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- Home
 - Defense-Wide
 - Aerospace
 - Land Forces**
 - Naval
 - Spec Ops
 - Homeland Security
 - VA / MILMED
 - Multimedia
 - Profiles
-
- Army Corps of Engineers
 - Army Materiel Command
 - Aviation
 - Conflicts & Operations
 - Interviews
 - Programs & Tech
 - Unmanned Systems

The Officer Market

Could private-sector-style human resources management benefit the military?



Written by: **Eric Tegler** on February 25, 2011

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Defense - Land

A U.S. Army cadet attends a commencement ceremony at the U.S. Military Academy at West Point, N.Y., May 23, 2009. DoD photo by Master Sgt. Jerry Morrison, U.S. Air Force

The sound of a crisp drum roll at Fort Knox last Oct. 14 signaled the commencement of one of the Army's most oft-repeated traditions – a change of command ceremony. On this day, Maj. Gen. Sean J. Byrne symbolically passed the flag to Maj. Gen. Gina S. Farrisee, the incoming commanding officer of the Army's newly centralized Human Resources Command. As Old Glory was exchanged, Tim J. Kane was in the midst of finishing an essay titled "The Entrepreneurial Army: A Survey of West Point Graduates."

A senior research fellow at the [Kauffman Foundation](#) – a Kansas City-based think tank – Kane is also an economic analyst, [blogger](#), Air Force Academy graduate, and former U.S. Air Force intelligence officer.

Published in early January, Kane's essay questions whether the U.S. Army's most innovative officers are recognized, promoted, and retained by its personnel system. The paper reports the results of a survey of 250 West Point graduates. Over 90 percent of respondents believe the Army fails to retain half or more of its best officers, with a majority believing this harms national security and creates a less competent general officer corps.

The survey comes at an interesting time for the Army, which is not only engaged in Afghanistan and Iraq but is in the midst of a two-year effort to transform itself structurally and culturally to a business-modeled "enterprise approach" to leadership and logistics management. As eagerly as the Army (and U.S. Navy) has pushed to adopt private-sector-style Lean Six Sigma processes and Enterprise Resource Planning, it has focused comparatively little philosophical attention on human resources (HR) management.

That is likely why it failed to retain John Nagl, Kane says. The author cites Nagl as a prime example of the experienced and innovative officers the Army does a poor job of retaining. A Rhodes Scholar and tank-battalion operations officer in Iraq, Nagl assisted Gen. David Petraeus in writing the Army's new counterinsurgency field manual, credited with bringing Iraq's insurgency under control. Despite Nagl's considerable influence on and within the Army, as well as his reputation as a skilled leader, he retired in 2008 as a lieutenant colonel.

A 2010 report from the Strategic Studies Institute of the Army War College concludes that officer advancement, since the late 1980s, has been adversely affected by "plummeting company-grade officer retention rates" with the loss of a large proportion of high-performing officers. The private sector is making no such mistakes, Kane points out. In fact, male military officers are almost three times as likely as other American men to become CEOs, according to a 2006 Korn/Ferry International study.

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The American Society for Human Resource Management certainly agrees. Among the key findings in a survey it released in January ("Recruiting Veterans With Disabilities: Perceptions in the Workplace SHRM Poll"), which queried 1,083 HR professionals were that 68 percent of organizations reported that they hired a veteran in the past 12 months and a further 67 percent of HR professionals reported that their organizations included veterans in their diversity plans/policies.

In 2011, Nagl leads a Washington think-tank but still bleeds olive drab, Kane observes. "The funny thing is, even as a civilian, he can't stop talking about the Army – 'our Army' – as if he never left. He won't say it outright, but it's clear to me, and to many of his former colleagues, that the Army fumbled badly in letting him go."

Kane cites other examples in his study supporting the notion that the private sector highly values the innovative, "entrepreneurial" qualities that Army and military officers in general develop. His survey of 250 West Point grads included both veterans and active-duty officers. Among active-duty respondents, 82 percent believed that half or more of the best are leaving. Only 30 percent of the full panel agreed that the military personnel system "does a good job promoting the right officers to general," and a mere 7 percent agreed that it "does a good job retaining the best leaders."

Why are these perceptions so prevalent? And if accurate, why does the Army fare so poorly in retaining talent? We chatted with Kane a little over a week after "The Entrepreneurial Army" was released. By that time, he said the essay had already generated more response than anything he had ever written.

We asked Kane about the survey's main findings – that ex-military officers are more likely to become C-level executives than their civilian counterparts and that the majority feel that promotion is too biased toward seniority rather than merit. What, we said, was new about that? The first seems relatively intuitive and the second has become almost a cliché.

"That second one was kind of a surprise," Kane maintains. "The Army has become very bureaucratized. The legend is that the Army used to be a lot better, but you have to go all the way back to World War II when it was really good at promoting people on the spot. It wasn't just promotion moved up a few months. It was saying, here's a guy with general potential, let's put him in charge of a tank battalion or something. That era is gone. When I surveyed the troops, I was very surprised at how frustrated they were."

Nevertheless, Kane acknowledges that many good officers remain.

"I would caution that I don't like the conclusion that all the best officers are leaving ... I think there's a bleeding of talent, but there's an internal bleeding of talent as well. There are a lot of good people still in the military, but they're frustrated. Their talents aren't being matched well with the jobs that they're doing."

Many of those jobs are in Afghanistan and Iraq yet the stress of those conflicts is not singled out as the primary motivator for officer separations from the Army. How, we asked Kane, is the impact of that loss of talent different today than it was in the 1970s when a similar drain was decried?

"I think it's fair to say that the quality of today's soldier is phenomenally better than in history. The military moved to a professional service after Vietnam. They went to an all-volunteer force. The only way they found that they could attract people to volunteer was to make it a pretty good deal. The pay got better, the conditions got better. Hazing was famously severe no matter where you went. That has turned around and the military is a better organization that attracts better people."

"That said, many people recognize that the reforms were exterior reforms. Internally, it's still very much a command-and-control military. For example, you have almost no control over your career. They may slot you initially as an infantryman, but it's hard to distinguish yourself. It's almost impossible to get promoted or even to specialize to the degree that you could in the private sector."

Might the shift to a volunteer force have actually reinforced the seniority-based promotion system? Kane believes so, though he points out one must distinguish between the officer corps and enlisted force.

"Even so, at the officer level there is a reinforcement of the 'do-your-time, have your job stability' idea. Part of that is linked to what we might think of as a defined benefit retirement plan. You hit 20 years, you get half pay for the rest of your life and medical benefits.

"That's not exactly retaining your risk takers, who think they could get out and forgo the retirement but have potential not only to make more money but to have self-fulfillment. That's a shame. The Army should be more focused on attracting the hard chargers and not the safe players."

How? Kane says it might do so by putting in place a promotion system that rewards "Entrepreneurs in Uniform" – an internal job market.

Three-quarters of those surveyed favored this proposed policy change over the current centralized management of promotion and job assignments. An internal job market would in most respects mirror the private-sector job market and would address one of the key complaints of the West Point graduates: the lack of opportunity to specialize.

Under the current system, company and platoon commanders are often "promoted" to staff jobs – transferred from commanding troops in battle to working behind a desk on a general's staff – even if they'd prefer to specialize in a lower-ranking position they enjoy. Rather than take an advancement they don't want, many simply leave the Army.

An internal job market, Kane explains, "would give each commander sole hiring authority over the people in his

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unit. Officers would be free to apply for any job opening. If a major applied for an opening above his pay grade, the commander at that unit could hire him [and bear the consequences]. Coordination could be done through existing online tools such as monster.com or careerbuilder.com [presumably those companies would be interested in offering rebranded versions for the military]. If an officer chose to stay in a job longer than normal – ‘I just want to fly fighter jets, sir’ – that would be solely between him and his commander.”

It’s an interesting idea to be sure, but might it funnel less dynamic officers to staff jobs, thereby tamping entrepreneurialism in meaningful decision-making? Kane says he doesn’t think that’s a concern.

“I think the system would quickly adapt. For example, if I’m at the Pentagon and chairman of the JCS [Joint Chiefs of Staff] and I need someone on my staff with battlefield experience in Afghanistan, I’m going to get that. It’s a matter of commanders setting requirements for their positions ... you set your requirements at the hiring level, not at some central planner level where they try to match warm bodies with open spots. There’s an over-emphasis on requirements, not really an emphasis on matching supply and demand, and as we pointed out, volunteering and desiring to be in a certain place.

“I have a feeling the guys who want to work on staff are going to go to staff and be kept if they’re good at it. Those that want to fly fighter planes are going to go the fighter plane spots. This could help sort out where people want to be. The most exciting aspect of this is that there are just too many people who love being company commanders who don’t want to get ‘promoted’ to staff jobs. They want to lead troops in battle. The Army would figure out quickly who wants to be on the battlefield. It makes the all-volunteer force volunteer, not just at the entry door but volunteer all the way through.”

One of the most pressing issues for the Army and its sister services is labor cost. Could an internal “officer market” help cut personnel costs by cutting people?

“Oh yeah,” Kane says. “When the military has cut in the past, they’ve often done it inefficiently. They’ll offer retirement bonuses – retire early, get \$100,000 – just get out of the military. Those reductions in force that are all carrot just end up drawing talent out of the services. That’s a ridiculous approach. Jack Welch [former General Electric CEO] would certainly scowl at that and say you need to constantly keep your sharpest tools in the toolbox and get rid of the dull ones.

“That means you have to make hard decisions, and it’s politically incorrect to say some people need to be cut or aren’t a good match at this point in their careers. It doesn’t mean you kick them to the curb. You take care of them transitioning out, but let’s identify the best officers from day one and have a weeding out process. The military has proven not to have the courage to weed out its weak workers.”

In addition to giving the Army more flexibility in dealing with personnel costs, Kane suggests an internal job market could better shape its officer corps to deal with new conflicts.

“The nature of warfare changes. It’s automating. Just look at what’s happening to pilots with the introduction of robotic aircraft. You can’t predict how warfare will change five to 10 years from now. What you need is a flexible system where you have the units, the individuals, the agents that are into that stuff on their own. Hopefully, the guys who are excited about cyber-warfare 20 years ago are still in.

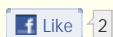
“But I’m afraid they’re not because the military didn’t utilize or place those people. Even the commanders who might have wanted to hire some people like that had to go convince the personnel command to create a new job type. It’s nonsense. If you had a more dynamic system, you could adapt much more quickly to threats in the future and to this very different war we’re in right now.”

Could the services restructure their approach to officer advancement and personnel management? There’d be resistance, Kane says, but he also asserts that the present system is in need of reform.

“There’s almost universal agreement that the personnel system can be improved. You may not agree with all the reforms in the study or the ideas I have, but there are some simple things we can do to make the personnel system better. It’s not that hard to change.”

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