Foreword by Secretary of State George P. Shultz

TOTAL VOLUNTEER FORCE

Lessons from the US Military on Leadership Culture and Talent Management

TIM KANE

Total Volunteer Force

BLUEPRINT FOR PENTAGON PERSONNEL REFORM

SUMMARY REPORT

Tim Kane

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Foreword

Over forty years ago, Milton Friedman and his friend Martin Anderson put forward the idea of ending the draft and recruiting volunteers for the armed forces. Because the draft ended in 1973, the concept of the volunteer armed forces can now be said, unequivocally, to have succeeded. The nation has been privileged to have talented young men and women volunteering to serve in our armed forces and maintaining our national security.

The ironic thing about the All-Volunteer Force is that those who enter the armed services volunteer only once—when they join. After joining the armed forces, their careers become subject to a variety of regulations, regardless of their own preferences. Commanders and service chiefs have little control either, because the law now requires that assignments are made by centralized bureaucracies and that promotion timelines are identical for each service. Isn't it about time that someone took a look at this situation and made some suggestions?

Well, someone has. Tim Kane has thought about this issue and has provided us with a blueprint of how our volunteer forces can be improved. This is a worthwhile endeavor because it will undoubtedly enhance the quality, readiness, and efficiency of the work done by our armed forces, whether in combat or in manning the posts that help secure our borders and our interests around the world.

Tim Kane has done us a service in writing this report, and his work leads to other issues that must be addressed. One of the problems of

the Pentagon's current personnel system is that pensions and health care costs for retirees are growing at a rate that, if nothing is done, will require a huge portion of the defense budget that is needed to support our national security. It is clear that the health care system is in need of reform, and the growing use of health savings accounts is one step in the right direction. In this volume, Kane effectively takes on important aspects of the pension problem. Replacement of the current pension system of defined benefits with one of defined contributions, in which individuals match government contributions, would remove the pension liability overhang.

This change is also notable because it would help preserve the concept of volunteerism. The current system almost ensures that an individual in the armed forces will stay for twenty years and, often, not a day longer, because that is when the pension system kicks in. Under the Kane system (increasingly used by private US employers), there is no such turning-point date, so a spirit of volunteerism and its benefits can continue indefinitely. He has other suggestions for compensation reform that are worthwhile as well, rooted in ideas that many other economists have written about for quite some time, notably our fellow Hoover Institution colleagues Eric Hanushek and the late Martin Anderson, who was himself the godfather of the 1973 reforms. Incentives matter. And the military has for too long incentivized seniority at the expense of merit, talent, and skills for the twenty-first-century security environment.

GEORGE SHULTZ
Thomas W. and Susan B. Ford Distinguished Fellow, Hoover Institution, Stanford University
US Secretary of State (1982–89)
Captain, US Marine Corps (1942–45)

Introduction

Two of the most recent defense secretaries have identified the Pentagon's underperforming personnel bureaucracy as the top challenge hindering military commanders and the men and women in uniform. In his farewell speeches and memoir, Robert M. Gates, who was appointed secretary of defense by President George W. Bush in 2006 and reappointed by President Barack Obama, asked how the Army "can break up the institutional concrete, its bureaucratic rigidity in its assignments and promotion processes, in order to retain, challenge, and inspire its best, brightest, and most battle-tested young officers to lead the service in the future?"[1] Ash Carter highlighted recruiting and retaining talent as his top priority during his first speech as secretary of defense, even naming the effort the "force of the future."[2]

This report endeavors to, first, identify the underlying causes of personnel dysfunction in the US armed forces and, second, propose a set of reforms.

The proposed blueprint aims to move Pentagon personnel policies further along the spectrum of volunteerism, away from the coercive structures that have outlived their purpose after the All-Volunteer

Force (AVF) was implemented in 1973. The Total Volunteer Force (TVF) envisioned here would emphasize greater individual agency during all stages of a US military career, not just the first day of enlistment. More important, by decentralizing personnel processes, the TVF will restore to colonels and captains the command authority that has been missing since the misguided centralization of the 1960s neutered operational flexibility for the past half century.

TVF reforms are fundamentally aimed at getting the right people in the right jobs. Service chiefs would have new authority to change promotion timetables, allow greater specialization, allow lateral reentry of veterans to active duty, and increase the hiring authority granted to unit commanders. Improving performance evaluations is another TVF recommendation, which can enhance individual morale and development but is essential information for improved job-matching. Thirdly, TVF recommendations aim to improve military compensation, which is rife with costly disincentives.

The TVF will extend the core values of volunteerism and professionalism and, like the AVF, will save money. Gains in efficiency should not increase costs, not even in the short term. That is why this report focuses its recommendations on reformed (and restored) processes and authorities rather than on expensive new programs. Reducing coercive personnel processes will reduce compensation needed to push people around.

This is possible because the AVF did not end the use of coercion in the ranks—it only ended it at the accessions gate. Since 1973, coercion has remained the dominant management technique for military HR. Personnel are given orders and their careers are managed centrally, rather than personally. Compensation has been shaped to reinforce coercive control. Most plainly, the twenty-year cliff pension enhances retention with the crudest financial tool.

The armed forces deserve flexibility to move away from extreme centralization, but the goal is to offer options and balance. The re-

former's central dilemma is how to improve the military without sacrificing invaluable traditions. That dilemma can be easily resolved if the reforms are not mandates at all, but simply structured as the removal of stifling mandates in current law and a restoration of service chief and commander authority over personnel policy.

SECTION ONE

Recommendations

Twenty specific recommendations are presented here. Each TVF recommendation is independent, meaning that one could be successfully implemented alone and it would improve readiness. They cover three main areas: job-matching, compensation, and performance evaluation. In nearly every case, the recommendations will give more flexibility to every service so that, for example, the Marines can hold firm to the personnel structure in place right now, while the Army can transform across multiple dimensions of talent management.

Roughly half of the recommendations could be implemented with current legal authority, but half require legislative action. Indeed, the most fundamental flexibilities needed to get the right talent to the right jobs can already be implemented: restoring command authority over hiring, implementing web-based job-matching, and extending tour lengths. Likewise, only a few involve monetary costs, whereas the bulk of the reforms have zero fiscal costs and will likely be net-positive in terms of budget impact. Longer careers with higher morale and productivity will yield a stronger military with a lower initial recruitment demand. That will save money but also enable the services to be increasingly selective.

TABLE 1.
Personnel Reform Recommendations Matrix

	Evolutionary	Revolutionary
Assignments	Restore Command Authority for Hiring & Dismissals Give More Career Control to Individuals / Increase Tour Lengths Implement Web-Based Talent Management / Expand Information Transparency	Restore Service Chief Authority over Promotion Timetables / Flexible Rank Tenure Allow Veterans and Reservists to Apply for Active-Duty Roles Allow Flexible Sabbaticals
Performance Evaluation	Use Flexible Ranking in Performance Evaluations	Implement Simple, Multisource (Peer) 360-Degree Evaluations
Compensation	Expand Pay Flexibility Retirement Benefit Payments Should Be Later and Larger Training and Education Flexibility	Transform Base Pay from Tenure to Role and Responsibility Expand Retirement Options

Source: Author

The first twelve recommendations focus on various aspects of job-matching, including promotions, permeability, and the end of draft registration. A central tenet of improved talent management is to give more career control to individuals, but the unproductive cultural norms embedded in the current personnel system—such as relentless permanent-change-of-station (PCS) moves and careerism—will not change without legislation to amend the rigid "up-or-out" timeline set in 1980. Two recommendations offer solutions to performance evaluations, a problem that plagues organizations of all types. The next five recommendations (15–19) touch on compensation reform. Perhaps the most important recommendation is the last one: a plea to the Defense Department and services to conduct a thorough, honest, measurable, regular review of personnel practices.

1. Restore Service Chief Authority over Promotion Timetables

The "up-or-out" principle is so rigid according to the 1980 Defense Officer Personnel Management Act (DOPMA) that every branch of the armed forces promotes officers on the exact same timeline for a decade or more. This law should be revised to allow service flexibility so that the Chief of Staff of the Army, Commandant of the Marine Corps, Chief of Naval Operations, and Chief of Staff of the Air Force can establish promotion rules that are best for their men and women. Even if the Army prefers to maintain the rigid timeline, the Navy (for example) would be allowed to loosen its up-or-out timeline, while the Air Force would be able to end the use of year-group promotion zones entirely.

In general, promotion zones hinder the optimization of job-matching and specialization. Furthermore, if mandatory timelines remain in place, then other reforms will be impeded. However, one mandate should not replace another: each service should be allowed the flexibility to continue using strict cohort promotion zones. If Congress does not amend DOPMA's mandatory up-or-out timelines, it should at a minimum loosen the rigidity of the promotion zones by offering service chiefs flexibility on the issue. Each service should have expansive authority to use below-the-zone promotions for up to 40 percent of its officers in each cohort (double the current range).

Legislative action by the Congress is necessary to authorize this.

2. Restore Command Authority for Hiring

Any commander at the rank of O-5 and above should be given final authority on who serves in his or her unit. Personnel centers/commands will provide a slate of no fewer than three candidates for the unit to interview and choose from for key roles. Commanders should have limited authority to directly hire, whereas most hires will be through the centrally provided slate of candidates. Many key

developmental roles should still be directly assigned centrally—meaning that a single candidate shall be recommended by personnel centers in many instances (e.g., honoring follow-on assignment commitments)—but the unit commander should retain the right to veto a limited number of such assignments.

Each service currently has authority to do this.

3. Restore Command Authority for Dismissals

Allow faster dismissals and quick replacement. Currently, the only way most commanders can remove an individual from the unit is through disciplinary proceedings, and even then they must engage in a lengthy, punitive, and bureaucratic process. The armed forces should empower commanders with a flexible array of options, distinguishing between disciplinary actions and unit fit. The critical missing piece is simply to allow a dismissal for fitness—an action that would not reflect negatively on the service member and would involve a balanced, but less bureaucratic, process. The commander should have discretion to remove (or simply shorten the tenure of) any individual in the unit on the basis of personnel fit, which is distinct from performance and would not circumvent the Uniform Code of Military Justice. Moreover, dismissals and firings of individuals currently leave a hole in the unit that remains unfilled, which penalizes commanders. The dismissal process must be fixed to allow quick replacement.

Each service currently has authority to do this.

4. Give More Career Control to Individuals

Allow individual service members with more than five years of service to:

(1) Opt out of the promotion cycle in order to specialize in their current role or to apply for roles at their current rank.

This would allow, for example, aviators to stay in the cockpit, cyber warriors to remain in critically understaffed positions, and combat commanders to extend their tours during wartime operations in which continuity is vital for mission success.

(2) Turn down the first assignment in a slating cycle without prejudice and with no mark on their record.

(3) Apply for any assignment for which they are qualified. One avenue that should be encouraged is to allow individuals to query unit commanders and HR officers about open and forthcoming jobs.

Each service currently has authority to do this.

5. Implement Web-Based Talent Management

Efficient job-matching requires an information system that makes available jobs (requirements) visible with details about location, unit, role, commander, and more. Likewise, gaining commanders need deeper information about available individuals to optimize matching of faces to spaces. Both sides of the equation need an easy-to-use, unclassified online system, as demonstrated in the Army's "Green Pages" pilot project.

Each service should adopt information technologies that enable troops to enhance their profiles and signal preferences for jobs. The online systems must allow both sides to add supplemental information (e.g., simply allowing individuals to describe additional skills and licenses they have that are not part of existing military records). And the systems must incentivize participation by both sides; a lack of incentives for gaining units will leave most roles ill-defined. These technologies are highly developed in the form of existing, free websites such as LinkedIn and guru.com (among many others).

Optimal job-matching (slating/detailing/assignments) can be decentralized in multiple ways without being completely localized. The status quo for job-matching is generally conducted in discrete periods (usually two or three times) each year, which should be converted to a continuous process. Decentralization allows a dynamic interaction between the supply and demand for troops. Therefore, military personnel commands (e.g., Air Force Personnel Center, the Army's Human Resources Command) should maintain a continuously updated listing of open positions with minimum qualifications. Any qualified individual should be able to express interest in any job.

Each service currently has authority to do this.

6. Expand Information Transparency for Job-Matching

Centralized personnel processes in place constrain information to an extreme degree so that gaining commanders know very little about incoming personnel, and even promotion boards are permitted to see only a fraction of the information available. The current standard is for gaining commanders to be given access to job histories (Officer Record Briefs in the Army), but not performance evaluations or other background. Each service should allow greater transparency and record preservation so that gaining commanders at all levels (division/brigade/battalion) see all possible information on individuals who are inbound or applying to their units. Commanders should be allowed to request additional information to include LinkedIn profiles, letters of recommendation, and communications with references. Likewise, command selection and promotion boards should have broader authority to see this information as well.

Each service currently has authority to make this reform, although legislative language should be simplified.

7. Grant Cyber/Acquisition Workforce Exemptions

The cyber domain has emerged as one of the top threat and battle spaces that conventional military forces were neither aware of nor prepared for a decade ago. Cyber skills are in sudden demand and, like acquisition skills, are ill-served by conventional military personnel rules. United States Cyber Command, currently headquartered at Fort Meade, Maryland, should be granted exemption from the DOPMA standardized "competitive category" career structure as a unique and critical workforce. The same exemption should be granted to active-duty personnel in the acquisition workforce. Exemptions would free members from promotion timetables, tenure requirements, and compensation limits.

Legislative action by the Congress is necessary to authorize this.

8. Increase Tour Lengths

In general, tour lengths should be increased in order to reduce rotation costs and burdens. Congress has already encouraged this action in recent hearings and reports. The services should go further to cement this principle as follows: allow individuals to extend current tour length for one to two years, even on a recurring basis, so long as each extension is approved by the chain of command. This ability would not be allowed for key leadership and development roles and would be limited to ranks above E-4 and O-4. An expanded structure would code each job in the military with a minimum and maximum tenure to allow more careful career planning by individuals.

Each service currently has authority to do this.

9. Increase Rank Tenure and Career Lengths

Services should be given more flexibility over rank tenure. For example, a service should be able to allow any service member the

option to stay at any rank for the remainder of his or her career. This reform would go beyond ending rigid promotion timelines and would, in fact, allow an open-ended timeline and longer careers of forty years or more instead of the current thirty-year cap. The only standards for continuation of service should be competence, performance, and the support of the command chain. To avoid the pre-1941 problem of excessive seniority, all service members would have to continually reapply and be rehired into any billet on a biannual basis.

Legislative action by the Congress is necessary to authorize this.

10. Allow Veterans and Reservists to Apply for Active-Duty Roles

Allow veterans and reservists to apply for open billets at any rank below general/admiral (O-7). The current lack of permeability eliminates from military jobs millions of fully qualified citizens who have already served honorably on active duty. If any veteran or reservist is physically and occupationally qualified, he or she should be part of the talent pool that the services can access. This would permit lateral reentry limited to honorably discharged veterans, not lateral entry of civilians with no military experience. Although reentry of a few individuals occurs under current laws, they are rare exceptions to the rule.

This recommendation raises a larger issue about the structure of the Reserves, including active Reserve positions and the Inactive Ready Reserve. A modernization of the Reserves with an eye toward greater permeability and flexibility is due.

Legislative action by the Congress is necessary to authorize this. This reform in particular requires a careful consideration of pension structure and would be easily enabled by creating a distinct non-pension compensation option.

11. Allow Flexible Sabbaticals

Another kind of permeability can be achieved by allowing active-duty troops to take unpaid sabbaticals. A range of sabbatical options should be available, including (1) nascent programs that contract the individual to return to active status after a set period but also (2) open programs that offer individuals a right of reentry to active status within a set period of time that also amends their year-group. Current sabbatical programs tend to be inflexible. They should instead offer maximum control to individuals to have a choice over occupational and geographic preferences, rather than forcing them to pre-commit to return with uncertainty about those factors.

Each service currently has authority to offer sabbaticals, but full flexibility requires broader reforms to compensation, promotion, and assignment processes. Legislative action by Congress is necessary to implement this fully.

12. End Selective Service (Registration for Draft)

Eighty-six percent of active-duty troops are opposed to manning the force with conscription. Draft registration became irrelevant in 1973, when the All-Volunteer Force was enacted, but was maintained in case the AVF failed. President Gerald Ford terminated the program in 1975, but President Jimmy Carter reestablished it in response to Soviet aggression. The Cold War is over, yet the AVF proved doubters wrong by successfully manning a high-quality force during the past decade of war. It is long past time to recognize that the draft is an outdated concept, particularly in light of comprehensive reliance on high-skill human capital in the modern professional military. First enacted in 1917, selective service should be terminated on its hundredth anniversary, saving taxpayers $24.4 million a year and registrants millions of hours of wasted time and other resources. The prospect of a future national

emergency that requires conscription should not be ruled out, however, so an emergency infrastructure should be maintained.

The Department of Defense (DOD) should retain a draft reinstatement plan for national emergencies, which would provide for a draft to be implemented if ever necessary.

A proclamation by the president or legislative action by Congress is necessary to authorize this.

13. Use Flexible Ranking in Performance Evaluations

Highly inflated performance evaluations are destructive and common in all fields, but nowhere are they more unbalanced than in the US Army and Air Force. The services should create new performance evaluations that extend the Navy and Marine Corps approach of norming by the primary rater's average. Other flexible approaches can also optimize performance differentiation while avoiding the deleterious effects of forced rankings.

Each service currently has authority to do this.

14. Implement Simple, Multisource (Peer) Evaluations

Military units should utilize peer evaluations of performance for development as well as input to formal performance ratings, awards, and compensation. Nobody knows more about performance than peers, so these evaluations should be designed simply enough to allow the principle of "everyone rates everyone" in a unit. One way to do this is to ask each unit member to circle the names of the top five peers. To avoid bullying, constructive feedback could be offered, but it would be visible only anonymously to the rated individual.

Each service currently has authority to do this.

15. Transform Base Pay from Tenure to Role and Responsibility

The services should use occupational and skill bonus pay much more aggressively. Furthermore, the Pentagon base pay formula

should consider ending tenure as a pay criterion altogether and instead use a role and responsibility supplement for each service member. The role bonus would comprise increments for skills and occupation (rather than skills alone). This authority would allow services to compensate the individuals who take on tougher jobs (including command) that involve higher career risk, longer hours, and greater stress. On principle, there is no reason to pay a senior O-3 in an easy job more than a junior O-3 in a demanding job, and the same principle applies to E-5s, O-5s, E-6s, and so on.

Legislative action by Congress is necessary to fully authorize this, though some degree of merit pay can currently be implemented by the services.

16. Expand Pay Flexibility

The armed forces currently use bonus pay as compensation for certain hazardous, remote, and otherwise challenging jobs, though on a very limited basis. This should be expanded to enable decentralized job-matching in an even manner to prohibit local favoritism. Jobs that remain unfilled after a given time should be paid more using a program that already exists: assignment incentive pay (AIP). Wage flexibility is a core principle in labor markets, which is why challenging jobs in less desirable locations such as deep-sea fishing in Alaska are paid relatively more than others of equal skill. The military practice of ordering individuals to take highly unpopular jobs in unpopular locations is inefficient for the mission and harmful to morale.

In order to fill jobs that are open for long durations, services should establish automatic bonus pay programs that would increase each month. For example, an unfilled requirement could be designated with five priority levels. A priority three job, unfilled after sixty days, would automatically include a onetime cash

incentive pay (CIP) of $3,000. The CIP could be increased proportionally at 120 and 180 days and could also include additional days of leave. After 180 days, qualifications should be relaxed to allow individuals one rank lower to apply. The use of requirement priority levels is a valuable information signal to troops and managers about which roles are in fact critical to the mission and where priority shortages truly exist.

Each service currently has authority to do this.

17. Pension I: Make Benefit Payments Later and Larger

The standard military twenty-year cliff vesting creates a perverse incentive for active-duty troops to immediately leave at the twenty-year point in order to begin drawing their pensions (50 percent of base pay, reduced to 40 percent under Military Compensation and Retirement Modernization Commission reforms). A smarter approach would offer the pension payments starting at age fifty-five or ten years after the retirement cliff vesting date, whichever is sooner. To balance the "lost" funds, monthly payments should be increased proportionally. This adjustment would not affect disability or other payments and should not be applied to active-duty troops with more than ten years of active-duty service.

Legislative action by Congress is necessary to authorize this.

18. Pension II: Expand Retirement Pension Options

In 2015, Congress enacted a significant reform to the military retirement system that will apply to new service members. The reform reduces the traditional defined benefit (DB) of 50 percent of base pay to 40 percent and adds a supplemental defined contribution. Although an important step, the reform's impact is likely to be negligible because no cohort's behavior will be affected for a decade or more—and, even so, the twenty-year cliff is unchanged. To sever fully the coercive nature of the DB pension on active-

duty troops, entering service members should be given a menu of choices during the first year at their first operational assignment:

- Standard retirement plan (this is the status quo, with 40 percent DB and a small, matched savings asset)
- Fifty-fifty retirement plan (25 percent DB and a medium-size savings asset)
- Full savings plan (large defined contribution plan with a large match)

Legislative action by Congress is necessary to authorize this.

19. Allow Training and Education Program Flexibility

A severe constraint on service flexibility is the Joint Federal Travel Regulation (JFTR) because it requires any program that lasts fewer than six months to be compensated with expensive "temporary duty" travel pay. Consequently, the services design most training programs to be longer than six months, requiring service members to incessantly move their permanent base locations. This regulation should be amended so that a greater variety of broadening programs can be offered. For example, active-duty troops could have the option to participate in congressional and business internships, or other brief training programs, without per diem reimbursement. To be clear, this would not mandate the end of temporary duty compensation, nor would it mandate any service branch to change its education and training programs—it would simply allow services more options to design/redesign training and education opportunities for members.

Legislative action by Congress is necessary to authorize this.

20. Conduct Regular Personnel Policy Assessments

The DOD should conduct a regular, transparent assessment of leadership culture and talent management in the armed forces.

The goal is to assess broad organizational features, not traits of individual commanders and/or units. An initial methodology—the Leader/Talent matrix—serves as a prototype for such an assessment. Systemic reviews of personnel practices should be conducted every four years, alternating between the Quadrennial Defense Reviews (QDRs).

Service chiefs should institute a similar assessment of leadership and management practices in the form of exit surveys of service members upon discharge. The exit survey should include hard-hitting questions that evaluate strengths and weaknesses quantitatively, rather than open-ended questions.

The DOD and services currently have authority to do this.

SECTION TWO

Analyzing the Problem

It is time to reevaluate whether the Defense Officer Personnel Management System, commonly referred to as DOPMA, continues to meet the needs of our military services.

—SENATOR JACK REED, RANKING MEMBER OF THE SENATE ARMED SERVICES COMMITTEE, DECEMBER 2, 2015

What is wrong with the Pentagon's personnel system? Perverse incentives distort the shape of the force and misdirect talented volunteers to career choices they would not make if free to choose. A partial list of the frustrations expressed by the troops includes seniority trumping merit in promotions, seniority trumping merit in compensation, rigid promotion timelines, inflated performance evaluations that cultivate zero-defect risk aversion, incessant rotations to different jobs and locations, and a careerist culture to "get to twenty" that is defined by the rigid career path. These all start at the top (legal authority to make personnel decisions), not the bottom (culture of the workforce). Neutered command authority over personnel decisions makes it difficult to match the right people with the right jobs, hurts readiness, and prevents toxic and predatory individuals from being weeded out of the ranks.

Respected scholars at the Army War College, West Point, and elsewhere describe the current Pentagon system—a one-size-fits-all inflexible set of regulations that binds each branch—as industrial-era or feudal in nature. The fact that two of the most recent secretaries of defense prioritized personnel issues is a reflection of longtime frustrations in the lower ranks. "The management system created in

1947 to serve a draft military is falling behind the demands of the 21st century all-volunteer force," wrote Marine veteran Jesse Sloman in the *National Interest*.

The management literature offers no simple answers for the armed forces. However, asking direct questions of employees offers a way to think about defining the problem.[5] I designed a broad matrix for the assessment of two dimensions of an organization: leadership culture and talent management. The two are different but not opposites.

The Leader/Talent matrix includes forty elements spread across five leadership categories and five management categories. Categories in the cultural dimension are independence, development, purpose, values, and adaptability, which contrast with talent management categories such as training, job-matching, promotions, compensation, and evaluations.

The basic structure of an element is a descriptive statement. Respondents are asked to evaluate their employer in terms of each element using a five-point scale. For example, one element is "Young leaders are given serious responsibilities." The five possible responses are "always true" (2), "often true" (1), "sometimes true/neutral" (0), "often false" (–1), or "always false" (–2).

The Leader/Talent survey was deployed in mid-2014 using an online survey platform that promised anonymity to respondents. On April 1, 2015, the *Military Times* included another public link to the survey in its daily "Early Bird Brief" e-mail newsletter; that link was also posted by the prominent MarginalRevolution.com economics blog.

Figure 1 shows an overview of survey results by category. The 360 active and veteran respondents who evaluated the US armed forces gave high marks to leadership culture and low marks to talent management. The strongest categories were values and sense of purpose in the military; the weakest categories were job-matching, promotions, and compensation. For example, one of the lowest average marks by military members was on the statement "Pay is closely aligned with performance."

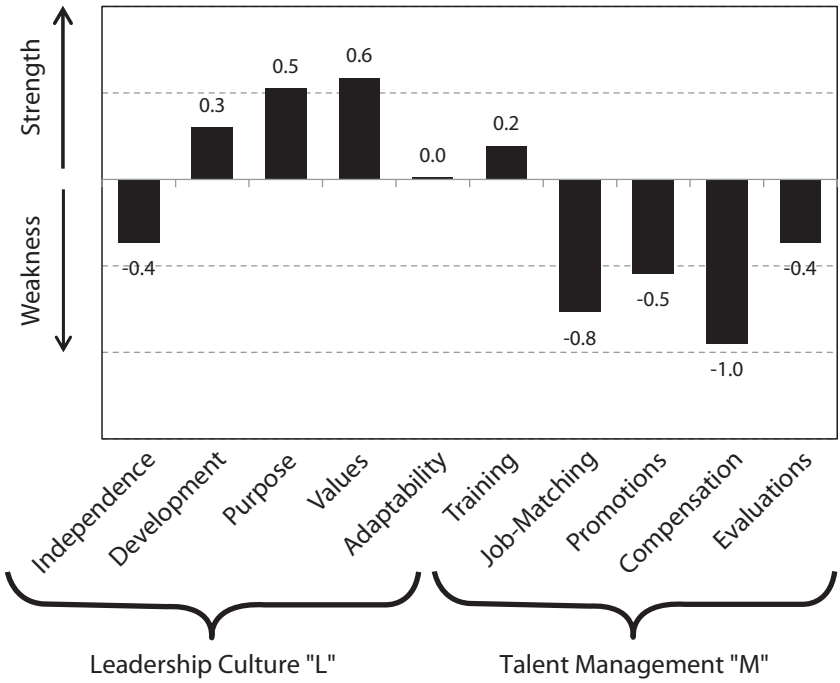

FIGURE 1. Leader/Talent Scores for the US Military
Source: Author's Leader/Talent survey

There are 566 respondents in the final, clean dataset (including 167 who provided assessments of two different employers), yielding 733 total unique observations. Of those, 360 served on uniformed active duty (others worked for the military in a different capacity). Active-duty respondents in the sample made up three-quarters of military observations and were *more critical* than veterans, consistently across ranks, including veterans who served until retirement (twenty-plus years of service).

Figure 2 presents the scores of the three largest US military branches across all ten categories. The average US military score across all leadership elements was +0.5, whereas the average talent management element was −0.5. The highest scores are in the values and purpose categories. In general, the USAF sample has more negative

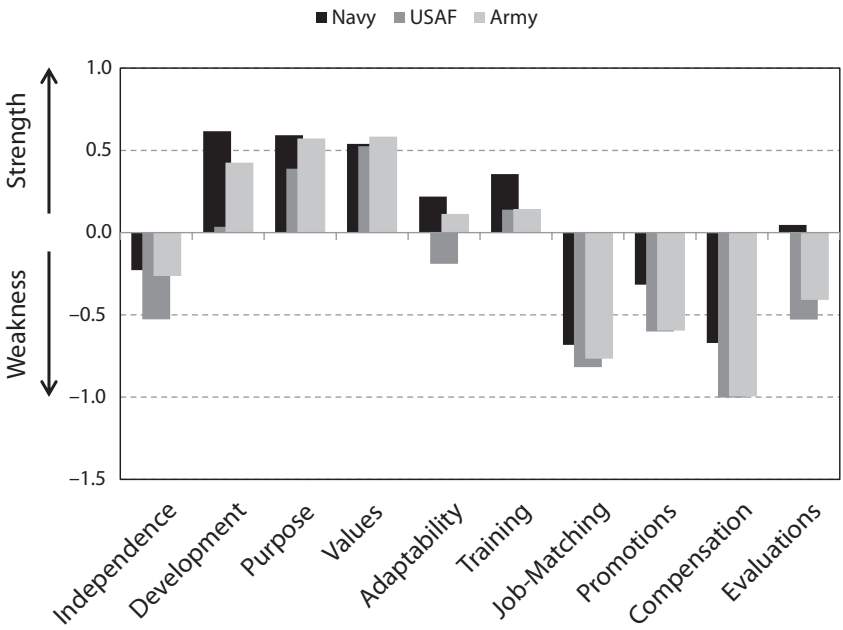

FIGURE 2. Leader/Talent Scores by Service
Source: Author's Leader/Talent Survey

perceptions, notably the low USAF scores relative to the other branches in two categories: independence and adaptability. On the other hand, the Navy scored relatively higher in evaluations, most notably, and a handful of other categories.

Assessments were consistent across all ranks: colonels, lieutenant colonels, majors, captains, and enlistees. Generally, more senior ranks are more positive for all Leader/Talent categories, but there is broad agreement across the ranks about what is working well versus not working well. Consistency across the ranks is perhaps the most striking result in this study; every military rank considers talent management policies, not leadership culture, to be the weak links.

The Leader/Talent survey provided exactly what it was designed to provide: a target for the areas ripe for reform. Figures 3 and 4 report detailed scores for each element. One of the strongest signs is a per-

ception among military members that "there are many great leaders in the organization." However, people do not feel they are encouraged to take risks but instead that conformity is rewarded more than creativity. Other survey responses suggest that officers are perceived as hardworking but not entrepreneurial. Which behavior has positive incentives?

Across the board, service members see promotion practices in a negative light. However, the five elements allow reformers to distinguish which practices are weakest, which in this case is "Poorly performing employees are never promoted." That suggests that active-duty troops are more upset by seeing weak leaders promoted quickly than by seeing great leaders promoted slowly.

The military services score far lower on three talent management categories than on any of the leadership categories. This finding is confirmed in a subsample of high-potential USAF officers who were not self-selected. The finding is also confirmed in the trend lines of five military ranks; colonels, lieutenant colonels, majors, captains, and enlistees have different levels of ratings, but their trends across the ten Leader/Talent categories are nearly identical.

The full Leader/Talent study, available online,[6] also sought to identify those elements that actually matter for performance. For example, what correlates with talent retention? It would be a waste of resources to fix training programs if they are not actually linked to retention. Econometric analysis showed three things to be especially important for all aspects of performance: purpose, values, and job-matching. In general, the performance metrics correlated more significantly with leadership than with management. However, the issue of retention was more nuanced. The military's strong sense of purpose is the most significant aspect for retaining talent, followed closely by promotions and compensation. Purpose is one strength of the US armed forces, but that the latter two categories are perceived as weaknesses in Pentagon talent management should give reformers a clear agenda for change. Fix promotions. Fix compensation.

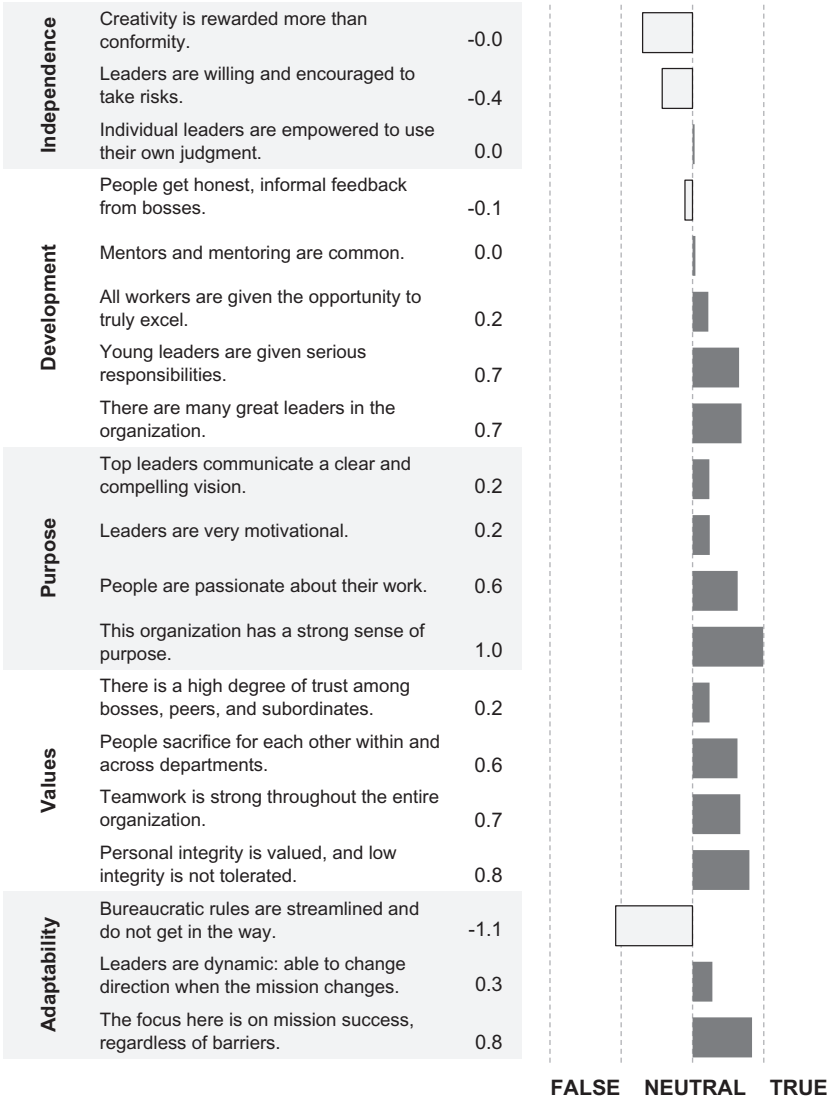

FIGURE 3. Leadership "L" element scores

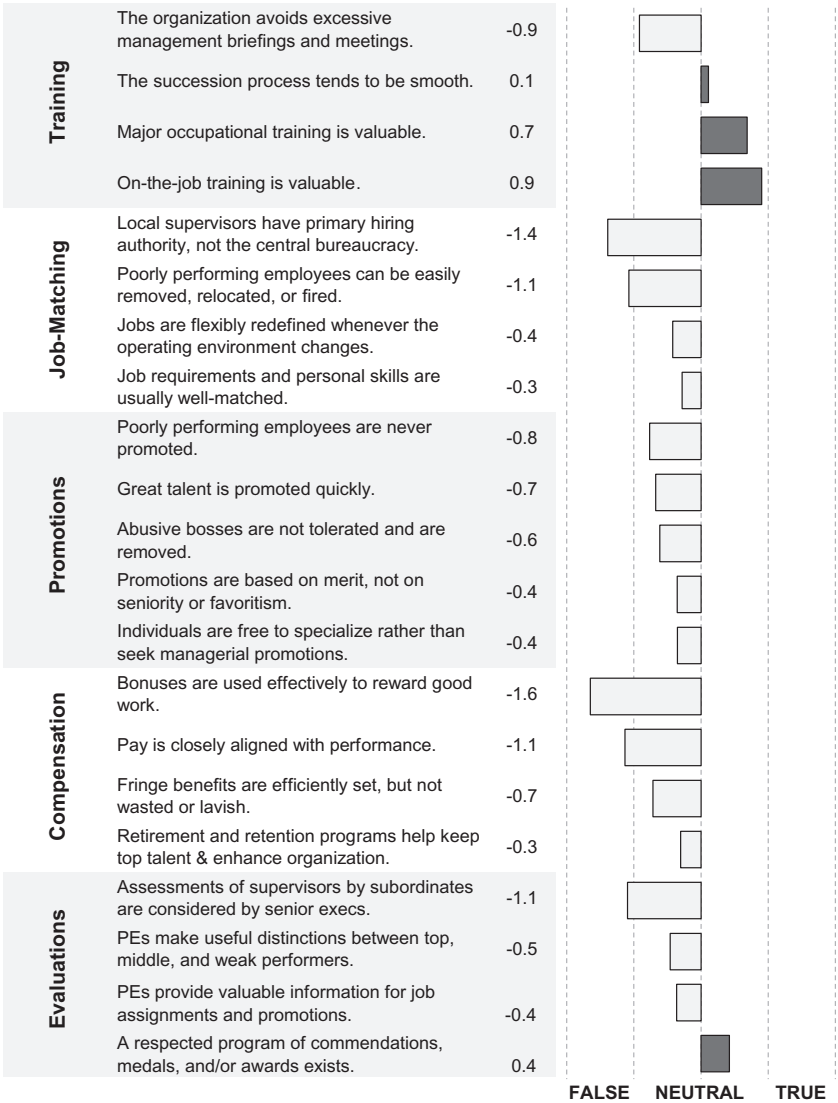

FIGURE 4. Talent Management "M" element scores

SECTION THREE

Background

> We stand in line. We wait for our number to come up at a board, and you're either in or you're out. And so it's an up-or-out system, which, again, has worked very well for us, but I see that changing over time. . . . The accelerant in this is Congress, because they write the law. DOPMA and the law and personnel policy is authorities granted to us from Congress, so they have to take this on as much as we want it.
>
> —VICE ADMIRAL WILLIAM MORAN, CHIEF OF NAVY PERSONNEL, DECEMBER 9, 2014

The Pentagon's personnel practices are shaped by ancient cultural traditions as well as federal law. With 1.3 million volunteers on active duty, management of the human dimension is challenged by dramatic budgetary cuts and shifting labor markets in the new global economy.

A widespread concern is that only 1 percent of Americans serve in uniform, cited by many as evidence of the civilian-military cultural gap. Although it is true that less than 1 percent of Americans are on active duty, multiples more are veterans. More than 21.3 million veterans live in the United States, according to the US Census Bureau. Once all veterans are included, the number of Americans who are "military" is actually 8.7 percent. One out of eleven Americans, not one in a hundred, is or has been on active duty.

An essential point about the civ-mil gap is what it is not. Respect for the institution of the military among American citizens is higher than for any other. It has actually increased in the decade after creation of the AVF, unlike the degradation of esteem for nearly all other institutions.

Another persistent myth is that the AVF relies on recruiting low-skilled young men in poor, urban areas—a bogus story that was spread during the early stages of the Iraq war. "Very few" of the

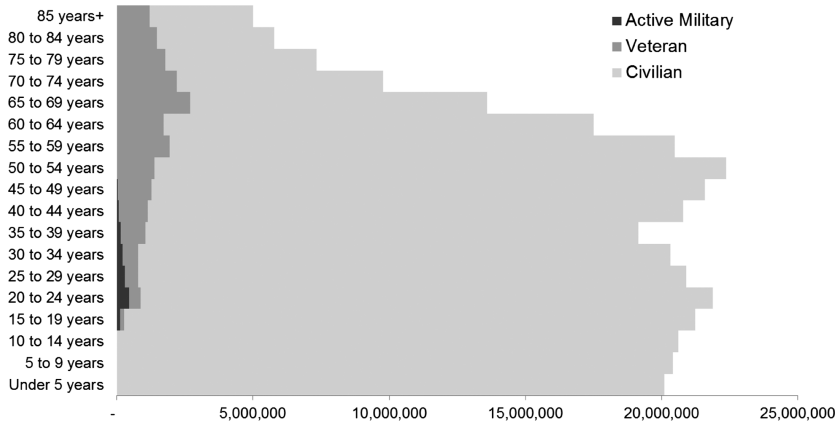

FIGURE 5. US Civilian-Military Population Pyramid
Source: Author's calculations based on US Census, ACS, and DMDC (most recent data as of 2015)

soldiers fighting in Iraq "are coming from the privileged economic classes," reported the *New York Times* on August 18, 2005, echoing similar stories in the *Washington Post*, *Los Angeles Times*, and the controversial Michael Moore film *Fahrenheit 9/11*. In fact, the US military's high intellectual and physical standards mean that fewer than one in eight young Americans can even qualify to enlist. High school graduation rates for enlistees are 97 percent, compared to the civilian rate of 80 percent. Moreover, during the heat of the Iraq war, there were three enlistees from the wealthiest US neighborhoods for every two enlistees from the poorest neighborhoods.

Military Manpower

Among the services, the Army is the largest branch with 475,000 uniformed service members, and the Navy is second with 327,300. The Air Force is the third largest with 317,000, and the Marine Corps has 182,000.[7] The active-duty force is composed of 1.06 million enlisted members and 229,000 officers.

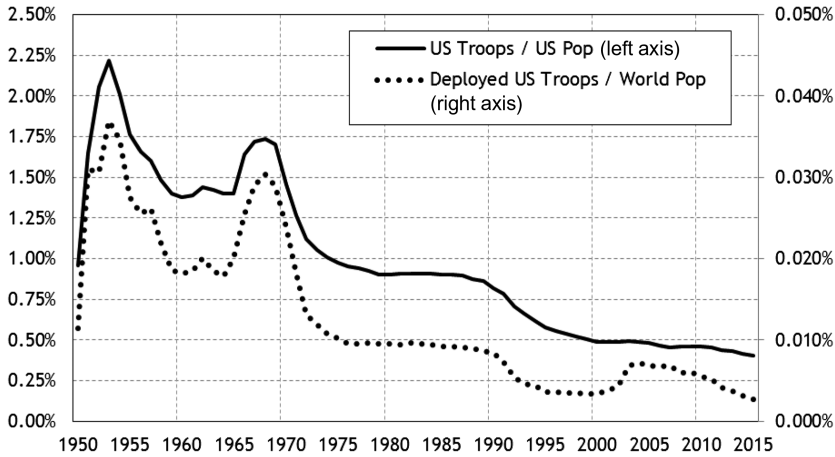

FIGURE 6. US Active-Duty Troops Relative to Population, 1950–2015
Source: Defense Manpower Data Center; author's calculations

These numbers compare to 2 million active-duty personnel in 1990 (the end of the Cold War) and 3 million in 1970. The overall percentage of the US population serving on active duty is lower today than at any time in the modern era, currently 0.43 percent. Today there are fewer deployed US troops based overseas relative to the world population than at any time since 1950 (see figure 6).

The Department of Defense (DOD) estimates that only 13 percent of young US citizens are likely to meet all the military's qualifications without a waiver,[8] beginning with a minimum score on the Armed Forces Qualification Test (AFQT). One DOD study found that 22 percent of applicants were turned down for medical reasons, 21 percent because they exceeded the weight limits, 14 percent for mental health issues, and 8 percent for drug use.[9]

The defense budget in FY 2016 is $607 billion, including $145 billion in personnel expenditures and $58.7 billion for overseas contingency operations (OCO) in Iraq and Afghanistan. Under sequestration, defense spending was to be capped at $523 billion in FY 2016.[10] Although about one in four defense dollars (24 percent) are spent on personnel,[11]

the defense budget does *not* include billions spent on veterans' care. If DOD and VA spending are added together, four in ten military dollars (40 percent) are spent on personnel.[12]

Skills Planning in the New Century

Central planning of human resources begins with each service projecting the skills (requirements) necessary in the present and future. Once requirements are finalized, then personnel are allocated to training and assignments. This kind of central planning is difficult in a stable operating environment, but when the technological environment is changing, it is next to impossible. Defense experts routinely observe shortages in a third or more of enlisted occupations and overstaffing in another third.[13]

Cyber threats are one of the top national security challenges, according to the 2015 National Security Strategy. Yet ten years ago, cyber threats were not even mentioned in the National Security Strategy or Quadrennial Defense Review.[14] To face the new threats, the Department of Defense has requested $6.7 billion in cyber defense funding for FY 2017. The plans call for the continued construction of the Joint Operations Center for US Cyber Command (USCYBERCOM)—begun just over two years ago—and the creation of 133 Cyber Mission Force (CMF) teams by FY 2018.[15] The objectives of this new force are to defend DOD networks, prevent cyber attacks against the United States, and create full-spectrum cyber options to support military operations and even attack if necessary.[16]

Rapid technological changes are likewise affecting air operations. According to the president's budget request of FY 2017, "readiness decreased in FY 2015 to historically low levels. The continued pressure of deployments and chronic shortage of Airmen in critical skill positions are limiting recovery efforts."[17] For example, the Air Force faces a shortage of skilled maintenance personnel, notably in the more advanced platforms.

Laws and Regulations

Federal laws have a major impact on how military personnel management can be run, constraining the services to look almost identical in practice. When legislation relevant to military personnel policy is signed into law, two relevant titles of the US Code are revised: Title 10 (Armed Forces) and Title 37 (Pay and Allowances of the Uniformed Services). This section highlights a few of the laws and regulations that are the most important.

Title 10, subtitle A, Part II, deals with personnel and comprises thirty-eight chapters, further divided into hundreds of sections. The number of rules is vast and the complexity is profound. As an example, chapter 43, Rank and Command, includes sections 741 through 750. It is in section 741 where military grades are defined by law, from second lieutenant/ensign up to general/admiral. Any effort to simplify or diversify the grade structure would have to amend this section of the code.

Title 10, chapter 32, establishes maximum numbers of officers allowed to serve in each grade. In fact, it sets different limits for a wide range of total officers. If the number of Army officers totals 20,000, this chapter sets a maximum of 1,613 colonels. If the total is 100,000 officers, then 4,548 can be colonels, and so on. Each service's grade structure is inflexibly defined across dozens of force-size scenarios.

Promotions are subject to guidelines set forth in Title 10, chapter 36. Again, this matters because we must look to the code to assess whether the services are afforded the legal authority to reform their promotion systems—to have any flexibility. Subchapter I enshrines the use of selection boards as the means of promotion for every grade. Moreover, it explicitly limits what information the board is permitted to consider for each officer up for promotion, which "shall apply uniformly among the military departments."

Subchapter II (of Title 10, chapter 36) establishes many more rules on promotions, including rules on eligibility, particularly time-in-grade

requirements, competitive categories, and promotion zones. Importantly, this process requires the service secretaries to make long-term estimates of future manpower needs at the micro-level of grade and skill. This is antithetical to a dynamic process. It explains why all the services had difficulty adapting to cyber threats.

Subchapter III establishes rules that discharge officers who fail to be selected for promotion. If an individual is "failed of selection" twice, retirement is involuntary.

Many of the legal constraints governing military personnel were instituted following the passage of the Defense Officer Personnel Management Act (DOPMA) in 1980. In concert, its reforms standardized careers across the services and had the effect of institutionalizing a relatively short "full" career of twenty years. A Rand study in 2006 claimed unequivocally that DOPMA-based practices "will not meet the needs of the future operating environment" and called it a "cold war-era personnel system" that was outdated.[18]

The Goldwater-Nichols Act of 1986 was the last major piece of legislation to reform military personnel practices. The act shook up the operational command chain, taking the service chiefs out of the direct operational command. Its primary effect on personnel was a requirement that officers could not be promoted to senior ranks without a minimum of one joint duty assignment (e.g., an Army major serving in a job that involves coordination with Navy, Air Force, and/or Marine units) of two to three years in length.

SECTION FOUR

How the Total Volunteer Force Will Work

Too often, our military is losing and misusing talent because of an archaic military personnel system. Promotions are handed out according to predictable schedules with only secondary consideration of merit. That's why even after more than a decade of service, there is essentially no difference in rank among officers of the same age. . . . We should ask whether we should give commanders greater discretion to build a staff with the specialists and experts they need in the right positions. Commanders are likely better able to assess their needs than bureaucrats in the personnel system.

—SENATOR JOHN McCAIN, CHAIRMAN OF THE SENATE ARMED SERVICES COMMITTEE, DECEMBER 2, 2015

This report recommends a series of reforms called the Total Volunteer Force (TVF)—an evolutionary step in the same direction as the All-Volunteer Force (AVF) reform of 1973.

For most of its history, the US military was haunted by seniority. Perhaps the most extreme example came after the Civil War when a large cohort of naval officers held on to senior and even middle ranks—refusing to retire—causing a severe shortage of promotion opportunities for younger officers. Top graduates of the Naval Academy's class of 1868 remained lieutenants for twenty-one years.[19] There were no changes to seniority as the dominant factor in promotions until 1916, when the Navy adopted "promotion by selection" of impartial central boards, denounced as "scoundrelism" by many officers.

When Congress passed the Personnel Act of 1947, those officers non-selected for promotion were forcibly retired. This "up-or-out" principle—pioneered by the Navy—was limited to senior officers

who failed to make flag rank, but it crept down the ranks and became a uniform straitjacket with a strict promotion timetable in the Defense Officer Personnel Management Act (DOPMA) of 1980.[20]

To understand the impact of the lack of command authority under modern personnel rules, imagine that you are a US Navy fixed wing attack squadron commander. Your squadron includes roughly 250 personnel, including one other commander (O-5) who serves as the executive officer (XO), four to six lieutenant commanders (O-4s) in the department head (DH) roles, and a dozen lieutenants (O-3s). The squadron includes eighteen aviators, with scores of sailors spread across the four main departments: operations, maintenance, safety, and administration. Yet, like other commanders of military units, you have no hiring authority. And once someone is slotted, negation is almost impossible without creating a gap in the billet, meaning that the billet will remain unfilled for a year or more.

In the Army, assignment cycles occur twice per year (previously three times). The authority to fire and reshuffle individuals out of an Army unit exists but is rarely utilized. There is zero authority to reject assigned individuals and a very limited ability (rarely used) to petition against one's assignment to a battalion. Firing or even rotating out officers who are underperforming is a career killer for them, so they are usually allowed to stay in a role for at least twelve months even when grossly incompetent.

Core Principles of the TVF

The TVF blueprint offers a number of incremental reforms, but the core concept is the formalization of internal labor markets within each service for officers and enlistees that are optimized for job-matching (best talent to the best job); decentralized, so that commanders have greater control over promotions and assignments; and personalized, so that individual service members and their families are given greater career control.

Another key change to make a market work is better information—primarily better performance evaluations that will have real substance: richer competencies, quantitative assessments, and commentary. Likewise, officers and enlistees seeking jobs will have freedom to express interests.

The heart of the TVF is a *restoration* of authority over personnel decisions to service chiefs and local commanders. In the status quo, authority is extremely centralized in personnel commands such as the Navy Personnel Command based in Millington, Tennessee. Extreme HR centralization was imposed from outside the military, beginning in the 1960s, by Robert McNamara, who was appointed as secretary of defense from his role as president of Ford Motor Company. He imposed a centralized personnel system that treated military labor as a commodity rather than a profession. The AVF changed the nature of recruiting after 1973, but the McNamara centralization remained in place.

Figure 7 presents a schematic of the TVF's basic job-matching process compared to the status quo. In the status quo, personnel commands work with a pool of active-duty members up for assignment whom they slate directly (D) against open positions. This process is incredibly complicated by numerous pressures, including the short-term needs of the service, individual preferences, and career management. Detailers at the personnel centers must juggle all the conflicting pressures to try to match faces with spaces.

The process envisioned under TVF job-matching retains *direct* (D) assignments by personnel commands, but the bulk of assignments would be made using a three-step process. First, individuals *apply* (A), meaning that any eligible, qualified individual on active duty can volunteer for an open position in a given unit using an online talent management system. Second, volunteers will *be screened* (B) by managers at the personnel command, winnowing the volunteers to a list of three or more candidates who are recommended to the unit commander. Third, the unit *commanders* (C) interview the candidates and make a hiring

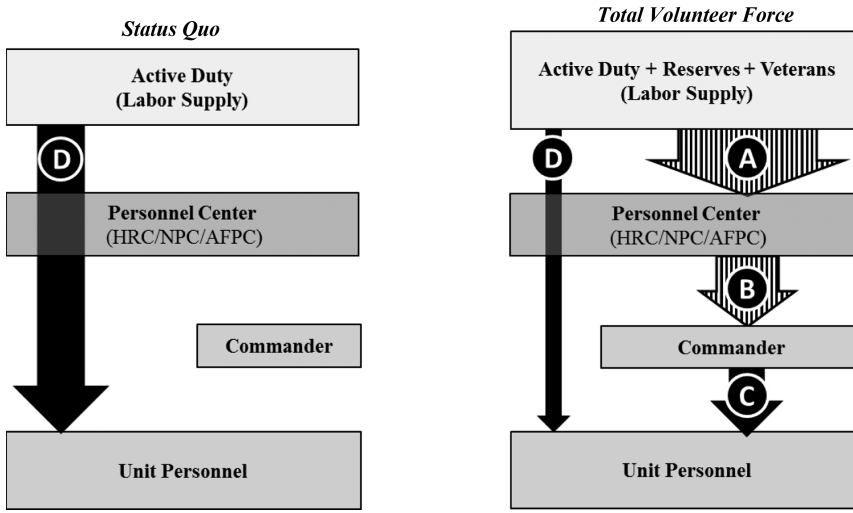

FIGURE 7. Job-Matching in the Military: Status Quo versus the Total Volunteer Force

A Individual service members who are eligible and qualified for rotational assignments APPLY to open positions listed in the online talent management system.

B Volunteers will BE SCREENED by managers at the Personnel Command/Center (PC), and three candidates will be recommended to unit commanders.

C COMMANDERS will interview candidates and make an offer to their top choice.

D Assignments are made DIRECTLY by managers at PC. This includes promised follow-on assignments and key development positions deemed essential for select individuals.

Source: Author

offer to the top individual of their choice. This authority is not new. Rather, it is a restoration of the kind of authority military commanders had during World War II. Nor would hiring authority under the TVF be absolute. Many roles would still be detailed *directly* (D), just as in the status quo, to include priority individuals and individuals who have been guaranteed follow-on assignments.

In 2015, there were 10,456 naval officers with the O-4 rank of commander, and somewhat more of the same rank in the Air Force (12,671) and Army (15,692). Roughly one-fifth of these officers are reassigned during each detailing cycle. If the typical officer is detailed to a new position every eighteen months and there are three detailing cycles a year, it means the Army has a matching problem on the order

of a 3,000×3,000 box to solve every cycle. The size of such a problem is too big to be solved centrally, so the military breaks down the big box into smaller boxes using occupational specialties and seniority cohorts (i.e., lineal numbers/year groups). Branch managers (aka, assignment officers) typically focus on distinct blocks: captains in March, majors in April, and colonels in May.

The TVF solves the problem differently. Instead of discrete assignment periods, the open market relies on decentralized and continuous matching. On any given day, there will be a number of open/opening requirements. What if an individual applies to numerous jobs but is not selected by any commander? The truth is that some individuals will not be selected because they have poor performance records and are not attractive hires. This is a feature of the TVF, not a fault. Especially during drawdowns, a job market helps to cull the force naturally without the ugly and often unfair processes involved in the past.

Restore Command Authority

Restored hiring authority can be implemented by any service without legislative action. To prevent biased hiring, the TVF makes sure command authority is not absolute. It maintains a role for central boards and branch managers—by screening which individuals are nominated for assignment to commanders (at the rank of O-5 and above)—to exercise final authority over hiring. See figure 7 for a look at the basic idea of job-matching in the status quo, where the commander's function is idle, compared to the TVF, where it is active and vital. Personnel centers/commands will provide a slate of no fewer than three candidates for the unit to interview and choose for key roles. Commanders should have limited authority to directly hire, whereas most hires will be through the centrally provided slate of candidates. Many key developmental roles should still be directly assigned centrally—meaning that a single candidate shall be recommended by personnel centers in many instances (e.g., honoring follow-on assignment

commitments)—but the unit commander should retain the right to veto a limited number of such assignments.

Importantly, the TVF should allow individuals to opt out of the promotion cycle in order to extend and specialize in their current role. Likewise, individuals should be allowed to apply for open jobs at their current rank, rather than be forced to move "up" during every change of station. This would allow, for example, aviators to stay in the cockpit, cyber warriors to remain in critically understaffed positions, and combat commanders to extend their tours during wartime operations in which continuity is vital for mission success.

Turning back to the labor demand side, the TVF will allow commanders to make fast dismissals and emphasize quick replacement. Currently, commanders technically have the authority to remove a subordinate whose performance is subpar through a lengthy, punitive, and bureaucratic process that is rarely used due to its cumbersome nature. The services should empower commanders with a flexible array of options to include for-cause firing—but the critical missing piece is simply to allow a no-fault dismissal, an action that would not reflect negatively on the service member.

Dismissals and firings of individuals currently leave a hole in the unit—the unfilled billet problem—which penalizes commanders. This tends to keep poor job matches in place, with the appearance of a smoothly functioning organization, but it is rooted in a perverse incentive to maintain inefficient matches. The dismissal process must be fixed to allow quick replacement.

Turning lastly to the question of capacity: would a talent market such as described here burden the time of a unit commander and staff? Perhaps. Although the TVF may require more up-front costs on the commander's time in coordinating talent, it offers unrealized gains in readiness as well as the commander's time because it will avoid current issues with teams that are poor fits with some unit members.

Timing and the Talent Marketplace

A fundamental problem with the existing assignment process is that it is not built for real-time job placement, which makes nimble replacement moot. The decentralized TVF assignment process could be implemented regardless of a real-time assignment norm (and with no need for legislative changes), but it would benefit from a continuous job-matching process as opposed to the current discrete process conducted in two or three cycles per year.

In other words, the TVF job market will be continuously open. Any service member could log onto the online TVF talent marketplace to see the current list of open jobs. Once a job is filled—meaning the assignments officer has forwarded three nominees to the unit commander, whose staff has reviewed and made a selection and orders are issued and accepted—then the job listing would be immediately removed from the marketplace.

The notion of a talent marketplace has already been piloted in the US Army's proof-of-concept project known as Green Pages from August 2010 to August 2012. Designed to study and potentially resolve many of the dynamics discussed in this report, Green Pages was limited to officers in the Engineer Regiment. In two years, nineteen discrete iterations made 748 actual assignments. Ten iterations were for captains, seven for majors, and two for lieutenant colonels.

An even better process would allow a long market phase during which participants could see the preferences of the other side (demand sees supply preferences, and vice versa) and then update their own. Interviews could be conducted. Officers could e-mail questions and get answers. Each iteration of Green Pages had a market phase of two to six weeks allowing exactly this kind of back and forth, but it had a single post-market assignment phase in which all *n* matches were finalized.

Currently, the US Navy is developing a web-based talent management platform called Talent Link that builds on these concepts. It envisions

discrete job-matching cycles with three periods—discovery, evaluation, and slating—which involve profile-building, market interactions to finalize preference lists, and job offers, respectively.

Recognizing that a continuous talent market would involve revolutionary change, the following questions arise: How does the system resolve individuals who neglect to submit a preference list or overstay their current jobs? How does the system anticipate job openings if individuals are able to overstay in their current jobs? Can individuals job-hop as often as they want? And if not, what role do losing commanders have in retaining their unit members? What happens to units if a commander selects a nominee, but the nominee rejects the match? What if this happens multiple times? What if the sweetheart jobs are only open for a few hours before being filled? All these dilemmas will be resolved relatively smoothly in practice, but resolution may require jettisoning the discrete cycles in place now.

Consequences

The most immediately observable consequences of great career flexibility will be higher retention, longer careers, and longer time on station. The pace of personnel churn will slow, leading to a demographic shift in the shape of the force. Allowing longer tenure and more flexibility will naturally increase retention rates (and experience levels) over time, which will reduce the number of officer and enlisted accessions that are needed. To be clear: rank structure will not change, but the age structure will. Under the TVF, there will be a wider range of ages at O-4, for example, both younger and older.

The side benefit of TVF reforms and improved readiness will, ironically, be reduced financial costs. I calculated that if the number of enlisted service members over the age of forty-one were allowed to increase (e.g., from 31,000 to 55,000 in the Army), then the number of accessions could be reduced by 10 to 15 percent. But the effects could be much larger and more beneficial. A Strategic Studies Institute

report says that "giving officers greater voice in their assignments increases both employment longevity and productivity," further noting that "failure to do so, however, in large accounts for declining retention rates."[21]

A 2012 Senate Armed Services report acknowledged that some of the biggest personnel savings could be found by extending operational tour lengths, thereby reducing the number of rotational permanent-change-of-station moves. The report states that lengthened tour times would "lead to less stress on the force and hardship on families that are forced to move frequently." It recommends a 10 percent deduction of operational and rotational moves, which would result in $293 million in savings in FY 2013 dollars.[22]

Perhaps the great unsung virtue of the TVF that is impossible to quantify is organic force shaping, allowing natural identification of weak performers who are unable to find jobs internally. A period of downsizing need no longer involve ad hoc programs to reduce the force. The services will be able to adjust manpower requirements in real time, and the TVF job-matching process will winnow the shape of the force automatically.

SECTION FIVE

Reforming Performance Evaluations

Talent management is impossible without talent evaluation, which means performance appraisals, also known as fitness or evaluation reports. Unfortunately, performance evaluation (PE) does not have a best practice, nor is there much in the way of science to it in private, public, or military organizations. A standard PE format emerged decades ago, but the only notable scholarly certainties concerning the standard annual performance review are that they are (1) widely disliked by managers and workers, (2) widely perceived as ineffective or even counterproductive, and (3) highly inflated.[23]

Performance evaluations can be used for two distinct functions: personal development (feedback) and talent management (promotion, compensation, and so on). Some firms have developed highly effective PE systems—General Electric and Procter & Gamble have been celebrated for decades—but those systems are often ad hoc, using private methodologies. Surprisingly, it turns out those systems have caused more problems than managers were willing to admit. According to a Corporate Executive Board survey, more than 90 percent of companies use some kind of rating system to measure performance, and 29 percent use a forced rankings curve (to control inflation).[24]

But the survey also found that nearly nine out of ten companies plan to change their PE systems in the near future. In organizations of all kinds, evaluations are not only disliked but distrusted. A 2014 Gallup survey found that 54 percent of the employees in twenty diverse, global companies said they felt that their companies' performance management systems were not effective.[25]

Inflated appraisals happen naturally for a number of understandable reasons. Managers are generally loyal to, sympathetic toward, and fond of members of their team. All but the most cold-blooded supervisors have an inflated perception of the people they lead for fundamental psychological reasons. Given that, ratings are often nudged higher because the manager knows a negative rating puts his team's productivity and morale at risk. The downside risks of authentic PE ratings, personally and professionally, are vastly higher than the potential upside. The conventional method is to establish quotas on top rankings, which almost always conform to the bell-shaped normal distribution. But there is a downside.

Microsoft provides a case study in taking stack ranking to the extreme. When Steve Ballmer took over the CEO role from Bill Gates in January 2000, one of his first decisions was to institute the General Electric–style evaluation system. Jack Welch was the successful and famous chief executive who popularized forced rankings at General Electric. His system required managers to identify their top 20 percent, middle 70 percent, and bottom 10 percent, often referred to as A, B, and C players. This was a useful process for a company trying to get lean, requiring careful supervision, but it may not be effective at other types of firms. A long article in *Vanity Fair* by Kurt Eichenwald[26] described its destructive impact under Ballmer: "Every current and former Microsoft employee I interviewed—*every one*—cited stack ranking as the most destructive process inside of Microsoft, something that drove out untold numbers of employees" (emphasis in original). One Microsoft engineer described its effect: "People responsible for features will openly sabotage other people's

efforts. One of the most valuable things I learned was to give the appearance of being courteous while withholding just enough information from colleagues to ensure they didn't get ahead of me on the rankings."

Ten years later, despite dozens of other decisions that may have been strategically brilliant, Microsoft lost its dominant position as a technology pioneer because its PE system had crippled talent inside the company, undermining retention, trust, and teamwork. In November 2013, Ballmer announced that Microsoft would end forced distributions; as of today it seems the firm has abandoned formal PE ratings altogether.[27] Yahoo faced a similar dysfunction by using an aggressive version of forced rankings that put it on the far right of the differentiation scale. Even General Electric is phasing out the stacked ranking PE system it used for more than three decades, a system that Jack Welch championed famously but that one scholar now describes as "faith-based."[28]

Turning to the US military, we find similar confusion and dysfunction with performance appraisals, though each service has a distinct system. The focus of this proposal is on the use of evaluations for junior and mid-grade officers and NCOs, primarily because of the role PE plays in job-matching and promotions. All branches of the armed forces appraise performance for development, not just evaluation, and each service has a wide variety of forms tailored to different ranks (e.g., the Coast Guard uses an A–C variant of the fitness report called FITREP for officer tiers, and all branches use a distinct system for flag rank that tends to eschew rating scales). With that in mind, the armed forces have implemented PE systems that tend to have the worst of both extremes of talent differentiation: forced distribution of some quantitative rankings as well as highly inflated metrics and narratives.

The paradox can be resolved rather easily, and the resolution can be understood by examining two of the most effective PE systems in the nation: the US Navy and the US Marine Corps. Those two services

use a *rater profile:* each numeric rating for an individual is reported alongside the average of the rating officer.

The current US Army Officer Evaluation Report (OER), Army Form 67-10, is the eighteenth revision since World War I. The version it replaced, Form 67-9 (introduced in 1997), was an attempt to fight inflation, just as Form 67-8 (1979) was. It was the introduction of central selection by service-wide promotion boards after Vietnam that made the officer evaluation forms so important to a career, a centralization that subsequently drove inflation. At times, the Army's personnel command was able to stifle inflation by monitoring rater profiles (printed in internal central copies of the completed 67-8), but this norm collapsed during the post–Cold War downsizing when commanders across the Army attempted to protect their subordinates.

A forced ranking of sorts was introduced with Form 67-9 that placed a quota on the top rankings that senior raters were allowed to give. The immediate supervisor (rater) checked one of the boxes with a promotion recommendation (must promote, promote, do not promote, or other) and had no quota. Likewise, the senior rater had no limit on the number of assessments of promotion potential ("best qualified" is almost always checked). But the Army restricted the percentage of relative rankings that a senior rater could give in the section that compares the individual to his or her peers, limiting each senior rater to less than 50 percent in the "above center of mass" (ACOM) group.

The Air Force has what is likely the most inflated PE system in the world—or maybe in the universe, if we are to use the kind of hyperbole common on AF Form 707, Officer Performance Report (OPR), and the equivalent form for enlisted members (EPR). Having a boss who is a good writer, knows the lingo, and understands the timing of the system is very important, but having a highly ranked senior rater can trump all else.

The Department of the Navy offers a bracing alternative in both naval and Marine fitness reports, or FITREPs, the colloquial term

for evaluations. The form NAVMC 10835E, Marine Corps Evaluation Form, is just about ideal. It includes thirteen attributes, each marked on a scale of A through G, where A is lowest (considered unacceptable, requiring written justification on the form) and G is highest (F and G also require written justification). Stephane Wolfgeher summarized what makes the system unique: "[Raters] develop a grading history over time (RS profile) that allows for a relative value of an officer's performance . . . a dynamic tool that cannot be reset."[29]

The vital insight is that no degree of forced ranking will achieve optimum differentiation of talent: not a strict, multitiered approach (like Microsoft in the 2000s), not a moderate number of fixed tiers (like GE and the Navy), and not a binary approach (like the Army). To find the balance between too much and too little differentiation, managers need a method of *flexible* ranking, which is distinct from forced ranking in the same way a cup of water is distinct from a cup of ice cubes. The US Marine Corps allows its leaders to evaluate talent using flexible rankings, even allowing a rater to give none, one, or two of his or her Marines the very top rating as long as those are balanced against other ratings given to his unit.

The most flexible ranking system that constrains overall inflation allows a supervisor a set number of points to be distributed among members of his or her team. This approach utilizes the economic principle of scarcity. For example, a ratio of 3.3 points per person on a ten-person team yields thirty-three points that a manager could allocate. Under this method, the manager could theoretically rate the top individual with five points, six points, or more.

This section establishes the principle that *an effective PE system should have the flexibility to let the rater fit his or her evaluations to the shape of the talent*. A number of different methods could implement the principle using flexible rankings, of which scarce points is one and mean enforcement is another.

The Need for Peer Evaluations

Over time, PE systems have become labor-intensive, requiring many hours of managerial training and many more hours of implementation in creating, negotiating, and explaining the ratings. An internal review by the consulting firm Deloitte found that the ratings of its 65,000 workers took a combined two million hours a year.[30] Despite the large time requirement, managerial appraisals often fail to measure performance accurately for an additional reason not mentioned previously: managers have limited perspectives. A seminal study of PE quality was published in the *Journal of Applied Psychology* in 2000 that reported that 62 percent of the variance in ratings was due to rater perceptions (measured by comparing two or more raters of the same worker), whereas actual performance explained 21 percent.

Those with military experience understand that a commander has a narrow perspective of individual effort, talent, and potential. Commanders are equipped with a staff of subordinate officers and NCOs to assist managing a unit for precisely this reason. To be sure, each member of a team has only a narrow perspective on the performance of other individuals, which suggests that statistically the best appraisal is a sum of as many perspectives as possible.

The traditional military unit is managed using a strictly enforced hierarchy, known as the chain of command. This structure, and the top-down nature of traditional military PE, has a predictable effect on behavioral incentives. Some subordinates can and do advance their careers by focusing excessively on making a good impression on their rating commander while being otherwise toxic toward subordinates and peers (as long as that toxicity is not perceived by the commander). As Lieutenant Colonel Timothy R. Reese wrote in a 2002 Army War College paper, "Bosses are often fooled by the sycophant or bully—peers and subordinates are not so easily taken in."[31]

The US Army Ranger School uses peer evaluations as an integral part of the training program. Individuals are routinely removed if

rated poorly by a wide group of peers in the same class. The rationale is that peers have insights on the quality of an individual's teamwork, attitude, effort, and potential that trainers lack. Students offer (and receive) peer evaluations three times during the course, which involves rank-ordering fellow students and answering two basic questions: "Would you go to war with this person?" and "Would you share a foxhole with this person?" If a student is "peered out" with a majority of negative ratings, that individual is recycled to a different platoon for the next phase and given a second chance. The consequences of ranger peering are a central shaping event in the lives of elite Army soldiers that are widely cited as a key tool in promoting excellence. Why then does peering play no role in standard Army performance management?

In principle, an effective peer evaluation will adhere to four principles. One, everyone rates everyone. Two, the rating method is simple and fast. Three, ratings are done anonymously. Fourth, individuals are assessed on multiple dimensions. Army Ranger peer ratings meet all four principles.

The first principle does not require each individual in a unit to literally conduct an appraisal of every other person; rather, it can be satisfied by giving each individual the *opportunity* to appraise every other person. For example, the rating system could ask each team member to simply select/write/circle the names of the five other team members who have contributed the most to mission success during the past year. As for multiple dimensions, qualities that will be of interest to most organizations include productivity, integrity, leadership potential, work effort, and agreeableness.

None of the services use peer or subordinate appraisals as a formal or even informational input into evaluation reports. This is a missed opportunity.

SECTION SIX

Reforming Compensation

The military's compensation structure creates perverse incentives that are at odds with voluntary service. Why does the Pentagon offer a retirement system that vests after twenty years? And why does the Pentagon allow that pension to be drawn at exactly the same moment instead of at age sixty-five? Is this pension structure not (1) using coercion to keep some employees in place longer than they otherwise would choose to remain and (2) creating an incentive for them to retire promptly, at the moment of peak proficiency?

Unfortunately, the military's complex compensation system is overly expensive and inefficient—two factors that are closely related. As economist Eric Hanushek wrote in 1977, "Many of the largest personnel problems [in the US military] are exacerbated, if not caused, by the incentive system." The stark reality is that military pay offers no monetary rewards for excellence. The armed forces spend more funds moving personnel around the globe than on performance rewards. More than 90 percent of personnel spending in 2016 went for base pay, compared to 3.9 percent on permanent-change-of-station moves.

TABLE 2.
Military Retirement Bubble at 20 Years of Service[32]

Branch	Retirees	(20 YOS)	Early Retirees
Army	451,522	51.9%	4.4%
Navy	392,816	51.2%	3.6%
USAF	541,417	47.9%	3.0%
USMC	85,464	47.4%	5.4%

Source: Author's calculations from DOD actuary data

Very few individuals leave the military after their twelfth year of service (YOS), and an alarming number quit promptly at the twentieth YOS. This is rational behavior given the incentives, but the incentives are wasteful.

Pentagon data on retirements by years of service also show a bubble at the twenty-year mark (table 2). There were 451,522 total nondisability military Army retirees who received retired pay in September 2011. More than half of the retirees left during the twentieth year of service (234,462) and another 20,000 left through early retirement. In sum, 56 percent of Army retirees left active-duty Army service at the first retirement opportunity. The same pattern holds in the other services.

As for costs, the twenty-year defined benefit (DB) pension is growing exponentially more expensive. The Defense Business Board reported in 2011 that annual outlays exceeded $50 billion in 2010 and will more than double before today's lieutenants become generals. Liabilities of the program are $1.3 trillion (roughly 10 percent of US GDP) and will rise to $2.6 trillion in 2035. This is "unsustainable," say Pentagon actuaries and countless scholarly studies.

The military's closed labor pool is a profound cost driver. Hanushek observed in his 1977 paper, just four years after the AVF's

adoption, that the closed nature of the military labor pool and other unreformed compensation policies would cause higher cost burdens than expected. Economically, the armed forces have engineered a highly inelastic labor supply. If the labor supply curve shifts inward (the incessant threat of the one individual most likely to quit), the military can only maintain the equilibrium quantity of labor by escalating compensation. The standard economic tool kit offers only one solution to this problem: thicken the labor supply to make it more elastic.

Three reforms to military compensation will increase efficiency and morale while reducing gross expenses. The first reform is an adjustment to the base pay schedule that ends the use of tenure and replaces it with role and responsibility pays. The second reform is to utilize existing incentive pays to make the new open job-matching program work efficiently—a way to reward individuals who volunteer for tougher assignments. The third reform is to adjust the standard military pension in a way that gives more options to service members and establishes a trajectory to eliminate twenty-year cliff vesting.

Transform Base Pay from Tenure to Role and Responsibility

The current military pay table, structurally unchanged since the mid-1940s, pays more for tenure than rank. The use of tenure-base pay is a crude proxy for level of responsibility—crude in the sense that a ten-year captain or sergeant is assumed to be 20 percent more responsible than a four-year captain or sergeant. Why use crude proxies when the technology exists to fairly and impersonally designate pays for each role, while also fairly and impersonally adding bonus pays for critical roles that are difficult to fill?

There are more than sixty special and incentive pays, according to the Defense Finance and Accounting Service.[33] But it must be understood that incentive pays are *not* designed to reward performance,

whereas pay for occupational specialties is relatively rare with important exceptions: doctors, pilots, and especially Navy nuclear propulsion specialists. Instead, large sums are spent on broad retention bonuses. One Rand study[34] noted DOD's reenlistment bonus spending rose from $625 million in 2002 to $1.4 billion six years later.

Although they rarely utilize it, the services have authority for a special pay that could radically reshape job-matching. It is known as the assignment incentive pay (AIP). According to the DOD, it is designed to encourage members to volunteer for difficult-to-fill jobs or assignments in less-desirable locations. The monthly statutory maximum payable is $3,000.

The TVF would shift monthly compensation away from cumulative years of service and eschew tenure pays altogether. The alternative pay structure envisioned for the TVF is presented in table 3. Baseline pay is presented in the first column. The second column adds a monthly pay for the role: maintenance officer, cyber NCO, cryptographic/linguist, and so on for every occupational code across all the services. The sum of these two pays—baseline and role—would serve as the base pay equivalent in current retirement formulas.

The role bonus would be composed of increments for skills and occupation (rather than skills alone). This authority would allow services to compensate the individuals who take on tougher jobs (including command) that involve higher career risk, longer hours, and greater stress.

The third column (+AIP) stands for the assignment incentive pay, which already exists in current regulations, as mentioned earlier. The TVF recommendation is that the AIP should be used in conjunction with job-matching. The AIP should only be used objectively, not subjectively. That is, the AIP could not be granted at the discretion of a commander to reward members of the unit.

TABLE 3.
TVF Pay Table ($)

	TVF Baseline	+Role	+AIP	Max.
O-8	10,000	0 to 10,000	0 to 3,000	23,000
O-7	8,500	0 to 9,000	0 to 3,000	20,500
O-6	6,500	0 to 8,000	0 to 3,000	17,500
O-5	5,000	0 to 7,500	0 to 3,000	15,500
O-4	4,200	0 to 7,000	0 to 3,000	14,200
O-3	3,500	0 to 6,000	0 to 3,000	12,500
O-2	3,000	0 to 5,000	0 to 3,000	11,000
O-1	2,300	0 to 5,000	0 to 3,000	10,300
E-9	4,200	0 to 7,500	0 to 3,000	14,700
E-8	3,500	0 to 7,000	0 to 3,000	13,500
E-7	3,000	0 to 6,000	0 to 3,000	12,000
E-6	2,300	0 to 5,000	0 to 3,000	10,300
E-5	1,800	0 to 5,000	0 to 3,000	9,800
E-4	1,600	0 to 5,000	0 to 3,000	9,600
E-3	1,500	0 to 5,000	0 to 3,000	9,500
E-2	1,400	0 to 5,000	0 to 3,000	9,400
E-1	1,200	0 to 5,000	0 to 3,000	9,200

Source: Author

Transform the Military Pension

In January 2015, the Military Compensation and Retirement Modernization Commission (MCRMC) issued its final report with fifteen recommendations for reform. The first recommendation was to lower the standard defined benefit (DB) pension by one-fifth and to add a 401(k)-style program. Unlike dozens of earlier reform commissions

and boards, MCRMC achieved its goal. Congress was persuaded to develop legislation implementing the pension proposal, which it adopted later that year. Congress enacted a new blended retirement system—mandatory for new service members starting on January 1, 2018—which reduces the monthly DB payment from 50 percent of base pay to 40 percent. (Technically the base pay multiplier was reduced from 2.5 percent to 2 percent of base pay per year of service at the time of retirement.) The blended plan also adds a supplemental defined contribution (DC) program.

The standard military twenty-year cliff vesting creates a perverse incentive for both labor supply and labor demand, as the Gates Commission noted decades ago. There are two main problems: the vesting date (at twenty YOS) and the initial payment date (immediately upon retirement).

How much is the military's DB pension worth at the twenty-year mark? For the typical NCO, the discounted net present value is $201,282, according to MCRMC estimates.[35] The actual cost to the US government would be significantly more, probably twice as much, but the perceived value for an individual who faces an uncertain future discounts the future dollars; hence this estimate is what the typical retiree would trade for if it were a lump sum.

As the Gates Commission noted in its 1970 report, the twenty-year cliff pension distorts workplace incentives. A pension cliff of twenty years is illegal in a private-sector pension—three times longer than what is allowed—because it is so coercive as to be deemed abusive to the employee. Consider the value of work just before and after the retirement point. An NCO who enlisted at age eighteen can retire at the age of thirty-eight. More to the point, the newly retired NCO begins to draw a pension immediately. Base monthly pay for an enlistee at the rank/pay grade E-8 at nineteen years of service is $4,878, which steps up to $5,009 at the twenty-year mark.

Because the monthly pension payments would begin immediately upon retirement, his decision to *not* retire means forgone pension

income. Working after twenty years on active duty is suddenly half as valuable as before: the net income benefit of working is half the gross amount in a full paycheck. The second, and more sizable, impact of preretirement work is the *increasing* lifetime value of the DB pension for each additional month of work up to the twenty-year threshold. If an enlisted individual leaves the service after nineteen years and eleven months, he abandons a future stream of pension payments that could easily total a million dollars.[36] Because individuals discount the value of future payments, the perceived value of that pension income stream to the individual recipient is far less—I calculate it to be worth $533,000 to the typical veteran using a discount rate of 5 percent per year.

Looking at the retirement cliff, the midcareer NCO calculates the average value of each month's work before and after retirement with the pension as the primary decision factor. With ten months until retirement, each month is worth about one-tenth of its retirement value, or $50,000. At the threshold of twenty years in uniform, for everyone on active duty the economic value of work collapses.

This means that future income streams are discounted at a rate of 5 percent each year, with projected income streams in future decades worth less than the stream in the present. For example, Charlie would value 95 cents today equally with a promise to pay Charlie 100 cents a year from today. By using a different discount, I am suggesting that the cost of the government offering an annuity is much more than the benefit an individual derives from getting one.

Yearly retirement pay for the current retiring officer at twenty years is $49,874 (this is half of the average of the highest three years of pay). Assuming a life expectancy of eighty-four years and a retirement age of forty-one years, I calculated the discounted value of that income stream at the moment of retirement as $925,163. The cost to the government is, I assume, not discounted and therefore stands at $2.14 million.

To understand the powerful incentive of the military's lifetime defined benefit, I calculated the value of a year's work for the typical officer over twenty-four years of a career. Figure 8 shows how this value grows over time, in which the value of serving each year is that year's base pay plus the total value of DB pension divided by the years remaining until vesting. For example, two years before retirement, the total value of working that year is $520,000 ($100,668 base pay plus half of the discounted lifetime value of the pension which at that moment is $839,150). One year before retirement, a year's work is worth just under $1 million to the typical American officer.

There is a collapse of work value at year twenty-one. Monthly base pay is suddenly half as valuable as before—the *net* income of working is half the gross amount in a full paycheck. The incentive effects almost certainly explain the twenty-year retirement bubble. It is also notable how quickly the value of each additional year of work rises, assuming promotion to O-6 at year twenty-two, which is because pay rises dramatically (and consequently so does the pension value) with years of tenure between twenty and twenty-eight years of service, regardless of role, responsibility, or rank.

This raises the question of whether the new blended system will smooth out the twenty-year *value of work,* and the answer is no (see figure 8). The new blended retirement program does not change the shape of the work value ramp at all, only its peak.

TVF Alternatives

A well-designed pension would aim to optimize management of talent by flattening the annual value of work. The first alternative I present retains the DB structure but shifts vesting to year ten and initial payment out to age fifty-five. The second alternative ends the use of DB payments in lieu of a full DC savings asset. Legislators and military leaders could avoid concerns about overly radical reforms by

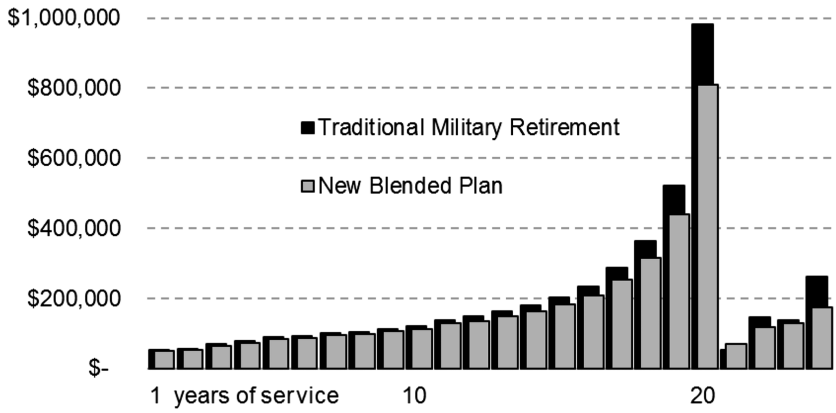

FIGURE 8. Officer's Value of Work by YOS (pay plus pension), Comparing Pension Plans
Source: Author's calculations

retaining the status quo as an option. Entering service members should be given a menu of the existing blended DB or one of the two TVF alternatives. In addition, service chiefs should be empowered to select one of the alternatives for their new accessions. There is no reason that the Navy should be required to offer the same retirement package as the Air Force. Each service has unique talent needs across multiple dimensions (age distribution, physical fitness, rank structure, and occupational skills, to name a few) that call for tailored compensation structures rather than a one-size-fits-all plan. Table 4 summarizes the key design features of each plan, as compared to the two plans now in effect.

The "TVF DB" is a modernized defined benefit, with a far less coercive vesting cliff of ten years, whereas the payout of benefits begins more than a decade later, at the age of fifty-five (whether the member is retired at that point or not). It pushes out the date pension payments begin for two reasons: to end coercive incentives and to save money. However, an earlier vesting YOS will incur major new costs for the younger service members who will qualify for it. To keep a lid on those costs, the services should change incentives only gradually.

TABLE 4.
Military Officer Retirement and TVF Alternatives (at 20 YOS)

	DB (status quo)	Blended (status quo)	TVF DB	TVF Save
Multiplier	2.5%	2.0%	1.0 to 3.0%	—
Vesting at (YOS)	20	20	10	—
Age benefits begin	41	41	55	—
Annual pension pay, 42–54	$49,874	$39,899	$-	—
Annual pension pay, 55+	$49,874	$39,899	$34,912	—
Plan value to retiree	$925,163	$856,634	$647,614	$905,819
Plan cost to US Military	$2,144,582	$1,786,620	$1,047,354	$817,421
Savings asset at 10 YOS	$-	$30,560	$-	$154,047
Asset (personal property)	No	Some	No	Yes
Work incentive	No	No	Yes	Yes
Talent management	No	No	Some	Yes

Source: Author's calculations

The multiplier need not be the same for every year served. TVF DB is modeled with an initial multiplier of 1 percent for years one to ten, 2 percent for years eleven to fifteen, and 3 percent for every year thereafter. The discounted value of the TVF DB pension for a twenty-year retiree is three-quarters of the status quo, even though the full cost to the government is slightly more than half of the status quo.

I also modeled the value and cost of a completely new kind of military pension along the lines called for by the Defense Business Board. This "TVF Save" savings plan is a DC-only plan. It would discontinue the DB plan completely for new officers and enlistees. Any full DC plan allows for greater flexibility in managing the force, allowing individuals to take off-ramps and on-ramps among active duty, reserve status, and the private sector.

The plan I modeled begins contributions during the third year and scales up employer matching from 1 percent to 20 percent during the first five years. A generous direct employer contribution that equals 25 percent of base pay per year is added to the personal savings account beginning in year six, plus a match of funds saved by the individual up to a maximum of 25 percent of base pay. If members save the maximum amount, the Pentagon would contribute 50 percent of base pay to the savings account monthly—far in excess of the private-sector norm. Yet it would cost the military far less than the status quo. Under this plan, service members create an asset that is valued by the twenty-year retiree at the *same* level as the status quo DB pension, meanwhile saving the government $1.3 million per retiree.

The TVF Save plan would incur additional costs as well, due to the number of service members who leave between six and twenty years and will receive a generous savings asset. It is impossible to model the net savings or cost militarywide, but overall costs of this plan must be considered in balance with increased permeability and therefore overall compensation that will fall to a lower equilibrium due to increased labor supply.

Overall, the TVF would reform military compensation by transforming base pay and retirement toward individual merit and away from seniority. Reforms to the military pension would not affect promises to veterans or to troops currently on active duty. Instead, their impact would be limited to future service members with the exception being that service chiefs should have the authority to allow current service members the option to transition to one of the new plans. As for transforming base pay, the current pay tables are outdated and outmoded. The roots of the tables date back to the beginning of the Republic, but US military pay tables in the mid-nineteenth century had more occupational flexibility and less tenure rigidity than in 2016. A move to role-based pay is long overdue, and the ability to use assignment-pay incentives already exists in law.

SECTION SEVEN

Conclusion

The Total Volunteer Force offers a blueprint to strengthen the talent management policies of the US military in ways that will enhance the strong leadership already in place. All the reform recommendations are rooted in the principle of volunteerism, a revolution in military affairs that started in 1973 but is far from complete.

The US armed forces offer many lessons, positive and negative, about organizational design. The final sections of this report focus on three areas of talent management where the armed forces are self-graded as deficient: job-matching, performance evaluation and compensation. Yet it would be an error to look to the private sector for best practices. Indeed, it was exactly this kind of hubris in the 1960s when Robert McNamara centralized HR policies at the Pentagon that created the problems that persist today. Unfortunately, the centralized rules and regulations have become cultural norms, and reforms to them are seen as taboos violating an ancient trust. Fortunately, the Leader/Talent matrix presented earlier revealed that the US armed forces are world-class in terms of most leadership metrics, particularly the values and sense of purpose that are unique as well as sacred.

Other firms would do well to study how the US military builds those bonds of trust, self-sacrifice, and voluntary service despite the red tape. It is the spirit of volunteerism inherent in this new generation of senior officers that is already breaking through the bureaucratic concrete. We can look to the world-class performance evaluations pioneered by the Marines or the peer ratings done by the Army Rangers to find hope. After a decade at war, American troops are coming home with little tolerance for regulatory barriers to excellence.

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