although it is reduced compared to when training takes place inside the organization itself.

Behaviour formalization and indoctrination can be used actively and to both employee and employer advantage. Organizations can use training and/or indoctrination to make sure the employees have the correct behaviour. Training can be a matter of passing over the knowledge of a craft in a short period to an organization training its own professionals for years before entering the organization. Training of professionals often takes place outside the organization at a school contracted to train personnel to a certain standard. An example this can be army

⁴³ Mintzberg, Henry. *Structure in Fives* (Essex: Pearson Education Limited, 2009), 34.

⁴⁴ Ibid, 37.

⁴⁵ Ibid, 12.

⁴⁶ Ibid, 41.

academies where officers are trained to standards set by higher command. This ensures that the candidates are directly hireable to certain positions but leaves the individual organization without influence as to what parts of the training to emphasise.

Behaviour formalization can be done by promoting the wanted company culture and behaviour to current and future employees that in turn will know what kind of behaviour is expected of them from by the organization. The Danish Defence runs a number of schools where, along with the time spent as conscript, the employee are taught which behaviour is expected when joining as a full time professional employee. By utilizing behaviour formalization, the organization makes sure that a congruence exists between expectations and reality. This will increase the number of new recruits that can identify with the purpose and strategy of the organization.

4.4. Employee Commitment

While no one factor or initiative individually can bring performance to an organization this section will try to describe some of those factors that can have positive influence to commit employees to the strategy and engage with the organization. The days of employees working for the same organization their whole work life are gone, if the employee does not engage with the organization he will find another place to work. The organization should try to create a climate where the individual employee finds the purpose of the organization to fit with his personal beliefs.⁴⁷ Although this factor is sometimes overlooked it is important for the employee to find pride in his work and to experience that his accomplishments provide input to the complete circle of the organization's operation. The direct leader of the employee have a responsibility to show this recognition to the employee and let him know that what he is doing makes a crucial difference for the organization.⁴⁸ This supports the employee that will feel more confident that he has the abilities needed to carry out the tasks asked of him. When employees are confident they are more likely to take challenging tasks upon them and see this as way of personal development.⁴⁹ When selected to carry out a task and provided with all means necessary and the trust from management employees will feel appreciated and thus engage with the organization in terms of commitment. The trust in the organization and the determination to carry out difficult tasks will mean an increase of identification and loyalty towards the

⁴⁷ Slagemulder et all. *Managing for Performance Excellence*. (Leuven: Lannoocampus Publishers, 2012), 136.

⁴⁸ Ibid, 137.

⁴⁹ Ibid, 137.

organization.⁵⁰ This corresponds very well with the research of Frederick Herzberg. Herzberg, after doing comprehensive studies, divided workers into two groups. The first group are the ones that find satisfaction by achievement, recognition, advancement, responsibility, and the work itself. This group of people find personal growth in their work and can be motivated in more ways than financial. In the second group, we find employees that tend to be dissatisfied with various factors of professional work. Herzberg states that from this group the most we can expect by engaging them is to achieve the prevention of dissatisfaction and poor job performance.⁵¹ Employees with less education will tend to respond to bonuses and higher salaries and focus much upon how the organization compensate, supervise and administrate their work. This group of employees are not getting a long-term satisfaction from the higher pay, but can rather be put in the second group described by Herzberg.⁵² Higher educated employees respond, in terms of commitment, well to more responsibility, heading new projects, the possibility to educate themselves along with the job and the possibility of promotions. Empowered employees feel a strong sense of competence and responsibility for the final product.⁵³

Having a clear HR strategy with clearly formulated purpose of the employee gives the employee the comfort of knowing his/her duties and exactly what is expected of the employee. Going the step further and turn the clear task allocation into increased commitment is somewhat more difficult. The organization needs to choose if it wants to focus on short term or long-term commitment from its employees. According to the purpose of the employee, the organization can focus its strategy to what commits each employee. This means that a good HR strategy must make room for the employee initiative that exists with the employees and consider their diversity in order to increase their commitment to the organization.

One way of taking the needs of the individual employee into consideration is to develop individual carrier plans for each employee and to have it cover a considerable period. Making horizontal carrier moves in the organization builds network and increase knowledge sharing, while preparing the employee for a lateral move.⁵⁴ The carrier plan should be developed in cooperation with the employee and not forced upon him/her. It must consider personal needs

⁵⁰ Slagemulder et all. *Managing for Performance Excellence*. (Leuven: Lannoocampus Publishers, 2012), 139.

⁵¹ Michael Armstrong. *Armstrong's Handbook of Human Resource Management Practice*, 11. útg. (London: Kogan Page, 2009), 328

⁵² Ibid, 328

⁵³ Slagemulder et all. *Managing for Performance Excellence*. (Leuven: Lannoocampus Publishers, 2012), 245.

⁵⁴ Ingi Runar,Edvardsson. Knowledge Management and HRM strategies in *Working Paper Series no. 01 2004*.(Akureyri: University of Akureyri, 2004), 14.

and not be too rigid concerning changes based on personal needs. Job security is an important part of the commitment to the work place and the employee not only wants to know that his/her job is secured but also wants to know how the employer sees the future.⁵⁵ With a detailed and individual carrier plan based on the strategy of the organization, the long term plan for how to reach the aims of the organization, the worker both gets a sense of job security and knows what is expected of him/her during the next period covered by the carrier plan. This could be achieved using job rotation. The employee will be moved to other jobs within the organization in order to gain perspective and experience from other parts of the organization. This will also bring the understanding of the larger picture to the employees of why their individual jobs are important for the whole operation. With the carrier plan the individual employee knows what the future holds for him/her and can work focussed on gaining the needed skill needed to move into the next position according to the plan.⁵⁶

4.5. Pay for Performance

Employee commitment can in certain situations be created by using the concept of “pay for performance”. While performance related payment is not used to the same degree in public organizations as in private companies there can be factors found here to create or keep employees committed to the public organization. The objective for the organization to use a pay for performance reward system should be to influence the employees’ behaviour, skills and performance in a way that they can take part in realizing the objective of the organization.⁵⁷ When using pay for performance rewarding one should be aware that it can have some negative consequences for the organization, employees could stop sharing best practices in order to keep advantages towards their peers, cause stress and the general social climate could suffer.⁵⁸ In very performance driven organizations this is a preferred way of conducting business and can even be used to rid itself of the lowest 10% performers. Sales personnel and chief executives are amongst the normal groups that are rewarded with pay for performance initiatives. Sales personnel are usually rewarded often and then with sales performance induced bonuses in order to keep them engaged. Chief executives are amongst Herzberg’s group those who are engaged by challenging tasks and can thus be long term rewarded with stock options or bonuses evaluated over a 3 year period of performance. In public organizations such as the Danish

⁵⁵ Armstrong, Michael. *Armstrong’s Handbook of Human Resource Management Practice*, 11. útg. (London: Kogan Page, 2009), 280.

⁵⁶ Slagmulder et al. *Managing for Performance Excellence*. (Leuven: Lannoo-campus Publishers, 2012), 143.

⁵⁷ Ibid, 159.

⁵⁸ Ibid, 165.

Defence it is impossible to reward employees based on profit, since the organization is allotted a sum of money for conducting specific tasks each year while no demand to return a profit exists. There are however possibilities to reward employees for example such as aircraft mechanics based on the availability of the aircrafts. Another example could be successful flight hours completed by an entire aircrew. For other employees the pay for performance could be implemented by rewarding specific courses or abilities that are desired by the organization based on the overall strategy. The basic pay should be kept in the market equilibrium in order to attract employees that have potential to develop throughout their employment. With the combination of a market equal basic salary with defined performance pay the organization will avoid the underperformers described by Herzberg's second group of employees.

Traditionally public organizations have other tools to compensate their employees. The discussion whether public or private employees have the better compensation program continues. The public employee have a stable income and at least before the crisis of 2008 a good amount of job security. Private employed people may have better salaries but are under constant measurement of whether they create value to their organization. Employees in the public sector normally have good or at least acceptable pension plans connected to their position. A Danish civil servant has by contract 57% of their basic salary based on their income the last year before retirement.⁵⁹ Combining this with the pension that all Danes receive from the government the civil servant reaches approximately 80% of his/her monthly salary when retiring. Having a good retirement plan will generate long-term commitment to the organization especially in situations where the organization cannot be fully on par with its competition with regards to monthly salary. The organization should be very active to motivate and push the senior members of the staff in order to avoid the danger of having employees that bide their time until retirement. If the organization does not succeed in motivating the senior staff to performance, it will have created organizational committed underperformers.⁶⁰

4.6. Social Capital

The public organizations are mostly knowledge driven organizations. They provide a certain service to its costumers based on knowledge that lies either tacit or implicit in the organization. Knowledge will flow in and out of the organization when employees are either quitting, hired or attend further education or training. When employees interact they share information and

⁵⁹ DJØF. *Tjenestemandspension - en orientering* nr 1203 SEP 2003, 6

⁶⁰ Vance J., Robert. *Employee Engagement and Commitment*, (Alexandria: SHRM Foundation, 2006), 14.

knowledge, the organizational knowledge is no longer contained in the mind of the individual but exists in the collective of the organization.⁶¹ Social capital can be defined as being “The sum of actual and potential resources within, available through, and derived from the network of relationships possessed by an individual or social unit”.⁶² Social capital, though not a fixed size, can be measured and consist of the network on the workplace and the employees that can be utilized within the network. The role social capital plays within an organization has tended to be ignored by HR practitioners and scholars. The reason for this could be that social capital always exists to some degree, however research suggest that social capital is important when organizations successfully deals with knowledge management.⁶³

When dealing with social capitals organizations can take three different approaches; the compliance, the entrepreneurship and the employee participation approaches.⁶⁴ The compliance approach is built on rules, procedures and defined tasks that are either part of the regulation, the contracts or user manuals of the organizations. The employees are expected and enforced by managers to follow the set of codex when performing a task. By forcing the employees to comply with a specific set of rules to follow the effect can be that the social capital increase since employees will find a common way of work around the constraints put there by the manager. It is, however, often difficult to utilize this type of social capital since it will be invisible to management and not compatible with the organizational guidelines. Classic public organizations are prone to such types of social capital since they have to, by law, to provide the same level of service to its citizens and thus employees have to follow a specific set of regulation. With the entrepreneurship approach management becomes more focussed on having a non-bureaucratic decision making process. The organizational chart is shallower and the innovative and entrepreneurial solutions are encouraged by management. The approach rely on social capital in the decision making process and that social capital is visible for management. This type of approach can be found in case-by-case problem solving in task forces where specialists need to trust each other’s capacities and work together towards a common solution. The employee participation approach is the approach that puts the most emphasis on social capital. The employees are encouraged to participate with high levels of flexibility and autonomy in problem solving. With this approach management will seek to increase employee commitment by both acknowledging the capacities of the employees and respect the specialist

⁶¹ Mankin, David, Human Resource Development. (Oxford: Oxford University Press, 2009), 302.

⁶² Ibid, 303.

⁶³ Ibid, 319.

⁶⁴ Ibid, 313.

but also by rewarding good initiatives.⁶⁵ This approach supports a pay for performance regime that rewards certain behaviour that complies with the organization's needs, such as knowledge sharing and creation. The pay for performance regime can consist of profit sharing. The employees will commit themselves to a higher degree to the organization due to the better integration in the total problem solving, the responsibility put in them and the pay for performance regime. The employee participating approach to social capital can be combined with the entrepreneurship approach.⁶⁶

The social capital is thus another type of intellectual capital that the organization needs in order to function. The social capital is found in the way networks, relationships and trust are built between employees within the organization. The aim for the administration is to create an atmosphere where employees are treated as partners, based on trust and respect due to their knowledge. With a high commitment management strategy employees are no longer governed by old bureaucratic ways of management but are through a mutual understanding handed the trust and incentives to take the right decisions.⁶⁷ With a well-managed social capital, based on trust, networks and relationships, the employees can effectively work ahead to the overall goal set by management in the general strategy of the organization. The higher the social capital is measured within an organization the higher the collective works together in order to obtain its goal.⁶⁸

The Danish Defence has chosen to measure its social capital in its four HR measurements from 2013 to 2015, the results and learning points that have come out of the measurements will be analysed in chapter 5.4.

4.7. Political Impact on the Organization

Working in a political influenced organization, such as the Danish Defence, can be a challenging task for all employees. They may not agree on decisions taken by politicians, but must in the end decide whether they can accept those conditions. When it comes to change at a workplace people need to know why they need to sacrifice something for the greater cause. Reluctance to change is a perfectly normal reaction amongst people that have been with the organization for a long time.⁶⁹ It is important that the strategic apex realize this, even before the

⁶⁵ Mankin, David. *Human Resource Development*. (Oxford: Oxford University Press, 2009, 314.

⁶⁶ Ibid, 315.

⁶⁷ Armstrong, Michael. *Armstrong's Handbook of Human Resource Management Practice*, 11. edition. (London: Kogan Page, 2009), 50-51.

⁶⁸ Olesen, Kristian Gylling et al. *Virksomhedens Sociale Kapital*, (Copenhagen, Arbejdsmiljørådet, 2008) , 40.

⁶⁹ Kotter, John P. *Leading Change*, (Boston: Harvard Business Review Press, 2012),11.

work on a new strategy is commenced, in order to be able to counter reluctance before it becomes a real problem. When people find that they are not listen to or that the leadership does not appreciate their view on the subject, they can easily resist even the finest initiative.⁷⁰ Even though people are unhappy with the status quo, they would be reluctant to change, unless it is possible to convince them of the gains in the future, there is a clear need for leadership to create the urgency of change.⁷¹ There are numerous possibilities to why the implementation of a new HR strategy will not be a success. Many of the problem areas relate to lack of understanding of the project or lack of information to why this is important, this is what Kotter mentions as creating the urgency for change. Employees need to know the reasons for why they are in a situation where the workday is not the same as it was yesterday and how everything is going to be when the change is complete. There are numerous dangers to why the implementation of a change to an organization will not be successful. Many of the problem areas relate to lack of understanding of the project or lack of information to why this is important. Employees in a comfortable appointment find the change to be a threat to their position. Lower levels of management finds some parts to be irrelevant for their part of the operation or simply the reason of people finds that change is doomed to fail.⁷² When work start out to change the organization the needs of the organization should be thoroughly analysed. The reason for and gains of the new organization should be very clearly explained. Not only to the ones working within the change project, but also to employees and lower level management that will feel the consequences of the new direction in their everyday work. This will increase the understanding of what needs to be achieved and involve more people in the process. Everyone is looking for a part to play in the organization, especially during the transition. By involving all employees, management can give them insight into what the real problems are. By sharing those problems, management enhances its relationship with the employees. The employees' knowledge becomes available to decision-makers and since employees play a part, they will be more committed to the outcome.⁷³

Public organizations exists by the mercy of the political leadership. When the political leadership changes course, forming a new strategy for the organization is the least difficult part

⁷⁰ Williams, Dean. *Real Leadership: Helping People and Organizations Face Their Toughest Challenges* (San Francisco: Berret-Koehler Publishers Inc., 2005), 45.

⁷¹ Kotter, John P. *Leading Change*, (Boston: Harward Business Review Press, 2012), 9.

⁷² Michael Armstrong. *Armstrong's Handbook of Human Resource Management Practice*, 11. edition. (London: Kogan Page, 2009), 59-60.

⁷³ Bridges, William. *Managing Transitions: Making the Most of Change* (Philadelphia: Da Capo Press, 2009), 60-61.

of the change. When the new organization has been launched all the consequences of it needs to be addressed and followed through. In cases where policy changes affect an area the change needs to be effective as soon as possible. It is important for all parts of management to stay on message and not choose short-term gains that go against the strategy, a quick opportunity taken could undermine the combined effort.⁷⁴ Most of the work should be focussed on following the strategy through.⁷⁵ A major change to organization is 3-10 years to sink fully into the culture of the organization. It is therefore important that work continues over a long period of time on the initiatives the new strategy was to implement. Everybody in the organization must, through focussed means of communication, realize that positive effects are there to be gained in the end.⁷⁶ This puts great demand on the leadership in the organization to follow through. When looking for true leadership, one often thinks of the army officer leading his men through a difficult battle. Though that might be one place where leadership is found, it is not reserved only for army units. The origin of management is Italian, *managere*, meaning the actions of leading by the hand. The Danish Army textbook on leadership defines the word management as being part of the upper level leadership. Management are the actions upper level leadership take in order to affect the system, such as rule on how to conduct payment, allocate resources etc. In short how to influence systems. Leadership is defined as how to influence people. Leadership might also allocate resources but then it is on a much lower level and involves how to get people to unify around the solution to a problem or task.⁷⁷ Though many governmental organizations thrive on management, how to best possibly affect systems, there is need for leadership. The demand for information on all levels with regards to HR and equipment might blur the vision of the leader to believe that management is the way forward. Being part of the management at a public organization means that one must be prepared to lead. People need to know from their leaders the nature of the problem, which way to go and what is the end-state that leadership wants to achieve.⁷⁸ It is thus in a change situation important that organizational leadership creates the urgency needed to move the employees in the desired direction in order for the change to be successful.⁷⁹

⁷⁴ Kotter, John P. *Leading Change*, (Boston: Harward Business Review Press, 2012), 14.

⁷⁵ Armstrong, Michael. *Armstrong's Handbook of Human Resource Management Practice*, 11. edition. (London: Kogan Page, 2009), 59.

⁷⁶ Kotter, John P. *Leading Change*, (Boston: Harward Business Review Press, 2012), 13-14.

⁷⁷ Forsvarskommandoen. *Ledelse og Uddannelse* (Gullanders Bogrykkeri AS, Skjern, 1998), 310-311.

⁷⁸ Williams, Dean. *Real Leadership: Helping People and Organizations Face Their Toughest Challenges* (San Francisco: Berret-Koehler Publishers Inc., 2005), 5.

⁷⁹ Bridges, William. *Managing Transitions: Making the Most of Change* (Philadelphia: Da Capo Press, 2009), 61.

If top management fails to communicate the strategy to its subordinates, there will be employees that fail to see the gains of the changes and instead work against the changes. Creating a new strategy for the organization is hard work, but having the energy and urgency to follow the work through is essential for the change to be successful. Going against the strategy by reaching for quickly achievable short term gains will be counterproductive in the long run. This will only serve to undermine the new strategy instead of ensuring consolidation. When the political level has decided the foundation for change, it must ensure that the organization has time to implement the changes before introducing new changes on top of unimplemented initiatives. Management should be given time to consolidate organizational changes and take informed decisions to carry out the strategy.

5. The Human Resource situation in the Danish Defence

The personnel situation is bleak in the Danish Defence. Since before the financial crisis, data shows that young officers with 5-7 years of experience were leaving the service. As an officer, the author of this thesis has had many colleagues who have left the Danish Defence in order to work in fields that lie within their expertise. This has though been at a rate that the Danish Defence felt it could control the situation by producing new officers, which is why focus has been relatively little on this area. The exception is the officers trained as pilots, where the Danish Defence has made a financial effort to keep its officers. It has now become clear to the Danish Defence that the officer's deficit is so large that it cannot keep up with production and something has to be done to keep the officers committed to the Air Force. The Danish Defence did a HR Early Warning probe of all its employee groups in 2013 and initial results were not good but not too disturbing either.⁸⁰ The general employee satisfaction was on par with average, but motivation and social capital was below average. This result has lead the Danish Defence to further three HR measurements, the latest from August 2015. The specific conclusions of each HR measurement will be discussed in this chapter. In this chapter the effect of the brain drain will be discussed, which type of employee group is affected and what the consequences might be for the Danish Defence if it cannot turn the trend will be touched, without going into military discussions. Employees are often told that the organization would be nothing without them, this is also true in the Danish Defence. The way the Danish Defence works as an organization that needs its employees will be discussed, which will give answers to why the employees are giving up on their employer.

5.1. The Danish Defence Employees

The Danish Defence as a whole is a public organization that recruits, trains and schools its employees itself. Only a few employee groups are recruited on the traditional labour market. This is typically when specialist education is needed without the need for military training. This could be employee groups such as medical personnel, accountants or maintenance workers. This group accounts for roughly 25% of all employees in the Danish Defence. 75% of the employees in the Danish Defence are military employees, such as officers and non-commissioned officers (NCOs) and employees on the manual level. The military employees have typically been recruited during their conscript service where, historically, up to 1/3 of the

⁸⁰ Forsvarskommandoen: HR Early Warning Report, 3.

Danish youth, turning 18 on a specific year, have been called upon to spend 10 months of military training. The conscript training has its foundation in the Danish Constitution, which means that the Danish Defence is obligated to call upon young Danes to serve their conscript period. In time of peace, training all men turning 18 is highly costly, to counter this the Danish Defence has been allowed, through the defence agreements, to cut down the intake of youth and to cut down the length of the training.⁸¹ The conscript training has always been structured such, that the main part of the conscripts are sent home after completing their training and they are not part of the brain drain problem. While the reduction in intake to conscript service has saved resources, it has also reduced the pool of where the organization can recruit its future long-term employees. The Danish Defence can recruit to its medium long and longer educations amongst this pool of military trained youth. A typical NCO will start his carrier by 10 months leadership training, this will allow him to lead up to 10 soldiers.⁸² Working in a conscript training unit for typically 2-4 years, while attending more education the NCO is ready for specialization with a certain field within his unit. The NCO will become a highly valuable asset for the organization after his specialization, at this time the Danish Defence has spent roughly 2 years of schooling at an academy training level and 4-6 years of experience. The officer is usually a NCO that is recruited based on a set of skills to be the future leader of a military unit. This is typically done after 1-3 years of NCO service. At the officer's academy the officer aspirant, called a cadet, is schooled at university level for 3 years. When graduated the officer becomes the direct leadership of 4 NCOs and up to 30 employees at manual level. After the first school period, the officer is tested and evaluated for specialization or general leadership of larger organizations. 3-5 year after graduation the officer is sent to added education at university level. After completion of this, the officer is now capable of providing leadership to an organization of 150-250 employees.⁸³ The military education system and carrier paths have traditionally been fairly rigid, demanding that officers and NCOs attend the second school period prior to promotions. Both the officers and the senior NCOs have traditionally been employed as civil servants thus covered by the pension plans described in chapter 4.5.

It is clear that the Danish Defence education system provides relevant training and schooling to the middle level leaders and general leaders. Historically the officers are selected based on intelligence and leadership skills meaning this is a group of employees that is able to use their skills outside the Danish Defence. Officers have traditionally left the Danish Defence in small

⁸¹ Nørby, Søren. *Det Danske Forsvar*, (Copenhagen: Aschehoug Dansk Forlag, 2006) , 30.

⁸² Ibid, 40.

⁸³ Ibid, 40.

numbers yearly without raising the cause for alarm, being typically highly skilled and driven officers after completing their second officer's schooling. These individuals have been recruited into renowned Danish companies in leadership positions based on their merits, education and experience with general leadership.

The Danish Defence has had a larger turnover of NCOs where the organization more or less has intentionally put in an exit opportunity by the life year of 35. The NCO could choose up to three years of civilian vocational training and leave the Danish Defence at an age of 35. The alternative to this was signing a civil servant contract until retirement, typically of the living year of 60. This demanded that NCO would give up the vocational training. This has functioned as a structural escape valve for the NCO not ready to commit to the Danish Defence for life. While working as an escape valve for the employee this system has also blurred the numbers when it came to figuring out if the Danish Defence had been hit by a brain drain in this employee category.

The manual level employees have traditionally not had much focus when it comes to retaining them in the organization. The fact that skilled manual employees were leaving was annoying, but the loss could easily be covered amongst the youth conducting basic military training. Structural changes to the way the Danish Defence conducts its intake of youth has reduced this option, this will be discussed further in the next chapter.

5.2. The Brain Drain from the Danish Defence

The employees in the Danish Defence are facing structural changes in the way they are compensated and how their careers are being managed, while others react to the shift in operational capabilities. Common for all is that when leaving they are either under influences of organizational level push or pull factors. The specific reasons for why the employees are dissatisfied will be discussed in chapter 5.4 but when leaving the organization the employee falls into one of four groups concerning brain drain: the new adventure, the disappointed goodbye, the professional self-optimisation and the professional restart.⁸⁴ These groups all have different motivations for leaving but can potentially be recruited again. Those seeking new adventure might have found new skills or have experienced that the grass is not always greener on the other side. The disappointed goodbye might have had other expectations to the organization than what they actually met. The professional self-optimisations are typically the

⁸⁴ Buergin, Alexander and Erzene-Burgin, D. Educated in Germany, Working in Turkey: The Emigration Motivations of Persons of Turkish Origin in *German Politics* 22, 4 (Routledge Journals, Milton Park, 2013), 473.

officers, who are filled with expertise and ambition on own behalf and leave. The professional restart, are the ones that have a negative career outlook in the Danish Defence structure but can use their skills in the labour market.⁸⁵ Common to all four categories they potentially can be reengaged to the organization, but it will take a differentiated approach down to the individual employee in order to find his or her reason for leaving and what could be provided in order to have them reengage to the organization.

The Danish Defence has released the numbers of unforeseen departure of its officers since just before the financial crisis in 2008.⁸⁶

Table 1.

	2008	2009	2010	2011	2012	2013	2014	2015 Sep
M4xx ¹	3	2	0	2	4	2	1	-
M3xx	133	87	67	45	53	90	71	50
M4xx AwP ²	5	4	0	0	0	2	1	-
M3xx AwP	103	46	21	19	1	6	72	100
Total	244	139	88	66	58	100	145	150

¹ The M4xx category covers top military leadership that are promoted based on their tertiary schooling. M3xx are military leaders from basic to secondary officer's schooling.

² The abbreviation AwP covers employees that have applied for Leave of Absence without Pay. Officers have the right to apply for leave of absence for one year without pay in order to be able to return to their former position should their plans of leaving the Danish Defence revert. Employees on AwP are unlikely to return to the organization after this year. Numbers for 2015 covers the period from January to September the 1st.

These numbers show that before the financial crisis in the autumn of 2008 officers were leaving in large numbers. In 2008 a total of 244 of experienced military leaders left the organization in a time where production of the junior officer was approximately 75 yearly. This leaves a clear deficit, but even worse sends the message to the rest of the organization that something is wrong. The financial crisis clearly halted the unforeseen departure up until 2012. The numbers rose again in 2013 and have kept on rising since then. In the first 9 months of 2015 a total of 150 officers have left the organization leaving it in the same situation as prior to the financial crisis. The officer's union (HOD) estimates that the Danish Defence will see a deficit of 95

⁸⁵ Buergin, Alexander and Erzene-Burgin, D. Educated in Germany, Working in Turkey: The Emigration Motivations of Persons of Turkish Origin in *German Politics* 22, 4 (Routledge Journals, Milton Park, 2013), 473.

⁸⁶ Forsvarskommandoen. *Forsvarsavisen*, 4, 7. (Værnsfælles Forsvarskommando, Copenhagen, 2015), 4.

officers per year until 2019 where the organization will have a shortage of a total of 600 officers. Hereafter the deficit will be 75 yearly due to expected increased production.⁸⁷ The reduction in unforeseen departure from 2009 and onwards was seen as a signal that the Danish Defence ran a successful HR strategy as an answer to the massive departure in 2008. It can however not be ruled out that the pull factor from the labour market had reduced and the officers were still dissatisfied but were waiting for their opportunity. The numbers from the labour market correlates with the unforeseen departure, the Danish economy had a neutral year in 2012 but has improved since 2013, where the unforeseen departure of officers again started to rise.⁸⁸ The pull factors from the labour market seems thus again to be having effect on the unforeseen departure of employees from the Danish Defence. One could then interpret the numbers between 2009 until 2012 to be an expression of the organizational-level push factor from the organization itself. Once completed the tertiary schooling the officers seem to be relatively unaffected by organizational-level push factors from the Danish Defence and the pull factors from the labour market. This is interesting from an employee commitment point of view that the officers with the more senior positions and schooling are less affected by the push and pull factors that influence the younger officers to leave the organization. Here factors such as pay for performance, ambition on own behalf and on the behalf of the organization and time invested both by employer and employee can be the reason. The reason can also be found in that, the senior leadership have a direct influence on nearly all factors of their work-life, and they are not influenced by changes made to the retirement and human resource systems. A cost/benefit analysis tells the senior officers that leaving the organization is not worth the effort of creating the same conditions in a new organization. Because of the increased unforeseen departure amongst its members the officers' union, HOD, decided to inquire its members that had left what their reasons were. More than 50% of the 118 departed officers in October 2014 answered the questionnaire. The top five reasons for leaving were distrust to employer (64%), lack of influence on own carrier (50%), too many organizational changes (50%), work influenced family life (43%), lack of geographical stability⁸⁹ (36%).⁹⁰

⁸⁷ Tønning, Niels. Stands Ulykken in *Officeren* 2015 no. 6, accessed on the 29th of december 2015 on http://www.hod.dk/media/1636659/hod_nr__6_final_net.pdf

⁸⁸ Danmarks Statistik. Nyt fra Danmarks Stateistik nr 571. *Kvartalsvist regnskab 3. kv 2015* (Copenhagen, 2015), 1.

⁸⁹ Lack of geographical stability is an issue for the officers that can be ordered to work in other geographical part of Denmark than they reside in.

⁹⁰ HOD. *Rapport om afgang- og fastholdelsestiltag*, October 2014. Accessed on the 29th of december on http://hod.dk/media/1585122/hod_rapport_om_afgang_og_fastholdelse_-_endelig.pdf, 8.

On the NCO and manual level employees, the Danish Defence has been hit of unforeseen departure as well. As mentioned, the organization has traditionally been able to cover the deficit with training and education. However the last two years it has proved impossible to cover the deficit. Although positions have been open for applications it has proved impossible to recruit NCOs and manual level employees enough to cover them. Looking at the decrease in spent yearly full time employee from 2013-2014, the decrease is not an expression of saving money, it is the consequences of not being able to recruit employees to the budgeted positions.⁹¹ The union of manual level military employees, HKKF, has called for filling up the 300 positions lacking in the organization in the last two years.⁹²

The numbers indicate that the financial crisis and the reduced unforeseen departure were a consequence of the labour market pull factors being put on hold and the organizational level push factors still exist in the Danish Defence. The current increase is a product of the labour market pull factors combined with the organizational level push factor. In order to reduce unforeseen departure the Danish Defence needs to reduce its own organizational push factors since it cannot control the labour market pull factors. This has worked amongst senior leadership which points in the direction of providing similar employment conditions to all groups of employees if the organization wants to halt the brain drain.

The Danish Defence now finds itself in a situation where it is losing experienced officers and NCOs to a degree where it cannot fill up its ranks through education. Simultaneously the new situation arises, where the organization cannot recruit the needed employees on manual level. This has since 2013 pushed the Danish Defence in the direction of being a declining organization. The Danish Defence speak of unforeseen departure; however, the real situation is brain drain.

5.3. The Defence agreements covering 2010-2014 and 2013-2017

The Danish Defence is still trying to cope with the structural changes that have played a big part in turning the organization into the brain drain. During the recession from 2008 until 2012 we see that the organizational push factors still influences the Danish Defence employees. This

⁹¹ Forsvarskommandoen. *Forsvarsavisen*, 4, 7. (Værnsfælles Forsvarskommando, Copenhagen, 2015), 4.

⁹² Vinther, Flemming. *Chairman's yearly report*, 11th of November 2015, accessed on <http://www.hkkf.dk/Aktuelt/Nyt-fra-HKKF.aspx?PID=598&M=NewsV2&Action=1&NewsId=807> the 9th of December 2015.

means that the organization cannot sit down and simply hope for neutral or negative growth in the labour market.

The defence agreement from June 24th 2009 was supposed to cover the period from 2010 to 2014. This was supposed to be a consolidation of the relatively large transformation that the organization had been put through in the previous agreement. In that agreement and the agreement from 2010 the focus was on the wars in Iraq and Afghanistan. The Danish Defence was supposed to be able to continuously deploy up to 2000 employees.⁹³ The Iraq and Afghanistan deployments had cost huge sums in the start-up phases, which had been anticipated, but also running them was more expensive than expected. Focus points of the 2010 agreement was the operational capabilities and to control the cost of running the organization. Entering the defence agreement period in 2010 the Danish Defence had 2300 unmanned positions.⁹⁴ The defence agreement from 2005 had made major changes to the way the Danish Defence conducted its human resource development, the way it trained and schooled its employees and how the logistics services functioned.⁹⁵

When the current defence agreement was prepared during 2012, Denmark was in recession. Political level decided that the Danish Defence should take responsibility and share some of the burden of reducing the government deficit. This was done by cutting the yearly budget with 15% or 2.7 billion DKK (51 billion ISK) per year. The Chief of Defence and his staff had concluded that it could be done without cutting into the operational capability of the organization.⁹⁶ The Danish Defence was still expected to be able to deploy up to 2000 employees in international missions.⁹⁷ The defence agreement from 2012 was a political reaction to the financial crisis of 2008. The politicians interfered with the consolidation phase that was to continue until 2014. Political level had acknowledged the need for the organization to consolidate the changes made in 2005 but were yet to be fully implemented. Acting against change-management theories that recommends up to 10 years implementation period, when introducing large change to an organization, the political parties behind the two defence agreements decided also to go against their own advice. The political level was interfering with

⁹³ Forsvarsministeriet. *Forsvarsforlig 2010-2014*, (Copenhagen, 2009), 6.

⁹⁴ Ibid, 4.

⁹⁵ Forsvarsministeriet. *Forsvarsforlig 2010-2014*, (Copenhagen, 2009), 4.

⁹⁶ Bartram, Peter. The Chief of Defence reaction to the new defence agreement 30th of November 2012.

(Defence Command, Copenhagen, 2012, accessed on

http://www2.forsvaret.dk/nyheder/overige_nyheder/Pages/Nytforsvarsforligp%C3%A5plads1.aspx)

⁹⁷ Forsvarsministeriet. *Forsvarsforlig 2013-2017*, (Copenhagen, 2012), 7.

an organization that was under transformation, therefore creating an organizational reactor that lacked focus and aggression in its decisions to respond to its environment, which was both inconsistent and unstable. By adopting a laissez-faire attitude regarding the operational aspect of the organization, the top management failed to create the urgency needed for the employees to join the change. Lack of urgency amplified the brain drain when employees were given more tasks during organizational decline especially when top management failed to create the urgency around the purpose of the change.

Starting out in 2010 the Danish Defence was lacking 2300 employees out of an 18.000 fully manned organization. As seen in table 1 the ambition to recruit the needed employees didn't succeed, but quite the opposite. Further reduction in the organization was to be conducted without cutting into the operational capabilities of the organization. However the 2010 defence agreement had put focus on consolidating the reorganization of the techno-structure and support staff. With further reduction, starting out with a 2300 employee deficit, the risk was that the operating core became too small compared to techno-structure and support staff. The operational capabilities are found in skeleton units, too small to do much else than feed the support staff and techno-structure with information, rather than focussing on the operational capabilities. The Danish Defence as an organization is no longer operating according to Mintzberg's theories due to the large percentage of the techno-structure and support staff compared to the operating core. From the operating core perspective, the information flow from operating core to the strategic apex does not exist. The support staff and techno-structure have better access to the strategic apex of the organization and therefore reports what it is seeing and dictates more reports from the operating core in order to serve the strategic apex better. However, when the strategic apex seeks down towards the operating core the support staff and techno-structure moves away. The strategic apex therefore never realizes this problem.

From the employee commitment perspective, the largest direct effect of the 2013 – 2017 defence agreement was when the civil servant contract was taken out of the Danish Defence. Traditionally when appointed officers or when serving for longer than 10 years as a NCO or manual level employee the employees were appointed as civil servants. Serving as a civil servant mattered because of the fact that they were better insured when serving abroad and within Denmark. A civil servant could claim 3 years pay should he be laid off due to structural changes to the organization, where new employees can be laid off with 3 months notice. The civil servant's pension agreement, ensuring the employee roughly 80% of the final salary in pension, is no longer in effect for new employees or employees that seek promotion. This was

something the parties behind the defence agreement wanted in order to reduce the cost of retirement funds for civil servants as part of the organization's contribution to reduce public expenditure. The solution was that all new employees are given a pension of 17,1% of their basic salary similar to what is common on the labour market. Quickly it became evident that officers stopped seeking promotions, changing jobs within the organization or further education due to the unwillingness to give up their civil servant pension. This praxis has been stopped and employees already employed as civil servants can now change jobs, accept promotions and education and stay on their current civil servant conditions.⁹⁸ The Danish Defence was already in a state of decline where organizational-level push factors influenced 58 experienced officers to leave the organization in 2012. The employee will now have a pension savings account that he/she can move from one company to another, making the transition out on the labour market even smoother. Removing benefits such as the civil servants conditions will reduce the employee's long-term commitment to the organization.

5.4. Structural Changes to the Danish Defence Human Resource Management System

Prior to the defence agreement of 2010 all employees had a 5 year carrier plan stating which positions they would rotate in and out of while gaining experience and schooling making them ready for their next position. The structural changes made in the defence agreement of 2005 had yet to be consolidated completely concerning carrier planning. The defence agreement of 2012 changed the modus operandi with regards to human resource management. Along with a new human resource strategy the existing human resource regime is changed into a system where the employees apply for their positions. The responsibility for the carrier changed from being a leadership responsibility to being the responsibility of the individual employee.⁹⁹ This means that existing, known carrier paths are erased. The employee can now only apply for a job when it is vacant.¹⁰⁰ Prior to this, the organization would manage its human and social capital by deciding who was to receive promotions, who was to rotate within the organization and who was to receive schooling in the better interest of the entire organization. Individual

⁹⁸ The author has been unable to find documentation for this as a single document, but notes that when reading job listing on www.job-i-forsvaret.dk employees are allowed to keep their current form of employment, thus not transferring to normal labour market conditions.

⁹⁹ Forsvarskommandoen, *HR-strategi masterdokument*, accessed on <http://medarbejder.forsvaret.dk/strategi-politik/HR-strategimasterdokument/Documents/HR%20strategi%20masterdokument.pdf> the 15th of December 2015, 10.

¹⁰⁰ Ibid, 5.

unit commanders have become completely responsible for their human capital.¹⁰¹ The unit commanders were given control of the scarce pay-for-performance measures thereby being able to recruit from the neighbouring units and emptying it for human capital. Before the changes in 2012, the individual unit did not pay for the employee when he or she attended further education. Special school positions funded by the human resource development program existed and employees rotated in and out of those. With the HR strategy of 2013 the unit commanders have to carry all expenses while the employee is attending further education. Knowing that further employee development might make the employee capable of positions outside the unit, while carrying all expenses of it, has reduced the willingness amongst commanders to allow employees to a further education. Cost of employee development traditionally falls on the overall organization in other countries' defence organizations.¹⁰² This reaction to the new HR regime will halt the development of the accumulated human capital in the organization. Unwilling to further educate the employees and form ties between units based on experience and open carrier paths will reduce the networks, knowledge, trust and thereby potentially reduce the social capital held by the organization. HOD concludes in their inquiries of former officer that the new structure lacks employee development opportunities for the employees.¹⁰³

The senior management of the organization has created an environment where social capital potentially will decrease due to structural factors in the new human resource strategy. This at a time where the organization is in decline due to the constant restructuring in search for better finances. Senior management states that the organization will still meet its operational goals and by doing so fail to create urgency around the second restructuring, the budget cuts and the failing human resource management strategy, which confirms that the Danish Defence is still in a phase where it acts like an organizational reactor.

5.5. The Human Resource Measurement 2013-2015

The Danish Defence conducted a HR Early Warning measurement in the spring of 2013. This measurement was conducted as a response to the increased unforeseen departure amongst

¹⁰¹ Ibid, 5.

¹⁰² US Army Headquarters. *Army Regulation 215-3*, Nonappropriated Funds Instrumentalities Personnel Policy (Washington: US Army Headquarters, 2015), 78.

¹⁰³ HOD. Rapport om afgang- og fastholdelsestiltag, October 2014. Accessed on the 29th of december on http://hod.dk/media/1585122/hod_rapport_om_afgang_og_fastholdelse_-_endelig.pdf, 4.

officers. The Danish Defence regularly conducts law bound measurements of its physical and psychological work climate, but now wanted to get an impression of how the organization's employees were concerning motivation, satisfaction, retention and organizational leadership. This would allow the organization to follow up on the HR strategy and take initiative on focus areas discovered in the measurements. The private company Epinion was hired to conduct and deliver a report of the results of the measurements.¹⁰⁴ A set of questions that was designed to give answers to the employee HR situation concerning four categories was designed, the four categories were satisfaction, motivation, retention and social capital. In the following, the results of each of the human resource measurements will be described. Each of the four categories will then be compared to each other in order to find certain patterns or trends of how the employees in the Danish Defence change their attitude towards their professional life.

5.5.1. Human Resource Early Warning Measurement

The Human Resource Early Warning measurement is in reality HR measurement no. 1, the name changed in the process, where it became obvious that more and continuous measurements were needed in order to follow the development of the brain drain.

The HR Early Warning report is not available outside the Danish Defence internal web albeit it is not classified. Data from the report is used in the respect that it reappears in the later reports as reference points. Use of data from the HR Early Warning report is key to the analysis since the other measurements does not comment on result that does not differentiate from the HR Early Warning, the referencing will be done to either of the other three reports. The structure of the report is similar to the other three reports and is divided into the four main areas, satisfaction, motivation, retention and social capital. In the same period as the a parallel measurement was conducted amongst employees of other public organizations, this survey is used as an external reference point to the employees of the Danish Defence. In the reference survey 2003 public employees took part, where 1562 Danish Defence employees took part in the HR Early Warning. The survey was conducted in the period from the fifth of March to the 1st of

¹⁰⁴ Forsvarskommandoen. Ny type HR-måling, *Forsvarsnyt* of 15th of February 2013. Accessed on http://www2.forsvaret.dk/nyheder/overige_nyheder/Pages/NytypeHR-m%C3%A5ling.aspx the 14th of December 2015.

April. Both surveys were weighted in order to give representative results concerning age, sex and seniority.

In the measurements, 81% of the employees were satisfied with their job in the Danish Defence, which is level to the external reference point. 62 percent of the employees feel motivated in their job function, which is less than other public employees are. Retention is defined as whether or not the employees wishes to be employed by the Danish Defence after two years. In the HR Early Warning Report 74% of the employees wants to stay in the organization after the next two years, while 14% were actively looking for jobs outside the organization. Social capital is measured to be 10.1, which is slightly below the average of Denmark in total. The scale for social capital used by the Danish Defence is measured between 0 to 16, where 0-8 is representing very little social capital, 8.1-10.1 slightly below average of Denmark, 10.2 average, 10.3-12.3 slightly above average, 12.4-16 very high social capital.

Looking at the details of the measurements, the employees in the Danish Defence are satisfied with their relations to their colleagues (89%), their tasks (79%), ability to develop professionally (66%) and workload (66%). The lowest scored satisfaction with salary (20%), reputation of the organization (31%), how conflicts are handled (36%).

When comparing the results to how they influence on the employee satisfaction, motivation and retention the results are that satisfaction with tasks score the highest, relationship to colleagues and then the ability to develop professionally. Less significant was the top management of the organization, factors such as reputation of the organization, satisfaction of the closest leader and how conflicts are handled had no significant influence.¹⁰⁵

Looking at motivation the same three have the most influence, tasks, relationship to colleagues and then the ability to develop professionally. Less significant are the reputation of the organization and the closest leader while salary, workload, conflict handling and overall leadership had no significant influence on the motivation of the employees.¹⁰⁶

Concerning retention of employees the satisfaction with tasks comes in as being the highest influence, second is the reputation of the organization and third the ability to develop professionally. Pay has significant influence on the retention of the employee while not having had significant influence on motivation or satisfaction. The relationship with colleagues has

¹⁰⁵ Forsvarskommandoen. *HR-måling 2. runde*, November 2013, accessed on http://medarbejder.forsvaret.dk/strategi-politik/Documents/HR-maaling_november_2013.pdf the 16th of November 2015, 10.

¹⁰⁶ Ibid, 12.

little significance concerning retention albeit being important for the motivation and satisfaction. Four factors had no significance when dealing with retention, the information, workload, closest leader and overall leadership.¹⁰⁷

The factors of satisfaction with tasks, ability to have professional development and satisfaction with colleagues had influence on all three groups, job satisfaction, motivation and retention. Factors such as the reputation of the organization and salary had little to no significance in the satisfaction and motivational categories however became relevant when dealing with retention of employees. Factors such as the employee's closest leader and organizational leadership had little to no significant concerning satisfaction and motivation and no significant influence with regards to retention of the employees.

5.5.2. Human Resource Measurement no. 2

The second human resource measurement was conducted in the period between 23rd of August and the 23rd of October 2013. The data that will be analysed and commented is based on the answers of 2872 responses out of 8646 employee that was selected to participate. This is an overall response percentage of 33%. It is worth noticing that employees on manual civilian and military level only responded by 24% and 17% respectively, this is to be compared to both military and civilian leaders that responded by 52% and 58% respectively. Although the response difference in percentage between the different groups of employees have been weighted in order to give a representative outcome with regards to results, it is worth noticing that the leadership in the organization are so significantly more engaged to the HR measurements than the manual level.¹⁰⁸

The second round of measurements showed that 74% of all employees were satisfied with their job situation as a whole, 11% were dissatisfied or very dissatisfied by their job situation. Employee satisfaction had fallen from the HR Early Warning measurement from 84% to 74%, which is a significant drop in job satisfaction. Motivation had also fallen from the first to the second measurement where now 58% feel there are motivated compared to 62% from the first measurement. Retention, the factor of which an employee wishes to stay employed by the Danish Defence within the next two years, had dropped from 74% to 69%. This is confirmed in the increase of employees that seeks employment outside the organization, now up from 14%

¹⁰⁷ Ibid, 14.

¹⁰⁸ Forsvarskommandoen. *HR-måling 2. runde*, November 2013, accessed on http://medarbejder.forsvaret.dk/strategi-politik/Documents/HR-maaling_november_2013.pdf the 16th of November 2015, 3.

to 17%. The social capital had seen a small increase since the first measurements and is now on par with the average in Denmark with a score of 10.2, but lower than the total of other Danish public organization, that had an average of 10.4. The only factor measuring social capital that saw a statistical increase was how conflicts are dealt with within the organization, other factors measuring social capital did not see any statistical significance change.¹⁰⁹

Looking at the details of the measurements, the employees in the Danish Defence are still satisfied with their relations to their colleagues (89%), their tasks (77%), workload (64%) and ability to develop professionally (61%). Satisfaction with international missions are now measured at 68% compared to the 54% in measurement no. 1, this correction is however explained by only counting employees that felt it was relevant answering this question and gives actual drop in satisfaction with international missions, since the corrected number in measurement no.1 is 75%.¹¹⁰ The employees' satisfaction with how conflicts are handled are up to 38%, which also explains the slight improvement of social capital. The satisfaction with the salary has fallen from 20% to 14%.

Comparing how the factors influence the employees the result is that relevant tasks still influence the most concerning satisfaction, workload comes second, third is satisfaction with overall leadership and fourth organizational reputation. Satisfaction is statistical significant however to a very little degree influenced by salary, then the relationship to colleagues and the closet leader. This is a development from the first measurements where satisfaction with colleagues and ability to develop professionally had larger influence. How workplace conflicts are handled has no influence on employee satisfaction, which is the same for international missions.

Concerning the employee motivation the largest influencer is again relevant tasks, then ability to develop professionally and now overall management. Factors that have no significance to motivation are now salary, relationship with colleagues, handling of conflicts and international missions. Only salary had, to a small degree, influence on job satisfaction while the other three factors did not have influence on satisfaction.

No changes were found in the top scores when looking at factors that influence the retention of the employees, ability to develop, relevant tasks and reputation of the organization were the

¹⁰⁹ Ibid, 7.

¹¹⁰ Forsvarskommandoen. *HR-måling 2. runde*, November 2013, accessed on http://medarbejder.forsvaret.dk/strategi-politik/Documents/HR-maaling_november_2013.pdf the 16th of November 2015, 6.

most influential when dealing with retention of employees. While playing no part in satisfaction or motivation, salary again had significant statistical influence on retention of employees in the organization. The relationship with colleagues, the closet leader and international missions had no influence when dealing with retention in measurement no. 2. Comparing to the reference measurement done amongst other public employees the Danish Defence employees are less satisfied in the categories of relevant tasks, ability to develop professionally, information, organizational reputation and salary. Of these five factors information and organizational reputation, influence retention more than salary, which is why the report suggests an effort within those two areas and is content with the current situation concerning salary.¹¹¹

5.5.3 Human Resource Measurement no. 3

The third measurement was conducted between the 21st of January and the 24th of February 2014, 2363 employees took part, which was 32 percent of the selected sample. Again, the manual civilian and military level employees stand out by returning 22 and 16 percent respectively. The results are weighted within employment groups, age and sex in order to give a representative picture of the HR state of the organization.

The social capital is measured to 10.1, which is a small drop from the second measurement and leaves the organization slightly under the Danish average. The changes in between the first and third measurement are still within the statistical uncertainty.¹¹²

In general the measurements showed a drop in satisfaction, motivation and retention where retention within the next two years are down to 66 percent. The percentage of the employees that are actively searching for employment outside the organization is now up to 19. Movements from the second to the third measurement were not many or large, but worth mentioning is that the reputation of the organization is again mentioned as a large influence to retention in the recommendations. The report recognizes that satisfaction with salary now has influence on retention but mentions, that it is more important to change the reputation of the organization since the measured influence of the reputation is larger than the salary.¹¹³

¹¹¹ Forsvarskommandoen. *HR-måling 2. runde*, November 2013, accessed on http://medarbejder.forsvaret.dk/strategi-politik/Documents/HR-maaling_november_2013.pdf the 16th of November 2015, 25.

¹¹² Forsvarskommandoen. *HR-måling 3. runde*, March 2014, accessed on http://medarbejder.forsvaret.dk/strategi-politik/Documents/HR-maaling_marts_2014.PDF the 16th of November 2015, 7.

¹¹³ Ibid, 15.

5.5.4 Human Resource Measurement no. 4

Perhaps realizing the seriousness of the situation the HR measurement no. 4 included all employees in the Danish Defence or a focus group of 18789 employees. 38 percent responded the measurement giving a total of 7077 responses. Again an external measurement amongst other public organizations was conducted and 2072 employees responded. The measurement was conducted between 2nd of June until the 14th of July in 2015. Employees in leadership or management positions were the most likely group to answer and the military manual level was the least likely group to answer with 18 percent response.

The outcome of the measurement was similar to the third measurement with major changes only to satisfaction with workload and overall leadership. When focusing on retention only 58 percent now wished to be a part of the organization within the next two years and 23 percent of all employees were actively looking for employment outside of the organization.

Measuring social capital there were drops in all factors concerning social capital, the fair distribution of tasks, how conflicts are handled, trust in leadership information, and how employees felt leadership recognized their contribution. This gave a drop in social capital from 10.1 in the third measurement to 9.6 comparing to the control group that measure 10.4.

Again, the satisfaction with the relevance of tasks solved scored high with regards to retention, while salary, reputation of the organization and professional development came in closely matched together. The overall leadership and amount of information given had little effect as variables concerning retention.

From this HR measurement, we can see that military leaders with up to secondary officer's schooling are 12 percent less likely than the average employee to be in the organization in two years. On the manual level the civilian employees are 10 percent more likely to stay in the organization than average compared to the military manual level is on par with average. Employees older than 51 percent are 11 percent more likely to stay in the organization than the average employees are. Employees younger than 34 are 9 percent less likely to stay for more than two years, the young officers are included in this group as well.¹¹⁴ The fact that employees above 51 years are more likely to stay employed by the organization correlates with the fact that almost no employees with tertiary officer's schooling are leaving the organization.

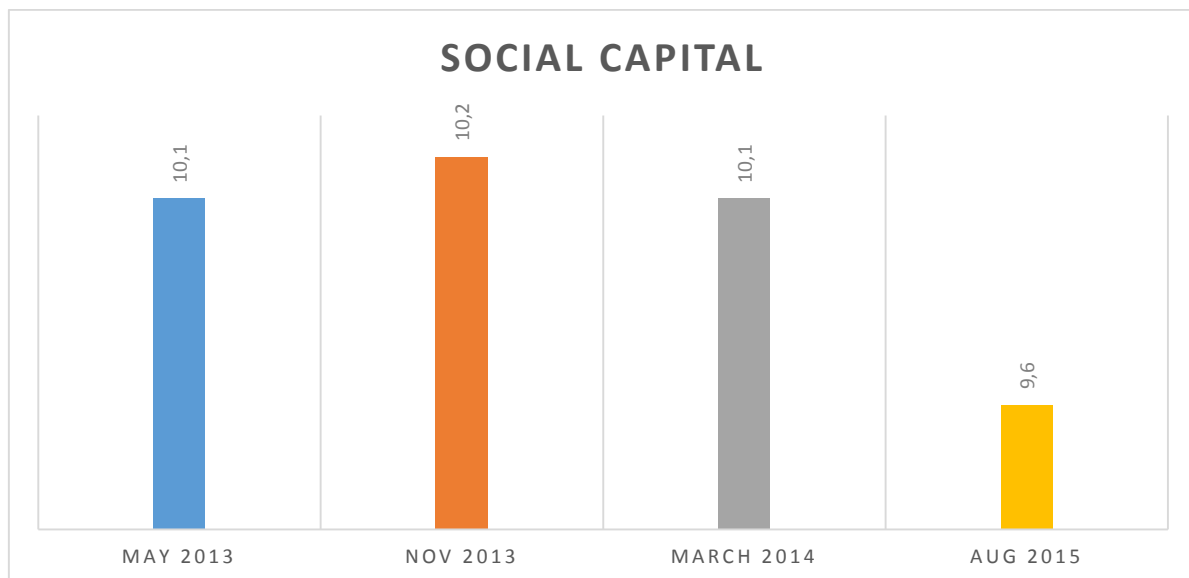
¹¹⁴ Forsvarskommandoen. *HR-måling 4. runde*, August 2015, accessed on <http://medarbejder.forsvaret.dk/strategi-politik/Documents/Rapport%20for%20HR-m%C3%A5lingens%204.%20runde%20-%20August%202015.pdf> the 16th of November 2015, 24.

Employees above 51 years of age are not affected by the changes to the retirement regime and thus have 9 years left until retirement making them more committed to the organization than their younger colleagues.

5.5.5. Social Capital

Traditionally the Danish Defence has been an organization where orders are given and the employees carry them out as directed by their military leader. All employees undergo conscript service before being offered long term contracts, which allows for behaviour formalization and matching expectations. Focus has traditionally been on how to control that the tasks were done properly and with military precision. The Danish Defence utilized the compliance-approach and built its procedures on rules, regulation and manuals of the organizations. Forcing the employees to comply with a specific set of regulation to follow produced much of the social capital in the organization. The problem with this type of social capital is that it comes from the collective working around existing procedures that are non-compatible with the organizational guidelines. The Danish Defence decided to measure its social capital along with the HR measurements from 2013-2015. The results are found on graph no. 1 below. The social capital in the organization is relatively stable in the first three measurements on par with the overall Danish average, however the latest measurement show a decrease in social capital. Looking at the details in the answers the employees now to a less degree feel that assignments are fairly distributed, that the overall leadership is less trustworthy and that leadership to a smaller degree trust the employees to carry out their tasks correctly.¹¹⁵

¹¹⁵ Forsvarskommandoen. *HR-måling 4. runde*, August 2015, accessed on <http://medarbejder.forsvaret.dk/strategi-politik/Documents/Rapport%20for%20HR-m%C3%A5lingens%204.%20runde%20-%20August%202015.pdf> the 16th of November 2015, 7.



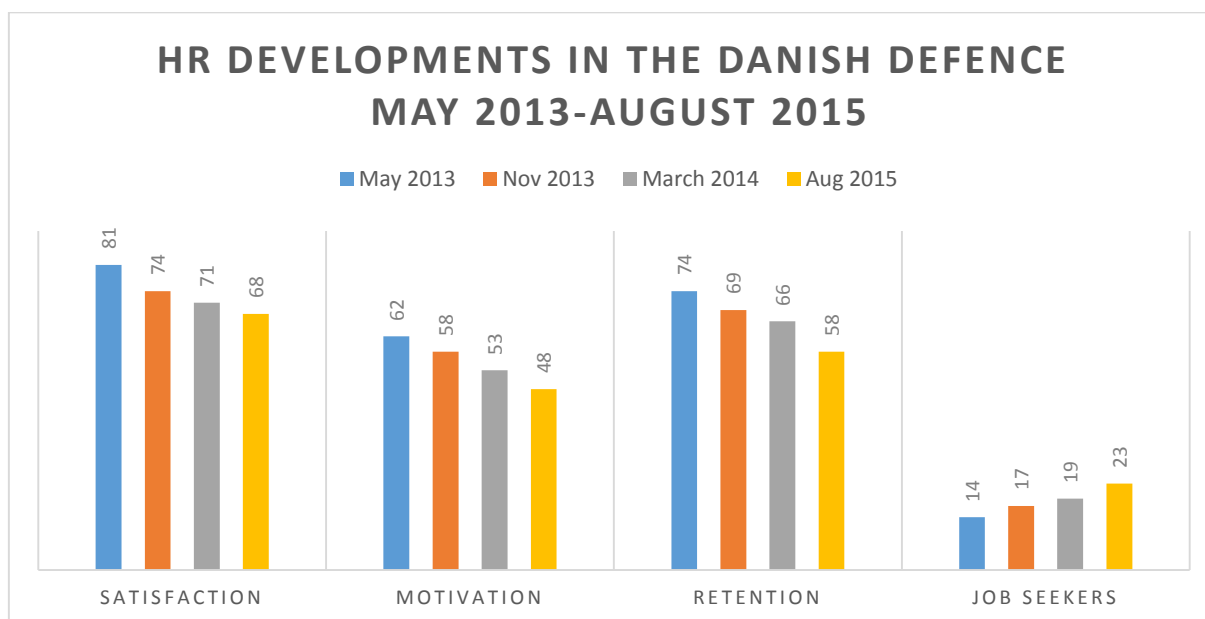
Graph no. 1. The graph shows the social capital in the Danish Defence in the period of May 2013-August 2015. 10,2 is the average measurement on the labour market in Denmark.

The Danish Defence has become an organization where many responsibilities lie with the individual employee, who is on manual level, but has acquired specialist skills that are parallel to the labour market. The leaders no longer have a group of infantrymen, but a number of highly skilled knowledge workers. In order to increase the social capital amongst such employees the focus should be on the employee-participation approach. Military leaders should respect the specialists and acknowledge the capacities of the employees while leading towards the common goal. This would allow the specialists to focus on the problem utilizing their professional network, increase the social capital and with it the employee commitment. Realizing that the military approach to social capital might not be the way forward the Danish Defence launched a social capital project along with its new HR strategy in 2013.¹¹⁶ The initiative clearly has not had its effect and instead the employees are feeling the effect of the brain drain. The assignments increase due to fewer hands in the organization to perform them, the overall leadership is acting with lack of focus, making them seem untrustworthy and the employees feel a lack of trust.

¹¹⁶ Forsvarskommandoen. *HR-strategi masterdokument*, accessed on <http://medarbejder.forsvaret.dk/strategi-politik/HR-strategimasterdokument/Documents/HR%20strategi%20masterdokument.pdf> the 15th of December 2015, 14.

5.6. The Current State of the Organizational Brain Drain

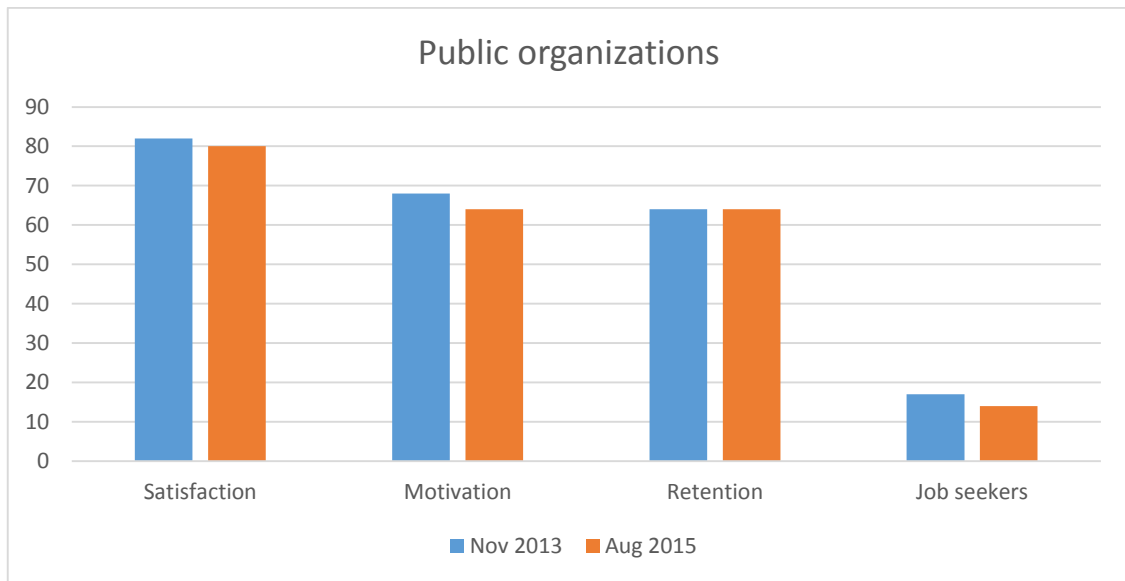
From the graph no. 2 below, it is visible that satisfaction, motivation and retention are trending downwards amongst the employees of the Danish Defence. As mentioned retention covers the percentage of employees that see themselves being employed within the organization after two years. Comparing this to the upwards trend concerning how large a percentage of the employees are actively seeking employment outside the organization it is clear that the organization is hit by brain drain.



Graph no. 2. The graph shows the measured development concerning satisfaction, motivation, retention and jobseekers within the organization.¹¹⁷

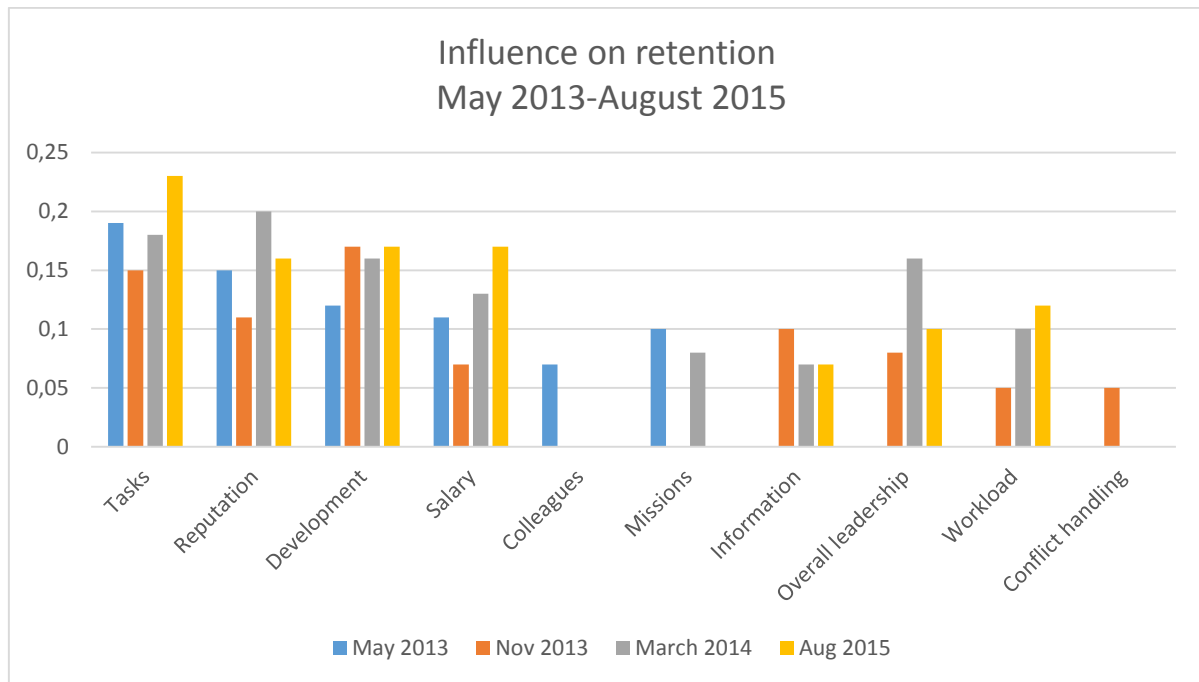
During the period of the HR measurements within the Danish Defence measurements were done amongst other public organizations in order to be able to compare the data with other Danish public employees. While only two control measurements were done it is clear that there have been no clear movement amongst the control group when comparing with the Danish Defence employees. The main outcome concerning satisfaction, motivation, retention and job seeking amongst public employees can be seen in graph no. 3.

¹¹⁷ Forsvarskommandoen. *HR-måling 4. runde*, August 2015, accessed on <http://medarbejder.forsvaret.dk/strategi-politik/Documents/Rapport%20for%20HR-m%C3%A5lingens%204.%20runde%20-%20August%202015.pdf> the 16th of November 2015, 5.



Graph no. 3. The graph shows how developments have been at the control groups amongst other public organizations during the HR measurements.

From the description of the four HR measurements it is clear that each measured variable has had different influence on the retention of the employees in the organization. On graph no. 4, each factor that has had influence on retention with statistic significance can be followed through the four HR measurements. While these are measurements of satisfaction the numbers are the explanatory effect each variable has in the linear regression concerning retention. For instance, the employees are very satisfied with their colleagues (89%), but it has a very small influence when using explanatory statistics on their retention to the organization within the next two years. Only variables that have a statistical explanatory effect on the retention are represented in the graph.



Graph no.4 The graph shows the development of variables that influence the employees' retention to the Danish Defence.¹¹⁸

As mentioned the good relationship that the employees have to their colleagues and how conflicts are handled have no explanatory effect when dealing with retention except for one measurement each where the effect was small. The same can be said about international missions, which are not influencing negatively but not positively either. The amount of information given and overall leadership of the organization have relative stable but little impact on the retention of the employees. What retains the employees the most over the period measured is that they are satisfied with the tasks they are presented with. The reputation of the organization was highlighted in one report as a focus area, but have been unstable as an explanatory variable concerning retention. Working for a prestigious organization, such as Mærsk, Lego or the Danish Defence has traditionally been a factor, when comparing own success to others. The reputation of the Danish Defence can therefore not be neglected as a factor when it comes to addressing the brain drain. Having the possibility to develop on the professional level is very important for the employees and have been a steady factor throughout the period of measurement. Clearly employees value the opportunity and responsibility to develop and is not ready to be satisfied with a status quo on their professional expertise. Interestingly as expected the salary does not stand for a large part of explaining retention in the

¹¹⁸ Comprised of data from all four reports from the HR measurements in between May 2013 and August 2015.

early measurements, however when overall satisfaction and motivation drops the satisfaction with the salary has an increasing explanatory effect when dealing with retention. Being an organization that can not change its reward programme over night the Danish Defence becomes vulnerable in a time of organizational decline, where its employees are less satisfied and motivated, when the labour market experiences a positive development. When looking at workload this variable did not have influence when the measurements started, however it now seems that the employees have passed the equilibrium where extra workload is now seen as an unwanted burden as an effect of the brain drain, thus having an effect when dealing with retention.

Employees in the Danish Defence have reached the point where they are seeing increased workload as a negative effect of brain drain and not as job enrichment. The extra workload from the initial brain drain and satisfaction with salary now have influence on whether or not they will stay in the organization during the next two years. Looking at positive developments in the labour market, they are seeking better conditions elsewhere. The Early HR measurement showed that the Danish Defence employees mainly belonged to Herzberg's group that are motivated by new tasks and responsibilities. The latest HR measurement showed that, though being people that are motivated by responsibilities and relevant tasks, the employees see the current workload as being too high. This comes at a time where their organization is reacting confused to its environment and fails to create urgency to why organizational changes are needed, where the younger leaders are leaving and where the known carrier paths are being blurred by structural changes to the HR strategy.

6. Discussion

The Danish Defence is in a state of brain drain, and it is failing to retain especially the younger experienced officers, but now also many other employee groups. In this chapter the discussion will focus on answering the research question: What measures can the Danish Defence take to increase employee commitment and reduce the organizational brain drain?

The top management have to reverse the brain drain while the second wave of brain drain is still underway, but this cannot be done if the employees mistrust the management. The organization has reacted to environmental changes with both inconsistency and unstable decisions. Being forced by the political leadership to again make substantial changes to its organization, human resource development and human resource strategy without understanding its environment has created a Danish Defence that reacts to changes with lack of aggression and focus. The adaptive cycle has given inappropriate answers to problems the organization does not understand. Already started to prepare the next round of defence agreement the focus should be on consolidating the structure thus being able to operate in a stable environment. Stability on the organizational structure will allow the organization to become an organizational defender concerning stopping the brain drain. This means that the strategic apex of the Danish Defence must be able to create the urgency around the situation that is needed, to influence politicians to support the process. While creating urgency to politicians the top management must create urgency amongst the employees and especially the employee groups that are likely to depart the organization for two reasons. The most likely group to leave the organization are the young officers that have been through up to secondary officer's schooling. They are expensive and experienced employees that are irreplaceable on short time basis, but they are also the direct leaders of the majority of the NCOs and manual level employees. Without competent leaders that believe in the organization's goals and praxis the NCOs and manual level employees will be left without leadership in times of turmoil, which will only increase the dissatisfaction and departure amongst those employee categories.

The Danish Defence is a traditional organization that has been a part of the Danish history for approximately 500 years. Many traditions and cultural aspect in the organization derives from historical battles where the Danish Defence either won or lost thus being a large part of how Denmark was shaped. Introducing a new structure should be seen as a new beginning where new and existing employees need to be informed about the changes and why they are made. We have yet to see the full effects of the structural changes to the Danish Defence human

resource system, as the implementations should be given 3-10 years to fully take their effects. The current strategy is from 2013 and has not been updated since the organization accepted the brain drain, meaning that it is not current. A HR strategy should be visible, precise and accepted by the employees which it only will be if it is up to date and considers future changes. The focus in this stage should be on consolidating the new strategy in the organization.

Without accepting that reducing the budgets will also mean a reduced operational capacity the top management will fail to create the urgency around the changes needed to stop the brain drain. The last three HR measurements have seen a rise in the dissatisfaction with the workload experienced by the employees. The employees are running faster in units where the unforeseen departure of colleagues has become more frequent, while trying to keep up the same level of output. The military units are organized to sizes where all employees perform a relevant task with a normal workload. When employees are missing in the unit, the task will not go away, but change hands. Being an organization where the top management have chosen the prospector, analyser or defending strategy this can be a motivating challenge for the employee however, when the organization is an adaptive reactor extra tasks will be seen as extra workload and create dissatisfaction and more brain drain. Accepting that some operational capacity reduction will be the natural outcome of large budget cuts will mean that the direct leaders can create urgency around keeping the existing units going and solve tasks that correlate to the allotted budget. This will bring back the balance of the organization and ensure that each employee performs relevant tasks according to their functional level.

The HR measurements show that the employees in the Danish Defence responds well to performing relevant tasks, but at the same time, the measurements showed that international missions had no statistical significant influence on retention. It is therefore a misunderstanding that a military organization, such as the Danish Defence, can create foundation for its own existence amongst its employees by taking part in international military missions. The conclusion from the HR measurements is that the more satisfied the employees are with their assigned tasks the more likely they are to be retained in the organization for the next two years. Focus should consequently be on the core production of the organization. If a unit is producing bridge building engineers that unit should be allotted the financial foundation, the correct equipment, enough time and the appropriate employees to train for this purpose. If the unit lacks the founding to take part in exercises or cannot access the correct equipment the individual employee will find less joy in the work and consequently the retention in the unit drops. Getting

rid of these organizational level push factors will need the focus of top management in order to stop the brain drain.

At the first HR measurement, shortly after the new HR strategy was implemented, the social capital was on par with the average on the Danish labour market, but two years later measurements shows the social capital to less than the Danish average. The HR measurements show that the social capital in the organization is dropping along with the increase of the brain drain. The decrease is found in the way tasks are distributed and how employees feel less trust coming from the leadership. The drop in social capital means that the knowledge network is being reduced and the employees feel the impact of having fewer experience colleagues to cooperate with.

The organization has a pool of employee where the majority are motivated by relevant tasks rather than pay, meaning the majority are from Herzberg's first category of employees. During normal times it would not retain the employees by introducing a larger reward for performance, however commitment could be restored by introducing regimes that reward the long term commitment. Such regimes were in place for all employees before the changes in the HR strategy, now effectively the only long term commitment regime that functions is reserved for the more senior officers. Reintroducing the civil servant's retirement plans to the organization was deemed too costly by the financial agreement in 2012, and consequently not coming back. The results of the HR measurements combined with the numbers for actual brain drain amongst officers show that when the employee have finished tertiary officers schooling the employee is unlikely to leave the organization. Similar employee commitment amongst the younger officers could be achieved by producing visible and clear carrier plans for each employee on a period of 5-7 years giving them a goal to work towards. The carrier plan could be supported by a reward-for-retention plan where the employee is rewarded for completing his carrier plan for the period. The reward-for-retention plan will counter the potential departure when the employee is finding himself less satisfied with his tasks, correlating to the HR measurements that shows the employees only find their salary to be a factor when they are less satisfied and motivated.

The Danish Defence is an organization that traditionally has been highly regarded amongst the Danish population. Mærsk and Lego have similar high recognition when it comes to comparing the success of an individual's professional life. While the organizational recognition often is forgotten when dealing with employee commitment, the HR measurements shows that this is an important factor when focussing on retaining employees. When news arrive that the

organization has trouble retaining its employees the damage is double. The first wave of brain drain have left and the survivors find their organization in bad press, which hurts the organizational reputation. Without interfering with the free press it is important that the organization works together with both media and interest groups, such as the unions, in order to find the correct message. It is important that the organization's reputation is such that an employee can recommend it as a workplace and identify with the purpose. This has been identified in the HR measurements and the Danish Defence is aware that its reputation matters when dealing with brain drain.

While the initial suggestions all focussed on how to stop the brain drain of those already employed by the Danish Defence it would be negligence to ignore the former and the future employees. Newly recruited employees could take some of the extra work impact that the current fully trained employees are feeling during the brain drain.

Former employees should be focussed for recruitment to the organization. They all left the organization for a reason, most of them would fall into the four groups of departure: the new adventure, the disappointed goodbye, the professional self-optimisation and the professional restart. The organization should find way to approach former employees whose departure falls into these four categories and find ways for them to recommit to the organization. This will put a demand on the recruitment structure to provide differentiated recruitment aimed directly at former employees. Most likely these former employees will have had gained competences outside the organization that can be utilized. This puts a demand on the military education regime to accept civilian acquired competences and levelling them with the military education. This should preferably be done on a structured level for the whole organization, so the employee can adjust his/her expectations before accepting employment once again.

7. Conclusion

Turning around an organization that employs approximately 19.000 people is not done over night and there is not a simple solution to the brain drain. The Danish Defence top management have not been helped by the fact that two consecutive defence agreements have made changes to the organization. The next defence agreement is two years away and it should be a consolidation of the changes made in the former two in order to give the top management a known environment to act in with regards to the brain drain. If the top management does not accept that budget cuts will have impact on the operational capacities it will fail to address the organizational-level push factors. The Danish Defence top management have two groups to address, the employees of the organization and the political parties. Failing to create urgency, both on political level and within the organization, concerning the changes that have started the brain drain will only increase the brain drain.

With changes that were made to the HR management system in 2013, the main long-term commitment incentives were removed in order to reduce cost. With the reduced cost known path of employee development disappeared. This came at the same time as the labour market saw positive development, which allowed an increase in pull factors from the labour market to reach a point where many employees left the organization. Without reintroducing the civil servant the Danish Defence must find other ways to produce long-term employee commitment. Introducing 5-year carrier plans combined with a pay-for-retention strategy could create long-term commitment by giving the employee a clear path of personal development.

The Danish Defence is an organization that traditionally has been held high in recognition amongst the population and the HR measurements show that this has influence on retention. Brain drain leads to bad publicity, which damages the reputation of the organization. The Danish Defence should address this issue with honest and open communication concerning the problem but also focus on the solutions that lies in the future.

The employees in the organization have become technical specialists rather than frontline soldiers. The leaders should be able to facilitate the specialists' work within their field of expertise and focus on the core production of the unit. The HR measurements show that the employee commitment rely on the employees having relevant tasks. Without having relevant tasks and finding joy in the work, the employee commitment will further decrease and the brain drain will continue.

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