



**STRATEGY
RESEARCH
PROJECT**

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**GETTING TO THE BUSINESS OF
OFFICER PERSONNEL MANAGEMENT**

BY

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USAWC STRATEGY RESEARCH PROJECT

GETTING TO THE BUSINESS OF OFFICER PERSONNEL MANAGEMENT

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ABSTRACT

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This research examines personnel practices and policies that impact officer retention and morale. It compares those policies to ones practiced by civilian business in order to identify areas where the U.S. Army can become more competitive. Areas in which the Army can improve its personnel practices are identified and recommendations suggested. Implementing business practices will help the Army compete favorably for scarce personnel resources in the future.

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GETTING TO THE BUSINESS OF OFFICER PERSONNEL MANAGEMENT

Hiring, retaining and developing great people is the biggest challenge and the single greatest key to the success of any business.

— Scott McNealy, CEO, Sun Microsystems

The United States Army of 2000 finds itself faced with the daunting prospect of competing with the American business world for personnel during one of the most sustained expansions of economic opportunity and prosperity in modern times.¹ In this unprecedented period of prosperity, the Army scrambles not only to recruit, but to retain the same high caliber officers that industry wants for management and executive positions. Increasingly, the Army loses its best and brightest to a business world that is able to offer higher pay, greater stability and better working conditions. The Army must challenge the business world's personnel management successes – identifying the personnel management strategies industry uses to retain its leadership then adapting and adopting these effective management practices in order to retain its quality officer corps.

Today's Army represents the smallest uniformed force in four decades. It is often described as overworked, underpaid and under resourced. There is mounting evidence that readiness is slipping, and with it, the morale of its soldiers.² With well over half of the Army married, these factors rapidly contribute to a retention dilemma of unprecedented proportions. Officers are leaving military service at an unacceptable rate; the loss of junior officers threatens readiness, and this loss threatens the state of future leadership in the Army.

Why should the Army expend its limited resources to retain officers rather than simply hire others? The answer is quite simple -- the Army cannot afford to do otherwise. Personnel turnover costs the Army huge amounts of money, money which has no return on its investment. The business world clearly understands the cost of turnover and moves aggressively to lower it within their companies. Simply stated, a tight labor and skills market demands the elimination of poor employment and management practices.³ Competition for scarce personnel resources has changed the employment playing field. If the Army fails to recognize these changes and fails to compete by adopting those strategies and practices that are proving successful, it risks losing out in what will ultimately be its most important battle -- the battle for quality leadership to take the Army forward.

This study will examine three broad areas that impact the United States Army's officer corps. It will first examine the negative consequences of turnover, or unprogrammed losses, to establish the basis of why the personnel system must become more responsive. Career patterns will then be examined to determine reasons for officers' dissatisfaction and compare methods the business world has developed to address employee concerns to those currently used by the Army. Finally, the relocation process will be compared to business in order to determine where the Army is lagging in terms of incentives and benefits. The conclusions drawn from these three broad areas will then be used to suggest changes that the Army

should adopt in its personnel management system for it to compete favorably for personnel in a highly competitive market.

TURNOVER

The first issue to explore in an analysis of the Army's personnel management system is the impact of unanticipated turnover in its officer corps. Turnover costs the Army far more than simply the loss of talented leadership. Unmanaged turnover is the loss of people, money and training, as well as the added costs of recruitment, increased workload and decreased morale. While turnover cannot be eliminated, and some unwanted turnover is simply beyond the control of the institution, the United States Army cannot afford to continue personnel practices and policies that drive personnel away. The Army must stop projecting an attitude that people are easily replaceable.⁴

It is no longer inexpensive or easy to replace soldiers. In FY 1999, the United States Army spent more money to attract and recruit new soldiers than any other service has ever spent. It required a staggering \$11,000 to bring each new soldier into uniform.⁵ Worse yet, money alone did not solve the problem. The Army failed to meet its goal and found itself 6300 soldiers short at the end of the fiscal year.

The Army faces an unprecedented competition with corporate America for each new employee. The business world has already determined just how costly it is to replace an employee; estimates on the cost to replace a single employee in an average business setting range from \$10,000 to \$30,000. Many companies compute the cost of hiring a new employee to be equivalent to one half of the replaced employee's annual salary.⁶ While the type of job and required skills vary along with the amount of training necessary, a useful benchmark might be that the American business world estimates the cost of replacing and training a single computer operator at over \$20,000.⁷ It is a small wonder then, with costs in the tens of thousands of dollars, that business strives to retain their personnel investments. Employees are not, in fact, easily or cheaply replaced.

Compare the relatively low training costs of business to the Army's costs of producing trained and ready assets. In addition to accession costs, the Army must train each new employee in the unique aspects of his or her Military Occupation Specialty. These skill sets are often equipment intensive and require long training times. The cost of training a single Army aviator is in excess of \$196,000.⁸ By the time that officer has been transitioned to an advanced aircraft and sent to a unit, the cost can approach half a million dollars for an Apache pilot.⁹ The Army's investment in these assets clearly shows the need for competitive personnel practices. The right people are not only hard to find, they are expensive to lose.

High turnover also takes an indirect toll on the organization. It not only scuttles an expensive and resource intensive training investment, it strains those systems which will have to find a replacement. Unwanted turnover forces the recruiting, selection and training systems to work harder -- resulting in

higher personnel and resource costs. Employee turnover creates an unwanted burden for those employees that remain.¹⁰ Understaffing creates additional requirements that must be met by others until a replacement is found. The work is seldom deferred and almost never goes away with the loss of the individual.

Perhaps the most insidious toll of high turnover is morale. Turnover sends a negative message to the employees of the organization -- "if everyone is leaving this must not be a good place to work".¹¹ Poor morale colors every aspect of the organization, from poor job performance by its employees, to poor perception of the organization from the outside. It is a vicious cycle that feeds upon itself causing ever higher turnover and ever lower morale. The United States Army can ill afford problems of low morale and must move to aggressively counter its high turnover rate. If any organization can answer yes to the question of "Am I losing people I want to keep?"¹² that organization must move to stem that loss by adjusting its policies and practices. If the Army acknowledges that it is indeed losing personnel at an unprecedented rate, it needs to look to its own policies to determine if the turnover loss occurs due to the officers corps' dissatisfaction with the Army or due to external lures.

THE OFFICER PERSONNEL MANAGEMENT SYSTEM

For most Army officers, personnel management is represented by the interactions that occur every few years between themselves and their assignment branch career manager. Ask any officer whether this interaction is a satisfying or frustrating experience and overwhelmingly the officer will voice frustration with the system. This is not a new phenomenon, it dates back generations of officers and the issues have changed very little with time.

While changes to United States law and changes in the structure in the Army have resulted in new career fields and different career choices for today's officer, the unfortunate reality is the personnel system manages that those officers has remained largely unchanged for almost three decades. The Officer Personnel Management System as we know it today was first formalized in 1972. The passage of the Defense Officer Personnel Management Act in 1981 standardized some practices and policies across the services and led to the Army's development of OPMS II in 1984. Changes were minor and dealt largely with creating Functional Areas and with Regular Army integration. The Leader Development Action Plan of 1989 and the Department of Defense Reorganization Act (Goldwater-Nichols), coupled with changes in acquisition management in 1986, reshaped career tracks and types of assignments for many officers but did little, if anything, to change management practices.¹³ The jobs changed but the way officers were assessed, developed, assigned and rewarded by promotion and advancement stayed basically the same. Officers are still treated as an easily replaceable commodity. Personal preference in jobs and assignment locations are seldom given priority and always take a backseat to the needs of the Army. Selfless service is not only an ideal to remind young officers of their professional calling, is also a not so subtle reminder that personal choice is not important to the institution. When the goals of the

individual clash with the attitude of the institution the result is a sense of employee disconnection. Increasingly, the Army's 30 year old management practices fail to meet the expectations of its under age 30 officers. The Army must recognize this and change Officer Personnel Management System in order to maximize the retention of its young officers and minimize turnover costs.

OPMS XXI provides a quantum leap in recognizing the diverse career paths within the United States Army and providing a logical, coherent framework for developing and rewarding the officers that succeed within them. As with previous changes to the Officer Personnel Management System, however, these changes have been confined to how we develop expertise for the benefit of the Army, NOT how personnel policies support, encourage or reward those working within their field of expertise. OPMS XXI is new and not yet fully implemented. Initial response has been positive, especially among those officers who desire non-traditional career paths or those with highly technical skills and education. The adoption of OPMS XXI should be just the first of many steps in an overhaul of the Army's anachronistic personnel management practices. The personnel system must begin treating the individual as a customer, not just a resource.

The Officer Personnel Assignment System is a subsystem of the Officer Personnel Management System. The goal of the assignment system is to place the right officer in the right job at the right time.¹⁴ There is no aspect of the personnel system with more impact on an officer's career, personal life and job satisfaction. The significance of moving officers simply cannot be overstated, yet this process has also remained virtually unchanged for 30 years. Automation has increased its timeliness and the ability to predict vacancies but has also impersonalized the process, reduced flexibility and left the individual officer with little information or ability to influence his or her future in the process.

Army Regulation 614-100 lists nine factors that influence an officer's assignment. They can be summarized as:

1. Needs of the Army
2. Experience of the Officer
3. Professional Development Requirements
4. Availability
5. Permanent Change of Station Costs and Tour Equity
6. Promotion Potential
7. **Personal Preference**
8. Regimental Affiliation
9. Selection for Location Based on Command

Little wonder that officers feel disconnected from a process that considers their wants and desires a meager number seven on a list of nine¹⁵, followed only by factors which are at best trivial and at worst not considered. This communicates clearly to the individual that they are not important to the system.

There is no question that the United States Army must meet its personnel end strength requirements across the globe and that this may necessitate personal preferences being secondary to the

demands of our nation's defense. Every Army officer understands that. However, failure to pay attention and give just due to individual desires is a non-competitive business practice. As officers increasingly tire of long family separations and remote duty locations, they grow increasingly disillusioned with their career choice and with their inability to influence its outcome. In today's labor market, these disconnected, dissatisfied individuals have other options and they frequently exercise them.¹⁶

If personal preference is given more attention, how will the Army deal with those that are left behind due to poor career choices or through professional stagnation? The simple answer may be that the Army does not have to do anything other than utilize these individuals where their personal choices have led them. Perhaps the Army should acknowledge and embrace the phenomena the business world has already accepted -- the phenomena of Voluntary Simplicity.¹⁷

The business world increasingly sees workers who are refusing to allow a fast track career put their personal lives in a position of secondary importance. These employees are voluntarily simplifying their personal lives by choosing to step off the treadmill leading to promotion and advancement. Specifically this may mean refusing to relocate or turning down a promotion that may require longer hours or additional responsibilities. Putting family first and pursuing a better quality of life has become increasingly more important to many people than inching up the corporate ladder. Rather than upsetting the corporate structure, individuals who choose to voluntarily simplify are usually accommodated by their corporations. They are valued contributors to the workforce in their current jobs and provide more opportunity for others by staying put. Business has recognized that this is a win-win situation -- the business gains experience and enhanced morale while the individual has the job satisfaction and the stability he or she desires.

Like the business world, the United States Army is increasingly finds that not all of its officers are driven to be a success at the highest echelons of command and staff. Many officers have jobs they find inherently satisfying and would prefer to continue within that scope regardless of its effects on their potential in front of the next selection board. Just as business recognizes that the phenomena of Voluntary Simplification can enhance the organization, so must the Army. There are many dedicated, competent officers who are satisfied with where they are and what they have attained and are willing to take the professional risk of putting family or personal life first for either a short time or even until retirement. When possible, an officer should be allowed to remain in place, serve with integrity and lend stability and institutional knowledge to an often fluid work environment. Rather than dismissing these officers as having no ambition or potential, the Army should capitalize on the skills they have and allow those who aspire to higher command or more traditional goals to move on past them.

The management practice of putting people first is increasing in American industry. Spirit driven companies are one of today's mainstream business realities;¹⁸ the concept of spirit driven companies is rather than the company having employees, the employees are the company. The concept of a people or employee-focused company is a model that the Army should be able to adapt easily.

The credo of the United States Army has long been that "soldiers are our credentials". Much like the employee-focused company, the Army is a people based organization. This does not imply a loss of mission focus but rather an attitude that permeates every aspect of an organization that puts people first. It is best summed up by an overarching premise that if the business takes care of its people then the people will take care of the business.

Spirit driven companies are among the most competitive companies in business today. Not surprisingly, they are extremely cohesive organizations with a strong sense of purpose. They also, not surprisingly, experience far less turnover than their competitors -- leading to higher levels of employee experience and lower costs.¹⁹ The focus on people, however, does not mean these organizations are incapable of making the tough decisions of downsizing or shedding excess overhead. It does mean that by putting its people first whenever possible and profitable, the company maintains contact with its employees, understands and addresses their concerns, but most importantly, deals with them in a humane manner.

Spirit driven companies have some of the most innovative personnel policies in business. While many of these policies, such as telecommuting, permissive leave policies, and job sharing may be incompatible with the realities of military service, other innovative policies can be borrowed from these industries. The Army can easily develop a management policy of increased employee participation in assignments and career tracks. The Army is essentially a spirit driven organization and should capitalize on the benefits of implementing management policies that recognize this.

RELOCATION

Realigning the Army's personnel policies to better reflect the reality of today's officer corps goes hand-in-hand with the Army acknowledging the demographics of that same officer corps have changed drastically. If the officer assignment system is the one aspect of the personnel system that has the most impact on an individual officer's future, then it may also be argued that it has substantial impact on their present! Reassignments obviously encompass more than changing an officer's job. Gone are the days when an officer simply packed his gear in his duffle bag and headed off for his next duty station -- that officer now has a family with all its responsibilities and challenges. If the officer must move, that move will also have an impact on the family. The Army cannot overlook this fact.

Relocation is as big an issue in business as it is in the military. It is also far more costly. Gone are the days when an employee would blindly accept a transfer, pack up the spouse and children and head off into the unknown simply because the company wanted or needed it. More and more often employees are refusing to accept relocations. Not surprisingly, the number one reason for turning down relocation was the family, followed closely by concern over how relocation would change their cost of living.²⁰ A full 50% of those employees refusing a transfer cited family reluctance as the reason. To combat this trend, business has had to address these concerns head on. Relocation benefits have grown

exponentially in the past 20 years with the average cost of relocating one employee rising to \$45,263!²¹ Compare this to the \$8,200 for a move within the United States or the \$14,500 for an overseas move that the Army programs for its officers.²²

While the United States Army will probably never reach parity with business in this arena, it must watch trends and apply benefits where possible to retain its employees. Spousal employment concerns are now the reason given by 63% of those who turned down relocation citing family concerns as their reason. Today's relocating business executive is typically between 35 and 45 years of age. About half of them are married to another executive.²³ Because of this, relocation can have a severe impact on the earnings of the family. With over 85% of Army spouses working,²⁴ the Army is also aware of the financial impact. The business world, however, has begun to offer spousal relocation as a benefit. Over one half of the companies that routinely relocate their management and executive level employees offer spousal employment/relocation assistance. Real estate assistance is another area where the business world has set a standard that the Army has not met. A staggering 87% of companies now offer to either purchase the homes of the transferred employees or use a third party home vendor to buy the property when the employee cannot sell it.²⁵ Real estate assistance is no longer a perk but an expectation in today's business of relocation. Additionally, the business world increasingly picks up the tab for house hunting, pet relocation, private or religious schools and a wide variety of "incidental expenses" that service members pay for out of pocket.

The single fastest growing relocation benefit in business today is elder care. One fourth of US companies now offer some type of program to relocating employees ensuring aging parents or family members are taken care of in the employee's absence.²⁶ This frequently means arranging for assisted living or relocating the older relative to be nearer to another family member.

Many of the relocation benefits above are not within the realm of possibility for the United States Army. The Services are, after all, regulated by the Congress and public law. These relocation benefits are extremely costly and beyond the reach of the military services and their declining budgets. What is not beyond the reach of the Army's personnel community, however, is the ability to study these trends, understand their implications toward retention and relocation in the services and to adopt strategies and personnel practices which compete with business.

COMPETING WITH BUSINESS

The United States Army must become competitive if it is going to win its struggle to attract and retain the caliber of officers it desires to lead it into the future. It must develop strategies to compete with the business community's personnel programs and to offset businesses' monetary advantages in those areas where competition is not possible. The first step in identifying a competitive strategy is to identify the problem. The United States Army has an abysmal record when it comes to documenting why it loses

people. While there are no shortages of either opinions or groups of people studying the issue, there remains no comprehensive, systematic and standardized Army-wide approach to conducting exit interviews with its departing officers. It would be incomprehensible for a successful business to lose a valued employee and not conduct an exit interview so that its human resources department could attempt to determine "what went wrong"?²⁷ The business world not only conducts exit interviews, but correlates the data they glean, identifies trends and adopts strategies to counter them. While most commanders interview their young officers who choose to leave the service and the Army imposes a minimal "counseling" requirement by the chain of command, there is no attempt to collect, quantify or learn from these sessions. In short, the Army cannot hope to change its personnel programs and policies to attract and retain the best unless it is willing to understand why they leave.

The Army must establish and pursue an effective system of exit interviews for its officer corps. An exit interview should be standardized, conducted in a neutral setting by a professional and should seek to find out not only why the unanticipated loss occurred but also what action would have been required to prevent it. Exit interviews should be mandatory for every Army officer loss between one and eight months after their departure from the service. While more costly this way, evidence indicates that interviews conducted on the last day are largely wasted.²⁸ Often employees are not yet able to fully articulate their reasons for leaving or see no benefit to bringing it up at this point in time. While an employee may not want to "burn any bridges" on their last day, research shows that after one to eight months they are usually secure enough to articulate "what went wrong". Regardless of what did go wrong, the Army will never succeed at quantifying the reasons or developing a strategy to prevent it from reoccurring in the future until a system-wide exit interview is standardized and mandated.

Personnel policies and programs must either be overhauled or redesigned to treat officers like the customer not like an expendable class of supply. A large piece of this is simply attitude on the part of personnel managers and recognition by the institution that a loss hurts the Army and will not be easily replaced. Personnel policies must encourage retention and make the employee feel as if he or she has a say in his or her future. As alluded earlier, the officer assignment system is the place to start. For most officers, their assignment manager at the United States Army Personnel Command (PERSCOM) is their single link into the personnel world. As a population, young officers have little confidence in the assignment system and believe their input is minimal.²⁹ In today's world, assignments are still carried out in an arcane system of checks and balances where no one has any responsibility to meet any expectation other than the needs of the Army. Distribution managers decide what spaces will be filled, assignment managers decide who they will move and no one claims responsibility for the satisfaction of the customer. Information is solely in the hands of the assignment managers and the system's indifference breeds distrust among those it is intended to serve.

The Army needs to look no further than its sister service, the United States Air Force, for low cost, innovative solutions to counter the perceived lack of involvement accorded in its assignment process.

The Air Force has long been the leader among the services in quality of life programs so it is not surprising that they have found ways to increase satisfaction in their assignment process.

The Air Force's Assignment Management System (AMS) is a web-based tool that does much to take the secrecy out of assignments and share information with its officer corps. Within the AMS, it is possible for an officer to view every position within his or her specialty where an Air Force officer is assigned. Also visible are those assignments that are available during the present requisition cycle -- equivalent to PERSCOM's VOU (Valid, Open, Unfilled Requisitions) sheet. Officers empowered by total visibility can then fill out assignment worksheets and submit them over the internet to their assignment officers. While this system does not guarantee that an officer gets their choice each and every time, and it may not be a perfect fit in its present form for Army officer assignments, it is an exponential leap in visibility and, thereby, confidence over today's Army system. The technology is available and the officer corps is comfortable using web-based systems. It shares information, allows participation in the assignment process and breeds confidence that the playing field is level. It is an area in which the Army can out compete the business world since salary, benefit packages, and host country requirements (visas, work permits, etc.) do not come into play. It is low cost, high tech, universally available -- and long overdue. There is simply no plausible excuse for the Army not to adopt a similar system.

Assignments can also be managed to provide benefit without cost. If business managed relocating employees like the Army manages their officers moving overseas, there would be little incentive for an employee to take the assignment, other than the opportunity and adventure of living in a foreign country. The business world has one distinct advantage when recruiting and filling its overseas positions -- the promise of promotion for those employees accepting an overseas relocation. Overseas assignments provide a career-enhancing boost to corporate fast-trackers. Over 46% of business expatriates return home to promotions or advancement.³⁰ By showing a direct correlation between the job and the future, business is able to attract its best for its toughest jobs. While linking promotion with assignment may be beyond the charter of PERSCOM, linking future assignments to an impending one is not. The Army must give some incentive to those who are forced to meet the "needs of the Army" despite their desires otherwise. Since pay and benefits are the purview of Congress, just as promotions and selection are the purview of a Department of the Army Selection Board, personnel policies must be designed to provide incentives such as those offered by business. Sequential assignments are a tool that can be broadened to provide a low cost incentive for overseas or undesirable assignments. Current policy limits sequential assignment use to follow-on assignments from dependant restricted areas; however, as technology improves and the ability to forecast shortages increases, there is no reason to restrict this tool. By guaranteeing follow-on assignments, the Army employs a progressive personnel practice which empowers the employee, includes him or her in the process, costs little, and projects the attitude that the employee is the customer, not expendable.

Finally, the Army must move aggressively toward pursuing funding for personnel programs that are beyond its current ability to finance. If a program is important for retention or quality of life, then it is

worth funding. Personnel programs that are advertised as saving the Army money, are sending the wrong message to our service members by implying that the bottom line is more important than the soldier. Consider the Army's Homebase and Advance Assignment Program (HAAP); while these programs offer a springboard for innovative personnel practices, they are not designed to improve personnel programs as much as to save money. The intent of HAAP is to 1) conserve Permanent Change of Station (PCS) funds and 2) minimize family turbulence.³¹ The program seeks to accomplish this by saving family travel entitlements by not allowing the soldier to move household goods and immediate family to another location during a dependant-restricted tour. Instead of putting the dollar savings as the priority, innovative personnel practice would seek to put the employee first. Perhaps the Army should be offering its soldiers, as a bonus, the money it saves when family travel entitlements are not used. At \$14,500 for an overseas move, it is entirely possible that dependant-restricted tours could be filled by volunteers making informed choices based on a personnel policy that puts them first!

CONCLUSION

The Army is at a crossroads. OPMS XXI promises to offer a challenging and rewarding career path for a changing and increasingly technologically based officer corps. However, the personnel programs that assign, develop and reward those career tracks lumber along unchanged from the past three decades. The Army's own studies show that with increased OPTEMPO, asking officers to do more and more with ever scarcer resources, results an increased sense of personal disconnection.³² Many officers are leaving simply because they find that careers in the military do not meet their expectations and the many challenges of military service have made the future look less satisfying. If the Army meets these challenges head on, and seeks to change in support of its changing officer corps expectations, it will develop the leaders it needs for the future. The United States Army must take a hard look at its personnel system and restructure it to compete with a new opponent -- American business. Every officer that leaves the Army through dissatisfaction, family concerns or inadequate compensation represents a corresponding loss of recruiting, accession, training and education dollars that the Army can not afford. Worse yet, it represents the loss of experience and the loss of its future leadership -- two things that cannot be replaced.

The Army will never be able to compete with business in terms of pay or benefits, so it must compete in the one arena that is most important -- job satisfaction. Job satisfaction is directly influenced by the Army's personnel policies and programs which assign the service member to the position and the location. These policies must be transformed so that they are employee focused, participative and flexible. In short, they must reflect the values of an employee based business where putting people first is the priority ... where employees are the customer.

Progressive personnel practices do not have to be expensive. Many cost nothing other than a willingness to allow participative decision making. The Army can implement a majority of these policy

changes through PERSCOM, whose assignment officers represent the personnel system to the rank and file officers. Changes such as increased emphasis on individual preference over professional or institutional requirements, opening the process of assignments up to the officer population through web-based technology and providing incentives for taking undesirable or unwanted assignments are a few examples of the things that must change if the Army is going to compete.

The Army must embrace a cultural change in the way it manages people. It must aggressively seek to recruit, and then retain its future leadership with innovative, competitive personnel policies that enhance job satisfaction. It must be willing and able to meet the business world head-on and compete for the best and the brightest. If the Army fails to change and clings to out-dated, non-competitive personnel practices and policies that do not support its employees, it will find itself unable to compete in the "business" of officer personnel management.

WORD COUNT = 6083

ENDNOTES

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¹⁹Ibid., 90.

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³²Matthews, 13.

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