BLUE HARVEST:

EVALUATING HUMAN CAPITAL MANAGEMENT POLICY FOR THE 21ST CENTURY AIR FORCE

BY

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APPROVAL

The undersigned certify that this thesis meets master's-level standards of research, argumentation, and expression.

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DISCLAIMER

The conclusions and opinions expressed in this document are those of the author. They do not reflect the official position of the US Government, Department of Defense, the United States Air Force, or Air University.

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ABSTRACT

In *Blue Harvest: Evaluating Human Capital Management Policy for the 21st Century Air Force*, Murray examines the human capital management system known as "Up-or-Out," with an eye toward evaluating the system's merit to the service's effectiveness in the twenty-first century. The author limits the analysis to Air Force line officers in the ranks of captain through colonel. The discussion begins with a history of the development of the current system and its intended benefits. Next, the author points out potential consequences, to include both morale and fiscal costs, engendered by the current system. Then, by examining human capital management systems of US allies and industry, as well as alternatives proposed by external researchers, the author indicates best practices not in use by the Air Force. The thesis concludes with recommendations for principles which should be inherent in a new human capital management system.

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Chapter 1

Introduction

> *[I]n a rapidly changing, uncertain, and fiercely competitive world, remaining the best will require the best of technology, agility, full-spectrum readiness, innovative war plans, and above all recruiting, retaining, and developing the people*
>
> -Secretary of Defense Ashton Carter
> Remarks at his farewell parade, 9 January 2017

The current generation of officers has known non-stop warfare, and a flood of new threats such as revanchist Russia, rising China, and a near-constant stream of new violent extremist organizations offer little hope of an end in sight. The operations tempo that comes with combating such threats for nearly two decades raises a crucial question as to whether the personnel management systems which have endured – almost without interruption – since the early days of the Cold War are the right tools to manage the Air Force's current and future leaders. In *Filling the Ranks*, Cindy Williams points out "Since the elimination of the draft in 1973… Military pay and benefits and the personnel policies that underpin them are crucial to the Defense Department's ability to fill the ranks with the qualified volunteers it needs…Yet the nation inherited most of today's policies from an earlier era…the war on terrorism ushered in a new set of challenges and technological opportunities…But the military's pay and personnel policies are still geared largely toward a force to fight a repetition of World War II."[1]

Any discussion of the influence of the current "up-or-out" personnel management system on the United States Air Force's ability to recruit, develop, and retain human capital in its officer corps in the twenty-first century must consider how the system evolved. The end of the draft and the advent of the All-Volunteer Force in 1973 changed the make-up of the military without altering the way in which this very different group of people is managed.[2] This paper attempts to demonstrate the reasons for this stagnation in

[1] Cindy Williams, ed., *Filling the Ranks* (Cambridge, MA: The MIT Press, 2004), 1.
[2] Tim Kane, *Bleeding Talent* (New York, NY: Palgrave MacMillan, 2012), 4.

managerial policy, the costs associated with it, and whether the benefits garnered by the service outweigh the costs imposed by the system.

Why Human Capital Management Matters

Don't be too proud of this technological terror you've constructed.
-Darth Vader
Death Star, A long time ago

The Air Force has always been a technologically focused service. With the domains of space and cyberspace increasingly coming under the Air Force's purview, and with terrestrial systems becoming more complex, the need for minds capable of rapidly synthesizing diverse data points and making split-second decisions is ever more critical. As such, the Air Force needs a human capital management system as flexible as the adaptive officers it manages. If talented personnel perceive they and their skills are not properly managed by the Air Force, they may take their talent elsewhere, potentially leaving the Air Force with a force of less capable officers to fight in future conflicts.

While this paper is not intended as a discussion of the so-called "third offset," this phrase has become a hot topic among the defense community.[3] However, the "first offset," nuclear weapons, lasted less than five years before the Soviet Union succeeded in splitting the atom and conducting a nuclear detonation.[4] Similarly, countermeasures were developed quickly for the "second offset" – precision guided munitions delivered by stealth aircraft.[5] Indeed, after the US Air Force's demonstration of the effectiveness of the second offset during Operation Desert Storm, adversaries began looking to asymmetric means of mitigating the Air Force's near-monopoly on offensive firepower. By the end of the decade, the tiny Serbian army countered the second offset by dispersing to the point that the Air Force was relegated to the counter-force strategy of "tank

[3] Katie Lange, 3rd Offset Strategy 101: What It Is, What the Tech Focuses Are (DoDLive.mil, 30 March 2016). http://www.dodlive.mil/index.php/2016/03/3rd-offset-strategy-101-what-it-is-what-the-tech-focuses-are/
[4] The Soviet Nuclear Weapons Program, nuclearweaponarchive.org, 12 December 1997. http://nuclearweaponarchive.org/Russia/Sovwpnprog.html
[5] Andrew Davies, US Military's Third Offset Strategy: A Silver Bullet or Simply a Bad Idea? The National Interest, 3 August 2016). http://nationalinterest.org/blog/the-buzz/us-militarys-third-offset-strategy-silver-bullet-or-simply-17227

plinking" with minimal effect on Serbian goals.[6] In more than 70 years since the innovation of the first offset, the United States has benefited from less than two decades of categorical advantage from them. Human capital possessed by military services was more important during the other 50-plus years since the advent of nuclear weapons, as well as during the centuries before the nuclear age.

Additionally, is it not a given that the United States will develop the "third offset." The very nature of the phrase is arrogantly US-centric. Certainly, there were offsets in war prior to the deployment of the first two atomic weapons, nicknamed "Fat Man" and "Little Boy." Chariots, cavalry, crossbows, gunpowder, rifling, and the general staff rapidly come to mind as offsets developed outside the United States, and for the most part before the country existed. Regardless of the nature of the "third offset," and where or by whom it is developed, there is little doubt that the United States military will continue to rely on exceptional women and men to assure the preservation of national security and US interests. Therefore, is it not equally, if not more important that similar time and effort be devoted to the management of that human capital? This study endeavors to determine best practices to manage the women and men who lead the Air Force in the twenty-first century.

Scoping the Problem

This study focuses on the US Air Force officer corps. While up-or-out applies to officers and enlisted airmen of all ranks, the costs associated with dismissing competent Air Force officers make the need for such discussion more immediate as it pertains to those filling the officer ranks. Additionally, while non-line officers are subject to up-or-out, lateral entry provides sufficient differentiation in potential career paths to warrant a separate discussion. Also, with promotion rates to O-2 and subsequently to O-3 being nearly 100 percent for officers commissioned as second lieutenants, this discussion

[6] Michael R. Gordon and Eric Schmitt, "Crisis in the Balkans: Military Analysis; Allies Seek, Serbs Hide," *The New York Times*, 7 April 1999. http://www.nytimes.com/1999/04/07/world/crisis-in-the-balkans-military-analysis-allies-seek-serbs-hide.html

focuses on those most likely to be adversely affected by up-or-out, captains and field grade officers – majors, lieutenant colonels, and colonels.

The Air Force's human capital management system involves more than just the up-or-out method of promoting some officers while involuntarily separating others. The military human capital management system also includes the assignment system and compensation structures.[7] While these systems are ancillary to the subject, discussion of them, except as they apply to the up-or-out system, is minimized.

The up-or-out method is also thoroughly ingrained in Air Force culture, based as it is, in more than a century of policies. Any proposed changes to the system are likely to meet staunch internal resistance due to the established culture and organizational inertia. As with ancillary discussions regarding the assignment system and compensation structures, discussion of how to change culture and overcome organizational inertia warrant a separate, albeit parallel discussion.

Definitions and Assumptions

Like any organization, the Air Force has its own language, and the major components within the Air Force have their own terms and phrases which may be repeated elsewhere in the organization with a completely different meaning. To clarify terms, it is important to provide definitions of the most critical ones.

In their report for RAND, A Theory of Military Compensation and Personnel Policy, Beth J. Asch and John T. Warner define *human capital* as "the effect of training and experience with the current employer on the stream of potential earnings with the current and alternative employers."[8] This definition focuses on the individual. Turning it around from the service's perspective then, human capital is the sum of the time, resources, and opportunities invested in an officer. *Time* includes the duration the officer has spent in the service, as well as the time mentors spent developing the officer.

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[7] Statement of Bernard D. Rostker in "Reforming the American Military Officer Personnel System," unclassified testimony before the Senate Armed Services Committee (Washington, DC: 2 December 2015), 2. http://www.rand.org/pubs/testimonies/CT446.html.

[8] Beth J. Asch and John T. Warner, *A Theory of Military Compensation and Personnel Policy*, RAND Report MR-439-OSD (Santa Monica, CA: RAND, 1994), 38. http://www.rand.org/pubs/monograph_reports/MR439.html.

Resources include the officer's salary and benefits, but also movement, as well as education and training costs. Opportunities include elements such as training billets, developmental education assignments, aide-de-camp and executive officer duties, and command assignments. These are the components of a career that typically get an officer promoted, and are often viewed by senior officers as critical to the development of senior leaders.[9] Time, resources, and opportunities are all finite at any given time and within the career frame of an officer cohort.

Whereas human capital is the sum of investments in an officer, *talent*, as it will be used henceforth, is demonstrated or latent aptitude. The difference between human capital and talent is important. While the time and opportunity components invested by the service to develop an individual's human capital are finite, those components are constantly being invested in someone. As such, human capital management, human resource management, and personnel management may be used interchangeably as the management of personnel in whom time, resources, and opportunities have already been invested. In other words, human capital management is about training, educating, and retaining current service members and veterans. Talent management, on the other hand, includes all those listed above as well as those the service may wish to recruit. The talent of the individual in whom the time, resources, and opportunities are invested plays a determinant role in the Air Force's realized return on that investment. A military service's return on investment is not profit as it is in the commercial sector. Return on military investment is effectiveness in war, or as Williams states, "maximum combat power from the money the nation spends."[10] Rather than being measured in dollars and cents, it is measured in lives – those of our Soldiers, Sailors, Airmen, Marines, allies, and civilians.

Understanding the value of human capital and talent, one must understand two common ways in which human capital is managed. These are: up-or-out and perform-or-out, also commonly referred to as up-or-stay. In the Congressional Research Service's

[9] With executive officer experience at the group and (twice) at the senior rater levels, the author draws here on that experience authoring and processing several hundred officer performance reports and promotion recommendation forms for officers across a wide array of non-rated operations and support Air Force Specialty Codes, as well as experience as the chief of records for an Air Force Space Command Management Level Review in preparation for a line officer promotion board.
[10] Williams, *Filling the Ranks*, 8.

report, *Defense Officer Personnel Management: The "Up-or-Out" System*, up-or-out is summarized as "By law, military officers who fail to be promoted to the next higher grade after a certain period of time, or a certain age, are separated from active duty or, if eligible, retired."[11] Perform-or-out or up-or-stay systems provide a nearly identical promotion opportunity to officers, but not all officers who are promoted are not summarily separated or retired. Rather, "continuation decisions…[are] primarily based on employability (performance in current grades), not promotability," or an individual's potential to be promoted to the next grade.[12]

As promotion is the primary factor in determining retention in the up-or-out system on which this paper focuses, in addition to understanding the systems which retain and dismiss human capital, one must understand the two types of systems which may determine eligibility for promotion. The current promotion system relies on *time-based promotion eligibility*. In a time-based system for determining an officer's eligibility for promotion, officers are placed in year groups, initially based on commissioning date, and then based on promotion to current rank beginning with promotion to O-2. All members of a year group then meet a promotion board at the same time with no other criteria for promotion eligibility. By contrast, a *competency-based promotion eligibility* as used in industry would make time in service irrelevant to promotion. Rather, eligibility decisions in a competency-based system are determined by the development of "a variety of characteristics that make a person qualified and competent to meet the requirements for a particular job."[13] Therefore, in a competency-based system, "accumulated experience, rather than seniority," determines the officers who are eligible for promotion at any given time.[14] It is important to note that the criteria for promotion *selection* may be the same in either system.[15] It is only the criteria for *eligibility* which is different.

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[11] Robert L. Goldich, *Defense Officer Personnel Management: The "Up-or-Out" System*, CRS Report 96-824 F (Washington, DC: Library of Congress, 1996).
[12] Peter Schirmer et al., *New Paths to Success: Determining Career Alternatives for Field-Grade Officers*, RAND Report MG-117 (Santa Monica, CA: RAND, 2004), xvi. http://www.rand.org/pubs/monographs/MG117.html.
[13] Peter Schirmer, Harry J. Thie, Margaret C. Harrell, and Michael S. Tseng, *Challenging Time in DOPMA: Flexible and Contemporary Military Officer Management*, RAND Report MG-451 (Santa Monica, CA: RAND, 2006), 6. http://www.rand.org/pubs/monographs/MG451.html.
[14] Schirmer et al., *Challenging Time in DOPMA*, 32.
[15] Schirmer et al., *Challenging Time in DOPMA*, 33.

Road Map

The military's up-or-out system has evolved over the century since its initial implementation by the US Navy in 1916.[16] However, that development has stalled since the Department of Defense Reorganization Act of 1986, colloquially referred to as Goldwater-Nichols. The military produces "better trained, better educated, more competent, and more professional" officers who provide "an asymmetric advantage in military operations."[17] However, there is a growing sentiment among external researchers, among politicians, and among the officers themselves that "the laws, policies, and practices governing military personnel management today will not meet the needs of the future operating environment," and those groups are investigating "new policies that would generate higher returns on investment."[18] The constantly changing operating environment influences military requirements, yet the Department of Defense continues to maintain a rigid personnel system incapable of adapting with the times.[19] In testimony before the Senate Armed Services Committee, noted RAND researcher Bernard D. Rostker described the current system as "reflecting industrial-age thinking in the information age," leading to a "drain of talent." He emphasized that a "one-size-fits-all system cannot provide the range of competencies that will be needed in the future."[20] The rest of this paper explores how the Air Force system developed and recommends options for the future based on the collective analysis.

The discussion begins in Chapter 2 with a historical review of laws and policies which produced the current up-or-out system. This examination includes an exploration of intended and perceived benefits of an up-or-out system. In Chapter 3, current unintended consequences of the up-or-out system are detailed. Principle among these consequences, or second-order effects, are increased recruitment and training costs, retention problems, and performance feedback inflation. The 2004 National Defense

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[16] Bernard Rostker, Harry Thie, James Lacy, Jennifer Kawata, Susanna Purnell, *The Defense Officer Personnel Management Act of 1980: A Retrospective Assessment*, RAND Report R-4246-FMP (Santa Monica, CA: RAND, 1993), 83-84. http://www.rand.org/pubs/reports/R4246.html.
[17] Schirmer et al., *Challenging Time in DOPMA*, iii.
[18] Schirmer et al., *Challenging Time in DOPMA*, iii.
[19] Ashton Carter, Secretary of Defense to Secretaries of the Military Departments, Chairman of the Joint Chiefs of Staff et al., memorandum, subject: The Next Two Links to the Force of the Future, 9 June 2016.
[20] Rostker, "Reforming the American Military Officer Personnel System," 1.

Authorization Act mandated for a "more flexible and contemporary" human capital management system, but little, if any, progress has been made.[21] As such, Chapter 4 focuses on alternative human resource management systems as implemented by US allies and industry, and wraps up with a discussion of proposed alternatives from external researchers. The discussion concludes in Chapter 5 with a summary of findings, key principles in developing changes to the system, and recommended practices for implementation.

[21] Schirmer et al., *Challenging Time in DOPMA*, 61

Chapter 2

The Road So Far

> *I think that no great argument would have to be presented to show that our promotion system has been unsatisfactory. Until we got to the grade of general officer, it was absolutely a lock step promotion; and short of almost crime being committed by an officer, there were ineffectual ways of eliminating a man.*
>
> -General Dwight Eisenhower, US Army Chief of Staff
> Hearing before the Senate Armed Services Committee, 16 July 1947

The current human resource management system known as up-or-out is rooted in the desire of post-World War II military leadership to grow a youthful, vigorous force of interchangeable human parts.[22] The story, however, does not begin there. The US Navy system predates World War I, and the Army's system came about during the Interwar period between world wars. This chapter follows the development of up-or-out from those early laws and policies, through the Air Force's codification of up-or-out in the Officer Personnel Act of 1947. It then delves into the adjustments made by the Defense Officer Personnel Management Act of 1980 and the Department of Defense Reorganization Act of 1986. Through that process, it will become clear why up-or-out came to be and whether the system is meeting the intent.

A Long Time Ago

> *The cost of turnover is low when training is cheap.*
>
> -Martin Binkin and Irene Kyriakopoulos, *Youth or Experience?*

The up-or-out human resource management system is not an Air Force invention. Indeed the problem this system was intended to correct dates back to before the American Civil War. Promotion in both the Army and Navy was by seniority, and with no means to separate officers, vacancies at all ranks were rare and stagnation in the officer corps was

[22] David Barno and Nora Bensahel, "Can the U.S. Military Halt Its Brain Drain?" *Atlantic*, 5 November 2015. https://www.theatlantic.com/politics/archive/2015/11/us-military-tries-halt-brain-drain/413965/.

the rule.[23] In response to the concern that "nearly all the field-officers of the line were old and decrepit," the Navy introduced the first military retirement system as a means of discharging officers who were deemed by a central board to be "incapable of performing promptly and efficiently all their duty both ashore and afloat."[24] Subsequently, Congress enacted the "first general (nondisability) retirement law, applicable to both the Army and the Navy" in 1861, intending to "induce and require the departure of superannuated and otherwise incompetent officers."[25] In 1862, Congress authorized the Navy to utilize a central board of officers to determine promotions based on merit, with promotion dates to be determined by vacancies and seniority. In 1890, Congress decreed that promotions would occur "within each branch or department of the Army instead of within individual regiments," a custom which further rigidified the promotion system up to that point.[26] Congress and the services continued to make minor adjustments to compensation and promotion systems through the first decade of the twentieth century, with little effect, leading to the National Defense Act of 1916.[27]

The National Defense Act of 1916 made widespread changes to both the Army and Navy. Of note, it created the Reserve Officer Training Corps, and delineated the Regular Army from the Reserves and National Guard. More importantly, the Act reformed naval promotion and retirement criteria. The Act established what came to be known as high-year tenure. This policy forced the retirement of "captains, commanders, and lieutenant commanders, upon reaching age 56, 50, and 45, respectively, and not selected for promotion."[28] The Act also established minimum time-in-grade criteria for before an officer was deemed eligible for promotion to the next grade.[29] This Act established the precedent for up-or-out in the US military. During the Interwar period, the method became universal and increased in rigidity.

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[23] Bernard Rostker, Harry Thie, James Lacy, Jennifer Kawata, Susanna Purnell, *The Defense Officer Personnel Management Act of 1980: A Retrospective Assessment*, RAND Report R-4246-FMP (Santa Monica, CA: RAND, 1993), 76. http://www.rand.org/pubs/reports/R4246.html.
[24] Department of the Navy, *A Review of the Proceedings of the Navy Department in Carrying into Effect the Act Entitled "An Act to Promote the Efficiency of the Navy"* (Washington, DC: JNO. T. and L. Towers, Printers, 1855), 13. https://babel.hathitrust.org/cgi/pt?id=hvd.hx4m4v;view=1up;seq=3
[25] Rostker et al., *The Defense Officer Personnel Management Act*, 77.
[26] Rostker et al., *The Defense Officer Personnel Management Act*, 79.
[27] Rostker et al., *The Defense Officer Personnel Management Act*, 77-83.
[28] Rostker et al., *The Defense Officer Personnel Management Act*, 83-84.
[29] Rostker et al., *The Defense Officer Personnel Management Act*, 84.

The 1920s and 1930s saw considerable upheaval as the military demobilized after World War I and then recognized the need to rebuild as another world war seemed possible. In 1925, Congress passed legislation applying up-or-out to the US Marine Corps. In 1926, promotion of staff officers and line officers was linked to bring promotions for classmates from the US Military Academy and US Naval Academy across areas of responsibility, thus reintroducing time-in-service as a promotion eligibility criterion.[30] At the same time, both Congressional Military Affairs Committees dictated "two principles of the Army personnel system… [T]he paramount object is to maintain an adequate, virile, and efficient commissioned personnel as the highly professional nucleus of a war army;… [T]he object can be attained only by causing a steady flow of well qualified young men into the service, and by maintaining a steady flow of separations from the active list sufficient to allow the flow of promotion required.[31] The intent behind these principles was a youth movement in the officer corps, but the result was underwhelming. As Rostker points out, "[b]etween 1931 and 1940 only 350 [Army] officers resigned, retired, or were dismissed."[32]

As stagnation among the officer corps continued, so too did efforts at reform. The Navy's retirement system was further refined in 1931 to tie mandatory retirement to years of service, rather than age. During the Interwar period, promotion increasingly reverted to a matter of seniority; with reduced vacancies due to demobilization, lieutenants with 14 years-in-grade became a common phenomenon.[33] In response, Congress passed legislation automatically promoting officers based on time in service: "to first lieutenant at three years, captain at 10, major at 17, and lieutenant at 23."[34] Colonel became the only boarded rank with eligibility beginning at 28 years of service. On the brink of a second world war, General George Marshall pushed for and received approval to purge the Army of elderly and ineffective officers with the Army Vitalization Act of 1941. With the outbreak of war, the services' human capital management systems again diverged.

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[30] Rostker et al., *The Defense Officer Personnel Management Act*, 85-86.
[31] US Congress, Senate and House of Representatives, *A Study Presenting the Salient Features of the Promotion and Retirement Systems, United States of America*, Military Affairs Committees, Vol. 2, 69th Cong., 2d Sess., 1926, 130-31.
As recorded in Rostker et al., *The Defense Officer Personnel Management Act*, 87-88.
[32] Rostker et al., *The Defense Officer Personnel Management Act*, 88.
[33] Rostker et al., *The Defense Officer Personnel Management Act*, 86-88.
[34] Rostker et al., *The Defense Officer Personnel Management Act*, 88.

Whereas the Navy retained a centralized promotion system during the war, the Army delegated promotions up to the rank of lieutenant colonel to field commanders. In addition to decentralizing promotions, the Army incorporated additional flexibility into the process. Specifically, temporary or probationary promotion was added. The Army required officers to "serve in a position vacancy and demonstrate his ability in that position."[35] No longer was the Army stuck with leaving an officer who excelled in lower ranks at a higher grade if he proved incapable of the demands of the higher rank. As one might expect during a war of national survival, the Army set aside bureaucracy and tradition in favor of battlefield effectiveness. Flexibility proved vital to getting the right men in the right jobs to win the war. Unfortunately, it was not to last.

The Officer Personnel Act of 1947

The year 1947 is well-known in military circles as the year in which the National Security Act was passed. The Act was revolutionary in creating the Department of Defense, including a new service: the US Air Force. A less well known piece of legislation from that year is the Officer Personnel Act (OPA), which created the basis of current human resource management systems across the armed services. With the World War II won, efforts to trade experience for youth were revitalized. These efforts came in the form of three measures: applying the Navy's up-or-out method of dismissing officers across the services; setting high-year tenure for ranks below flag and general officer at 30 years of service; and, setting 20 years of service as the department-wide voluntary retirement mark.[36] The Act had three purposes:

1. Provide in law an adequate number of officers in the proper grades and of the proper ages to meet the needs of the services;
2. Authorize grade distribution that would provide a sufficiently attractive career so that high-caliber people would be attracted to service; and
3. Eliminate the weak officer as early in a career as possible.[37]

[35] Rostker et al., *The Defense Officer Personnel Management Act*, 88-89.
[36] Rostker et al., *The Defense Officer Personnel Management Act*, 90.
[37] Rostker et al., *The Defense Officer Personnel Management Act*, 91.

The Act created "temporary officers" who could be surged or dismissed as the needs of the services dictated. OPA also codified the promotion process across the services. According to Rostker et al.:

> [p]romotion was to flow along a normal pattern after so many years of service in each grade, but each officer was required to go through a selection process for that promotion. Officers would move through various grades in cohorts (normally year groups) and be considered for promotion at various points in their careers in accordance with norms established in the act. The act provided that officers twice passed over for promotion would, after a certain number of years, depending upon their particular grade, be separated from active service and, if eligible, be retired.[38]

Even at the time, some legislators recognized that forcing effective officers out of the service could prove a wasteful practice. During deliberations, Senator Guy Cordon remarked, "[i]t may be that some of the restrictions of the bill are justified for combat units, but I feel strongly that they are inadvisable for the technical services. [T]he retirement of colonels after they have completed either 5 years of service as permanent colonels or 30 years of service, whichever is later…would mean that the average officer, figuring that he received his commission at age 22, would be forced to retire at 52 years of age. This seems to me to be a most wasteful and illogical requirement, particularly for the technical services."[39] Despite Senator Cordon's reservations, the bill passed, and the military's human resource management system remained virtually untouched for more than 30 years.[40]

The '80s: DOPMA and Goldwater-Nichols

In the early 1970s, the United States extricated itself from the conflict in Vietnam and transitioned from the draft, and a largely conscripted force, to the all-volunteer force. Coinciding with the change in the military's make-up, the services and Congress authorized various studies of military policies. Foremost among these studies was the

[38] Rostker et al., *The Defense Officer Personnel Management Act*, 92-93.
[39] Senate, *Officer Personnel Act of 1947: Hearings before the Committee on Armed Services*, 80th Cong., 1st sess., 16 July 1947, 6. https://babel.hathitrust.org/cgi/pt?id=umn.31951d020979159;view=1up;seq=5
[40] Rostker et al., *The Defense Officer Personnel Management Act*, 94-97.

Defense Manpower Commission (DMC), which concluded in 1976. Officer personnel management revisions influenced by the DMC were rejected three times by Congress before the compromise now known as the Defense Officer Personnel Management Act (DOPMA) passed in 1980.[41] That Act remains central to human resource management to this day.

According to Rostker et al., "DOPMA established a common officer management system built around a uniform notion of how military officers should be trained, appointed, promoted, separated, and retired."[42] Under DOPMA, Congress authorized the total number of officers each service may have in any given year, and the percentage of officers at each rank and in each service are codified by law.[43] For example, at a strength of 80,000 Air Force officers, 36 percent must be in the field grades, whereas at a strength of 120,000 such officers, only 33 percent must be in the field grades. These relationships can be seen in Figure 1. Rather than service requirements, these percentages were based arbitrary legal goals that represented a compromise handed down from Congress.[44] In addition to grade control, DOPMA eliminated the temporary and permanent officer classes in favor of a "*single-promotion system* with an *all-regular career officer corps*."[45] Instead, officers served under regular and reserve commissions. Those with regular commissions served in a probationary role for the first five years. Those with reserve commissions served "at the pleasure of their service," meaning that their length of service was indefinite and that their service lacked the termination restrictions of an active commission.[46] However, at the point where an officer either reached 11 years of service or was promoted to the rank of major, the officer was transitioned to a regular commission.[47] This transition was an important step for any officer hoping to make a career of the service. Except during the probationary period – which was not served by

[41] Rostker et al., *The Defense Officer Personnel Management Act*, 97.
[42] Rostker et al., *The Defense Officer Personnel Management Act*, 7.
[43] Rostker et al., *The Defense Officer Personnel Management Act*, 7.
[44] Rostker et al., *The Defense Officer Personnel Management Act*, 8.
[45] Rostker et al., *The Defense Officer Personnel Management Act*, 10. (emphasis in original text)
[46] Rostker et al., *The Defense Officer Personnel Management Act*, 10-11.
[47] The National Defense Authorization Act for Fiscal Year 2005 changed all commissions for officers on active duty to regular commissions. Only officers commissioned directly into the reserves now receive reserve commissions.
The National Defense Authorization Act for Fiscal Year 2005, S. 2229, 108th Cong., 2nd sess. (200). https://www.congress.gov/bill/108th-congress/senate-bill/2229/text.

reserve officers transitioning to a regular commission, and already passed for those whose method of accession provided a regular commission – an officer with a regular commission could not be involuntarily separated unless they failed to promote. While few regular officers were separated under the five-year probationary rule, regular and reserve promotions and the limited flexibility they provided is now a thing of the past.[48]

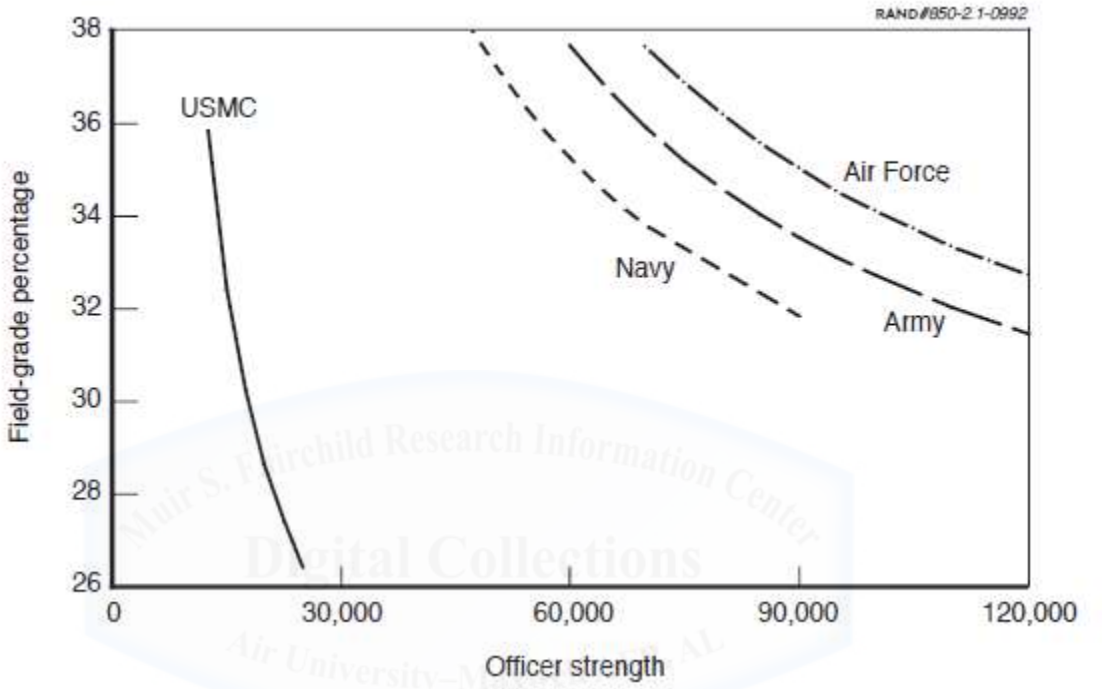

Figure 1: DOPMA Grade Tables Relative Increase in Field Grades as Officer Strength Declines

Source: RAND, "The Defense Officer Personnel Management Act of 1980: A Retrospective Assessment," 1993. Reprinted with Permission. Specific current authorization totals may be found in 10 USC 523: Authorized strengths: commissioned officers on active duty in grades of major, lieutenant colonel, and colonel and Navy grades of lieutenant commander, commander, and captain.

The critical feature of DOMPA is the up-or-out human resource management system. Congressional intent behind the system was to create "common promotion, separation, and retirement rules that…provide 'in peacetime, a youthful, vigorous, full combat-ready officer corps.'"[49] Similar to previous iterations of up-or-out, DOPMA dictated that officers move through the ranks in year groups, and that officers twice passed over for promotion to the next grade be separated from the service, and if eligible, retired. In contrast to earlier versions of up-or-out, DOPMA allowed for "selective

[48] Rostker et al., *The Defense Officer Personnel Management Act*, 11-12.
[49] Rostker et al., *The Defense Officer Personnel Management Act*, 12.

continuation" of qualified officers, with the intent that twice passed over but effective majors be allowed to continue to serve until eligible to retire at 20 years of service.[50] With the understanding that most officers promoted to the rank of major had already proven themselves effective, the expectation from Congress was that "only in unusual circumstances would this authority [to continue majors to retirement] not be fully utilized.[51] As Schirmer et al., point out, however, selection for selective continuation did not "eliminate the stigma of failure for those who are not promoted," leaving the service with an experienced but often less effective officer.[52]

In addition to selective continuation, DOPMA allowed for limited late and early promotion.[53] Under DOPMA, officers are eligible for promotion during a single primary zone, and this is the year that the vast majority of the officers in any particular year group will be promoted to the next field grade rank. Should an officer not be promoted in that primary zone, she or he will have a second opportunity the next year as an "above-the-zone" officer. However, above-the-zone promotions are rare. Officers not selected for promotion at this second board face a selective continuation board and, if not selected for continuation, are separated. DOPMA also offers the potential for early promotion. Not as rare as late promotion, early promotion, referred to as "below-the-zone," is offered to officers at the central boards in each of the two years prior to the officer's primary zone to the field grade ranks.[54] While these early and late promotions provide the services with some flexibility to promote talent, that flexibility is constrained by further another arbitrary percentage of promotions which may be given in any particular year to below-the-zone officers. Inability to increase the number of below-the-zone promotes beyond 10 percent in any given year provides the services with little capability to adapt to particularly strong or weak year groups of officers.

In the more than 35 years since DOPMA was passed, there has been little change to the up-or-out system. The Department of Defense Reorganization Act of 1986, better

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[50] Rostker et al., *The Defense Officer Personnel Management Act*, 12.
[51] *House Report No. 3296-1462, p. 6336* as quoted in footnote 12 in Rostker et al., *The Defense Officer Personnel Management Act*, 12.
[52] Peter Schirmer et al., *New Paths to Success: Determining Career Alternatives for Field-Grade Officers*, RAND Report MG-117 (Santa Monica, CA: RAND, 2004), 8. http://www.rand.org/pubs/monographs/MG117.html.
[53] Rostker et al., *The Defense Officer Personnel Management Act*, 13.
[54] The Air Force has since discontinued early promotion to O-4.

known as Goldwater-Nichols, did provide one important contribution to the human resource management equation. By making joint service a requirement for eligibility for promotion to flag or general officer ranks, and by setting a minimum time-in-service in that joint job, the Goldwater-Nichols Act added the requirement for an assignment outside the individual's service. Although the intent of developing senior officers with a joint perspective and thus diminishing service parochialism is commendable, the act had a second-order effect of increasing career requirements without changing career milestones.[55] The Act's further specification that this joint experience must occur during an officer's time in the field grade ranks further decreased the flexibility offered to individual officers and those who managed their careers. Without providing relief for the other requirements for promotion, this added requirement for a high-potential officer's career would have a lasting effect on the system.

Summary

There is some disagreement as to whether up-or-out has met the intent. From the perspective of providing for a more youthful force, the system has certainly been efficient in removing most of the sexagenarians from the ranks. In their 2015 article for The Atlantic, Lieutenant General (retired) David Barno and Nora Bensahel, both now of American University's School of International Service, state that military and civilian skeptics of proposed changes to the current system highlight that it "has largely kept the officer corps young and vibrant, and weeded out those staying beyond their ability to perform… Nothing in the current system…suggests that this process is failing."[56] Similarly, Robert Goldich notes in his 1996 report for the Congressional Research Service that "few would question that it has eliminated the problem of overage officers not capable of meeting the rigors of mobilization and war."[57] Further, if the intent is, as Schirmer et al. propose, to provide "uniformity of outcomes and opportunities across

[55] Michael C. Veneri, *The Goldwater-Nichols Act and the Joint Duty Promotion Requirement: An Analysis of the U.S. Military Implementation of a Congressional Mandate*, PhD Diss, George Mason University, 2004, xii.
[56] Barno and Bensahel, "Can the U.S. Military Halt Its Brain Drain?."
[57] Robert L. Goldich, *Defense Officer Personnel Management: The "Up-or-Out" System*, (Washington, DC: Library of Congress, 1996).

services and skills," the system can be said to have accomplished that intent.[58] Asch and Warner declare that an "organization must generate some turnover at the higher levels, even among qualified personnel, to maintain effort and retention incentives at the lower levels."[59] If youth and turnover are the only considerations, it may be argued that up-or-out has succeeded in meeting its objectives.

On the other hand, if the objectives of the system are, as Rostker states, "uniformity and consistency in officer management," the system may be failing.[60] In their 1993 RAND report, Rostker et al., stated that the system "lacks the flexibility to meet all its stated objectives," and that Congress should "consider the need for fundamental changes in the way officers will be managed…[by] rethinking…the principles on which officer management is based."[61] Barno and Bensahel opine that "simply surviving the challenges of yesterday or even those of today with the current system is no longer enough."[62] More likely, the success of up-or-out must take into account all of these opinions. One might relate the success or failure of the system to national security by stating that the US has not lost any wars under the DOPMA version of up-or-out. Although it remains to be seen whether twenty-first century conflicts in Iraq and Afghanistan will be remembered as being closer akin to Vietnam, Korea, or World War II, as of this writing, the reality seems closer to one of the former and a far cry from the latter. Therefore, such a position is questionable at best.

Reality is likely somewhere along the spectrum of these objectives. Specific objectives of retaining an up-or-out system have changed over time, and likely continue to exist due to a myriad of perceptions and preferences of military and civilian decision-makers. The desires for a youthful force and a flow through and out of the ranks seem to be enduring goals. The desire to retain a degree of interchangeability among the officer corps seems similarly persistent. Whether these goals remain achievable is a matter for debate.

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[58] Peter Schirmer, Harry J. Thie, Margaret C. Harrell, and Michael S. Tseng, *Challenging Time in DOPMA: Flexible and Contemporary Military Officer Management*, RAND Report MG-451 (Santa Monica, CA: RAND, 2006), 2. http://www.rand.org/pubs/monographs/MG451.html.
[59] Beth J. Asch and John T. Warner, *A Theory of Military Compensation and Personnel Policy*, RAND Report MR-439-OSD (Santa Monica, CA: RAND, 1994), 116.
[60] Rostker et al., *The Defense Officer Personnel Management Act*, 69-70.
[61] Rostker et al., *The Defense Officer Personnel Management Act*, 70-71.
[62] Barno and Bensahel, "Can the U.S. Military Halt Its Brain Drain?."

In addition to determining whether the system has met its intent, it must be asked, if the basic premise of up-or-out is to provide interchangeable human parts, is the system doomed from the start? Williams points out that up-or-out policies "induce members to stay or leave without regard to occupation or skill, or to how much (or little) the service may need them… today's policies make no distinction between an infantry soldier, whose youth can be an extremely desirable asset, and a computer network engineer, whose skill generally continues to grow with experience."[63] Officers in today's technology-savvy Air Force are rarely interchangeable. Certainly, there are exceptions such as 16G (Air Force Operations Staff Officer) and 97E (Executive Officer) billets which can often be filled by an officer from any career field.[64] However, a C-17 pilot cannot be sent to a cyber operations billet with the expectation of equal returns, and vice versa. Each officer has different strengths, weaknesses, and desires. Even after a century of evolution, up-or-out has a spotty record at best with regards to meeting its objectives. With the sensibility of an up-or-out system in doubt, the next chapter will discuss the consequences up-or-out has had for the services and whether the objectives which drove the creation of up-or-out remain valid.

[63] Cindy Williams, ed., *Filling the Ranks* (Cambridge, MA: The MIT Press, 2004), 17.
[64] Officer AFSC Classifications, 20 November 2012. http://www.af.mil/About-Us/Fact-Sheets/Display/Article/104484/officer-afsc-classifications/

Chapter 3

Consequences

> *In the army, if the most extraordinary officer in half a century were to appear, he would make general no sooner than 23 years on active duty, at the age of 44. By comparison, Alexander the Great died at the age of 33 after conquering the known world.*
>
> -Tim Kane, *Bleeding Talent*

Current up-or-out policies produce several second-order effects. These costs can be grouped broadly as morale costs and fiscal costs. This chapter outlines morale and fiscal costs related to up-or-out policies and concludes with a summary of the effects these costs have on military personnel.

The morale costs which may be incurred by continued adherence to up-or-out policies include the service's struggle to retain elite talent due to a perception of slow advancement, the difficulty retaining personnel throughout the talent spectrum due to lack of perceived job security, and the problem of performance report inflation due to a variety of reason which all have roots in up-or-out. Additionally, the requirement for promotion dictates that an officer cannot stay for more than a few years, even in a position to which she or he is perfectly suited.[65] This cost is shared by both the officer and the service. The officer has to leave a job that she or he is happy with and in which the officer will likely perform better. The service loses the experience and peak performance of that officer in exchange for a new assignment where the officer will be less effective than in the job for which she or he is perfectly suited. The service will also replace the officer with another who may be less well suited to the duties and/or environment.

Morale costs contribute to fiscal costs. Retention problems drive increased recruitment and training requirements. The requirements for promotion also increase officer movement costs. Forcing officers to promote also has the chance of forcing them into positions beyond their capability. This phenomenon, satirically presented by

[65] David Barno and Nora Bensahel, "Can the U.S. Military Halt Its Brain Drain?" *Atlantic*, 5 November 2015. https://www.theatlantic.com/politics/archive/2015/11/us-military-tries-halt-brain-drain/413965/.

Laurence J. Peter, dictates that "in a hierarchy, every employee tends to ride to the level of his incompetence."[66] While this is certainly not always, or even often the case, Kane goes on to explain that it is not uncommon that an officer reached a level where either his or her talent is insufficient for the job, or effort diminishes, and thus the military is paying senior rank wages for junior rank effectiveness. As Kane relates, these "weak senior officers are shuffled around in 'less' important jobs until they retire."[67] Through discussion of these costs, one can determine where such consequences of human resource management policies may be mitigated.

Morale Problems: Elite Talent

The current system provides a uniformity of outcomes.[68] Most officers who stay in the service retire after 20 or more years in the grade of O-5 or O-6. No officers will be promoted to O-5 before 13 years of service, with approximately 90 percent being promoted during their 16th year of service. Further promotions are similarly time-based with the primary opportunity for promotion to O-7 occurring at the 24-year mark. As a result, even the cream of any year's officer crop must wait until their mid-40s to compete for senior ranks. This slow progression, in a time when superior talent is being recognized at a younger age in the civilian sector, makes retention or even recruitment of such talented individuals increasingly difficult.

Rostker pointed out in his 2015 testimony before the Senate Armed Services Committee that more than 50 years of research shows that "very talented people leave…because they cannot see a clear path for advancement and do not want to leave their careers to chance."[69] This phenomenon is a problem because, as Barno and Bensahel note, "members of the [Joint Chiefs of Staff] of 2045 are already serving in

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[66] Rob Ashgar, "Incompetence Rains, Er, Reigns: What The Peter Principle Means Today," *Forbes*, August 14, 2014. http://www.forbes.com/sites/robasghar/2014/08/14/incompetence-rains-er-reigns-what-the-peter-principle-means-today/#2c571a78631b.
[67] Kane, *Bleeding Talent*, 157.
[68] Peter Schirmer, Harry J. Thie, Margaret C. Harrell, and Michael S. Tseng, *Challenging Time in DOPMA: Flexible and Contemporary Military Officer Management*, RAND Report MG-451 (Santa Monica, CA: RAND, 2006), 2. http://www.rand.org/pubs/monographs/MG451.html.
[69] Statement of Bernard D. Rostker in "Reforming the American Military Officer Personnel System," unclassified testimony before the Senate Armed Services Committee (Washington, DC: 2 December 2015), 2. http://www.rand.org/pubs/testimonies/CT446.html.

uniform… Losing talented, experienced, and innovative leaders in the first 10 years of their military careers means that those leaders will not be available to serve in ever-more senior military leadership positions during the next 20-30 years."[70] Barno and Bensahel point to civilian studies on the Millennial generation as suggestive of greater recruitment and retention problems on the horizon. Their review of these studies shows that unlike their Baby Boomer and Generation X elders, Millennials "believe in merit-driven upward mobility, and are convinced they should be able to compete for any job in their reach."[71] In *Bleeding Talent*, Time Kane agrees that this generation difference is a growing problem because "[m]ilitary officers are convinced that the military is less meritocratic than the private sector, but more pointedly that the military is not a meritocracy at all" and that this feeling is more pronounced among the junior ranks.[72] This "merit-driven upward mobility" is at odds with the current Air Force human resource management system. As such, Barno and Bensahel conclude that "much about today's military personnel system may alienate the very segment of the population from which the military must draw upon to fill its ranks."[73] This alienation may have already begun to affect officer recruitment.

Barno and Bensahel discuss two sources that demonstrate the potential consequences to recruitment. First, they point to a Department of Defense source which states that "only a half of 1 percent of officers entering the military last year [2014] hailed from the top 20 U.S. colleges and universities – a percentage that is just half that of just 20 years ago."[74] Further, the authors point out "a recent study determined that 40 percent of today's Marine officers would fail to meet standards for Marine officer selection in World War II"[75] based on the Marine Corps' General Classification Test, which is taken by all Marine Corps officers.[76] While neither of these metrics show categorically that the

[70] Barno and Bensahel, "Can the U.S. Military Halt Its Brain Drain?."
[71] Barno and Bensahel, "Can the U.S. Military Halt Its Brain Drain?."
[72] Kane, *Bleeding Talent*, 15.
[73] Barno and Bensahel, "Can the U.S. Military Halt Its Brain Drain?."
[74] Barno and Bensahel, "Can the U.S. Military Halt Its Brain Drain?."
[75] Barno and Bensahel, "Can the U.S. Military Halt Its Brain Drain?."
[76] Matthew F. Cancian and Michael W. Klein, *Military Officer Quality in the All-Volunteer Force* (Washington, DC: Brookings Institution, 8 July 2015), 3. https://www.brookings.edu/wp-content/uploads/2016/06/Military-officer-quality-in-the-all-volunteer-force.pdf

Air Force is struggling to recruit talent, with similar human capital management systems across the services, it is reasonable to conclude that such a similarity of outcome is likely.

Drawing on research and experience, Barno and Bensahel unequivocally state that the "citizens the military attracts, what cognitive and leadership qualities they possess, and how many of them stay for a career are issues of strategic importance to the nation's security…[and that] the rigid and anachronistic personnel system is driving too many bright, innovative, and creative officers out of the military [which] could have disastrous long-term effects on the nation's ability to fight and win future wars – or craft strategies to prevent them from erupting."[77] Kane agrees, stating that the consequences of "the exodus of talent" are "lost investment and eventually a weaker force that costs lives."[78] Kane's assertion is not without support. His survey of current and former officers spanning six West Point classes between 1989 and 2004 showed that 93 percent of respondents "answered that half or more of 'the best officers leave the military early rather than serving a full career.'"[79] Additionally, his survey reported that 67 percent of respondents agreed that this phenomenon "leads to a less competent general-officer corps" and that "79 percent agreed that it harms national security."[80] All is not lost, however, Kane's survey revealed that "90 percent agreed that the best officers would be more likely to stay if 'the military was more of a meritocracy.'"[81] As Kane notes, these officers and veterans are not from the bottom of the barrel.[82] Nor are current and former Army officers alone in damning up-or-out policies.

Air Force officers attending Air Command and Staff College and Air War College have been writing critiques recommending that the military do away with up-or-out policies at least as far back as 1966, when Major Benjamin W. Van Wagener concluded that "[a]n integral part of the Air Force's competitive effort in officer procurement and retention programs is the officer promotion philosophy and the degree of attractiveness of the promotion system."[83] Van Wagener realized then that "[i]n the complex modern

[77] Barno and Bensahel, "Can the U.S. Military Halt Its Brain Drain?."
[78] Kane, *Bleeding Talent*, 6-7.
[79] Kane, *Bleeding Talent*, 14.
[80] Kane, *Bleeding Talent*, 15.
[81] Kane, *Bleeding Talent*, 99.
[82] Kane, *Bleeding Talent*, 15.
[83] Major Benjamin W. Van Wagener, *USAF Officer: Up or Out* (master's thesis, Air University, June 1966), 56.

environment the Air Force cannot afford to clog the system with the average and impede the progress of high potential officers of lesser seniority," while simultaneously pointing out that "[f]requently, those attrited [under up-or-out policies] are sorely needed but not in the grade occupied."[84] More than two decades later, and after the most recent major changes to personnel policies instituted under Goldwater-Nichols, Col Harry A. White III concluded in his 1988 Air War College thesis that the current policies "mark us as the only institution that forces its key managers and leaders out of their profession at a time when they should be kept."[85] The authors of these studies, like the authors of nearly a dozen similar Air University papers since 1966 are not officers who were likely to be affected by the "out" clause of up-or-out. These officers have been the cream of the crop recognizing that the system in place was weakening their service. When an organization's best and brightest make a consistent statement, it should not take 50 years to take action, and yet, that is the situation in which the Air Force finds itself today.

External researchers have more recently joined the aforementioned members of the officer corps in recommending changes. Kane points to a 2010 report from the Defense Science Board, which "concluded that DOPMA and other restrictive regulations 'have the effect of inhibiting the Department's flexibility and adaptability.'"[86] Worse, the report blames DOPMA's inflexibility for "wasting human capital."[87] In a 2006 RAND report, Schirmer et al., conclude there is a "growing recognition that the laws, policies, and practices governing military personnel management today will not meet the needs of the future operating environment," while pointing to the 2004 National Defense Authorization Act which "directed the Secretary of Defense to create a system that is 'flexible' and 'contemporary.'"[88] Yet, 11 years later, the officer corps is still waiting for the congressionally directed changes. The Air Force Future Operating Concept, unveiled in 2015, suggests flexibility and adaptability are the keys to the future of warfare.[89] According to the Concept, "[a]n effective response to shifting stimuli requires the ability

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[84] Van Wagener, *USAF Officer: Up or Out*, 60.
[85] Col Harry A. White III, *The Impact of the Department of Defense Reorganization Act of 1986 on Mandatory Retirement Policy: Time for a Change?* (master's thesis, Air University, 1988), 49.
[86] Kane, *Bleeding Talent*, 28-29.
[87] Kane, *Bleeding Talent*, 125.
[88] Schirmer et al., *Challenging Time in DOPMA*, iii.
[89] Air Force Future Operating Concept, September 2015. http://www.af.mil/Portals/1/images/airpower/AFFOC.pdf

to change or adapt easily."[90] It is illogical to expect warfighters to be able to adapt on the battlefield when the system which manages them minimizes or removes the possibility of adaptation from their careers. In other words, by putting officers through a standard path which typically puts one in line for promotion, the military may remove the diversity and agility of thought necessary to adapt to complex battlefields. This situation demonstrates a gap between statements and actions that the Air Force must address lest it struggle to recruit and retain the elite talent that will be needed to lead in the dynamic operational environments of the future. Former Secretary of Defense Ashton Carter's "Force of the Future" initiative appeared to be a first step in the direction of change, but with his ouster as part of the recent change in presidential administrations, it remains to be seen whether the new Secretary and former Marine Corps General, James Mattis, will build on his predecessor's progress in this area.

Morale Problems: Job Security

In the influential *Motivation and Personality*, Abraham H. Maslow posited that human behavior is driven by the satisfaction of a hierarchy of needs. Under this premise, baser needs such as physiological and security needs must be met before an individual can pursue higher needs such as belongingness, esteem, and self-actualization needs.[91] However, it is when one is meeting the higher levels of needs that the individual approaches maximum efficiency.[92] As Cindy Williams specifies in *Filling the Ranks*, "[f]or many who serve, tangible rewards such as pay and benefits may seem less important than intangible incentives such as patriotism, a shared sense of purpose, group solidarity, and a sense of calling. As important as those intangible rewards may be, however, pay and benefits are crucial incentives."[93] Applying Maslow's theory to up-or-out, the threat that an officer may be forced out after significant time has been devoted to a career – 10 to 15 years in the cases of passed-over captains and majors – yet before

[90] Air Force Future Operating Concept, September 2015, 8. http://www.af.mil/Portals/1/images/airpower/AFFOC.pdf
[91] Abraham H. Maslow, *Motivation and Personality* 3d ed (New York, NY: Harper & Row, Publishers, Inc., 1987), 17-23.
[92] Maslow, *Motivation and Personality*, xxxv.
[93] Cindy Williams, ed., *Filling the Ranks* (Cambridge, MA: The MIT Press, 2004), 12.

retirement eligibility has been earned, threatens the officer's ability to satisfy physiological and safety needs. By threatening these needs, up-or-out inhibits the officer's ability to satisfy higher levels of needs, and potentially making the officer less efficient throughout her or his career. When this threat to basic needs is coupled with a feeling that the officer's performance may not be the primary control on whether the officer will be promoted or involuntarily separated, the urge to leave for more secure employment may be enhanced.

Based on anecdotal evidence, there is a perception among the officer corps, supported by Asch and Warner's *A Theory of Military Compensation and Personnel Policy*, that luck plays an important role in determining who gets promoted and when. This perception can be attributed to a number of causes but the up-or-out system is central to the discussion. Flowing through the limited number of critical developmental jobs and interacting with senior mentors at the right times are crucial to advancement because the up-or-out system dictates rigid time-based promotion windows. Not every officer receives an opportunity to compete for, let alone try his or her hand at these promotion-enhancing opportunities because these opportunities are limited, and because time is a limiting factor. Asch and Warner validated this perception empirically in a 1994 RAND report. The report showed that "the rate at which effort improves the likelihood of promotion also depends on the relative importance of random factors ('noise' or 'luck') in the promotion contest" and that "[l]uck assumes a larger role as individuals progress through the upper ranks. Having the 'right' assignment, working for the 'right' mentor, etc., figure larger in the promotion outcomes at higher levels."[94] According to Asch and Warner, this importance of luck inherent in the up-or-out system has dual results of demotivating effort on the part of the officer and reducing the same officer's probability of staying in the service.[95] In other words, current up-or-out policies cause officers to give less effort while serving and causes them to take their talent elsewhere at a higher rate than comparative human resource management systems in which luck is perceived to be less of a factor.

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[94] Beth J. Asch and John T. Warner, *A Theory of Military Compensation and Personnel Policy*, RAND Report MR-439-OSD (Santa Monica, CA: RAND, 1994), 75. http://www.rand.org/pubs/monograph_reports/MR439.html.

[95] Asch and Warner, *A Theory of Military Compensation and Personnel Policy*, 75-77.

Using Asch and Warner's conclusions, the effort-departure decision can be expected to be most prevalent among field grade officers, particularly those in the second and third quartiles of officers.[96] Those in the top quartile of officers are easily identifiable, as this is the group selected to attend Intermediate Developmental Education (IDE). In this officer's experience, the bottom quartile too is fairly clear, if less so than the top quartile.[97] This bottom group is composed of officers with a career of performance reports with few if any stratifications against their peers, few awards, and few opportunities for more career-enhancing work during assignments. These are the officers not selected for upgrade sequences, instructor or evaluator positions, or leadership positions. While these officers may – due to the performance evaluation system which will be discussed later – be less aware of their place in the hierarchy than those in the top quartile, those with an understanding of the system can single out these mediocre performers based on a quick review of their records. Whether these officers are positioned so due to poor effort or low talent, they may be more likely to remain with the service until involuntarily separated.

The two middle quartiles, however, are more difficult to navigate, even for the indoctrinated. While it is easy for those who understand the system to determine which officers are in the middle 50 percent, determining where in that 50 percent a given officer stands is much more difficult. This inability to determine relative standing makes luck all the more important to promotion, which as Asch and Warner point out, drives the value of effort down.[98] Simultaneously, this uncertainty is more likely to drive officers in the middle quartiles to voluntarily separate from the service. This impetus to separate, in turn, increases the number of positions available for members of the bottom quartile to remain in the service whether through promotion or selective continuation. This problem is exacerbated by high promotion rates to captain, major, and lieutenant colonel ranks. Asch and Warner's study shows "as the aggregate promotion rate r/n approaches either 1

[96] Asch and Warner, *A Theory of Military Compensation and Personnel Policy*, 73-88.
[97] With executive officer experience at the group and (twice) at the senior rater levels, the author draws here on that experience authoring and processing several hundred officer performance reports and promotion recommendation forms for officers across a wide array of non-rated operations and support Air Force Specialty Codes.
[98] Asch and Warner, *A Theory of Military Compensation and Personnel Policy*, 75-77.

or 0, the effect of effort on the probability of promotion diminishes."[99] More succinctly, as promotion rates deviate from 50 percent the reward to effort diminishes. As a result of promotion rates to ranks up to and including O-5 being 70 percent or higher, the motivation for officers to provide additional effort is reduced.[100] In fact, the promotion rate to O-6, which is set near 50 percent, provokes Kane to state "[o]nly at the gateway to senior management – colonel – is merit seriously considered."[101] Then, after colonel, promotion rates move again to a point where the reward for effort is negligible. With promotion rates to O-7 in the low single digits, the system once again demotivates officers from putting forth more than the minimum effort to avoid being forced out. Until recently, the 20-year retirement compounded the demotivational influence of promotion rates by offering senior lieutenant colonels and colonels the opportunity to depart the service with the safety net of their military pension, and often the opportunity to maintain or even increase their income as contractors. It remains to be seen how the new blended retirement system, effective beginning in 2018, affects officers at this decision point.

There is another aspect of morale related to job security: the current human resource management policies for Air Force officers to move from job-to-job and base-to-base. "Homesteading" is defined as staying at one base or in one area for more than four years and is viewed in a negative light by senior officers and thus promotion boards.[102] As a result, an officer performing magnificently at her dream job in her preferred location will be forced to move or exit active duty service. According to Kane's survey, only 16 percent of respondents agreed that "the current military personnel system does a good job matching talents with jobs."[103] Meanwhile, 71.2 percent of those surveyed agreed that "many of the best officers who leave the service would stay if they could remain in a job as long as they and their commander wanted (and change jobs whenever they wanted)."[104] Barno and Bensahel highlight that "[o]fficers don't get to find their niche and stay in it…[which] can be immensely frustrating to officers who

[99] Asch and Warner, *A Theory of Military Compensation and Personnel Policy*, 66.
[100] Schirmer et al., *Challenging Time in DOPMA*, 11.
[101] Kane, *Bleeding Talent*, 29.
[102] Barno and Bensahel, "Can the U.S. Military Halt Its Brain Drain?."
And
Air Force Instruction (AFI) 36-2110, *Assignments*, 22 September 2009, 366-367.
[103] Kane, *Bleeding Talent*, 227.
[104] Kane, *Bleeding Talent*, 229.

know what they love to do – and who recognize no matter what it is, the military will eventually force them to do something very different."[105] Barno and Bensahel go on to observe that beyond the "continuous loss of continuity and expertise in key jobs," that "junior officers leave the military because they simply see a career pipeline that will force them down a path where they do not want to go – or force their spouse to give up a valued job or even a career in order to move."[106] In *A Dynamic Retention Model for Air Force Officers*, Glenn A. Gotz and John J. McCall point out that "officers cannot be certain when they will ultimately leave the military; they thus value flexibility. Policies that restrict flexibility are predicted to reduce retention rates."[107] Further, Asch and Warner showed in 1994 that these movement policies and the up-or-out requirements that drive them "negate the possibility of comparative advantage. An individual may not be well suited for higher-ranked positions, but he or she might be well matched in his or her current grade. Similarly, those who are best suited for the upper leadership grades may be poorly matched in lower grades… The organization might do well to retain those well matched in lower grades and promote as quickly as possible those well matched in upper grades."[108] With officers having so little confidence that centralized assignment systems will get people in the right jobs, and with recognition of the services' recalcitrance in the face of the expectation that the service would be able to retain better talent by leaving people where they are happy and productive, it is not surprising that those with options outside the military are leaving.

Morale Problems: OPR Inflation

Contributing to the talent retention problems is the inflation of officer performance report (OPR) verbiage. The most recent change to the Air Force OPR form in 2008 did little to change this inflation phenomenon. Kane opines that performance reports "have become formal exercises in documenting excellence across the board. The

[105] Barno and Bensahel, "Can the U.S. Military Halt Its Brain Drain?."
[106] Barno and Bensahel, "Can the U.S. Military Halt Its Brain Drain?."
[107] Glenn A. Gotz and John J. McCall, *A Dynamic Retention Model for Air Force Officers*, RAND Report R-3028-AF (Santa Monica, CA: RAND, 1984), 64. http://www.rand.org/pubs/reports/R3028.html.
[108] Asch and Warner, *A Theory of Military Compensation and Personnel Policy*, 98.

quantitative assessments are normally "'firewalled' with perfect scores for even the most mediocre individuals."[109] As briefly discussed earlier, the elite among most groups of officers is easily identifiable due to a high stratification from a rater, or better yet, a senior rater. However, most rating officials limit stratification to the top 10 to 20 percent. The other 80 to 90 percent are left to determine their place based on euphemistic language indicating that everyone is great. As discussed earlier, selection for developmental education and command can provide the top quartile with additional evidence of their place relative to their peers. However, even selection for those opportunities is based on a snapshot in time. Officers in those situations can and do fall out of the top quartile with others replacing them, but under the current performance evaluation and promotion systems, one's place tends to become more, not less solidified over time. Certainly, those toward the top of the middle will typically have more stratifications, and those toward the bottom will have fewer or none. However, without access to peers' records, knowing where one stands in the immediate area, let alone in the broader Air Force, is nigh impossible. Gates such as squadron command, and intermediate and senior developmental education, for which each officer has only so many opportunities, further solidifies who is, in fact, eligible for advancement, even if such realities do not carry the weight of law.

As Kane submits, "written remarks mask degrees of performance with euphemisms and code words."[110]The inflation problem can best be demonstrated with examples of actual OPR verbiage. A common example is the rater's reference to an officer as "one of my best," which those familiar with the euphemistic language used in performance report writing recognize as meaning "one of my worst."[111] Further examples of this misleading jargon are "continue to challenge," and "monitor for" a desirable job such as developmental education or command.[112] These euphemisms, seemingly a requirement to avoid destroying an officer's career with a single report that is actually

[109] Kane, *Bleeding Talent*, 31.
[110] Kane, *Bleeding Talent*, 31-32.
[111] Kane, *Bleeding Talent*, 204.
[112] With executive officer experience at the group and (twice) at the senior rater levels, the author draws here on that experience authoring and processing several hundred officer performance reports and promotion recommendation forms for officers across a wide array of non-rated operations and support Air Force Specialty Codes.

negative, provide no constructive feedback to the uninitiated, and indeed may provide false hope of future grandeur. Therefore, a performance report concluding with "Maj X is one of my best! Continue to challenge with tough staff job next; monitor for PME and Command" may make the officer think he or she is doing great, while to those who understand the system, this line tells Maj X's next boss to trust him or her with nothing of importance. Kane states that the "officer-evaluation report…has become so inflated in practice as to render it useless as a talent measuring device."[113] While his language may be somewhat hyperbolic, there may be some truth to it. Officer performance reports for those outside the top quartile are of limited value to leaders making hiring decisions and are of less value as feedback to the officers themselves.

Raters are not fully to blame for the use of such euphemistic language. They are trying to make the best of a flawed system. Asch and Warner's discussion of demotions could easily apply to poor performance evaluations. They state that

> to use demotions [for our purposes, poor performance reports] supervisors must have an incentive to detect and report unsuitable performers…In a hierarchical organization, supervisors are not residual claimants the way owners of firms are. Greater efficiency among workers is not likely to profit the supervisors if they are not rated on the basis of the performance of the group that they supervise. Singling out poorly matched workers…may not produce any gain to supervisors; in fact, supervisors may be better off by ignoring poor performance, because disciplining workers might create poor worker morale among the other workers, as well as poor worker-supervisor relations (thereby lowering the supervisor's utility).[114]

Up-or-out exacerbates the prevalence of OPR inflation. Because all must continually advance, competition for the next job or next rank can come down to a single performance report. As Kane puts it, "[i]ntegrity…has a steep price when the cultural norm means that honest assessments of subordinates will ruin all of their careers."[115] By giving out even a single performance report that is actually poor – no matter how accurate – that leader risks losing whatever value there was to be gained from the junior

[113] Kane, *Bleeding Talent*, 128.
[114] Asch and Warner, *A Theory of Military Compensation and Personnel Policy*, 100.
[115] Kane, *Bleeding Talent*, 204.

officer as well as the negative effects such a review may have on the rest of the unit's officer corps.

Fiscal Costs

As morale problems lead to effort and retention costs, these costs, in turn, lead to tangible fiscal costs. For example, paying lieutenant colonel wages for major production is expensive and inefficient, more so if the individual was an efficient major replaced by one who is overwhelmed. When one person cannot do their job, those around him or her – usually the officer's subordinates – must pick up the slack. During a recent visit to the School of Advanced Air and Space Studies, a general officer ruefully relayed the need to fire ineffective officers, but to do so while only "wounding" their careers as opposed to "killing" them. As discussed in the OPR inflation section, this capacity does not exist under the current human resource management paradigm. In a system where a single bad report – and as one becomes more senior, a single mediocre report – can ruin a career, senior officers who see a subordinate with potential struggling must keep that individual on in hopes the officer can fix her or his issues on the job rather than firing the officer and letting her or him recover in a job to which she or he is better suited. Under the current system, it seems to be all but impossible to visibly fail and recover. As Kane puts it, "promotions are a one-way street. If officers are promoted to a level beyond their competence, there is no way to bring them back down to a position where they could still be effective. Instead, weak senior officers are shuffled around in 'less' important jobs until they retire."[116] Kane points out, and one might conclude that the Combatant Commander would agree, "[t]he military needs to get comfortable (as it once was) with officers moving down in rank, both when they have to and when they want to."[117] As long as up-or-out remains the Air Force's means of managing human capital, leaders will likely remain uncomfortable with firing personnel and giving realistic feedback. This discomfort will continue to cost the Air Force and the American taxpayers money as too many officers demonstrate the reality of the Peter Principle by advancing to their own

[116] Kane, *Bleeding Talent*, 157.
[117] Kane, *Bleeding Talent*, 140.

level of incompetence. Thus – more often than not – the Air Force will pay them until retirement, and, due to their higher grade, at a rate that will earn them more in retirement as well.

In addition to overpaying for underperformance, retention problems drive increased recruitment and training requirements. In Rostker's *I Want You*, the author points to the 1977 testimony Richard V. L. Cooper before the House Budget Committee. Rostker summarizes the then Director of RAND's Defense Manpower Studies argument, "to hold down costs for the all-volunteer force, it was 'not manpower supply' that caused the problem but rather 'enlisted accession requirements,' and that 'reducing personnel turnover rates' would help the most…He singled out reform of the compensation system and changes to the up-or-out promotion and tenure system then being considered for officers as part of the pending Defense Officer Personnel Management Act."[118] Director Cooper's testimony has echoed through time as subsequent sessions of congress strove to maximize the return on investment in the military.

In nearly 40 years since Cooper's testimony, a common point of agreement among the referenced researchers is the Defense Department's inaction regarding up-or-out and that policy-makers' inability or unwillingness to reduce turnover rates drives up Department of Defense costs. Indeed, Roster et al., observe that "[i]n 1975, officers retired at an average of 46 with about 24 years of service." They continue, 15 years later and 4 years after Goldwater-Nichols instituted the last noteworthy change to the human capital management system, "in [Fiscal Year] 1990, officers still retired at an average age of 46…with 24 years of service."[119] In terms of years of service, the two principle human capital management changes affecting the current force did nothing to improve the services' return on investment. In his 2015 testimony before the Senate Armed Services Committee, Rostker concluded that the "best way to reduce overall personnel cost in general is to increase the average years of service we get out of every new recruit or

[118] Bernard Rostker, *I Want You*, RAND Report MG-265 (Santa Monica, CA: RAND, 2006), 366. http://www.rand.org/pubs/monographs/MG265.html.
[119] Bernard Rostker, Harry Thie, James Lacy, Jennifer Kawata, Susanna Purnell, *The Defense Officer Personnel Management Act of 1980: A Retrospective Assessment*, RAND Report R-4246-FMP (Santa Monica, CA: RAND, 1993), 96. http://www.rand.org/pubs/reports/R4246.html.

officer."[120] He continued, "while we might pay individual officers more in current military compensation, there are relatively few of them. Also, as was true when Congress voted to increase the pay of senior enlisted personnel in 2002, there is a very positive message sent through the force and we would expect to see increased retention as service members look forward to the possibilities of service a full career."[121] Binkin and Kyriakopoulos would agree, as they express "savings are realized because an older force implies not only fewer people on the military payroll (assuming a fixed number of trained workers) but lower expenditures for recruiting, outfitting, training and moving personnel as well."[122]

As pointed out in *Youth or Experience?*, the requirements of promotion also increase officer movement costs.[123] Barno and Bensahel specify that "the combination of 'everyone must command' with 'up-or-out' creates a military of constant turbulence…On average, military families move 10 times as often as their civilian counterparts."[124] Putting aside previously discussed family and experience factors, this much movement is expensive. In the Fiscal Year (FY) 2015 Budget, the Air Force spent more than $1.19B in permanent change of station (PCS) costs – a number expected to grow by $48M in 2016.[125] That is more than one billion dollars annually just moving personnel from base to base. By comparison, the Air Force total paid to all retired officers in 2015 totaled $1.48B. The annual cost of moving personnel around the globe – many of whom would happily stay put – nearly matches the annual cost of paying every retired officer's pension. The PCS costs include more than $87.9M moving new accessions to their first

[120] Statement of Bernard D. Rostker in "Reforming the American Military Officer Personnel System," unclassified testimony before the Senate Armed Services Committee (Washington, DC: 2 December 2015), 9. http://www.rand.org/pubs/testimonies/CT446.html.
[121] Statement of Bernard D. Rostker in "Reforming the American Military Officer Personnel System," unclassified testimony before the Senate Armed Services Committee (Washington, DC: 2 December 2015), 10. http://www.rand.org/pubs/testimonies/CT446.html.
[122] Martin Binkin and Irene Kyriakopoulos, *Youth or Experience?* (Washington, DC: The Brookings Institute, 1979), 52.
[123] Binkin and Kyriakopoulos, *Youth or Experience?*.
[124] Barno and Bensahel, "Can the U.S. Military Halt Its Brain Drain?."
[125] Department of the Air Force, *Fiscal Year (FY) 2016 Budget Estimates*, February 2015, 4. http://www.saffm.hq.af.mil/Portals/84/documents/FY16/AFD-150129-045.pdf?ver=2016-08-24-100108-160

base and more than $92.4M moving personnel to a location for training.[126] Improving retention reduces both the cost of attracting and training recruits as well as the costs associated with moving personnel around the world. Improving retention beyond the aforementioned 24 years of service average and closer to the 30-year mandatory retirement would also save on the pension bill as the service will continue to get production from these officers, rather than a bill, for up to 6 years. Although the specific savings this change could generate are outside the scope of this discussion, projecting such fiscal benefits would doubtless be of value prior to altering the current system.

So What?

Up-or-out policies are contributing to lower aptitude and experience levels among the Air Force's officer corps at a time and in an environment where experience and adaptability are becoming more important. Morale costs are driving away elite talent and demotivating middle-of-the-road officers. As Schirmer et al., point out, the current system is

> optimized around fixed, short tenures, promotion timing, and promotion opportunity, with the following outcomes:
> - Uniform outcomes across services and skills
> - Service-specific development
> - High turnover
> - Frequent moves
> - Short job tenures
> - Standardized, short careers
> - Emphasis on grades and promotions
> - Little choice[127]

Neither the Department of Defense nor the Air Force has met the 2004 National Defense Authorization Act mandate for a "more flexible and contemporary" human capital management system.[128] Rather, the system is "woefully archaic…and far removed from the best talent-management practices of the private sector."[129] Barno and Bensahel

[126] Department of the Air Force, *Fiscal Year (FY) 2016 Budget Estimates*, February 2015, 25. http://www.saffm.hq.af.mil/Portals/84/documents/FY16/AFD-150129-045.pdf?ver=2016-08-24-100108-160
[127] Schirmer et al., *Challenging Time in DOPMA*, 61.
[128] Schirmer et al., *Challenging Time in DOPMA*, 61.
[129] Barno and Bensahel, "Can the U.S. Military Halt Its Brain Drain?."

declare that “it may well be the last untransformed segment of an otherwise modern, flexible, and adaptable U.S. military.”[130] The next chapter presents alternative human capital management systems in an effort to determine best practices.

[130] Barno and Bensahel, “Can the U.S. Military Halt Its Brain Drain?.”

Chapter 4

Analysis of Alternatives

> *If leadership depends purely on seniority you are defeated before you start.*
>
> General George C. Marshall, US Army
> Remarks to the Truman Committee, 1941

There are countless alternative human resource management systems available for comparison. While no policy will be perfect for every situation, by reviewing diverse case studies, one may glean best practices in use by others. These best practices may prove advantageous if applied to the US Air Force. Alliance and coalition operations have become nearly as prevalent as joint operations since the end of World War II, and especially so since the fall of the Berlin Wall. Certainly, there are nuances that differentiate US armed services. However, to avoid any perception of groupthink, this discussion ventures outside the US military, where alternative practices employed by allies provide alternative perspectives when searching for best practices.[131] First, this chapter analyzes human resource management practices of two US allies, the British and Canadians. Subsequently, the discussion turns to a comparable organization within industry. Finally, this chapter discusses unproven alternatives presented by external researchers. The chapter closes with a summary of best practices not currently in use by the US Air Force.

Allies: The Royal Air Force

The Royal Air Force (RAF) predates the US Air Force as an independent branch of the armed forces by decades. As a result, the RAF has had an extra generation to refine

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[131] "Groupthink" is a phrase coined by Irving Janis to mean "a mode of thinking that people engage in when they are deeply involved in a cohesive in-group, when the members striving for unanimity override their motivation to realistically appraise alternative courses of action."
Quoted in Gary W. Butterworth, *Was the Group Dynamic Phenomenon Groupthink Present On Board the USS Greeneville (SSN-772) When She Collided with the Japanese Fishing Vessel Ehime Maru?* (Fort Leavenworth, KS: US Army Command and General Staff College, 2002), iii.

its personnel practices.[132] That said, of the cases which will be discussed, the RAF's policies most closely resemble the US Air Force's regarding up-or-out. There are, however, several significant differences, which make the RAF's human capital management system more flexible than that of its junior counterpart.

The RAF promotion system is considerably different from the US Air Force system. Whereas eligibility for promotion in the US Air Force is strictly time-based, the RAF has a blended time- and competency-based system. As outlined in Air Publication (AP) 3393, *Officer Commissioning and Terms of Service*, the RAF sets the minimum seniority to advance through the equivalent of the US Air Force's field grade ranks – represented in Table 1 – at four years.[133] As Table 2 demonstrates, a Regular RAF officer will need a minimum of 4 years to progress to each successive rank, and a total of 12 years to progress from O-3 to O-6. This seniority requirement alone puts RAF officers well ahead of their American counterparts, with most officers meeting temporal eligibility standards for group captain, the US colonel equivalent, at 16 years of service. In addition to the faster standard route to senior field grade ranks, the RAF also provides the opportunity for "outstanding" candidates to be "presented for consideration as Below The Zone (BTZ) candidates" with "less than the minimum seniority."[134] Additionally, the RAF system blends competency requirements into promotion eligibility. Air Publication 3393 requires that "all PMD(A) components commensurate to the current rank held must be complete and recorded."[135] PDM(A) is Professional Military Development (Air), which includes specific competencies and courses. PDM(A) components include completion of Joint Command and Staff College (Air) – the equivalent of the US Air Force's Squadron Officer School – and a flying assessment of "above average" prior to promotion to O-4.[136]

[132] The RAF officially came into existence on 1 April 1918, nearly 30 years before the National Security Act of 1947 established the USAF.
Tami Davis Biddle, *Rhetoric and Reality in Air Warfare* (Princeton, NJ: Princeton University Press, 2004), 34.
[133] Air Publication (AP) 3393 Vol 1 Ed 17, *Officer Commissioning and Terms of Service*, 5-5-1.
[134] Air Publication (AP) 3393 Vol 1 Ed 17, *Officer Commissioning and Terms of Service*, 5-5-1.
[135] Air Publication (AP) 3393 Vol 1 Ed 17, *Officer Commissioning and Terms of Service*, 5-5-1.
[136] Wg Cdr James Radley (Royal Air Force), interviewed by the author, 2 February 2017.

Table 1: Grades and Ranks in the USAF, RAF, and RCAF

Grade	USAF	RAF	RCAF
O-1	second lieutenant	pilot officer	second lieutenant
O-2	first lieutenant	flying officer	lieutenant
O-3	captain	flight lieutenant	captain
O-4	major	squadron leader	major
O-5	lieutenant colonel	wing commander	lieutenant colonel
O-6	colonel	group captain	colonel

Source: Adapted from RAF and RCAF official websites. This chart is the author's original work based on the RAF and RCAF official websites http://www.raf.mod.uk/organisation/ranks.cfm and http://www.forces.gc.ca/en/honours-history-badges-insignia/rank.page

Table 2: RAF minimum seniority for selection for promotion

Wg Cdr to Gp Capt	4 years Regular
	4 years PMRAFNS
	4 years Medical/Dental
Sqn Ldr to Wg Cdr	4 years Regular
	10 years service for Chaplains
	4 years Medical/Dental and PMRAFNS
Flt Lt to Sqn Ldr	4 years Regular
	4 years PMRAFNS
	4 years Dental
	Medical 'time promotion' after 5 years seniority

Source: Recreated from Air Publication (AP) 3393 Vol 1 Ed 17, Officer Commissioning and Terms of Service, 5-5-1.

To further emphasize the competency component, RAF promotions are determined by branch, rather than by a central promotion board.[137] Similar to the US Air Force's Management Level Review (MLR), these branch boards have a greater understanding of the competencies required to lead at the next level within that branch. Although this application could result in stovepipes within a service, the negative aspects of stovepipes can be mitigated by devising required competencies which require officers to broaden their perspectives outside their primary field. Rather, this RAF policy demonstrates that officers are not considered interchangeable parts and promotes them based on the competencies required by their career field. In addition to freeing up

[137] Air Publication (AP) 3393 Vol 1 Ed 17, *Officer Commissioning and Terms of Service*, 5-5-4.

personnel from a central bureaucracy, this approach enables branches to adapt promotions to changing needs far faster than a centralized system.

RAF policy further provides the service with flexibility to bestow acting rank as opposed to substantive rank. Substantive rank is permanent, whereas acting rank may be temporary. AP 3393 dictates that in cases where there are more positions than substantive promotes, "acting rank may be granted. Selection for acting rank depends not only upon suitability for substantive promotion, but also on the particular qualifications which the post demands and the availability of suitable candidates. The award of acting rank does not, therefore, carry any promise of selection for substantive promotion, although it will provide an opportunity for the officer concerned to demonstrate their suitability for such promotion."[138] RAF policy provides conditions where acting rank may be paid or unpaid, and stipulates that "acting rank will only be retained for the period during which the officer concerned actually performs the duties of the higher rank."[139] This policy benefits the service by allowing it to determine an officer's competency at the next rank prior to making a permanent promotion decision, thereby avoiding the aforementioned Peter Principle and overpaying for the caliber of work performed. The policy also benefits the officer by ensuring the service member is paid for the work being done, and similar to the US Air Force's practice of frocking officers to the next rank, enables the officer's interactions with peers by allowing her or him to wear rank commensurate with the position held.

The RAF also allows significantly more opportunity for promotion than the US Air Force's single year in the primary zone and the relatively small chances for promotion above or below the zone. This increased opportunity is partly due to decreased initial flexibility for those choosing to serve in the RAF. Recruits are initially commissioned for a term of 12 years.[140] This period is substantially longer than the Active Duty Service Commitment currently incurred by attending the US Air Force Academy or Officer Training School, or by accepting a Reserve Officer Training Corps scholarship or contract.[141] This term, however, is similar to the commitment incurred by

[138] Air Publication (AP) 3393 Vol 1 Ed 17, *Officer Commissioning and Terms of Service*, 5-6-1.
[139] Air Publication (AP) 3393 Vol 1 Ed 17, *Officer Commissioning and Terms of Service*, 5-6-1.
[140] Air Publication (AP) 3393 Vol 1 Ed 17, *Officer Commissioning and Terms of Service*, 1-2-1.
[141] About AFROTC: Service Commitment, accessed 2 March 2017. https://www.afrotc.com/about/service.

officers graduating from pilot training. With an initial term of service of 12 years, RAF officers have four to five years after acquiring the minimum time at the rank of Flight Leader to be promoted to Squadron Leader. This longer initial term of service allows both the officer and the service significantly more flexibility in promoting their officers than their US counterparts who have a single realistic chance to be promoted from the equivalent ranks, captain to major. This flexibility allows the RAF to account for significantly strong or weak year-group cohorts of officers in its promotion decisions, while allowing officers to grow at their own speed and make career decisions based on more than the next promotion as required for continued US Air Force service.

As well as providing the service with flexibility, RAF policies provide the service members with flexibility. One way in which the RAF provides the service member with flexibility is by allowing the officer to decline promotion. Not only can an officer decline a promotion, he or she may do so without being subjected to prejudice later in his or her career. The policy states "Recognizing that they may not wish to serve in specialist fields, officers may be permitted to decline promotion if it is not against the Service interest. In declining such a promotion, officers must accept that they may not be considered again for promotion for a minimum of one promotion selection board, nor thereafter until their official letter rescinding their decision has been received and accepted by the RAF Manning organisation [sic]."[142] Similarly, the RAF allows officers to refuse acting rank, albeit with prejudice against substantive promotion for one board or thereafter until a similar letter rescinding the decision is received and accepted.[143] This policy allows officers to serve in jobs they prefer while capable of doing so and allows those officers to account for many factors when making career-related decisions, with a degree of detail unlikely to be considered at a central selection board. This policy allows officers to make holistic decisions without ruining their careers and being forced out for failure to promote; it also provides service members with more flexibility than current US Air Force human capital management policies.

In addition to the increased promotion flexibility, RAF policies provide a technical track lacking in US policy. The Professional Aviators' Pay Spine (PAS) "is a

[142] Air Publication (AP) 3393 Vol 1 Ed 17, *Officer Commissioning and Terms of Service*, 5-5-1.
[143] Air Publication (AP) 3393 Vol 1 Ed 17, *Officer Commissioning and Terms of Service*, 5-6-3.

financial incentive designed to retain aircrew in flying appointments, or appointments closely related to flying… [and] is a separate pay scale for selected officers of [flight lieutenant] and [squadron leader] rank within the [Flying] Branch."[144] Succinctly, PAS is the RAF's career path allowing aircrew officers to continue in a flying role without concern for promotion.[145] The PAS package provides a career path to officers who prioritize the personal fulfillment of operating at the tactical level over the pay and prestige of continued promotion. Simultaneously, PAS provides the service with flexibility to select aircrew to enhance the experience level at tactical units without paying the rates commanded by field grade officers.[146] The PAS package is reserved for officers who did not progress past Squadron Leader – though is primarily composed of officers in the rank of Flight Leader and below – and moves those officers selected to a pay scale apart from regular officers.[147] In doing so, PAS provides a cost effective method of increasing the degree of experience at the unit level while reducing recruiting requirements by getting more average years of service out of its officer corps. In keeping with the theme of increased flexibility offered by the RAF system, if a PAS officer is selected for and accepts promotion to Wing Commander, the officer is returned to the regular service, thereby leaving a PAS officer the option of continuing to serve after her or his flying days are done.[148]

In addition to the PAS package, which is reserved for Flying Branch officers, the RAF provides for continued service by non-rated officers. These officers, referred to as members of a Functional Branch may continue to serve under length of service (LOS) commitments accepted at the times of promotion. Upon selection for promotion to Squadron Leader, an RAF officer's Initial Retirement Date is replaced by "LOS 30," meaning that her or his retirement date is now extended to 30 years of service. In rare cases where the officer is within three years of reaching 30 years of service, by accepting the higher rank, the officer will incur a three-year service commitment, thus extending

[144] Air Publication (AP) 3393 Vol 1 Ed 17, *Officer Commissioning and Terms of Service*, 6-4-1.
[145] Section 6, Royal Navy and Royal Air Force Professional Aviators' Pay Spine and Pilot Employment Stream (Army), 1.
[146] Section 6, Royal Navy and Royal Air Force Professional Aviators' Pay Spine and Pilot Employment Stream (Army), 3
[147] Section 6, Royal Navy and Royal Air Force Professional Aviators' Pay Spine and Pilot Employment Stream (Army), 1-2.
[148] Air Publication (AP) 3393 Vol 1 Ed 17, *Officer Commissioning and Terms of Service*, 6-4-2.

the officer past 30 years of service. Upon promotion to Wing Commander, the LOS 30 retirement date will be replaced by a LOS 35, meaning that the new retirement date is placed 35 years from commissioning, with the same stipulation for officers promoting within three years of 35 years of service.[149] Officers below the rank of air marshal – the equivalent of a lieutenant general in the US Air Force – face a mandatory retirement at age 55, though waivers past age 60 are possible.[150]

While the increased lengths of service are useful planning tools for both the service and the officer, they do not lock either party in for the full term. Indeed, there are four methods of "premature compulsory release."[151] Officers may be terminated for failure to complete qualification training. Officers are also removed for "misconduct," "unsuitability," or "other reasons."[152] Misconduct and unsuitability removals may come in several forms and for many reasons, including "unsuitability, incapability, inefficiency, or for any similar reason, should the circumstances, in the opinion of the Air Force board, require it."[153] Some of these reasons are specifically detailed in AP 3393. Additionally, the Queen may prematurely terminate an officer on any type of commission. Officers may also be medically discharged and "Administrative Exit" is available to the service when necessary due to "medical, disciplinary, or other grounds."[154]

In addition to service tools to allow for removal of officers, the individual officer has means to leave the service. An officer may request to resign, though this is only granted in "exceptional circumstances and for which retired pay may not be granted."[155] An officer may also select to exercise an "optional retirement date" at 20 years of service and 40 years of age, with the potential to defer this decision three years.[156] Again, this policy provides both flexibility and stability to the service and the officer. The service may choose whether or not to accept the optional retirement date based on the capabilities of the officer and the needs of the service. Similarly, the officer may request the optional retirement date but knows that if it is not requested, or if it is not granted, the officer has

[149] Air Publication (AP) 3393 Vol 1 Ed 17, *Officer Commissioning and Terms of Service*, 3-3-1 – 3-3-7.
[150] Air Publication (AP) 3393 Vol 1 Ed 17, *Officer Commissioning and Terms of Service*, 7-3-1.
[151] Air Publication (AP) 3393 Vol 1 Ed 17, *Officer Commissioning and Terms of Service*, 7-4-1.
[152] Air Publication (AP) 3393 Vol 1 Ed 17, *Officer Commissioning and Terms of Service*, 7-1-1, 7-4-1.
[153] Air Publication (AP) 3393 Vol 1 Ed 17, *Officer Commissioning and Terms of Service*, 7-4-1.
[154] Air Publication (AP) 3393 Vol 1 Ed 17, *Officer Commissioning and Terms of Service*, 7-1-1 – 7-1-2.
[155] Air Publication (AP) 3393 Vol 1 Ed 17, *Officer Commissioning and Terms of Service*, 7-1-1.
[156] Air Publication (AP) 3393 Vol 1 Ed 17, *Officer Commissioning and Terms of Service*, 7-3-3.

job security – barring the aforementioned removal options for misconduct or unsuitability reasons – up to 30 years, and potentially beyond.

By providing longer service commitments, the RAF garners increased manning stability and receives a greater return on initial and mid-career investments in its officers. Simultaneously, a longer service commitment, coupled with more opportunities for promotion at one's own pace, provides an RAF officer with greater job security early in her or his career, as well as the assurance that the field grade officer will not have to find a new career in his or her late thirties or early forties. The longer service commitments and increased promotion zones allow for more realistic performance feedback to officers by reducing the probability that a single poor performance report will ruin a career. Removing the focus on a single year of promotion eligibility allows each officer to develop at his or her own pace. Similarly, longer initial commitments allow more time for individual officers to determine where they stand in relation to their peers. This improved feedback and enhanced perspective on relative standing provide better inputs to the officer's decision to make the service a career or separate. Similarly, by providing multiple career paths and rates of promotion, RAF policy allows greater flexibility to both officers and the service.

Allies: The Royal Canadian Air Force

Whereas the RAF human resource management policies have some up-or-out characteristics, the Royal Canadian Air Force (RCAF) has no such constraints.[157] The RCAF and RAF have numerous similarities, such as accelerated promotion, declination of rank, and promotion within one's specialty rather than at a centralized board considering all officers in a year group.[158] Like the RAF, RCAF officers also normally agree to new Terms of Service (TOS) at the end of each service commitment as opposed to the US Air Force practice of open-ended commitment after completing a service commitment.[159] However, there are aspects of the RCAF human resource management

[157] Article 15.01, 2-8.
[158] CFAO 11-6, *Commissioning and Promotion Policy – Officers – Regular Air Force*.
[159] ADM (HR-MIL) Instruction 05/05, *The New CF Regular Force Terms of Service*, 17 January 2008.

policies which provide both the service and the individual officer with flexibility beyond that offered by RAF or US Air Force policies. It is noteworthy that two services that share a common heritage have disparate personnel policies; however, this topic is outside the scope of this research paper..

The typical RCAF career begins with a "Variable Initial Engagement" (VIE).[160] A VIE can be anywhere from 5 to 14 years for officers.[161] As an effective officer nears the end of the VIE, she or he will be offered an "Intermediate Engagement Twenty-Five" (IE25), which allows the officer to serve until reaching 25 years of service, or a "Continuing Engagement" (CE), which specifies the length of the next commitment to 4 or 5 years depending on career field.[162] Toward the end of an officer's IE25 TOS, he or she will be offered either a CE, or an "Indefinite Period of Service" (IPS), which does not specify a commitment length.[163] As with RAF LOS commitments, the IE25 specifically provides both the service and the service member with more certainty than US Air Force policies. Upon agreeing to IE25, the service member has job security knowing that she or he will be able to serve for at least 25 years, and the service can plan for recruiting with more certainty of what its force structure will look like in the ensuing years. Similar to the RAF and US Air Force, the RCAF mandates age and length of service limits for its officers.[164] While this high-year tenure is the same for Canadian and American colonels – set at 30 years – RCAF lieutenant colonels *and below* do not reach high-year tenure until 28 years of time in service.[165] This contrasts significantly with US Air Force O-4s and O-3s who reach high year tenure at 24 years and 20 years respectively.[166] As with RAF policies, RCAF policies enable the service to get more years on average from each recruit

[160] ADM (HR-MIL) Instruction 05/05, *The New CF Regular Force Terms of Service*, 17 January 2008, 4.
[161] ADM (HR-MIL) Instruction 05/05 Annex A, Appendix 1, *TOS Sequence By Occupation – NCMS*, 31 January 2017, 3-4.
[162] ADM (HR-MIL) Instruction 05/05, *The New CF Regular Force Terms of Service*, 17 January 2008, 4-5. And
Instruction 05/05 Annex A, Appendix 1, *TOS Sequence By Occupation – NCMS*, 31 January 2017, 3-4.
[163] ADM (HR-MIL) Instruction 05/05, *The New CF Regular Force Terms of Service*, 17 January 2008, 4-5.
[164] Article 15.01, 21-27.
[165] Article 15.01, 21.
[166] Selection of regular officers for continuation on active duty, *US Code*, title 10 sec. 637 (2008). http://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title10-section637&num=0&edition=prelim

than does the US Air Force, thus increasing the RCAF's return on initial and mid-tenure investments.

Unlike the US Air Force, the RCAF does not adhere to an up-or-out policy. Rather, the RCAF has a perform-or-out policy. As in the US Air Force, barring performance or disciplinary issues, officers are promoted on a strict timeline to O-2. Thereafter, however, promotion is voluntary, potentially temporary, and wholly irrelevant to continued service. RCAF officers may be released under five categories: "Misconduct," "Unsatisfactory Service," "Medical," "Voluntary," and "Service Completed."[167] Misconduct releases are limited to officers who commit crimes. Unsatisfactory service releases fall into two categories. "Unsatisfactory conduct," is defined in policy as pertaining to officers dismissed for offenses less damning than those under misconduct. "Unsatisfactory performance," is designated for an officer "who has the ability to improve but continues to display a lack of application or effort in the performance of his duties."[168] The service completed category also includes two performance criteria. Officers who are "Not Advantageously Employable" are the first sub-category subject to release.[169] This sub-category is reserved for officers who "because of an inherent lack of ability or aptitude to meet military classification or trade standards; or who is unable to adapt to military life; or who, either wholly or chiefly because of the conditions of military life or other factors beyond his control, develops personal weaknesses or has domestic or other personal problems that seriously impair his usefulness to or impose an excessive administrative burden on the Canadian Forces [sic]."[170] The second sub-category subject to release includes officers who are "Unsuitable for Further Service."[171] This sub-category applies to officers who become ineffective due to reasons beyond their control.[172] Beyond its perform-or-out policies, the RCAF has additional policies which provide flexibility to the service and its officers.

The RCAF provides officers with the options to take sabbaticals, decline promotion, and revert to a lower rank. The option to take "Leave Without Pay and

[167] Article 15.01, 2-8.
[168] Article 15.01, 2-3.
[169] Article 15.01, 6-8.
[170] Article 15.01, 7-8.
[171] Article 15.01, 8.
[172] Article 15.01, 8.

Allowances" allows service members "the opportunity to remain in the [Canadian Forces] during periods when no service is rendered."[173] This option provides officers the opportunity to take care of personal priorities, such as lengthy family emergencies or the pursuit of an advanced degree without permanently departing the service. It should be noted that the US Air Force created the Career Intermission Program in 2014, which provides for similar opportunities.[174] However, with the program in its infancy, the impact of the careers of those who opt for this program remains to be seen. The RCAF also allows officers to decline promotion "and continue to serve in the officer's current rank," with the only stipulation being that "no further offer of promotion will normally be made in that calendar year, and the officer shall be considered by subsequent merit boards provided the officer remains eligible."[175] Officers may also request to relinquish rank. The cost of doing so, however, means "an officer who applies for and is granted permission to relinquish a rank shall nevertheless, be considered for promotion annually. If subsequent to relinquishment, an officer is selected for promotion, the officer may accept or decline promotion."[176]

In keeping with its perform-or-out policies, the RCAF couples wider promotion zones with blended time- and competency-based promotion eligibility. The RCAF offers officers a broad – indeed nearly indefinite – period in which to advance to the next rank, and similar to the RAF, the RCAF promotes within specialties. The Commissioning and Promotion Policy dictates that RCAF officers enter "the promotion zone upon completion of a specified time in rank" in the officer's specialty.[177] The policy states,

> An officer remains in a promotion zone until the officer:
> a. is promoted;
> b. commences terminal leave;
> c. commences an extension of service…;
> d. is transferred to the Reserve Force; or
> e. no longer meets the conditions of promotion because of a [change of specialty][178]

[173] ADM (HR-MIL) Instruction 05/05, *The New CF Regular Force Terms of Service*, 17 January 2008, 3.
[174] AF implements career intermission pilot program, 30 July 2014. http://www.af.mil/News/ArticleDisplay/tabid/223/Article/486908/af-implements-career-intermission-pilot-program.aspx
[175] CFAO 11-6, *Commissioning and Promotion Policy – Officers – Regular Air Force*, 8.
[176] CFAO 11-6, *Commissioning and Promotion Policy – Officers – Regular Air Force*, 12.
[177] CFAO 11-6, *Commissioning and Promotion Policy – Officers – Regular Air Force*, 6.
[178] CFAO 11-6, *Commissioning and Promotion Policy – Officers – Regular Air Force*, 7.

In other words, RCAF officers are eligible and realistically considered for promotion until they either promote or exit the service. Similar to the RAF, these wider promotion windows can remove the stigma associated with being passed over for promotion in any given year, and thereby allow for more honest feedback to service members. This more honest feedback, in turn, enables each officer to make more informed career decisions, and which should provide the service with officers who can become more effective due to a better understanding of one's strengths and weaknesses. Much like the RAF, the RCAF prescribes time in grade minimums, as well as specialty requirements which must be met for promotion eligibility.[179] However, these seniority marks are based on not only time in grade, but that time must be in the officer's specialty. Therefore, changes in specialty and training failures are adjusted for in the RCAF's promotion eligibility calculus. As seen in Table 3, an RCAF officer is eligible to compete for colonel with as little as 14 years of time in service, significantly earlier than her or his US Air Force peers even without accounting for accelerated promotion.

Table 3: RCAF minimum seniority for selection for promotion

Rank progression	Time in Grade	Total Time in Service
Lieutenant Colonel to Colonel	3 years	14 years
Major to Lieutenant Colonel	4 years	11 years
Captain to Major	4 years	7 years
Lieutenant to Captain	2 years	3 years
Second Lieutenant to Lieutenant	1 year	1 year

Source: This table is the author's original work adapted from CFAO 11-6, Commissioning and Promotion Policy – Officers – Regular Air Force, 24.

The RCAF also enhances its human resource management system's flexibility by providing the opportunity for accelerated promotion and acting rank.[180] According to the Commissioning and Promotion Policy, "[a]n officer of exceptional ability in the rank of lieutenant or above…is eligible for accelerated promotion after completion of one year of service in the officer's current substantive rank."[181] In addition to accelerated promotion, the RCAF further demonstrates its prioritization of performance by promoting officers in

[179] CFAO 11-6, *Commissioning and Promotion Policy – Officers – Regular Air Force*, 24.
[180] CFAO 11-6, *Commissioning and Promotion Policy – Officers – Regular Air Force*, 8-10.
[181] CFAO 11-6, *Commissioning and Promotion Policy – Officers – Regular Air Force*, 8-9.

order of merit as determined at the specialty boards, rather than by seniority, which is only used as a tie-breaker.[182] The RCAF, like the RAF, allows for acting rank. Promotions to acting rank are typically provided to officers selected for positions where "holding of the higher rank is essential for the member to perform the job."[183] The RCAF regulation further prescribes that "where the intent of the career manager is that the member complete a normal tour of duty in the position. Acting rank will not be granted for fill-in (temporary replacement) or attached employment."[184] As in the US Air Force, the RCAF may not promote more officers than allowed by law – including those promoted to acting rank.[185]

Similar to the RAF, the RCAF's focus on performance rather than seniority allows it to maintain a more experienced service with more stability for both the service and the individual officer. The RCAF provides its leaders with the flexibility to rapidly advance superior performers while maintaining an exceptionally experienced officer corps that can focus on performance rather than the next promotion. Officers in the RCAF have the individual flexibility to proceed at their own pace with the understanding that every job is valued. Officers have the option to step away from the service when the need arises, or when opportunity presents itself in order to ensure that the years of service each member provides is focused on the mission. All of these factors allow the RCAF to reap a maximum return on investment from each officer in the service.

Industry: Marriott International

Before discussing the particulars of Marriott International's human resources management, it is important to understand the methodology behind the selection of this company as a relevant case study. Discussion of talent and human resource management continually returns to discussion of return on investment. While this phrase can be vague in a government bureaucracy which does not aim to make a profit, the same cannot be said in industry. Given the difference, my first criteria for a case study from industry was

[182] CFAO 11-6, *Commissioning and Promotion Policy – Officers – Regular Air Force*, 41.
[183] CANFORGEN 060/00, *Acting Rank*, 13 September 2016, 1.
[184] CANFORGEN 060/00, *Acting Rank*, 13 September 2016, 1.
[185] CANFORGEN 060/00, *Acting Rank*, 13 September 2016, 2.

a Fortune 500 company. For the last 62 years, Fortune has ranked the 500 companies by revenue.[186] While certainly not the only measure of return on investment, presence on the Fortune 500 list demonstrates a flourishing business at a size worthy of mention on an international level.

The next criterion was presence on the Fortune "100 Best Companies to Work For" list. To compile this list, Fortune surveys American corporations and then calculates a score. Two-thirds of a company's score is based on "questions related to employees' attitudes about management credibility, overall job satisfaction, and camaraderie."[187] The other one-third of the company's score is based on "detailed questions about pay and benefit programs and a series of open-ended questions about hiring practices, methods of internal communication, training, recognition programs, and diversity efforts."[188] As the "100 Best Companies to Work For" list reflects attracting and retaining top talent, lessons learned from organizations on this list should be valuable to discussions of US Air Force talent and resource management practices.

Nine companies appeared on both lists. Selecting a global organization for comparison is appropriate due to the US Air Force's global nature. Using the individual company pages provided by Fortune, as well as the companies' websites, the number of worldwide sites and the number of overseas employees working for each company was determined. Using the matrix in Table 4, Marriott was selected as the closest match to the US Air Force based on the number of overseas personnel and worldwide sites.

[186] Fortune 500, accessed 31 January 2017, http://beta.fortune.com/fortune500.
[187] Fortune 100 Best Companies to Work For, accessed 16 November 2016, http://fortune.com/best-companies/.
[188] Fortune 100 Best Companies to Work For, accessed 16 November 2016, http://fortune.com/best-companies/

Table 4: Industry Comparison Matrix

Company Name	100 Best Companies to Work For Ranking	Fortune 500 Ranking	Overseas Personnel?	Worldwide Sites
AMEX	96	85	Yes - 31k	55
Cisco	82	54	Yes - 35k	169
Hilton	56	254	No	343
Marriott	83	195	Yes - 98k	715
Nationwide	71	69	No	248
Publix	67	87	No	1120
Stryker	21	287	Yes - 10k	172
USAA	36	114	Yes - ~100	80
Whole Foods	75	181	Yes - 3.6k	465

Source: This table is the author's original work adapted from http://beta.fortune.com/fortune500 *and* http://fortune.com/best-companies/ *and their sub-pages.*

An interview with Thomas Penny, the General Manager of the Courtyard by Marriott Convention Center in Washington D.C., provided further similarities between the US Air Force and Marriott. The "world's largest hotel company," like the US Air Force, expects all but a select few senior officers to exit the company between the ages of 50 and 55 in an effort to keep the company young.[189] Also like the US Air Force, Marriott prefers to promote internally, and with approximately 300,000 global employees spread across more than 700 sites, the corporation often requires those who wish to progress in their careers to transfer to less desirable locations.[190] However, the differences between Marriott International and the US Air Force provide the Fortune 500 company with the flexibility to remain both profitable and a desirable place to work.

Penny explained how Marriott focuses on its people with the assumption that if it hires and promotes the right people, and communicates expectations, their people will get the job done. Those who cannot are replaced. Those who are replaced are not, however, normally dismissed from the company. Marriot believes that some qualities or attributes landed them a leadership position and the company does not lightly divest itself of such human capital. Rather, individuals are typically given opportunities at lower levels with

[189] Thomas Penny (Marriott International), interviewed by the author, 16 November 2016.
[190] Thomas Penny (Marriott International), interviewed by the author, 16 November 2016.

the intent that the individual will either learn from previous mistakes and compete again for more senior positions, or remain a productive member of the organization at the lower level. In this way, Marriott avoids the Peter Principle and retains human capital at its most advantageous level.

Marriott's leaders understand that security in their current position, as well as promotion potential, relies on their ability to meet or exceed their performance metrics. Likewise, those leaders recognize that their ability to meet goals is reliant on the people they hire. Therefore, Marriott leaders pay particular attention to who they hire and promote. With the exception of senior management – General Managers and above – hiring decisions are made at the individual hotel level as opposed to the corporate level; this allows leaders at the tactical and operational levels with the best insight into what the team needs to make decisions in the best interest of the company. Despite the size of the organization, Marriott relies on "practice over policy."[191] As such, factors such as diversity and promoting from within occur without micromanagement from the corporate level. Also contrary to Air Force practices, no hires occur without an interview, and most jobs require as many as three interviews.[192] Recognizing that all people have different preferences, Marriott allows free market labor to fill positions in even the most distant and isolated locales without having to send personnel to new locations involuntarily. Marriott also offers multiple career paths. The "experience" career path starts at the very lowest levels but provides the opportunity to advance to corporate level management. The "education" career path starts higher, typically at the assistant manager level, and similarly requires an individual wishing to lead at the highest levels rise through the ranks. Individuals in either career path and at any level are allowed to compete for promotion at their own pace or settle in their niche – should they find it – for years or even decades as long as they are performing.

Focus on human capital facilitates the continued growth of the "world's largest hotel company."[193] Despite this growth, Marriott averaged 50 applicants for each open

[191] Thomas Penny (Marriott International), interviewed by the author, 16 November 2016.
[192] The typical hire will involve separate interviews with Human Relations, the position's Division Chief, and the hotel's General Manager.
Thomas Penny (Marriott International), interviewed by the author, 16 November 2016.
[193] Thomas Penny (Marriott International), interviewed by the author, 16 November 2016.

position in 2016 and did not have to force a single person to move to accomplish the company's mission.[194] The massive company trusted leaders at the lowest levels to make the right decisions for one of the 200 highest grossing companies in the world. Because of this trust in its people, for the nineteenth year[195] Marriott is on the Fortune list of 100 Best Companies to Work For and a member of the Fortune 500 for the eighteenth year, and climbing.[196]

External Research

It is important to note that the alternatives presented by US allies pose risks when scaled to a larger force model such as the US Air Force. Similarly, alternatives presented by industry may pose risks by minimizing the difference in civilian and military human capital pools. Therefore, with an understanding some human capital management systems currently in use, but which may present various risks when applied to the US Air Force, it is valuable to mention alternatives proposed specifically for US systems. In 1979, at the height of the DOPMA debate, the Brookings Institute published *Youth or Experience?*, to highlight why "policies yielding a young and necessarily inexperienced military force should not be sustained."[197] In their book, Martin Binkin and Irene Kyriakopoulos point to "the high concentration of technicians and craftsmen in the military, the training investment they represent, and the importance of the defense mission" as evidence of a need for experience among servicemembers superior to that required elsewhere in the economy.[198] Recognizing the importance of the military's talent and human capital management to national security, external researchers have become increasingly vocal regarding the need for change. The prescriptions range from evolution of the current

[194] Fortune 100 Best Companies to Work For, Marriott International, accessed 31 January 2017, http://fortune.com/best-companies/marriott-international-83/.
[195] Fortune 100 Best Companies to Work For, Marriott International, accessed 31 January 2017, http://fortune.com/best-companies/marriott-international-83/.
[196] Marriott moved up from 221 in 2015 to 195 in 2016. Fortune 100 Best Companies to Work For, Marriott International, accessed 31 January 2017, http://fortune.com/best-companies/marriott-international-83/.
[197] Martin Binkin and Irene Kyriakopoulos, *Youth or Experience?* (Washington, DC: The Brookings Institute, 1979), viii.
[198] Binkin and Kyriakopoulos, *Youth or Experience?*, 33.

system to revolution. Presenting an example of each will conclude the analysis of alternatives available to US Air Force decision makers.

Coinciding with the aforementioned National Defense Authorization Act, in 2004's *New Paths to Success*, a team of RAND researchers led by Peter Schirmer examined evolutionary means of altering US military human resource management policies. Schirmer et al., considered a range of changes including abolishing up-or-out, limiting its use to junior officers, and adding flexibility to up-or-out policies by widening promotion zones or allowing officers to decide when to compete for promotion. The RAND team proposed four alternate "demonstration projects" – one for each service – which could "be implemented on a limited basis."[199] The authors recognized that "alternatives entail more than just changes to the law requiring separation or retirement for officers who are twice failed of selection."[200] The authors recognize that alternative systems must address human capital management and talent retention policies including "promotions, training, assignments, compensation, retirement, and more," and as such, the projects presented for test implementation were "packages of complementary policies."[201]

The research team considered eliminating up-or-out completely, varying the number of promotion boards an officer would meet without prejudice, and moving promotion opportunities to later in officers' careers. The RAND team noted that policy changes which maintain some form of up-or-out may meet some of the goals of up-or-stay proponents. The report states that "[l]engthening time in grade will provide officers more time for training, additional assignments, and longer assignments. Broadening promotion zones also delays the need for [selective continuation] until later in an officer's career."[202] Schirmer et al., also considered "decentraliz[ing] the process by taking continuation decisions out of the hands of boards altogether. Beyond a point in an officer's career, the officer could be required to obtain a commitment for employment from a command or agency in order to remain on active duty."[203] This alternative would

[199] Peter Schirmer et al., *New Paths to Success: Determining Career Alternatives for Field-Grade Officers*, RAND Report MG-117 (Santa Monica, CA: RAND, 2004), xii-xiii.
[200] Schirmer et al., *New Paths to Success*, 5-6.
[201] Schirmer et al., *New Paths to Success*, 5-6.
[202] Schirmer et al., *New Paths to Success*, 9.
[203] Schirmer et al., *New Paths to Success*, 11.

be similar to the RCAF's IE25 and the RAF's LOS30 and LOS35 decision points, and would provide both the officer and the service with a greater degree of certainty for future planning.

Recognizing that changes to up-or-out policies could allow for alternate career paths within the officer corps, the RAND team provided options for either the service or the officer to select the alternate technical career path in lieu of the promotion path. Additionally, the team pointed out that giving officers longer assignments would ensure more depth of experience to officers who lack such depth due to the current system. Furthermore, longer assignments would provide officers and their families with greater geographic stability, which may positively impact retention decisions by the officer.[204] By providing officers with more opportunity to develop both breadth and depth, the service may garner superior senior officers from the promotion track, while officers in the technical career path provide greater experience, thus providing a greater return on training investments.

The RAND team's Air Force alternative was the "Effective Manning Fill program," designed to "give officers more control over their careers and to broaden the developmental experience of future senior leaders."[205] The proposed program would accomplish these goals by "slowing the rotation of officers through some billets requiring a specific AFSC, thereby enabling other officers to serve in billets outside their career field."[206] As a test group, the RAND team recommended selecting O-4s and O-5s in Air Force Specialty Codes (AFSC) with low effective manning, such as pilots, engineers, manpower, and public affairs, for continuation. This continuation would be based on having a four year "employment commitment" from a hiring authority, such as a major command (MAJCOM), rather than a duty-agnostic commitment received from a selective continuation board.[207] The test program would require its participants to be officers who

[204] Schirmer et al., *New Paths to Success*, 12-13.
[205] Schirmer et al., *New Paths to Success*, 28.
[206] Schirmer et al., *New Paths to Success*, 28.
[207] According to Appendix D of New Paths to Success, "Air Force effective manning can be calculated as the percentage of billets being filled by an officer with the appropriate grade and AFSC. Officer requirements are the sum of the number of officers in a single grade with a particular AFSC, plus the number of vacant billets in that grade for that AFSC. Filled billets are calculated as the number of officers in a single grade with a particular AFSC minus the number of vacant billets at the next lower grade." Schirmer et al., *New Paths to Success*, 28-29, 83.

had not attended intermediate or senior developmental education in residence, who had not been passed over, and who were not on the command track. From this pool, officers would be randomly selected. Officers in the program would be assured of one assignment with continuation in the program contingent upon continued employment tied to performance as determined by the hiring authority. At the end of a four-year initial commitment, the officer or MAJCOM could end the commitment, or by mutual consent agree upon a new contract. In the event an officer was not retained and was unable to find a new position, the officer would be separated or retired depending on time-in-service retirement eligibility. Due to the requirement for continuous renewal of the employability commitment from a MAJCOM, all assignments would be detailed by the hiring MAJCOMs.[208]

Proposed in 2004, the program has not been implemented to date. Thus, the potential results can only be estimated, as the RAND team attempted. Using the projected pool of entering 25 O-4s and 20 O-5 annually, growing to a test group of 480 O-4s and 250 O-5s, Schirmer et al., estimated the program would produce 150-570 additional man-years from each year-group cohort, resulting in a 3-12 percent increase in return on training investments.[209] Considering the cost associated with training Air Force officers, conservatively estimated at $1 million for pilots nearly 20 years ago, at end strength, even a 3 percent increase in return on investment of tens of millions of dollars annually.[210] Given that the $1 million estimate is likely low by as much as an order of magnitude by the time an officer reaches eligibility for entry into the program, it is more likely the increase in return on investment is well into the hundreds of millions or even billions of dollars annually.[211] Applied beyond the small test group to all Air Force officers, the program could further increase return on investment, albeit, likely at a lower percentage than in the training-cost-intensive pilot career field. As longer careers may eventually

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[208] Schirmer et al., *New Paths to Success*, 29.
[209] Schirmer et al., *New Paths to Success*, 32, 49.
[210] United States General Accounting Office, *Military Personnel: Actions Needed to Better Define Pilot Requirements and Promote Retention, Report to the Chairman and Ranking Minority Member, Subcommittee on Military Personnel, Committee on Armed Services, House of Representatives*, August 1999, 3. http://www.gao.gov/archive/1999/ns99211.pdf
[211] United States General Accounting Office, *Military Personnel: Actions Needed to Better Define Pilot Requirements and Promote Retention, Report to the Chairman and Ranking Minority Member, Subcommittee on Military Personnel, Committee on Armed Services, House of Representatives*, August 1999, 18. http://www.gao.gov/archive/1999/ns99211.pdf

result in decreased recruitment costs and decreased costs of training fewer recruits, the return on investment could be further magnified.

While the RAND authors call for an evolutionary approach to revising Air Force human capital management practices, in 2012's *Bleeding Talent*, Tim Kane calls for a revolution, pointing out that decades of incremental adjustments have failed and that a complete overhaul of the system is necessary. He states that the "all-volunteer revolution" which commenced with the end of the draft, "removed coercion from the accessions process, but didn't remove coercion from operations once individuals joined."[212] To clarify Kane's point, the coercion to which he refers is the military's ability to move individuals who do not wish to move and send personnel to jobs or locations involuntarily, with the only recourse available to the member being the option to separate or retire from the service, often with little time to prepare for such a life-altering transition. Kane's purpose was to convey that "many great leaders…stay in uniform and overcome the bureaucratic flaws [of the current system], but the existence of patriotism in a few is no excuse for institutional inefficiency… There is no productive outcome when we force a soldier to choose between the family's best interests and the nation's best interests. A smart reform will align both interests… and eschew the coercive mentality altogether."[213]

Kane calls his revolutionary human resource management system the "Total Volunteer Force" (TVF).[214] There are nine principles of the TVF:

1. Eliminate "year groups" after ten years
2. Allow greater specialization rather than track everyone for flag officer
3. Expand early promotion opportunities
4. Allow former officers to rejoin the service
5. Use a market mechanism to allocate jobs instead of central placement
6. Lay off more officers involuntarily
7. Force a distribution of top and bottom 10-20 percent in evaluations
8. Allow former soldiers to use GI Bill money as start-up loans instead of for education
9. Expand the academies to include graduate schools[215]

[212] Kane, *Bleeding Talent*, 26.
[213] Kane, *Bleeding Talent*, 214-215.
[214] Kane, *Bleeding Talent*, 33.
[215] Kane, *Bleeding Talent*, 132-135.

While the last two principles are outside the premise of this argument, the first seven principles demonstrate commonalities with previously presented concepts from allied services, industry, and external researchers. The TVF focuses on "four key structures – promotions, assignments, career planning, and evaluations," as well as the steps required to realize the revolution.[216]

Kane's first step is the creation of "an internal labor market for job assignments and promotions."[217] Creating the market would require disseminating hiring authority down from the central bureaucracy – in the Air Force's case, Air Force Personnel Command (AFPC) – to local commanders. For staff jobs, this would likely equate to division or even branch chief levels depending on the size of the staff. Under this construct, promotion boards would be abolished in favor or authorization boards. These authorization boards would vet officers applying for the next higher rank. Officers meeting competency-based criteria could apply for authorization to fill positions at the next rank. Then with a list of authorized individuals, operational commanders could fill jobs with progression to the new rank tied to an officer being hired into a position authorized that rank.[218] Kane emphasizes that such an internal labor market inevitably shapes the force to meet current needs while helping the service retain talent. Rather than the current practice of incentivizing officers to leave during drawdowns, by reducing the number of positions available, those unable or disinterested in finding a job would depart the service either in retirement or via separation. With the aforementioned TVF principle allowing former officers to rejoin the service, the Air Force would not necessarily permanently lose the human capital such an officer represents. Kane acknowledges that although an internal labor market could eliminate or significantly reduce the need for AFPC, it would increase the need for human resource talent as units would require such personnel to solicit and screen candidates and provide career guidance and mentorship.[219]

Kane's second step is to abolish categorization of officers by commissioning year cohorts. He caveats this step with the recognition that it may be valuable to retain automatic promotions to O-2 and O-3 at timed intervals; however, it would be "foolish"

[216] Kane, *Bleeding Talent*, 136.
[217] Kane, *Bleeding Talent*, 136-137.
[218] Kane, *Bleeding Talent*, 136.
[219] Kane, *Bleeding Talent*, 136-137.

to limit a commander's choices "by some narrow cohort of available officers" when someone a year, or even four years junior might do a better job.[220] Kane accurately states that "[e]nding cohorts within the military solves the specialization dilemma" as the artificial grouping which enables up-or-out would be discontinued.[221] As mentioned repeatedly in this chapter, longer careers and longer assignments should reduce recruiting requirements. Taking this concept a step further, Kane referenced the improved effectiveness of the average officer's work-year by highlighting the reduction in what he calls "training lag."[222] Kane's training lag, refers to the period it takes a new hire to learn how best to accomplish the new job. Assuming a six-month learning curve for a new job, the time recouped by changing a two-year assignment to a four-year assignment, would yield a 12.5 percent increase in return on investment. Kane recognizes that personnel will not always want to move to new jobs after a few years; however, he expects this to be the exception rather than the rule, and a phenomenon commanders will be able to handle on a case-by-case basis. He also accepts that some "key developmental jobs," such as command, should stipulate a maximum time in the position; under TVF, these would only account for "10-20 percent…whereas 95+ percent have them now."[223] The reduction in such caps is likely to create considerable savings in officer movement costs and training costs, as well as allowing for a more effective and efficient workforce where more officers are doing the jobs in line with their goals in locations of their choice.

The third step of Kane's TVF revolution is to create an open market for officer positions. Under the TVF, commanders would have a budget for personnel and apply it as they see fit. Recognizing that there is no one-size-fits-all solution, the TVF would provide commanders with the discretion to adjust compensation, similar to how civilian companies adjust compensation to fill needs. Adjusting compensation rules would also enable officers to take reductions in rank, thereby reducing the prevalence of the Peter Principle in the Air Force officer corps. Opening the officer market should also enhance the Air Force's ability to manage talent and human capital in the long term. Kane points out that nearly 10 percent of the Chief Executive Officers of US companies are

[220] Kane, *Bleeding Talent*, 137-138.
[221] Kane, *Bleeding Talent*, 138.
[222] Kane, *Bleeding Talent*, 139.
[223] Kane, *Bleeding Talent*, 139.

veterans.[224] An open market would enable the Air Force to bring such talent back into the service without having spent the capital necessary to develop the CEO during the middle of her or his career; the service could benefit from experiences not available to service members under current policies.

Kane's TVF proposal recognizes that preferences vary among officers and because of this, fears that it would be impossible to fill some jobs are unfounded. Even if the least desirable jobs in a hiring cycle do not get applications early in the process, as more desirable jobs are filled, officers who did not get them will apply to jobs lower on their list of preferences and eventually all the jobs are filled. Kane submits that the central question is "whether any mission is optimized better by coercing workers or by using market incentives and choice."[225] Kane is of the opinion that "[t]he internal job market respects workers' rights to make their own decisions at the optimal time, not some social planner's cookie-cutter timeline."[226] Shifting to an internal market may enhance the military's adaptability and flexibility, and thereby contribute to the Air Force Future Operating Concept as envisioned in 2015.[227] He points to Proctor and Gamble as a case study of a "large, semisealed professional organization [which] can be effectively managed using decentralized [human resources] techniques that engage employees by aligning institutional and individual needs."[228] The military employment system was designed during the industrial revolution for the talent of the time. The military recognized that the workforce had changed when it eliminated conscription but retained the system best suited to manage in the bygone era. Based on these observations, it seems that the Air Force now needs an information age human capital management system capable of managing the twenty-first century talent.

[224] Kane, *Bleeding Talent*, 139-141.
[225] Kane, *Bleeding Talent*, 178-179.
[226] Kane, *Bleeding Talent*, 179-180.
[227] Kane, *Bleeding Talent*, 184.
[228] Kane, *Bleeding Talent*, 211.

Comparison

Having discussed each case independently, it is useful for the sake of comparison to see major points simultaneously. Table 5 provides a side-by-side comparison of human capital management practices enabling the reader to see the disparity between US Air Force policy and a spectrum of alternatives. Because the Schirmer et al., RAND report focused solely on up-or-out, all blocks after the top two would still mirror the USAF column. Therefore, it is not included in Figure 5. However, when viewing the remaining alternatives collectively, two themes where the US Air Force system may be deficient stand out: job security for officers and flexibility for both the service and its personnel.

Table 5: Comparison of Alternatives

Human Capital Management Tool	USAF	RAF	RCAF	Marriott	External (TVF)
Up-or-Out	Yes	Limited	No	No	No
Alternate career tracks	No	Yes	Yes	Yes	Yes
Time- or Competancy-based Promotion Eligibility	Time	Blended	Blended	Competency	Competency
Limited to a single primary promotion zone to each rank	Yes	No	No	No	No
Centralized Promotions	Yes	No	No	No	No
Temporary Rank (Acting Rank or demotion option)	No	Yes	Yes	Yes	Yes
Option to decline promotion w/out prejudice	No	Yes	Yes	Yes	Yes
Minimum (non-BTZ / accelerated promotion) Time in Service (TiS) to O-6 (years)	20	16	14	N/A	N/A
Theoretical minimum TiS to O-6 accounting for all accelerators (years)	16	Unspecified	5	N/A	N/A
Initial service commitment (years)	4 or 5	12	5 to 14	N/A	Unspecified
Structured subsequent commitments	Limited - Training/Education or movement dependent	Yes - LOS30/LOS35	Yes - CE or IE25	No	No
High-year tenure for O-6/5/4/3 (years)	30/28/24/20	N/A - Age 55 for ranks through O-6	30/28/28/28	N/A - Typically Age 55 for all employees	Unspecified

Source: Author's own work compiled from the preceding pages and sources.

The allies' services offer greater job security both initially and when an officer decides to make the service a career. By focusing on performance rather than seniority, allied services, industry, and academic proposals offer greater flexibility regarding who gets promoted and when. Contributing to this flexibility are promotion decisions which are decentralized, optional, and potentially temporary. The US Air Force is the only organization discussed herein that is compelled to adhere to what turns out to be a poor

promotion decision, placing a previously effective officer at a rank and corresponding level of responsibility where he or she is ineffective. The US Air Force is the only organization to offer a single career path limited by a single primary promotion zone to each rank. The US Air Force's system mandates significantly more seniority for promotion than either ally's service and divests itself of experience among the lower grades at an earlier point in an officer's career.

As discussed in Chapter 3, enhanced job security and flexibility enable a third prevailing theme: improved feedback to the officer. If a single poor performance report will not ruin an officer's career due to having to promote with a single opportunity, the officer and the organization may benefit from more honest feedback. Similarly, if the officer or the service have the flexibility to adjust the officer's rank and responsibility without prejudice against future promotion, the honest feedback that results may ultimately benefit both. The alternatives analyzed do not seem to attach the same stigma to personnel who do not relentlessly climb the ranks. By removing the impetus to promote and the stigma from failure, US Air Force officers should benefit from more honest feedback, and the service should subsequently benefit from more self-aware officers working to improve.

Summary

The US Air Force is a world leader in many areas, but human capital management appears to offer room for improvement. Allies and industry provide models for a more flexible system which offer best practices that should yield a more effective and efficient Air Force. External researchers, including government think tanks and veterans themselves, have been sounding the clarion call for change for decades. More recently, external researchers have started to propose alternative solutions and potential pilot programs; yet their calls go unheeded. The final chapter will provide a summary of findings, including three key themes inherent in other human capital management systems, which are absent from the US Air Force's up-or-out policies. The chapter will conclude with recommendations based on the myriad of information presented.

Chapter 5

Conclusion

> *We have the finest fighting force our world has ever known. To maintain this advantage and enhance the warfighting and operational excellence of our force, we must recruit and retain the very best talent our country has to offer, amid changes in generations, technologies, and labor markets.*
>
> -Secretary of Defense Ashton Carter
> Memorandum, 9 June 2016

Summary of Findings

The US Air Force human capital management policy has roots over 100 years old and has gone largely unchanged since DOPMA was enacted in 1980. Despite half a century of officers and external researchers calling for change, little has been done. The up-or-out designed to add youth and vigor to the military's officer corps has had some success in doing so; however, in an age where "[o]perating high-tech military equipment requires long-service professionals, not short-term conscripts," the current policy yields an inflexible system incapable of adapting to the talent pool and the environment in which service members will fight the nation's current and future wars.[229] Despite transitioning from service which coerces recruits, up-or-out continues to coerce personnel after joining the ranks. As Kane discussed, this coercion occurs when the service forces an officer to leave what may be a well-matched job and location for what that individual may deem an undesirable job or location, with the service member's only recourse being to exit the service. Based on cases, perspectives, and recommendations presented, such a system is unnecessary, ineffective, and inefficient. Three themes regarding areas where allies, industry, and external researchers provide a better approach emerged from an analysis of alternative human capital management systems: job security for the individual, flexibility for both the officer and the service, and improved feedback. These themes influence 10 proposed best practices, which if implemented *en masse* should correct the deficiencies highlighted by the 3 themes. Through decades of war, history demonstrates that the current system is good enough. However, the Air Force's third core

[229] Tim Kane, *Bleeding Talent* (New York, NY: Palgrave MacMillan, 2012), 185.

value is Excellence in All We Do, not Good Enough in All We Do. We can do better, and we must do better. National security is at stake.

Three Key Themes

From the cases presented, it is evident there are several key principles to human capital management absent from current Air Force policy, which would be of benefit to the service. Curtailing up-or-out after an officer's promotion to O-3 would go a long way to solving the Air Force's talent management problems. Replacing up-or-out with a perform-or-out policy would enable the service to get more return on investment from the average officer. Part of this increased return would be due to the average officer serving for a longer period.

Improving the Air Force's human capital management system should focus on three themes: providing job security for the officer; increasing flexibility for both the officer and the service; and improving feedback to the officer. Trust is a prerequisite and an output of these three themes. Job security may give the officer trust in the service, while the service must trust the officer to provide him or her with such job security. Pushing decisions down the chain of command as required to provide flexibility requires the service to trust the decision-makers at lower levels. Honest feedback should build trust between the officer and his or her rater. Similarly, honest performance evaluations from the lower levels should build trust among senior leaders that what they see is accurate rather than the current imperative to search evaluations for thinly veiled meanings hidden in euphemistic language. Up-or-out policies undermine trust throughout the chain of command, and in doing so, inhibits these three principles. Forcing qualified and productive officers out of the service at the 11 and 15 year marks for failing to promote inefficiently reduces the Air Force's return on investment. The Air Force spends money to recruit a replacement for each officer forced out by up-or-out, and the time and money invested over more than a decade cannot be recouped. As previously demonstrated, by calling job security into question, up-or-out also harms voluntary retention. This further increases tangible costs associated with recruitment and training as well as costs due to decreased effectiveness driven by lower morale among the officer

corps. In contrast, by improving job security, the Air Force may enable officers to focus on the mission rather than the next promotion. Similarly, improved morale stemming from improved job security may manifest in increased effectiveness across the officer corps. Subsequently, cost savings may be reinvested in the officer corps or the service at-large, or be passed on to the tax-payer.

The current system is also inflexible for both the service and the service member. DOPMA reinforced a rigid central bureaucracy for promotion, assignment, and involuntary separation decisions. Officers have little control over when and to where they move. Career field senior mentors can have some impact on this process, but there are too few of them for more than the top quartile of officers – if that – to expect any serious interest in career planning from senior leaders. The focus on up-or-out allows or even encourages senior mentors to focus on those junior officers they perceive to be most likely to reach O-6 and above. This focus can leave the rest of the officer corps to make their own way – usually to O-5 and out of the service shortly after reaching the 20-year retirement milestone. Top performers such as commanders, vice or deputy commanders, and directors of operations end up as the exception: key position fillers who are determined internal to a career field. Units and staffs with needs below the grade of O-6 generally receive AFPC-assigned officers with little regard for unit needs or individual desires. The endless requirement to move up in rank or else be dismissed leaves officers with little flexibility in assignments in the rare instances where individual desires are considered. Forcing officers to choose between assignments that might be exciting and personally rewarding and those which will get them promoted is, as one author assesses, a poor way to do business.[230] Increased promotion and assignment flexibility for officers would get the right person with the right mentality in the right job in the right place more often than the current system. By improving member-assignment matches, the more flexible system should leave the service with a generally happier, more effective, and more efficient force. Such a force could take advantage of greater experience across the officer corps to adapt more quickly to a dynamic operating environment, thereby enhancing national security.

[230] Kane, *Bleeding Talent*, 21-23.

Up-or-out also inhibits honest feedback. Kane emphasizes this point by quoting a respondent to his survey, "[b]ecause promotions are based on a strict timetable and because they are near-automatic given the high rates through LTC [lieutenant colonel], it's almost solely based on seniority. Anymore it's not 'good' merit that gets you promoted but it's 'bad' merit that will get you not promoted."[231] This focus on "bad" rather than "good" merit creates a perception that in the inflated performance report world driven by up-or-out a single bad review can be a career killer. As discussed in Chapter 3, raters do not benefit by providing negative feedback; indeed, the blowback may harm their own career either via lower unit morale or investigation, so mediocre and poor performance reviews are rare, even when warranted. Inflated performance reports make it difficult for the service and individual officers to make well-informed decisions, leading to further poor morale among officers passed over for promotion and decreased effectiveness throughout the force. By removing the up-or-out prescription, and therefore the persistent negative ramifications of a single poor performance report, the Air Force may harness more honest feedback to develop more self-aware officers. More honest feedback may provide officers with a better understanding of their strengths and weaknesses for the purposes of self-improvement. Such feedback should also provide senior leaders with a better means of measuring the officer corps and its individual members. Sun Tzu's famous dictum is "know the enemy, know yourself; your victory will never be endangered."[232] The Air Force needs to better understand itself from the standpoint of its personnel system and the effects that system has on retention. More honest feedback should help in this regard at both the individual officer level and at the senior leader level.

[231] Kane, *Bleeding Talent*, 219.
[232] Sun Tzu, *The Art of War*, trans. Samuel B. Griffith (New York, NY: Oxford University Press, 1963), 129.

"I Am a Leaf on the Wind, Watch How I Soar"[233]

With the freedom to make their own job-related decisions, officers will take the service to greater heights than the current rigid central bureaucracy could allow. Kane states that "[a] self-interested labor market enables American companies and entrepreneurs to create the biggest, richest, most productive economy the world has ever seen. A similar market would enable an even stronger US military."[234] Rather than trying to find the right band aid to correct the up-or-out system, the Air Force must learn to trust the officer corps with their careers just as they trust them with the weapons of war. Trust facilitates a flexible system and a flexible system demonstrates trust. In Filling the Ranks, Williams states, "[r]ather than fix the problems of skill imbalances across the force, one-size-fits-all remedies may have exacerbated them by raising incentives for people with the least valuable skills to stay in the military well past the period when their low-tech contributions are most useful and their physical contributions at their peak, while falling well short of expectations for those who have the most outside possibilities."[235]

The Air Force should use the aforementioned principles to create a new system integrating the best practices presented by allies, industry, and external research. These best practices include:

1. Implement a blended time- and competency-based promotion eligibility system
2. Determine promotion eligibility lists within each career field
3. Introduce acting rank
4. Support the concept of declination of promotion without prejudice
5. Create multiple career paths: Command, Staff, and Technical
6. Delegate hiring decisions to local commanders based on an internal labor market
7. Allow commanders limited discretion over market shaping forces

[233] Quote attributed to the character Hoban Washburne, fictional pilot of the Firefly-class spaceship Serenity from the movie Serenity, directed by Joss Whedon (Hollywood, CA: Universal Studios, 2011), Netflix.
[234] Kane, *Bleeding Talent*, 131.
[235] Cindy Williams, ed., *Filling the Ranks* (Cambridge, MA: The MIT Press, 2004), 6.

8. Bolster unpaid sabbatical opportunities with limited re-entry and lateral entry
9. Increase high-year tenure limits
10. Increase initial service commitments

With the 10 best practices as way markers, the Air Force should create a blended time- and competency-based promotion eligibility system, with promotion eligibility numbers allocated by career field. Similar to current procedures for assignments outside the Continental United States (OCONUS), by setting minimum time on station requirements, the Air Force can avoid the costs associated with constantly moving an officer around the country every time he or she finds a new commander who will hire him or her. Similar to the RCAF, the US Air Force should set the minimum time-in-grade for promotion eligibility to one year. Such a move would not mean that all – or even most – officers would progress at an expedited rate. Indeed, the data from RAND's report *Challenging Time in DOPMA* indicate that average outcomes would remain unchanged under such a system, but the opportunity for rapid promotion would be available to both the service and officers.[236] Simultaneously, career fields should determine competencies necessary at each rank to determine when an officer may apply for promotion eligibility.

Specific promotion eligibility should then be determined by career field as opposed to a central board reviewing all officers. Similar to current procedures for developing command eligibility lists, promotion eligibility lists would include significantly more officers than available billets so individual commanders can find the best match(es) for their requirement(s). Similar to command eligibility lists, continued performance would be critical to remaining on the promotion eligibility list and as with command eligibility lists, an officer could be on, off, and back on the list over a series of years. The Air Force has the structure and experience to perform this function in career field developmental teams (DTs). The Air Force senior leaders who comprise the DTs are the cream of the crop: typically wing commanders and general officers. These officers are trusted to operate billion dollar enterprises and command thousands of airmen. It is

[236] Peter Schirmer, Harry J. Thie, Margaret C. Harrell, and Michael S. Tseng, *Challenging Time in DOPMA: Flexible and Contemporary Military Officer Management*, RAND Report MG-451 (Santa Monica, CA: RAND, 2006), 42. http://www.rand.org/pubs/monographs/MG451.html.

difficult to believe that a centralized board is better able to determine the best officers to lead those organizations and career fields in the future.

In addition, the Air Force should revert to system where all ranks are "acting rank." Use of acting ranks would facilitate movement up and down the ranks in order to provide both the officer and the service flexibility to find the best fit at all times. Commanders could fire ineffective subordinates without transferring the problem elsewhere in the organization and forcing the service to pay senior officer wages for junior officer work. Coupling this with longer initial service commitments – somewhere in the 8-12 year frame is the norm among allies – would enable the Air Force to get a greater return on its initial investment as compared to the current 4 and 5 year service commitments required by commissioning sources. Similarly, raising high-year tenure limits would enhance that return by enabling those who work in career fields where experience outweighs youth to serve as long as they are effective. Increasing high-year tenure could also have a second-order effect of driving down the promotion rates to grades below O-6, which should drive improved individual effort as promotion rates approach 50 percent.[237] To account for acting rank and fluid shifts up and down the ranks, retirement rank would then need to be reexamined. A system which ties retirement rank to the highest rank held with some minimum set for time in that grade seems likely. With the introduction of the new retirement system, this may be less important to future generations of officers.

To ensure the best matches to promotions in terms of both quality and interest, and to avoid unnecessary work, officers would be able to decline consideration for promotion at any time without prejudice against future promotion opportunities. This system would create a *de facto* technical track where officers could continually decline to compete for promotion while staying in unit-level jobs. The system would also create a third career path for staff officers. Officers who cannot or who are not interested in keeping up with peers on the command track, and who do not or cannot get hired at the unit level may still make effective staff officers. Staff work requires a different, but no

[237] Beth J. Asch and John T. Warner, *A Theory of Military Compensation and Personnel Policy*, RAND Report MR-439-OSD (Santa Monica, CA: RAND, 1994), 75-77. http://www.rand.org/pubs/monograph_reports/MR439.html.

less valuable, degree of specialization as unit-level jobs. Without the requirement to promote, staff jobs may offer a degree of geographic stability which would be of value to some officers.

Empowering local commanders to make hiring and firing decisions while controlling a small budget to offer bonuses which shape the internal market would enable commanders to get the most out of their unit. This change would require the most effort on the part of the Air Force. For this recommendation to succeed, the service would need to continuously analyze the market with inputs from personnel throughout the chain of command to provide local commanders with the tools required to manage the market and attract talent. Offering unpaid sabbaticals from service with limited re-entry and later entry may mitigate the growing pains associated with such a drastic change. Opening the officer corps to re-entry could pay off in the short run and the long run. In the short run, veterans who left the service and have since gained considerable business experience dealing with job markets would be of immense assistance as deputies and vice commanders to commanders dealing with the new system for the first time. In the longer run, such officers would bring experience and perspectives largely absent from military communities with the single point of entry at the bottom. Additionally, if officers were allowed to take sabbaticals to use their GI Bill benefits, more officers could acquire useful advanced degrees from some the world's best universities, rather than the online degrees of questionable rigor so many currently opt to "check" a requirement box. These officers could then return to the Air Force without penalty and utilize that superior education to the service's benefit.

It may be tempting to ease into the proposed changes implementing them in steps. However, this would be a mistake. The US Air Force, and the Army and Navy before it, have been evolving the current system for more than a century, and many of the proposed best practices instituted alone could cause the system to fail. It is evident from the preceding analysis that the evolutionary approach, however, is not working. It is time for a revolution in human capital management within the Air Force. Certainly, there is risk in such drastic change, but evolution has failed to produce the flexible, contemporary system called for most recently in 2004 and which is essential to a force best-prepared to fight and win the nation's wars in the twenty-first century.

Recommendations for Future Research

Further research is necessary to realize the 10 practices recommended in this chapter. This research should be in two areas, budgetary and legal. Chapter 3 examined fiscal costs of the current system and Chapter 4 discussed potential financial benefits tied to alternative human capital management practices. A more in depth review of these economic considerations must take place for the service or Congress to take the recommended changes seriously. Similarly, the proposed changes would require significant changes to Title 10 of the US Code as well as to current Air Force Instructions. Future research should identify articles and instructions in need of change as well as the verbiage necessary to enact the recommended practices.

Last Call

This research process began with the intent of examining what works within the Air Force's up-or-out system and subsequently providing a recommendation for minor adjustments that would evolve the current system in a beneficial manner. However, as the research progressed, it became clear that such steps would be only half measures delaying the inevitable. Certainly, one must recognize that by undertaking such research, there is an implied bias that something is wrong in the first place. The research, therefore, is undoubtedly subject to confirmation bias. However, the evidence presented demonstrates that the US Air Force personnel management system too often fails to take human capital into account. Investment is permanently lost in an environment where return on that investment must be maximized. Officers are not, if they ever were, interchangeable parts. At the turn of the twentieth century, an Army major in the logistics career field may have been just another person to hand a rifle in case of emergency. At the turn of the twenty-first century, this is certainly no longer the case. The tech-savvy Air Force requires experienced professionals, some with exceptional depth in a single specialty, and some with breadth to enable fusion of capabilities in multiple domains. It is unrealistic to expect both types, and everyone in between, to come from the rigid bureaucracy which currently manages Air Force human capital. Indeed, the system

discourages officers from developing at either end of the spectrum, and the result is a less capable Air Force. The US Air Force has become so focused on finding and developing future senior leaders, that it has progressively undervalued and repeatedly dismissed effective workers and operators who may not be capable of or interested in attaining senior leadership positions. Superior leadership alone cannot win wars. Superior technicians are also critical, and the Air Force's up-or-out promotion policy makes retaining these effective technicians difficult if not impossible. Further evolution of the broken system is unlikely to yield the desired results, but the road map to a revolution in human capital management exists should Air Force leaders choose to follow it.

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