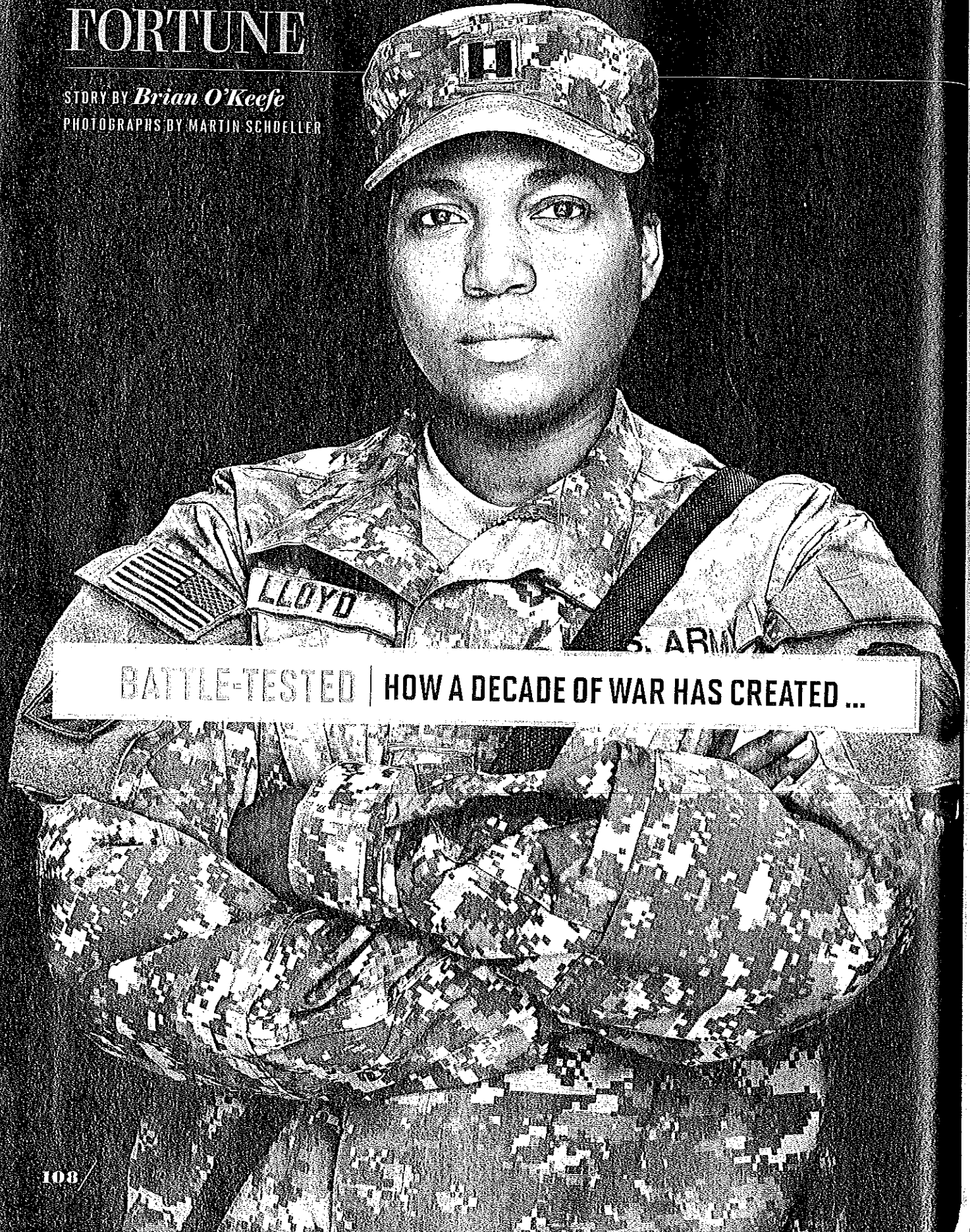


FORTUNE

STORY BY *Brian O'Keefe*

PHOTOGRAPHS BY MARTIN SCHOELLER



BATTLE-TESTED | HOW A DECADE OF WAR HAS CREATED ...

A black and white portrait of Tracey Lloyd, a woman with dark hair, wearing a dark jacket over a white collared shirt. She has her arms crossed and is wearing a bracelet and a ring. The background is a plain, light color.

Tracey Lloyd

AGE 30

EDUCATION West Point,
class of 2003

MILITARY EXPERIENCE Army,
2003-09, Captain

MISSION Managed
communication systems
for a battalion in Iraq
and built a fiber-optic
network in Baghdad

CORPORATE PATH Recruited
through Wal-Mart's
Junior military officer
program; now manager
of a supercenter
in Palm Coast, Fla.

... A NEW GENERATION OF ELITE BUSINESS LEADERS.

I

IN THE SPRING OF 2008, Wal-Mart threw an annual shareholders meeting befitting its stature as the world's mightiest retailer. It was a gala event hosted by rapper and actress Queen Latifah and featuring performances by *American Idol* winners David Cook and Carrie Underwood, teen sensation Taylor Swift, '80s rockers Journey, and country stars Keith Urban and Tim McGraw.

Away from the festivities, though, senior Wal-Mart executives met to confront a potential crisis: a looming shortage of young talent in the store management ranks. The company was so big, and growing so fast, that it was exploring the outer limits of manageable expansion. Its revenue was on track to grow by \$30 billion that year—roughly equivalent to adding a company the size of Coca-Cola to its operations. Wal-Mart's usual strategy of promoting from within and poaching from other retailers just couldn't keep up. The executives needed a plan to address the junior-leadership void.

Bill Simon, the chief operating officer of Wal-Mart U.S. and a 25-year veteran of the Navy and Naval Reserves, had a suggestion. What the company should do, he argued at the time, was create a program to recruit junior military officers, or JMOs—the lieutenants and captains who had recently

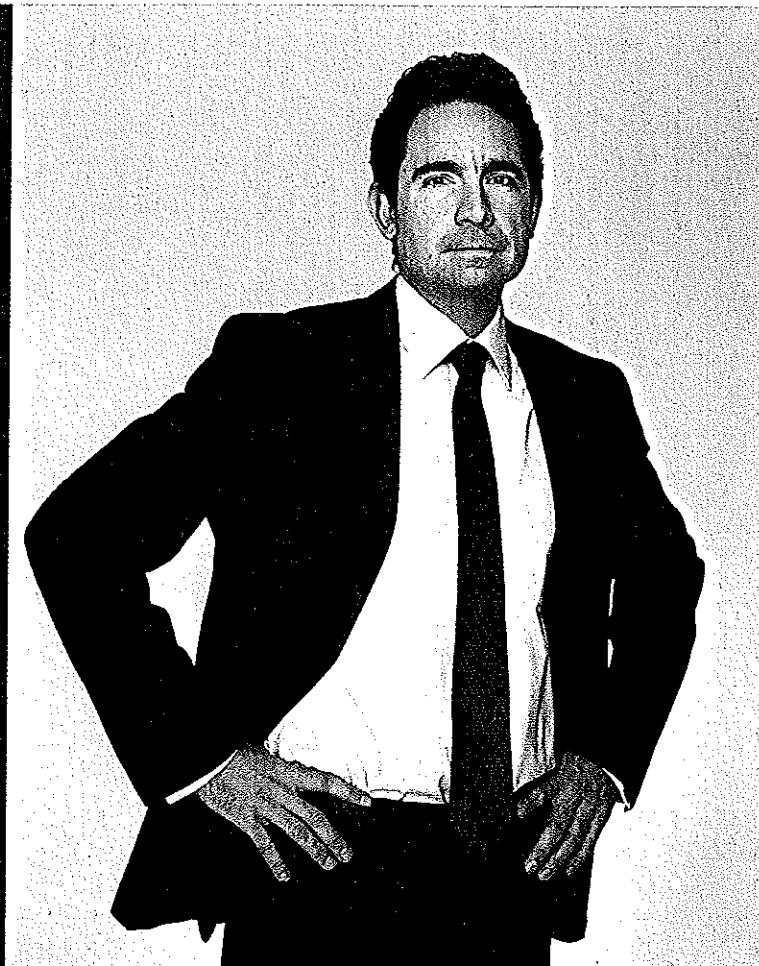
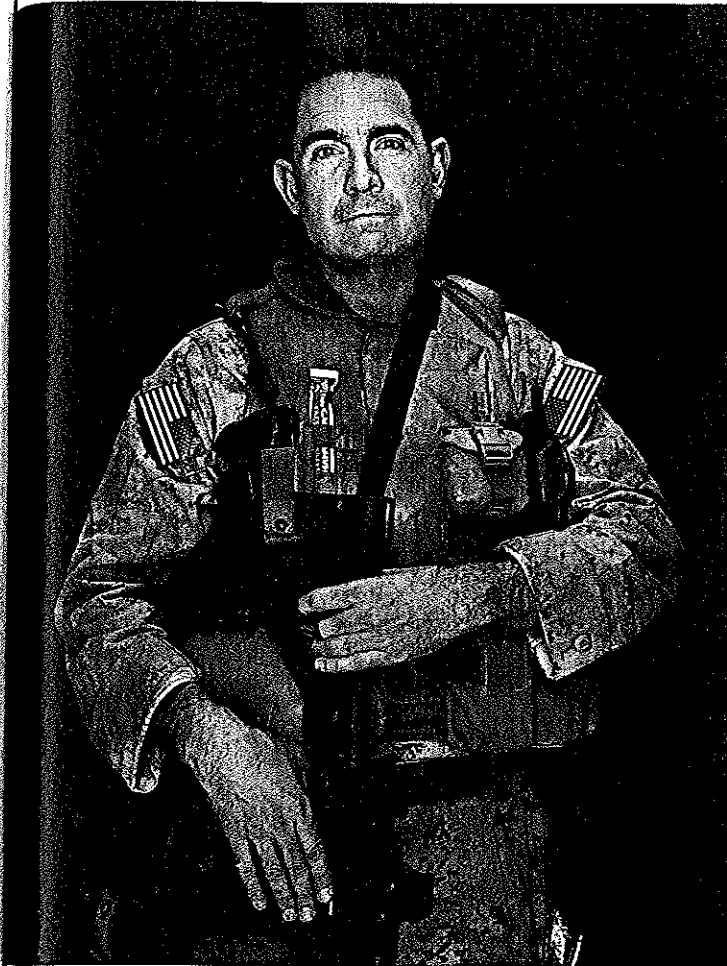
led soldiers, sailors, Marines, and airmen. "The thinking was that we could bring in world-class leadership talent that was already trained and ready to go," says Jennifer Seidner, a senior recruiting manager at Wal-Mart. "And then we could teach them retail, because we know that pretty well."

The company sent recruiters to job fairs and headhunters with links to the military. Over the next four months it hired some 150 JMOs and paired them with store manager mentors to learn on the job. By that fall Wal-Mart realized it had tapped into a gold mine of talent. In October the company hired a retired Army brigadier general, Gary Profit, to expand military recruiting to all levels and divisions of the business. Less than two years since the JMO program was launched, according to Seidner, the focus on veterans is ingrained in the recruiting strategy. "It's been a fairly dramatic change," she says.

Wal-Mart is an enthusiastic member of the large and growing group of companies that have begun to discover—or rediscover—the benefits of recruiting military talent. For the first time in more than a generation, business is absorbing substantial numbers of combat veterans, young men and women tempered by the wars in Iraq and Afghanistan. The annual Military Friendly Employers list published by *G.I. Jobs* magazine has swelled from a Top 10, when it was first published in 2003, to a Top 50 in 2006, to a Top 100 this year. And it's not just populated by the defense contractors. The survey includes big-box retailers like Home Depot and Lowe's, State Farm Insurance, AT&T, Bank of America, and Merck. Headhunting firm RecruitMilitary reports that it has worked with more than half the companies in the *Fortune* 100 in the past three years. And the competition for the best candidates is getting increasingly fierce, according to RecruitMilitary senior vice president Larry Slagel. "It's sort of blood in the water," he says. "Companies really want these folks."

Of course, the relationship between the business world and the military is long and rich. (Sam Walton himself, after all, was an

STYLING: EMMA PROTHARD; MAKEUP: BERTHA OSMAL; HAIR: LIVIO ANDRIEN



Army man.) Ambitious executives have long studied Sun Tzu for tips on defeating the competition. The Marines have dispatched officers to the New York City commodities-trading pits to learn split-second decision-making. And plenty of ex-soldiers, such as Ross Perot at EDS and Fred Smith at FedEx, have had great success over the years as entrepreneurs and CEOs.

Certainly many soldiers returning from Iraq and Afghanistan have a hard time re-adjusting to civilian life. Some remain profoundly affected by injuries suffered on the battlefield that once might have been fatal. Many find the prospect of job hunting to be daunting and struggle to translate their military experience to prospective employers. The unemployment rate for young enlisted soldiers returning from the war zones is unusually high.

But there is a flip side: Veterans reenter-

ing the civilian workforce are increasingly finding a warm welcome. That's especially true for young officers who have led combat units on the front lines. According to head-hunters, human resources executives, and business school admissions officers, these candidates—most in their late 20s or early 30s, with a college degree and leadership experience far beyond that of their civilian peers—are stars waiting to happen. Whatever one may think of the wars they have been sent to fight, there's no question that these people can lead. And they are products of a military that has now learned, in response to unconventional warfare, to value independent and adaptive thinking.

We'll let Gen. David Petraeus, the man in charge of U.S. forces in Iraq and Afghanistan, explain their appeal. "Tell me anywhere in the business world where a 22- or 23-year-old is responsible for 35 or 40 other individu-

Croft Young

AGE 37

EDUCATION University of North Carolina, class of 1995; Marine Officer Candidate School, 2002

MILITARY EXPERIENCE Marines, 2002-06, Captain

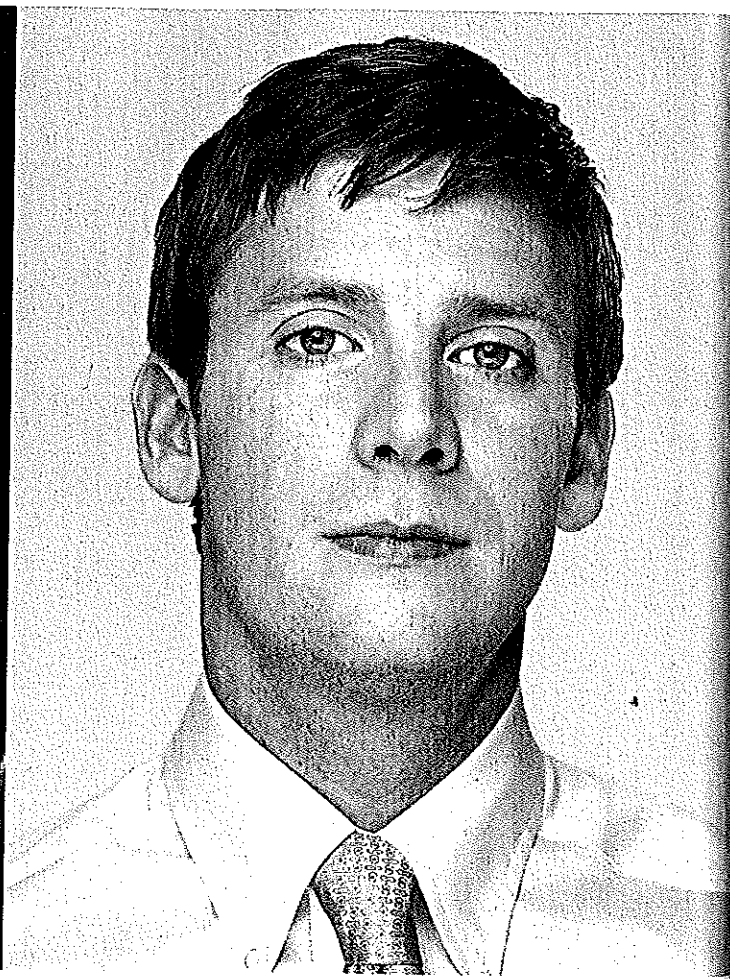
MISSION Two deployments to Iraq; led Marine reconnaissance platoon near Fallujah

CORPORATE PATH Earned MBA from UNC in 2009; now associate investment banker at Morgan Stanley

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Steve Mumm

AGE 30

EDUCATION West Point, class of 2002

MILITARY EXPERIENCE Army, 2002-07, Captain

MISSION Platoon leader and Army task force engineer in Tikrit

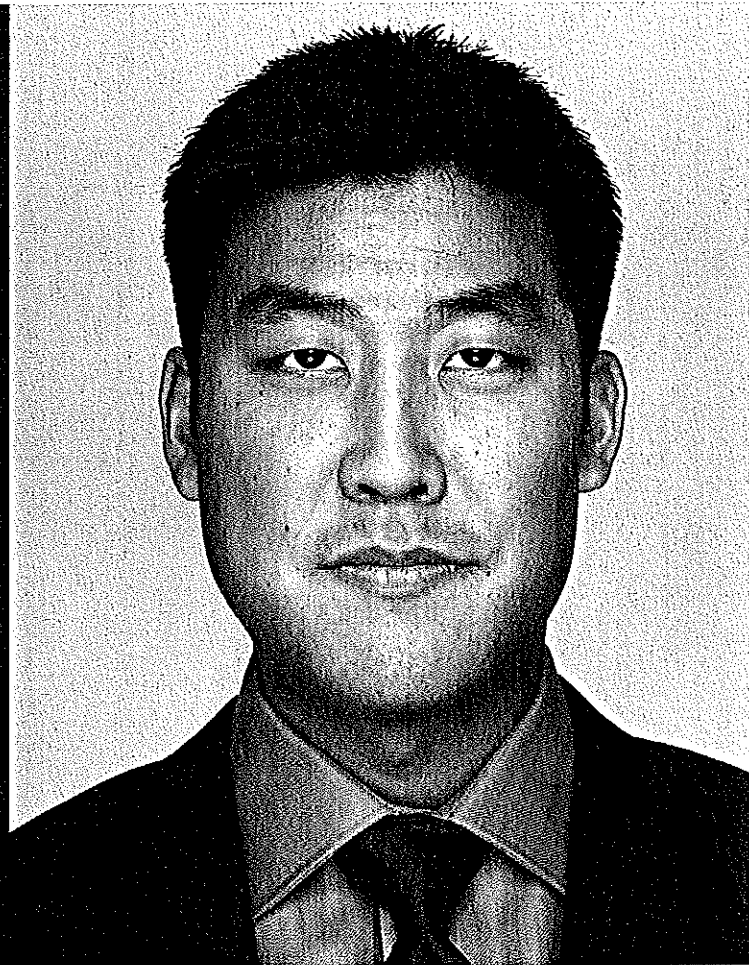
CORPORATE PATH Entered GE's Junior Officer Leadership Program in 2007; now project manager for GE Oil & Gas; working on MBA from University of Texas

als on missions that involve life and death," he tells *Fortune*. "Their tactical actions can have strategic implications for the overall mission. And they're under enormous scrutiny, on top of everything else. These are pretty formative experiences. It's a bit of a crucible-like experience that they go through." (For more from Petraeus, see box.)

That sentiment is echoed by Noel Tichy, director of the Global Business Partnership at the University of Michigan and onetime head of GE's famed Crotonville leadership center. "There's a big pool of these officers who have had the kind of under-fire judgment experience that makes them really valuable," he says. "Whoever has the best screening and development is going to get some great leaders."

STEVE MUMM never used to think of himself as a future business leader, or even as a businessman at all. "Until the day I left the Army, I planned on being in the military for my career," he says, gazing up at a four-story, 750,000-pound hunk of metal. The \$35 million drilling safety system, known as a "stack," is designed to prevent gas blowouts during deepwater exploration. And it's his baby.

Today Mumm, 30, is a project manager for GE Oil & Gas in Houston, and just the sort of rising star that GE is known for grooming. A little under 6 feet tall, with brown hair, blue eyes, and a modest demeanor, the former Army captain doesn't come across as anything close to a drill sergeant type. But for the past six months he's been pushing a team of about 50 people to finish building the stack ahead of schedule and under budget. If all goes well, later this year the drilling system will be installed on



a deepwater drill rig bound for the Black Sea. When asked about his role in the project, the soft-spoken Mumm isn't shy in responding. "Leader, absolutely," he says. "To get the pieces where they need to be at the right time takes someone out there motivating, directing, organizing. It takes a leader to do it."

Mumm grew up on a 1,200-acre farm in northeastern Nebraska and followed his brother to the United States Military Academy at West Point, where he studied economics and mechanical engineering. After graduating in 2002, he was assigned to lead an engineering platoon and deployed to Tikrit in early 2004 as part of the first wave of replacements after the initial invasion. During his year in Iraq, Mumm and his men did everything from blowing holes in walls during routine foot patrols to leading the 7th Iraqi Army into Samarra during an

all-out assault. When Iraq held its historic elections in 2005, Mumm was put in charge of security across the Salahuddin province and designed fortifications to protect the voting sites.

Mumm often found that the mission involved going beyond his assigned duties. When he observed that the local Iraqi police were easy targets for insurgents at checkpoints, Mumm designed a simple concrete barricade system for the Iraqis called Checkpoint in a Box that was adopted by the rest of his division. And when he noticed that insurgents had begun to use unexploded ordnance to build improvised explosive devices (IEDs), he organized a program that hired local Iraqi workers, with security from his men, to find and destroy the bombs. At the end of each day they would pile up the weapons they had gathered and explode them. "There was no manual for how to

John Whang

AGE 30

EDUCATION Naval Academy, class of 2001

MILITARY EXPERIENCE
Marines, 2001-08,
Captain

MISSION Three tours in Iraq;
led Marine reconnaissance
platoon near Fallujah

CORPORATE PATH Financial
analyst at Northrop
Grumman working on F-18
program; pursuing MBA
at UCLA

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General Petraeus on Leadership

LONG A STAR SOLDIER, David Petraeus won wide acclaim for engineering the successful “surge” strategy in Iraq. Now, as head of the U.S. Central Command in Tampa, the 57-year-old Army officer oversees all U.S. armed forces in Iraq and Afghanistan. We asked him what he’s learned about leadership. —B.O.

What was the key to leading a successful turnaround in Iraq?

In the position I occupied in Iraq as the commander of our forces there, what I could do and sought to do was establish the big ideas. An example is the counterinsurgency guide. Those were the big ideas that guided us in Iraq. And you have to be able to communicate them effectively. I did it on day one—sent a letter to the troops, to the commanders. And you just echo it and re-echo it in every forum, in every communications opportunity you have. But at a certain point that can only be an azimuth to the lieutenant, to the captain, to the sergeant, to the battalion commander. It may have right and left lines, if you will, on the road, but at the

end of the day, they’re the ones who have to translate that into activity.

When you’re evaluating yourself, what qualities do you try to focus on?

On every bit of guidance I give, the last instruction is: Learn and adapt. We also work very hard on [being] first with the truth. That’s a powerful admonition: First of all, we’re going to tell the truth. We’re not going to put lipstick on pigs. We’re going to be absolutely 100% forthright and brutally honest with—not just with ourselves and with our subordinates and our superiors—but with the press. The credibility of leaders is of enormous importance.

How do you identify which officers are going to make the best leaders?

There has to be a foundational level of just sheer physical fitness. As we say sometimes, soldiering is still an outdoor sport. There is a certain degree of mental toughness. There’s obviously integrity. There is sheer professional expertise—

technical and tactical competence. But what then starts, I think, to separate the future stars from the rest of the pack are some other qualities. And now you’re getting into judgment, just hugely important. Whether you think about it or not, subconsciously, who do you go to when you really want to bounce an idea off someone? That’s the person who has judgment that you value.

Do you have a particular leadership hero or role model?

I do. I think Ulysses Grant was vastly underrated, and not only as a general. I think gradually people have grudgingly come to recognize extraordinary qualities that he had. There’s a great book by Jean Edward Smith titled *Grant*, and *Grant Takes Command* by Bruce Catton is another. I think those two together are truly both really great works. He just had this sheer determination: “I’ll fight it out all summer on this line if I have to.” Of course he ended up having to fight not just all summer, but all fall, all winter, and into the spring.

place C-4 on the pile when we got there,” he says wryly. “We wrote that.” (He recently saw the celebrated movie *The Hurt Locker*, which follows a bomb squad in Iraq. “It was pretty good,” he says. “There were some situations that I felt were very real.”)

Mumm was in Houston in 2007 serving a stateside deployment when, on a whim, he tagged along with some friends to a military job fair and found himself being recruited by a GE Oil & Gas executive to be a founding member of its Junior Officer Leadership Program (JOLP). (Information about hiring veterans can be found at a Department of Labor website, hirevetsfirst.dol.gov.)

The JOLP idea came out of GE Energy in the late 1990s and has been spreading throughout the company. Each year 15 to 25 junior officers are hired fresh out of the military, and they each spend two years rotating through different jobs in a particular division of the company. It’s an easy fit with the culture, because GE has long been recruiting ex-military talent, from enlisted soldiers all the way up to retired generals. The company employs over 10,000 veterans, or more than one in 14 employees.

JMOs are heavily represented in elite management-development programs at other companies. A good example is PepsiCo, where seven of the 25 coveted positions in its Leadership Development Program currently happen to be filled by junior officers. One of them is Donovan Campbell, a Princeton-educated former Marine who published a bestselling memoir last year called *Joker One* about his experience as a platoon leader in Iraq. In 2008, Campbell was midway through his final year at Harvard Business School and had already accepted an offer from Pepsi when he was recalled from the reserves to deploy to Afghanistan. When he phoned his contact at Pepsi to explain, the company was more than supportive. Within a few hours the head of human resources had called to tell him that Pepsi planned to hire him early so he would earn the equivalent of a full salary while he was on active duty. He got an



e-mail of support from CEO Indra Nooyi later that same day.

Now in his first assignment in the leadership program, Campbell is running a 167-person organization in a \$100 million Frito-Lay sales zone in Dallas. He says that his job commanding a platoon has given him valuable perspective. "Combat experience was very humbling, because mistakes happen," says Campbell, who in *Joker One* details the anguish he experienced when several of his men were wounded and one was killed during his platoon's deployment to Ramadi in 2004. "In school you're rewarded for not making mistakes. And then you get out and get a job, and a lot of times you get promoted because you make very few mistakes. And so what you do is you develop a mindset that mistakes are to be avoided at all costs. What you learn in the military is that it doesn't matter how hard

you try or how good you are. One, you will make mistakes; and two, sometimes events or the enemy or a changing situation will mean that you do not succeed, and in fact you fail. And you become comfortable with the idea of, I do not have to have zero defects to be successful."

That's the kind of maturity that corporate recruiters covet, says headhunter René Brooks, who with her husband, Roger Cameron, runs a firm, Cameron-Brooks, that specializes in placing junior military officers. Brooks says that her clients noticed a difference right away when she began sending them veterans of the conflict in Iraq. "There's definitely a difference in the breadth of experiences of the officers who are coming out of combat," she says. "They're able to go from Plan A to Plan B to Plan C without missing a beat."

While officers such as Mumm and Camp-

Maura Sullivan

AGE 30

EDUCATION Northwestern University, class of 2001; Marine ROTC

MILITARY EXPERIENCE Marines, 2001-06, Captain

MISSION Logistics officer at Camp Fallujah

CORPORATE PATH Joint MBA/MPA degree from Harvard, 2009; joined PepsiCo's Leadership Development Program as a senior franchise development manager

What can General Electric learn from the Army? "Dealing with ambiguity," says Immelt. "That's something the military is quite good at."

bell have leadership experience that their peers can rarely match, they are typically lacking in skills like financial modeling. So business school has become a popular way station on the road to the executive track. And the MBA programs are clamoring to have them. Schools like MIT, New York University, and the University of Virginia have created special programs to market to junior officers. Harvard doesn't market specifically to veterans, but the current class of MBA students is about 3% ex-military. "I would be happy to have that number go up," says admissions director Deirdre Leopold. And on a campus where ROTC hasn't been welcome since the turbulent days of Vietnam, vets get a warm reception. Maura Sullivan, a former Marine logistics officer who, like Campbell, went to HBS and is now in Pepsi's leadership program, was stunned when she first visited a class and the students stood and applauded for her. "I had chills," she says. "That really drew me in to the school."

Mumm of GE is close to completing an executive MBA with the University of Texas. He realized that the degree would allow him to take on bigger roles with the company, and he's eager for the challenge. "I have no doubt that leadership is my core competency," he says. "And I have the Army to thank for that."

ON A RECENT WEDNESDAY GE CEO Jeff Immelt traveled from the company's headquarters in Fairfield, Conn., to West Point, 45 miles up the Hudson River from New York City. Several hundred cadets wearing casual green camouflage uniforms filed into a lecture hall to hear Immelt give a speech he called "Renewing American Leadership."

Immelt began by citing a recent Gallup poll in which Americans were asked to rank their confidence in various institutions. The military received the highest marks, with an 82% approval rating, whereas less than 20% of Americans expressed confidence in big business or Congress. "People have lost faith in many big institutions," he said.

The CEO told the cadets that GE had been doing its own soul-searching. In view of the economic turmoil of the past couple of years, he and his team had been studying what attributes of leadership would be important for the future. Twenty-first-century leaders, Immelt said, need to be better listeners. They need to be comfortable with complexity. And they must be willing to delegate so that the organization can move quickly.

GE has cultivated a close relationship with the academy, bringing in the head of West Point's leadership program, Col. Tom Kolditz, to teach at Crotonville. After Immelt was done speaking, I asked him what intrigued him about military leadership. "Dealing with ambiguity," he replied. "That's something that I think the military is quite good at. Tom and his team here are willing to be incredibly introspective, to challenge paradigms. And I find that to be quite compelling."

Not so long ago, America's elite companies probably wouldn't have gone shopping for out-of-the-box thinkers from the military. A logistics expert to make your railroad run more efficiently? Sure. A retired admiral with sway inside the Pentagon to help you land the next weapons contract? Absolutely. But the new generation of officers is a product of a revolution in thinking about leadership in the military that anticipated GE's.

In 2000 the Army convened something called the Army Training and Leader Development Panel to study what qualities officers would need in the post-Cold War world. Since World War II, the military had focused on giant weapons systems and large force-on-force conflict. The system favored specialization and top-down control. But the Army knew that the world had changed, and in the spring of 2001 the panel issued its report and concluded that it needed officers with two basic qualities: self-awareness and adaptability.

Knowing and doing are two different things, though. The Army didn't meaningfully change its ways until it reached Baghdad three weeks after the 2003 invasion of Iraq, says Leonard Wong, a 1980 West Point grad and retired Army lieutenant colonel who is now a research professor at the Army's Strategic Studies Institute. "Suddenly we looked around and said, 'What are we supposed to do now?' and no one knew," says Wong. "We didn't have the doctrine and we didn't have the guidance for that scenario. Suddenly it was, 'You, leader on the ground, make it up. You're a college graduate. You're a leader supposedly. We're not sure what's going to happen. Just make it up.' And so at that point all the 20-page orders, the 500-page manuals, all the substitutes for leadership were lifted off. It was a serendipitous, unplanned experience that has now gone on for eight years."

Wong says that the result has been liberating. "The Army has accepted that the future is uncertain and learned to embrace risk," he says. "And the impact of that on developing leaders is cascading through the Army, and it's a good thing."

COPT YOUNG SUIT BY KENNETH COLE, SHIRT BY KENNETH COLE, STEPHEN MUMMA SUIT BY DONNY, JOHN WANG, SHIRT BY THOMAS PRINCE, BRITISH ARMY HILF, MAURA SULLIVAN: ALL CLOTHES BY ANN TAYLOR.

Can a former officer used to issuing orders feel comfortable "leading" an eccentric computer programmer who does his best work at 3 a.m. while scarfing down Cheetos?

STILL, THE BUSINESS WORLD has been changing at a rapid clip too, and one has to wonder: Can a former officer who's used to issuing orders feel comfortable "leading" an eccentric computer programmer who does his best work at 3 a.m. while scarfing down Cheetos and may be more important to the company's bottom line than his boss?

There's no reason why not, argues Doug Raymond, 37, a former Army captain who is now the head of monetization for Google in China. "I don't think it's empirically true that it's difficult," he says. But in his experience Silicon Valley is dubious about any sort of leadership paradigm and skeptical of structure. In his four years at Google, Raymond has never had any direct reports. To get people working on a project, he has to get them excited about an idea and lure them to meetings. "Pretty soon they start asking for work, and all of a sudden you've got 35 people on it," he says.

That environment may sound as un-military as possible, but Raymond says it's not really so different. "I think the people who are doing interesting stuff in the military are very much entrepreneurial in mindset," he says. "And they don't look up for approval and permission to do stuff. They just are doing it, and then after a while, the chain of command recognizes that what they're doing has value, and they kind of put a veneer of respectability around it. And that's exactly how a tech company works."

OUTSIDE THE reflexively iconoclastic tech sector, modern military attributes serve 21st-century business models in many other ways. On Wall Street the long hours, ability to work on little or no sleep, and adrenalin buzz when things get tense are comfortingly familiar to combat veterans like Croft Young, 37, a first-year investment banker at Morgan Stanley. When Young, a onetime women's college soccer coach, led a Marine reconnaissance platoon near Fallujah in 2005, he found himself in charge of a group of enlisted men who in many cases had many more years of experience than he did. Like most young officers, he learned to lean on his squad leaders. "I'd say nine times out of 10 I listened to what they thought I should do," he says. "But the order always came from me."

That, he has found, is not so different from the role of an

associate in investment banking. "The officer comes in, and everyone in the platoon has more expertise than he does," he says. "You come in as an investment banker, and the analysts are infinitely better versed than you are on the companies and industries involved."

Officer experience can even stand out at a defense company. Consider John Whang, 30, now a financial analyst at Northrop Grumman. Whang is a Naval Academy grad and former Marine captain who served three tours in Iraq and, like Young, led a recon platoon, a job that often involved being away from the base and on the move for weeks at a time. He says that experience scored extra points in his interviews with recruiters. But relatively few of his new colleagues can relate. "A lot of people here, despite working at a defense contractor, know very little about the military," he says.

Firsthand knowledge of combat has faded from the corner office as well in recent years. For the World War II generation, military experience was almost a necessary line on the résumé for a CEO. That is less and less true today, despite the generally high regard for military leadership. According to a forthcoming study called "Military CEOs" by a pair of economists at Harvard and MIT, in 1980 59% of chief executives of large, publicly traded U.S. companies had military experience. By 2006 the figure was 8%.

MIGHT THE NEW generation of junior officers reverse that trend? They're off to a fast start at companies like Wal-Mart. Consider Tracey Lloyd, one of Wal-Mart's JMO recruits. Lloyd, 30, added a double major in French and Spanish to her engineering degree at West Point and trained as a communications officer. She deployed to Iraq in April 2007 and was put in charge of a network serving almost 4,000 troops across seven operating bases. "Think about how often something goes wrong with the computer in your office," she says. "Now imagine that it's 120 degrees and you're getting bombed all the time."

In her final weeks in Iraq, Lloyd was given a mission to build a fiber-optic ring around Baghdad. She had to negotiate with Iraqis for the frequency space, but her counterpart wouldn't deal with her because she was a woman. "I had to focus on not being prideful," she says, "and find a man to stand in my place to get the job done."

Six months ago Wal-Mart gave Lloyd her own supercenter to run in Palm Coast, Fla. It's a long way up the chain of command from manager to CEO, and Lloyd says she still has a lot to learn about merchandising. But leadership? "Oh, I've got that covered," she says. Just give her time. **■**

Additional reporting by Jon Birger and Doris Burke