

# MBA... Everyday

## Advanced Management Program

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## INTRODUCTION

The Navy/Marine Corps team is in one business, to fight and win our nation's wars. Without an income statement, without a balance sheet, our measures include readiness, deterrence, and what the CNO calls "credibility". How do we develop and align our men and women to keep focus on what we consider the main thing – that is to deliver a "credible" combat capable Navy?

Our premise is simple, MBA... everyday. Simplify our education goals. Every mid-level Naval/Marine Corps Officer and civilian manager regardless of discipline, regardless of background, regardless of career path has an MBA. A Master's in Business Administration will benefit our managers in three aspects. The business and leadership skills attained will help managers:

1. Lead the Navy to adapt to the changing environment,
2. Run business operations in a more efficient manner thus freeing up resources, and
3. Better manage our people leading to a higher retention rate.

We know intuitively that the trends reflect the need for senior level management to have training in executive business skills. On January 5, 2001 CNO stated he thought he would use his MBA to become a college professor but recognized the fact that it helped him as CNO.

On June 11, 2001 Secretary of the Navy, Donald England and former vice chairman Joint Chiefs Staff Admiral Owens stated, "This is the new Navy. Changes are required, MBA's are needed." Additionally Owens said, "it was time for the department

of Defense, the worlds largest business, to start searching for a Chapter 11 lawyer. This is serious.” We need good leaders who know how to control costs. On June 18, 2001 Secretary of Defense Donald Rumsfield created two management councils to recommend ways to improve business practices.

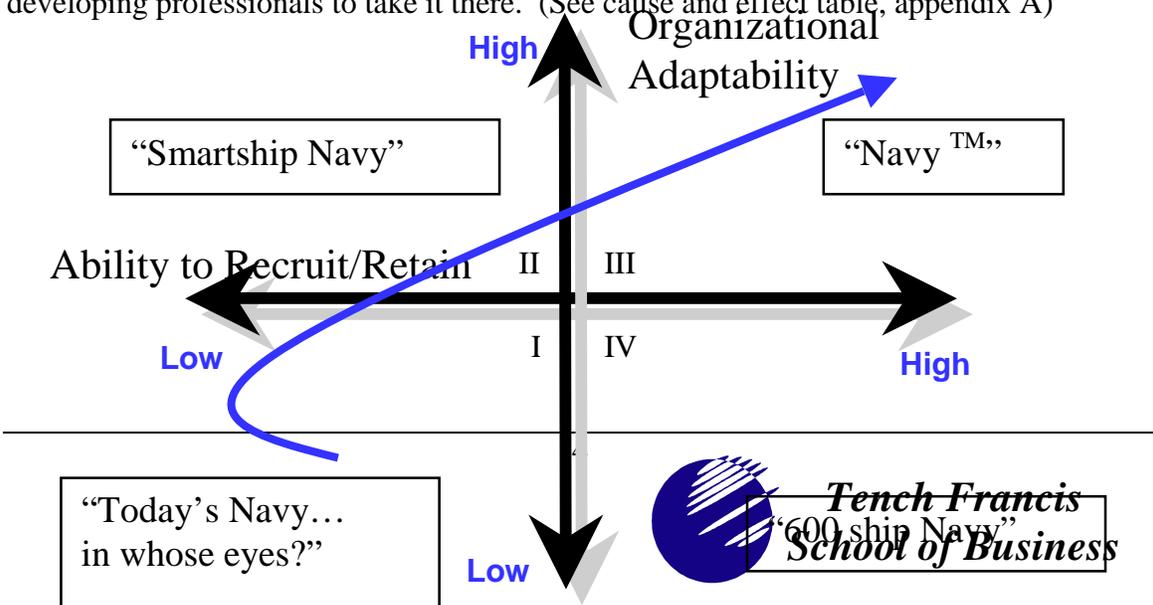
## **ENVIRONMENT**

The current and future environment makes it absolutely necessary for us to rethink our educational goals. Technology advancements, increased competition for scarce resources, and the need to incorporate business practices force us to make the change now. To become more efficient, we are incorporating business practices by partnering and outsourcing with the corporate world. There have been many examples of corporate practices working successfully in DoN. However DoN has only scraped the tip of the iceberg. Privatization, outsourcing, Performance Based Logistics, A-76, and regionalization are just some of the methods DoN has been able to cut costs and either maintain or get better service. The benefits of these partnerships and initiatives are endless, however one important ingredient is missing: our inability to communicate effectively at a business level. We simply don’t have the skill set to meet this challenge. We must enable the top-level strategic leaders to be able to understand the current technology and business practices to fully leverage our defense budget. An MBA provides this skill set.

As the Navy begins to restructure our education programs, there needs to be an emphasis placed on business education for all designators in the Navy. This should include an MBA at the O3/O4 and GS 13 level coupled with continuing education

opportunities such as the Advanced Management Program (AMP), designed for O-5s and GS 13/14 level, and Executive Training Program (ETP) targeted for the O-6 level. A professional, business savvy officer and civilian management corps will not only facilitate our ability to partner with Corporate America, it will also have a positive impact on retention. According to Steven Covey, in order for people to be happy, four basic needs must be met: life (physical/economic), love (social/emotional), learn (mental/intellectual), and leave a legacy (spiritual/meaning). An aggressive plan that includes multi-levels of education throughout a 20-year military career will retain our officers because it helps satisfy the need to learn and to leave a legacy. With the advent of 401K retirement plans, this becomes even more important for retention of our best and brightest civilian managers as we fight to keep them in government service. Managers, both officer and civilian, with an MBA will be equipped with business skills that enable them to make their mark.

The challenge becomes: how to recruit and retain our best and brightest while building a Navy organization that is adaptable to change. Strategies must be developed that move us from today's Navy to one that is highly adaptable and agile while developing professionals to take it there. (See cause and effect table, appendix A)



## **PROPOSAL**

It is our proposal that every mid-grade officer and civilian manager have the opportunity to pursue an MBA sometime during the 8-12 year point. We see this as an investment not a cost. Functional/specialty training would continue to be the core of developing officers in the early years. Unique community needs for graduate education (such as technical degrees) would continue, however, the goal would be to add an MBA in conjunction with technical/specialty degrees. This is not an uncommon approach among our industry counterparts. Officers who stay past the 20-year point will be the future leaders and managers of Navy activities such as major industrial facilities, laboratories, supply centers, operating bases, and acquisition programs. These Navy/Marine Corps Team leaders will be better equipped to the goods and services required to ensure a combat credible force. The price of not investing more dollars towards advance education may not be immediately apparent, however, the longer our leadership waits the more distance we will become. The result is more dependency on industry to provide us the business intellect and acumen; putting us at a disadvantage rather than on even par with our industry partners.

## **COST-BENEFIT**

Can we quantify the value or cost/benefit of an MBA? We argue that the value for the Navy is the lost opportunity cost for those marketable skills. Business Week

calculates the Return on Investment (ROI) for graduates of the following business schools, where we presently send some of our officers.

School name	Investment (in \$1,000s)	% Salary Increase	Salary Increase (in \$1,000s)	Breakeven (in years)	Annual ROI (10-year basis)
Harvard University	184.1	53.9%	33.4	7.5	8.2%
University of Pennsylvania (Wharton)	175.2	50.8%	31.5	7.6	8.0%
Massachusetts Institute of Technology (Slon)	177.6	51.6%	32.0	7.6	7.7%
University of North Carolina at Chapel Hill (Kenan-Flagler)	151.8	39.8%	24.7	8.1	5.7%
Northwestern University (Kellogg)	174.0	45.6%	28.3	8.1	5.7%

The calculations above are based on a Navy Lieutenant's salary of approximately \$62,000 with ten years active service. Industry values these MBA graduates as evidenced by the salaries that are offered to civilian students completing these programs. Industry fully expects to see a many-fold ROI to the company in hiring these MBA graduates. The individual anticipates an ROI based on lost income during the time spent in the program. In terms of the breakeven point, even the best institutions have a ROI measured in terms of years. Therefore it is best for the Navy to send officers to MBA programs mid-career so that benefits to the Navy can be realized prior to the 20-year point. The ROI for the officer is a Navy-funded MBA with full opportunity for advancement and ultimately to compete for leadership of a major Navy shore facility or acquisition program.

## IMPLEMENTATION STRATEGIES

The idea is not to compete or duplicate existing training programs (e.g. DAWIA training), but rather to complement them and lay a business foundation that would allow officers and civilian managers to meet the challenges of running the business side of the Navy. Possible strategies to afford officers and civilians the benefit a business education while maintaining core functional expertise include:

- Provide a separate postgraduate MBA educational experience for those officers and civilians that already have a functional/technical master's degree.
- Combine an MBA with functional/technical master's degree during an officer's tour at a graduate program.
- Add core business classes to the technical graduate curriculum that would afford the opportunity for the officer to obtain an MBA at a later date.
- Offer continuous business education to officers and civilians at strategic points in their careers (e.g. AMP at the O5 and GS 13/14 level, and ETP at the O-6 and GS 15 level).
- Provide GS 13/14 managers the opportunity to pursue fully funded MBA programs.

## **RECOMMENDATIONS**

Our leadership is beginning to view with concern the need for enhanced business skills for our Navy military and civilian leaders. This paper has only brushed the surface of this topic. However, the authors recommend that this proposal be considered for

AMP

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feasibility by OPNAV N79 and forward to the newly formed Business Initiative Council headed by Undersecretary of Defense (Acquisition, Technology, and Logistics), Mr. Edward C. Aldridge for further consideration and implementation.



**APPENDIX A**

Quadrant I – Ability to Recruit and Develop People (Low); Adaptability of Navy

Organization (Low)

CAUSE	EFFECT
<ul style="list-style-type: none"> <li>○ Low perception of opportunities in Navy</li> <li>○ Failure to keep up with education needs of managers</li> <li>○ Lack of understanding of corporate best practices</li> <li>○ Organizational resistance to change</li> <li>○ Navy employees both military and Civilian feel under-trained to deal in today's environment</li> </ul>	<ul style="list-style-type: none"> <li>○ Navy becomes cost prohibitive</li> <li>○ Weak national defense</li> <li>○ Managers unable to create new organization</li> <li>○ Businesses exploit us financially due to our education weakness</li> </ul>

Quadrant II – Ability to Recruit and Develop People (Low); Adaptability of Navy Organization (High)

CAUSE	EFFECT
<ul style="list-style-type: none"> <li>○ Low perception of opportunities in Navy</li> <li>○ Navy develops manager skills</li> <li>○ Crisis forces change to organization structure</li> </ul>	<ul style="list-style-type: none"> <li>○ Unable to sustain change due to lack of management talent refresh</li> <li>○ New organization developed on the backs of people</li> <li>○ New organization not most efficient/effective</li> </ul>

Quadrant III – Ability to Recruit and Develop People (High); Adaptability of Navy Organization (High)

CAUSE	EFFECT
<ul style="list-style-type: none"> <li>○ Navy culture attractive to new talent</li> <li>○ Navy continuously develops people with the right skills to meet the challenges</li> <li>○ Highly mature organization adaptable to change</li> </ul>	<ul style="list-style-type: none"> <li>○ Navy becomes employer of first choice</li> <li>○ Navy becomes source of best practices</li> <li>○ Quality of services goes up</li> <li>○ Force Readiness goes up</li> </ul>



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Quadrant IV – Ability to Recruit and Develop People (High); Adaptability of Navy Organization (Low)

CAUSE	EFFECT
<ul style="list-style-type: none"> <li>○ Significant recruiting effort</li> <li>○ Economic downturn</li> <li>○ Outbreak of war</li> <li>○ Navy focuses inward instead of looking to best practices</li> <li>○ More distance between required skills and need skills</li> </ul>	<ul style="list-style-type: none"> <li>○ Dissatisfaction of managers over long haul</li> <li>○ Codify the status quo</li> <li>○ Decreased readiness as resources poured into inefficient infrastructure</li> <li>○ Corporate business continue to erode Navy resources</li> </ul>

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