



*Tench Francis  
Business School*

***ADVANCED MANAGEMENT***

***EDUCATION***

***KATHERINE BLYTHE***

***TONY ENCINIAS***

***BOB MORRIS***

***HERSCHEL RECTOR***

***JAMES WEISER***

***31 August 2001***

***Advanced Management Program***

## **I. Introduction**

Change remains a constant with which we must all cope, however, the rate at which this change is now occurring poses an increased threat to maintaining competitive advantage in the business world as well as the world in which the Departments of Defense and Navy must operate.

Recognizing this new threat, the Department of Defense (DoD) formed a Senior Executive Council on January 19, 2001 to implement modern business practices in the department and to guide transformation efforts in the services as a means of coping with our changing technology and the related business environment. This council meets monthly and is tasked with finding ways to more efficiently run DoD and find ways to fundamentally improve business practices of the Department and the military services. Additionally, the Secretary of the Navy lists the improvement of internal business practices as one of his top four priorities.

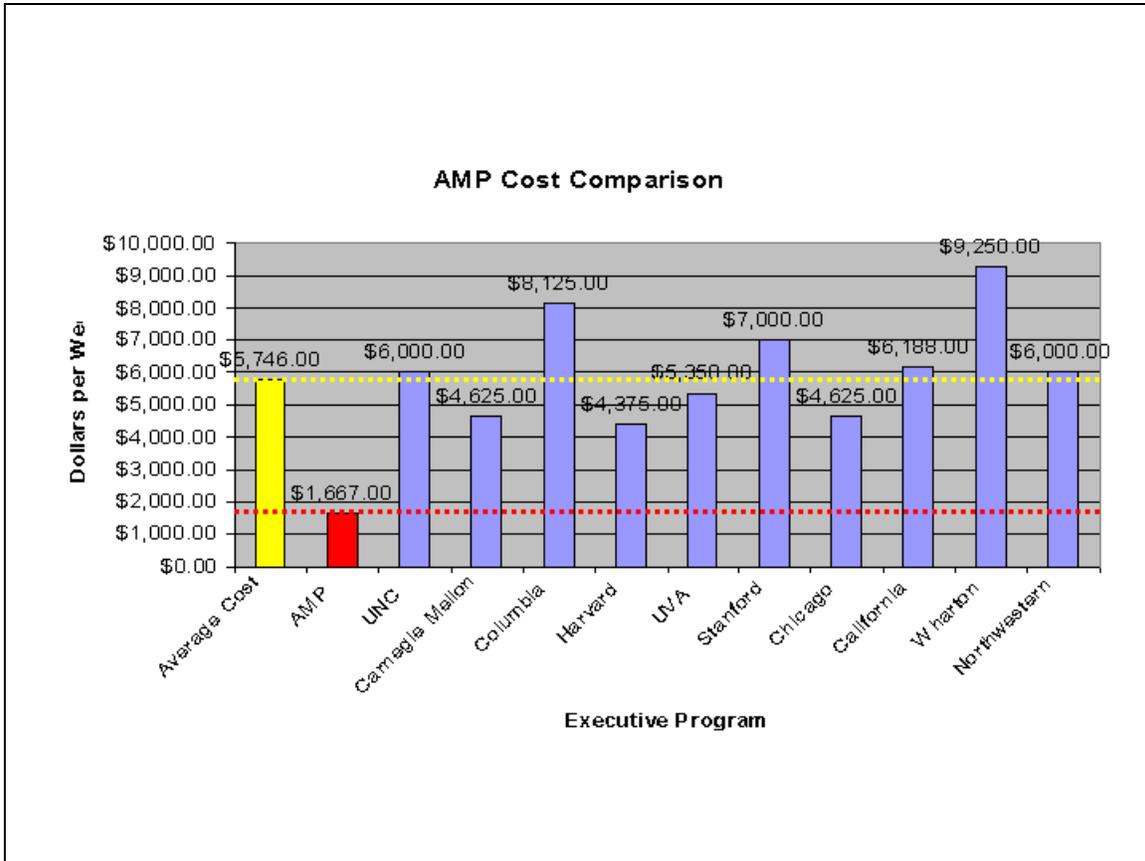
Currently a gap exists in professional education between the twelve to twenty year points in a Naval Officer's career. Most often an individual has completed a master's level education around the twelve-year point and then has little opportunity to study current business practice theory as taught by leading academic experts. It is not until the twenty-year point, after promotion to O-6, that an individual has the opportunity to update their business education through the Executive Training Program. This gap potentially inhibits Navy business decision-makers from being capable to make the best business decisions in an environment that is constantly changing. Through the judicious teaching of the most up to date business thinking by distinguished professors from one of America's most prestigious business schools, the Advanced Management Program (AMP) will prepare our future leaders and decision makers to succeed in a constantly changing world.

The Tench Francis School of Business AMP is a cost effective means to facilitate the goals of this Senior Executive Council. The AMP does provide an inexpensive, yet high quality means to refresh and enhance the education of our Navy decision-makers in the identification and application of best business practices. Additionally, AMP will help bridge the professional education gap that currently exists in our business management education continuum.

This project provides an analysis of how well the AMP is structured to bridge the education gap and create value for the Navy and the individual students. First we provide a comparative analysis of costs for the AMP versus similar programs taught at other top business schools. Then we relate and evaluate the Navy's return on investment, from both a subjective and objective perspective. Finally, since we believe the AMP provides real value to both stakeholders and customers, we have provided objectives, strategies, and recommendations to continue to improve the program.

## **II. Comparative Analysis**

The cost per student for the AMP at the Tench Francis School of Business is \$5,000 per student, which includes most meals, course materials, instruction, and housing. The only expense not covered is travel costs to and from the school. The following table provides a comparison of costs associated with similar programs taught at other leading business schools throughout the nation:



As you can see, the cost of the AMP given on-site at the Navy Supply Corps School affords the Navy the best value for this type of program. The cost is significantly below the average cost for similar programs given at the sponsoring school. Dollar for dollar, the AMP sponsored by NSCS provides the best value.

### III. Return On Investment

The majority of executive training is less technical in nature and more focused on conceptual education. Very much similar to a Naval Officer's career, early on we receive technical training and as we progress to higher levels of leadership, it is essential that we be armed with forward thinking concepts to lead our organization to the next level. The question that remains is how do we effectively assess the value of the AMP in terms of performance and return on investment (ROI)?

The ROI of education, specifically the Advanced Management Program (AMP), can be discussed from both a subjective and objective perspective. From the objective perspective, limited data exists on quantifiable methods to evaluate the ROI of executive level education. However, some research has been conducted in the corporate environment indicating investment in education is linked to increasing total shareholder return (TSR) in the following year. The American Society of Training and Development (ASTD) conducted research to determine whether training investments in one year affected a firm's TSR during the year that followed. ASTD's central finding is that the data on organizational training investments do help predict a firm's future TSR in a significant manner. From this study, it can be implied that investment in education is linked to performance as demonstrated in a company's increase in TSR. Since we do not have a TSR measure for Navy activities, it is safe to assume that the increase in

TSR is the result of improved performance and we can infer a similar improvement in performance would likely occur within the Navy as well.

The second consideration of ROI is the subjective or intangible benefits of the AMP education opportunity. Essentially, the AMP offers a distinct opportunity to acquire real-world best business practice concepts. After completing technical training and graduate level programs, there is generally little formal education until executive level opportunities arise, generally at the O-6 level. By bridging the gap with the AMP, it offers individual continuity in education, allowing one to continuously build on previous education experiences, updating their skill sets with current corporate best business practices. As we continually update our hardware systems as technology improves, it is imperative that we update our minds as well with current business practices. As quickly as our technology changes, our leadership, change management, business, and strategy concepts must change at a similar pace.

Consistent with the DoD focus to operate in a more dynamic environment, the AMP is an opportunity to create alignment. That is, in many instances we can align our business practices with our industry partners – implementation of best business practices where applicable that are in step with corporations we are doing business with every day. With the AMP's focus on current research of business environments, this course will inform and educate the individual on up-to-date business concepts, thereby allowing the Navy to recognize, implement, and capitalize on that knowledge and information, we will breed a culture of developing new leaders in a new business environment.

Finally, considering the nationally recognized professors from the University of North Carolina's Kenan-Flager School of Business and the relatively low cost compared to other programs of similar content, the AMP not only adds significant value, but it gives us the best return on our investment dollar for dollar. The Navy is getting a top 20 business schools' executive program at 30% of the average cost – that is the same education, at a reduced cost, with the only difference being the location of the class.

#### **IV. Resource Sponsor**

As we have demonstrated, the AMP is an extremely cost effective means to prepare future leaders to make the decisions necessary to implement modern business practices within the DOD and Department of Navy (DON) of the future. This program is currently being sponsored on a pilot basis. It is imperative that this program be centrally funded on an annual basis to allow proper planning, curriculum development and efficient administration.

A resource sponsor must be identified to fund future classes in fiscal year 2002 and beyond. There are two Naval entities that would appear to be logical choices as possible resource sponsors. The first possibility would be the Chief of Naval Operations N4 Fleet Readiness and Logistics Office. This office is responsible to support and advocate warfighter readiness by ensuring compliance with policy and effective utilization of resources to meet requirements. Another possible choice for a sponsor would be the N7 Warfare Requirements and Programs Office on the Chief Of Naval Operations Staff. The N7's current vision is to ensure an integrated naval architecture that preserves and extends Naval War fighting capability into the future. AMP would be a direct supporter and enabler of both the N4 and N7 missions and responsibilities.

A third possible resource sponsor would be the Under Secretary of Defense for Personnel and Readiness. Part of the mission statement of the organization is to develop policies, plans, and programs to ensure the readiness of the Total Force as well as the efficient and effective support of peacetime operations and contingency planning and preparedness. If the course were extended to include all DoD personnel, including

the other Armed Services, this may be another option as a resource sponsor. The AMP supports this mission statement to the fullest extent.

## V. Future

The balance scorecard can meet several managerial needs. First, the scorecard brings together, in a single management report, many of the seemingly unrelated things of the AMP's agenda: becoming customer (student) oriented, improving course quality, and managing the AMP for the long term. Second, the scorecard guards against inefficiency and forces the AMP managers to consider all the important scorecard measures together. The scorecard lets them see whether improving one area will inadvertently affect another, even the best intentions can be achieved wrong.

The scorecard puts strategy and vision at the center. It establishes goals (objectives) and the measures are designed to pull the people toward the overall vision. This new approach to performance measurement is consistent with the initiatives underway in many private companies. By combining the financial, customer, internal process and innovation, and learning and growth perspectives, the scorecard helps the AMP manager understand, at least implicitly, many interrelationships which leads to improved decision making and problem solving.

**Balanced Scorecard**

	<b>Objective</b>	<b>Measure</b>	<b>Target</b>
Financial "To Succeed financially, how should we appear to our stake holders?"	Funded, established Program of Record	Resource sponsorship	OPNAV (N4/N6/ N7)
	Executive education source of choice	Cost comparison with comparable civilian	75 % cost savings
Customer "To achieve our vision, how will we sustain our ability to improve and create value?"	Recruit quality Instructors	MBA Programs	Top 20 institutions
	Responsive education	Current BBP topics	100 %
	Educator of choice	Applicants > Quotas(Seats)	2 to 1
Internal Business Processes "To satisfy our stakeholders and customers, what business processes must we excel at?"	Course presentation	Current business practices	100 %
	Program Administration	Overhead	< 5%
	Instructors (Top 20 Business Schools)	Academic (PhD) Industry CEO/CIO/CFO	80 %
Learning and Growth "To achieve our vision, how will we sustain our ability to improve and create value?"	Involvement with private industry	On-site visits	2 per session
	DoD participation	Army/AF/CG	10 % of Class size

## **VI. Conclusion/Summary/Recommendation**

The AMP does add value to the Navy and the students' ability to perform. Like other educational opportunities, the AMP serves as a means of improving the skill set included in our toolbox that we may draw upon to do our job better, faster, more effectively, and more efficiently. The AMP fills a gap in the education of Navy and Marine Corps Officers and provides a similar opportunity for DON civilian personnel and Naval Reservist as well.

Based on this groups experience and the points presented in this paper, we would make the following recommendations regarding the AMP:

- We recommend that the identified sponsor fully fund this program up to four class sessions per year at a cost of \$600,000.
- We recommend the Tench Francis Business School staff continue the relationship with the professors from the various business schools.
- We recommend the program expand to inviting guest lecturers from the corporate world to add additional real life experiences to classroom discussions.
- We recommend a careful screening of applicants to the AMP to ensure we select only those motivated to contribute to the program success.
- We recommend structuring the class to allow participation by the Navy's corporate counterparts. Essentially set-up to encourage a Navy participant to invite a counterpart from industry to explore these issues as a team.