Let’s Talk Business: Army Talent Management

by Major Dana M. Gingrich, U.S. Army
Let’s Talk Business: Army Talent Management

by Major Dana M. Gingrich, U.S. Army
An Institute of Land Warfare Publication

The purpose of the Institute of Land Warfare is to extend the educational work of AUSA by sponsoring scholarly publications, to include books, monographs and essays on key defense issues, as well as workshops and symposia. A work selected for publication as a Land Warfare Paper represents research by the author which, in the opinion of the Institute’s editorial board, will contribute to a better understanding of a particular defense or national security issue. Publication as an Institute of Land Warfare Paper does not indicate that the Association of the United States Army agrees with everything in the paper but does suggest that the Association believes the paper will stimulate the thinking of AUSA members and others concerned about important defense issues.

This paper represents the opinions of the author and should not be taken to represent the views of the Department of the Army, the Department of Defense, the United States government, the Institute of Land Warfare, the Association of the United States Army or its members.

Inquiries regarding this and future Land Warfare Papers should be directed to: Director, AUSA's Institute of Land Warfare, 2425 Wilson Boulevard, Arlington, VA 22201, email ncurry@ausa.org or telephone 703-907-2636.

© Copyright 2019 by
The Association of the United States Army
All rights reserved.
Contents

Preface ...............................................................................................................................................v
Introduction.......................................................................................................................................1
When Does Talent Management Start?..........................................................................................2
A Marketing Framework to Approach Talent Management..........................................................2
The World of Big Data: How to Identify Talent ........................................................................4
Esper: “Perform or Out” ..............................................................................................................5
Enhance the Schoolhouse Experience .........................................................................................6
Develop Others: Retaining the Next Generation ........................................................................8
Blended Retirement: What Happens Next? .................................................................................9
Conclusion......................................................................................................................................9
Notes .............................................................................................................................................10
Preface

Conditions are set to shift Army culture from personnel management to talent management. Secretary of the Army Mark Esper has set the tone from the top down by making talent management his top priority for 2019. The Integrated Personnel and Pay System–Army (IPPS-A) and the Talent Management Task Force provide technological and institutional structure to impact change; the immediate approach to address this change must incorporate business principles. The Army must leverage these principles in marketing, data analysis and incentive alignment to develop a holistic approach to talent management, implementing a framework for understanding an individual’s talents and decisionmaking processes. IPPS-A provides a data-driven foundation to quantify individuals’ talents against job requirements. Finally, armed with this foundation, the Army will be able to align individualized development and incentives to influence retention decisions. To truly manage talent, the Army must apply business principles to simultaneously account for the needs of the individual and those of the organization itself, placing the right Soldier in the right position at the right time.
Let’s Talk Business: 
Army Talent Management

Introduction

Identify, develop, retain—the Army is experiencing adverse trends in each of these talent management pillars. It recently missed its recruiting goal for the first time in 13 years, falling short by 6,500 Soldiers; leaders are receiving historically low ratings for their ability to “develop others” and 50 percent of officers are leaving the service after only seven years. Recognizing the severity of these issues, Secretary of the Army Mark Esper is making Army talent management his top priority for 2019. Senior leaders are pushing for change—and the immediate approach to address this change must incorporate business principles. The Army must leverage business principles in marketing, data analysis and incentive alignment to develop a holistic approach to talent management.

Secretary Esper and General James McConville, the Vice Chief of Staff of the Army, have jumpstarted this effort by creating the Talent Management Task Force (TMTF), a general officer-level organization focused on overhauling the current system. The Army is also launching the Integrated Personnel and Pay System–Army (IPPS-A), a data-driven approach to personnel management. IPPS-A unlocks vast potential for the Army to individualize talent management. Successful businesses use data to understand and quantify employee potential to drive talent management; IPPS-A provides this same capability. Secretary Esper emphasized the refocusing to talent management as a step that “we will look back on as a pivotal moment for our Army” in his keynote address at the Association of the United States Army’s 2018 Annual Meeting. Following his lead, senior leaders are shifting the Army culture from personnel management to talent management using a data-driven approach.

Managing talent means identifying individuals’ potential to contribute and then tailoring development and incentives accordingly. By this definition, individual skills and attributes are only considered talents if they positively contribute to the needs of the Army. The Army has an obligation, then, to manage the development and incentives of the talented individuals if it hopes to retain them. From this perspective, talent management accounts both for the needs of the Army and for the needs of individuals in optimizing talent identification, development and retention.
When Does Talent Management Start?

An officer who is commissioned through the Reserve Officer Training Corps or the United States Military Academy (USMA) at West Point owes the Army four or five years, respectively, before leaving the service. Every officer who leaves service after his or her initial obligation reduces the overall talent pool; the Army talent management system must anticipate that first retention decision.

A term commonly used in Silicon Valley is engineer poaching, which is when one tech company identifies highly-talented engineers at a rival firm and so offers a competitive incentive package to attract and “poach” those engineers to its own firm. Given this competitive reality, professional firms leverage a data-driven human capital management system to attract and retain talented employees. Businesses understand that filling a lost engineering position is more costly than effectively managing existing talent through development and incentives. Ultimately, a Silicon Valley titan can target other talented individuals from a global market to replace a lost engineer; the retention targeting abilities of the United States Army are not so flexible.

If the Army continues to experience 50 percent attrition after seven years of active service, as shown below in Figure 1, then any talent management system will simply be managing the potential of those servicemembers who remain.

When, after seven years, the top performing 50 percent of Soldiers leave the Army, the officer who was once in the 49th percentile becomes the Army’s top performer. This is not always how things play out practically, of course, but studies conducted by Assistant Secretary of the Army E. Casey Wardynski, Colonel David Lyle and Lieutenant Colonel Michael Colarusso, USA, Ret., show that highly-talented officers do leave the Army at a greater rate than less talented officers because of greater potential opportunities in the private sector. The talent management system must collect data on what talent is leaving and why. Then, the Army must target and find a way to successfully retain the best of that talent for more than seven years of service. To do this, the Army should use a marketing framework to understand officers’ decisionmaking processes.

Figure 1
Cumulative Army Officer Retention Rate
2000–2008

As reported by the Military Leadership Diversity Commission in March 2010.

A Marketing Framework to Approach Talent Management

Business marketing is a data-driven process that seeks to target customers with messaging and incentives at the decision points causing the greatest attrition (see Figure 2). The Army should use this same data-driven approach to identify and target its officers at the particular years of greatest officer attrition.
Business marketing identifies potential customers, develops those customers through the point of purchasing a product or service and then seeks to retain customers as repeat purchasers. Army talent management has a similar framework: identify the right individuals, develop those individuals and retain talented individuals in the organization. Figure 2 shows a standard marketing funnel that a business might use to take a potential customer from the point of gaining brand awareness through the purchasing decision.

As the narrowing funnel demonstrates, a business can experience attrition at multiple levels before a customer makes the final decision to purchase. This attrition might result from a customer’s lack of interest in the particular products offered or from price sensitivity once in a store. Marketers use data to analyze the causes for attrition at each step and focus communications and incentives to reduce this attrition. Retail companies continually strive to convince customers to decide to purchase; the Army strives to retain talented officers for a whole career.

The Army’s current up-or-out system models the marketing funnel. Army officers enter service through one of three commissioning sources, with the majority of officers starting as second lieutenants. As the officers progress through their careers, a certain percentage leave the service, whether by their own choice or by the Army’s. Figure 3, on the following page, shows a marketing funnel framework for the officer retention decision.

The Army Retention Funnel shows two dimensions in the current retention structure—the officer’s choice and the Army’s choice. Just as in a customer’s purchasing decision, an officer chooses whether to continue to serve and the Army tries to communicate and incentivize that officer to remain. Customer churn is expensive, just as officer turnover is expensive. The Army must retain highly-talented officers because it costs time and money to generate more officers of a particular rank and experience. One significant difference between a business and the current Army system is that when a large corporation is experiencing attrition, marketing managers strive to align communication and incentives ahead of those losses. The Army does not.

The Army uses the Performance Based Graduate School Incentive Program (PB-GSIP) as an incentive to retain officers at eight years of service, after already experiencing a 50 percent attrition rate. This program offers high-performing officers the opportunity to attend civilian graduate school in return for eight additional years of service, two years in school and six years active duty. This program broadens officers and develops them as leaders. The PB-GSIP program is not, however, an effective talent management incentive—officers are not selected for this program until approximately their eighth year of service. At this same milestone, the officer...
earns 100 percent of the GI Bill, which can be used to fund graduate school. The GI Bill provides the officer the same incentive—funding for graduate school—without the additional eight-year service obligation. The current PB-GSIP program, a potentially valuable incentive, is effectively more of a leader development program for officers who already want to stay in the Army.

The Army should use a data-driven marketing framework to identify an officer’s decision-making window and to influence talented officers’ decisions with retention incentives. Rather than leaving this to chance, the Army should use data to determine potential talent and target those individuals early by offering desirable incentives.

The World of Big Data: How to Identify Talent

The marketing funnel helps to elucidate when major decision points drive officer attrition and when the Army should position potential incentives to influence an officer’s decision. However, the talent management funnel is not complete without the data to determine which officers the Army should retain.

In 2008, USMA sent Cadet James Gallagher to a foreign country for a semester. He returned after six months at the Brazilian military academy speaking fluent Portuguese and then scored a 3/3 on the Defense Language Proficiency Test. After this experience, Cadet Gallagher wanted nothing more than to serve the Army as a Foreign Area Officer (FAO), but he knew the opportunity was ten years in the future. Upon graduation, he commissioned as an Air Defense Artillery (ADA) officer and married his long-time girlfriend, a Brazilian national. After serving as a junior officer at Fort Bliss, Texas, he attended the Captains Career Course (CCC). With limited company command positions available for ADA officers, Captain Gallagher was moved to Fort Jackson, South Carolina, to command a basic training company to gain key development experience for a captain. He applied for the FAO program at his first opportunity, during his seventh year in the Army. He was denied for not having enough rated company
command time. After another year in command, and a top rating from his senior rater, he was finally accepted into the FAO program after being in the Army for nine and a half years; this was the same year he was selected for promotion to major. The Army invested tens of thousands of dollars helping Cadet Gallagher gain language proficiency as a cadet, then invested nothing in his language or cultural development during the first nine years of his Army career. This anecdote could apply to a multitude of specialty skills, such as computer programming or operations research. How many Captain Gallaghers leave the Army after five years without the institution ever recognizing their talent?

IPPS-A can provide the foundation for the Army’s data-driven approach to talent management. IPPS-A must collect both quantitative and qualitative data to identify potential talent across the force. Many researchers have invested years in determining the appropriate data to identify potential talent, such as SAT scores, IQ scores and personality tests. More broadly, in order to place the right officer in the right job, the Army must first identify the necessary skills and attributes for the job. For example, an infantry battalion commander and an FAO most likely require a different blend of knowledge, skills and attributes. The Army has to start by collecting and analyzing all the data on current successful officers in these positions. While this data would not offer a complete picture, it would at the very least offer indicators for the range of skills and attributes that contribute to success. The Army should then forecast talented candidates for these positions, based on current junior officer data.

Initially, there is a major gap in this quantitative data approach. Analyzing the data of current battalion commanders does not describe potential changes in their skills and abilities over time. For example, a current battalion commander may be more empathetic after 17 years in the Army than he or she was as a platoon leader. A simple data comparison could rule out an unempathetic junior officer without considering potential growth. This risk can be mitigated in the near-term by analyzing data trends of successful officers at each key developmental position to establish benchmarks. The Army must refine the data-driven approach for both the individual and the job requirement over time. Each additional year provides more data to hone the desired range of skills and abilities for each job. The individualized data would also allow for trend analysis against the desired range of skills to target individual growth opportunities, enhancing performance and development.

The Army should also leverage IPPS-A to gather qualitative data on officers while remembering that talent management must balance the needs of the organization with the desires of the individual. This qualitative approach should begin with a commissioning survey that seeks to understand the officer’s self-determined goals and talents and then be followed by a job satisfaction survey taken at the officer’s annual evaluation. This survey could broaden the Army’s understanding of individuals’ personal goals and also provide early indicators for an officer’s potential plan to separate. Using Captain Gallagher as an example, the Army could have utilized quantitative and qualitative data collected in IPPS-A to identify his potential to serve as an FAO. Then, with the marketing funnel approach, the Army could have aligned potential development opportunities or incentives with Gallagher’s decisionmaking cycle to ensure his retention and continued service beyond five years.

Esper: “Perform or Out”

IPPS-A provides the means to identify and quantify talent by scoring individuals’ potential against specific job requirements. Managing talent first requires the identification of the skills
valued by the Army. Second, the Army must determine the value of those skills to both identify people who should be retained and to create developmental opportunities that can increase individual potential.

In the late 1980s, former CEO of General Electric (GE) Jack Welch developed a model to quantify GE’s talent management. He called it the 20-70-10 model, or the Vitality Curve. GE would quantify each manager’s performance against peers and the manager’s potential against the needs of the organization to develop a ranking system. Managers would be quantified as top 20 percent, vital 70 percent and bottom 10 percent. Forced ranking, like this model, creates a vitriolic reaction in many readers, and it is not without its faults. The Army can, however, learn from Welch’s approach in developing a talent management strategy.

The top 20 percent are the go-getters; Welch emphasized that these managers should be challenged with more responsibility at every opportunity, with GE prioritizing retention of these managers using targeted incentives, rather than leaving their retention to chance. Welch also emphasized that the rankings must constantly be reassessed. For the Army, this could mean that IPPS-A would identify the top 20 percent of junior officers in the first five years based on current performance and trend analysis for potential senior positions, then offer them an incentive to retain them for three additional years. Each year, the Army would reassess the total officer cohort to identify and retain the current top 20 percent.

The vital 70 percent form the core of the organization. Welch understood that GE had to invest the greatest amount in these managers’ professional development and that, individually, these managers had the potential to move into the top 20 percent. The Army promotes fewer than 1 percent of officers to general officer. Majors, lieutenant colonels and colonels form the core of the Army enterprise. The Army talent management system should invest in the development of these officers through institutional broadening opportunities and Professional Military Education (PME).

The bottom 10 percent should not be retained. Jack Welch stated that “failing to differentiate among employees—and holding on to bottom-tier performers—is actually the cruelest form of management there is.” Letting go of the bottom 10 percent is just as important to retaining the vital 70 percent as giving that 70 percent the opportunity to move into the top 20 percent. There must be incentives and disincentives, especially in the Army, where every individual of the same rank makes the same salary, regardless of performance.

The 20-70-10 model is not without fault; many companies that had once implemented it have since abandoned it due to employee morale issues and competition in the workplace. These companies, though, have the ability to differentiate through performance compensation and bonuses. The Army already uses a forced distribution model through the Officer Evaluation Report (OER) to make cuts at the ranks of major and lieutenant colonel, with an 80 percent and 70 percent selection rate respectively; it does not, however, attach financial compensation to performance beyond those promotion boards. The Army must identify other potential incentives to retain top performers and to strengthen the core of the institution.

**Enhance the Schoolhouse Experience**

Attending PME for captains at four years of service generates incredible stress for junior officers just as they are making their first retention decision. Most CCCs are six months in duration. If married, officers move their families to their school location and then are not given
their next three years’ assignment until two months prior to relocating. However, while difficult enough on its own, this potential circumstance is arguably not even the root cause of stress; the stress comes from an officer’s inability to influence his or her future assignment based on performance. The schoolhouse misses an opportunity to incentivize performance.

The current Academic Evaluation Report (AER) quantifies the officer’s performance as “commandant’s list” (top 10 percent), top 20 percent or “meets the standard,” but the Army assigns officers to their next duty stations before this ranking is announced. The next time the Army might consider the AER is at an officer’s promotion board. The officer, though, has received four OERs since completing school, which the promotion board considers before the AER. Academic performance, reflected by the AER, offers no tangible incentive to the officer.

Following the USMA cadet ranking model, the Army should immediately implement a policy in the schoolhouse to incentivize student performance. At USMA, cadets are ranked based on performance in academics, military leadership and physical fitness. During a cadet’s senior year, he or she can see public postings from Human Resources Command (HRC), transparently advertising all available duty locations. This is similar to the new Assignment Interactive Module marketplace: names are called starting with the number one ranked cadet, and then he or she walks up to the board and gets first pick of desired duty location—cadets earn their choices. The Army should implement its own version of this to incentivize performance at the schoolhouse.

One of the major critiques of this form of assignment process is that all of the top-performing officers go to the most desirable locations, meaning many locations are routinely deprived of top talent and instead have to make do with almost consistent mediocrity. That being the case, how could the Army implement this to incentivize officers while simultaneously meeting the needs of the Army? The Maneuver CCC at Fort Benning, Georgia, accepts 120 officers per class, meaning that there are 12 officers who comprise the top 10 percent. After the company phase of the course, officers have completed the crucible grading events and a physical fitness test. This period also aligns with the HRC manning timeline for each class. The school should rank students after company phase and reward the top 10 percent through an assignment incentive. This should not mean that all 12 officers get to choose Italy or Germany. Just as at USMA, HRC could reserve one to two slots to each of the major posts, depending on the needs of the Army, and then the top 10 percent could choose in order of their percentage ranking.

Following Jack Welch’s GE principles, disincentivizing poor performance is as important as rewarding excellence. Just as the schoolhouse should reward top performers with assignment incentives, it should also cut the bottom 5–10 percent of performers. Jamie Dimon, Chief Executive Officer of JPMorgan Chase, said at Stanford Graduate School of Business that “a bad hire takes 18 months to recover from.” He broke that down into six months to realize that a person was a bad hire, six months to find a replacement and six months for the replacement to recoup the losses. The Army experiences this same phenomenon when an underperforming captain graduates from the CCC and takes command of a company. That company loses 18 months of combat readiness due to one bad company commander—and of course suffers further detrimental effects due to the impact his leadership performance has on the retention of others. The schoolhouse should make the tough cut: provide these officers with six months’ notice and assist in their transition out of service.
Changing the policy to incentivize performance at the schoolhouse could have lasting benefits for developing and retaining talented officers. First, every officer would have tangible incentives to encourage higher performance, increasing the value of institutional development for all officers. Even if officers doubt their ability to make the commandant’s list, they would still be encouraged to stay out of the bottom ten percent. Second, the Army would get ahead of an officer’s decisionmaking cycle with targeted incentives, such as follow-on assignments, prior to the officer deciding to transition out. This would make the officer feel valued by the organization and rewarded for high performance. This comprehensive approach would provide more talented officers to the Army, which is crucial to developing and retaining the next generation of leaders.

Develop Others: Retaining the Next Generation

May 2010 marked a pivotal month in the career of 36 junior officers. That month, two top performing lieutenant colonels changed battalion command. One hand-selected officer replacing another—why did it make such an impact? Prior to the change of command, a junior officer who had arrived to the battalion without a Ranger tab was treated like a second-class citizen; his reception to his first unit in the Army was in fact an exercise in public humiliation, thanks to the battalion commander. In June, the incoming battalion commander introduced himself to that same officer, counseled him on the expectations of an infantry platoon leader and put him on a training path to earn his Ranger tab, which he did. The Army eventually identified the impact of the former commander’s ineffective leadership style; however, the damage he caused had already had a lasting effect on Army talent management.

Only three officers from that first cohort remain in the Army 10 years later. The latter cohort, developed by the incoming battalion commander, now a brigadier general, produced two General Douglas MacArthur Leadership Award winners, three USMA instructors, a Special Forces team leader and resulted in a retention rate far greater than the Army average. The Army did not alter its assignment policies during that period; the only distinct difference was the battalion commander.

The battalion commander is the linchpin of Army talent management. The Army institution must support a battalion commander’s development efforts by adopting a business approach to talent management. Battalion commanders alone cannot develop and retain the next generation of officers; they can, however, render any institutional talent management efforts futile if they drive junior officers out of service by their poor management.

The talent management system can mitigate these failures in leadership through targeted development. In the Center for Army Leadership study, junior leaders rated “develops others” lowest among leadership attributes demonstrated by superiors. Does this mean that senior leaders are not developing subordinates? Not necessarily. The study concludes that senior leaders are creating development opportunities but are not necessarily helping subordinates to make sense of the experiences. The talent management system should close this perception gap through targeted development of future battalion commanders.

The 75th Ranger Regiment requires officers to assess in at every rank. One aspect of the selection process is a psychological assessment. Each time an officer reassesses into the Ranger Regiment, the psychologist provides the officer with developmental trends in his or her profile. The Army talent management system has the same potential with IPPS-A. Each time an officer
attends PME, the Army should reassess the officer through a data-driven model. Officers would gain self-awareness through feedback and the Army would gain developmental data for trend analysis. The trend analysis would then allow the Army to target officers with individualized developmental opportunities and so to strengthen their potential as future leaders.

Junior officers only experience one or two battalion commanders before making their first decision to remain in the Army. Thus, it is crucial that the talent management system focus on developing the right officer for this critical leadership position.

**Blended Retirement: What Happens Next?**

The rules of the game have changed—the Army must adapt. Data shows that 50 percent of total officer attrition occurs within six months of an officer’s initial service obligation, between four and a half and five and a half years of first signing up. Data also shows that attrition plummets to near zero after year 12. This makes sense in the traditional all or nothing 20-year retirement system. What happens now, at year 12, when an officer has 12 years of matched contributions saved in a 401k? The decision for talented officers to stay until 20 years will no longer be automatic. As a result, the Army will have to fight to retain highly-talented individuals each year. In short, the Army will have to manage talent.

**Conclusion**

The conditions are set for shifting the Army culture from personnel management to talent management. Senior leaders have set the tone by moving talent management into the top priority for 2019. IPPS-A and the TMTF provide technological and institutional structure that can impact change; now, the Army should leverage business principles in marketing, data analysis and incentive alignment to develop a holistic approach to talent management. A marketing approach can provide a framework for understanding individuals’ decisionmaking processes. IPPS-A can provide a data-driven foundation to quantify individual talents against job requirements. Finally, understanding individuals’ talents and decisionmaking processes would allow the Army to align incentives to influence retention decisions. Proper talent management would account for the needs of individuals and those of the Army, and, as a consequence, would allow for the placement of the right individual in the right position at the right time.
Notes

1 Katelyn J. Cavanaugh, Jon J. Fallesen, Rachell L. Jones and Ryan P. Riley, 2015 Center for Army Leadership Annual Survey of Army Leadership: Military Leader Findings (Fort Leavenworth, KS: The Center for Army Leadership, 2016), 89.

2 Meghann Myers, “‘Up or out’ is on its way out, and it’s time for ‘perform or out,’ Army secretary says,” Army Times, 24 January 2019.

3 Nicole Ogrysko, “New talent management system to give the Army a better view into soldiers’ skills,” Federal News Network, 16 October 2018.


5 Department of the Army, Talent Management Concept of Operations for Force 2025 and Beyond, (Fort Leavenworth, KS: U.S. Army Combined Arms Center, September 2015), 13.


7 Military Leadership Diversity Commission (MLDC), Officer Retention Rates Across the Services by Gender and Race/Ethnicity, MLDC Issue Paper no. 24, March 2010, 1–2.


9 Department of the Army, Talent Management Concept of Operations for Force 2025 and Beyond, (Fort Leavenworth, KS: U.S. Army Combined Arms Center, September 2015), 11–14.


11 Name changed.


14 Welch, 159.


19 Cavanaugh et al., Annual Survey of Army Leadership: Military Leader Findings, 89–92.

20 Wardynski et al., Towards a U.S. Army Officer Corps Strategy for Success, 24–25.