

# MBA's Build War Fighters

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**Senior leaders are drawing on business experience to transform the military. The Navy should seize every opportunity to provide its officers with business education, such as programs leading to masters in business administration—here, provided electronically by the Naval Postgraduate School.**

**W**hy does a naval officer need a master's in business administration? During my time in business school, I was asked this question more than any other. Many in the Navy are skeptical of the relevance of an MBA—much less an MBA from a civilian university—to a military career. Considering most naval officers are academically grounded in engineering and the humanities, this skepticism is intuitive. An MBA is appropriate for companies who recruit personnel to manage the bottom line, but is it appropriate for war fighters?

On the surface, it is difficult to see the link, but an MBA provides a much broader education than simply textbook finance, accounting, and marketing. It also develops skills that can be applied across the range of naval officer roles and responsibilities, and it can provide warriors with a diverse, flexible, and practical skill set critical for effective decision making at sea and ashore.

## ***The Trend Toward Best Business Practices***

Implementation of "best business practices" is a popular theme in government and the military. In the 2001 Quadrennial Defense Review report, Secretary of Defense Donald Rumsfeld dedicated an entire chapter to the need to improve business practices throughout the department, and Secretary of the Navy Gordon England made it one of his four areas of emphasis.<sup>1</sup>

Admiral Vern Clark, the first Chief of Naval Operations to hold an MBA, has pushed the Navy to make implementation of best business practices a top priority. In "Sea Power 21," he introduced three business-related processes, Sea Trial, Sea Warrior, and Sea Enterprise, to "align and accelerate the development of enhanced warfighting capabilities for the fleet."<sup>2</sup> His guidance to the Navy on this

point has remained consistent and adamant: "better business practices are essential for freeing resources for enhanced procurement and transformation. This means that all Navy leaders . . . must think in terms of maximum productivity, minimum overhead, and measurable output."<sup>3</sup>

More and more, our leaders are talking about the Navy in business terms. One three-star general who worked with Citibank following his retirement noted, "The military is nothing but a huge company. It's just like working at General Electric."<sup>4</sup> While that might not be altogether true, like General Electric, the Navy does provide a unique product to customers. Instead of lightbulbs, aircraft engines, or financial services, the Navy's output is war fighting.

Where the Navy sets apart is in how performance is measured. Our bottom line is not measured in dollars but in national security and human life. In spite of this difference, officers should attempt to learn from those things business does well. As Secretary England noted, DoD "[has] responsibilities and constraints, different from any commercial business, but not so different as to remove itself from the U.S. economic mainstream."<sup>5</sup>

With scarce resources and increasing commitments, the Navy must provide the nation and its taxpayers the best return on investment. Not only do line officers need expert knowledge and skill in war fighting, they also need skills in resource and personnel management. Secretary England added, "Skilled war-fighters are needed, but good leaders must also know how to control costs, find savings and apply these savings to develop combat capability."<sup>6</sup> This is critical to develop the assets and personnel required to meet the demands of 21st-century warfare.

## ***What About War Fighting?***

Clearly, MBA skills could help officers meet the Navy's challenges ashore, but how do these skills apply operationally at sea? Naval officers are both leaders and managers. In the surface warfare community, officers manage the daily operation and administration on board ship. Division officers, department heads, executive officers, and commanding officers are accountable for people, equipment, processes, and budgets. Management responsibilities do not end when we assume the watch. Whether the engineering officer of the watch, officer of the deck, or ship captain, naval officers are responsible for the performance of their watch teams. Much like our civilian counterparts, we are responsible for and measured by the quality of our

teams' products or services. Our metrics for success may be different and the consequences for failure more severe than in corporate America, but we are managing a business—the business of warfare.

One of the best analogies I heard at business school was the comparison of a business manager to medical doctor. When a patient visits a doctor for an ailment, the doctor begins by asking questions and taking vital signs. If the doctor observes something outside normal parameters, she investigates further, until the source of the symptoms is diagnosed. An MBA provides tools to conduct similar analyses with organizations. Students observe and check a company's vital signs through company reports, income statements, and balance

sheets. In finance, cash flow, financial ratios, and margins might serve as vital signs. In organizational behavior, it might be organizational design and corporate culture. Like a doctor, when a student identifies a vital sign outside normal specifications, he digs deeper to find the root of the problem, and then creates an action plan to fix it.

Naval officers go through the same systematic procedures on board ship, submarine, or squadron. Good leaders constantly pulse their areas of responsibility, be it maintenance, training, personnel, or watchstanding. If an area does not measure up (e.g., failure of a zone inspection, main space fire drill, or combat scenario) officers assess the situation, investigate, identify the problem source, formulate an action plan, and execute it when ordered. The processes I learned as a repair locker officer were eerily similar to the analysis required at business school (which may be one reason junior officers are in such demand at top business schools).

### **Making the Transition**

In a typical MBA program, courses range from the "hard" skills of finance, accounting, and operations management to the "softer" skills of strategy and organizational behavior. Depending on the program, curriculum can be broadly diversified across core business functions. My program focused on general management, which included financial reporting and control, strategy, finance, marketing, technology and operations management, leadership and organizational behavior (LEAD), business government and the international economy, and entrepreneurial management.

Of these courses, LEAD was the most familiar to me as a surface warfare officer. Like all officers, my pre- and postcommissioning sources provided valuable leadership training. However, LEAD gave me exposure to fresh and different leadership theories and viewpoints. I had the



opportunity to study more than 100 business cases, each providing a window on the internal workings of civilian organizations—public, private, nonprofit, and governmental—and how company leaders reacted to internal and external crisis. Through their successes and failures, I learned how organizations can use organizational models, frameworks, and levers to effect change.

Finance, accounting, and operations management helped me develop new management skills. Although cash flows, stock market betas, and bond yields do not necessarily have naval application, financial modeling techniques can be adjusted to help officers measure the important opportunity costs in decision making. Ashore, these tools are applicable to program budgeting and project valuations. At sea, operational commanders who need a more sophisticated model to weigh options or "go, no-go" criteria might find analytical models that incorporate discount factors and probability trees useful in their decision-making processes.

My technology and operational management course focused on how to build and manage processes to ensure maximum use of resources. I studied how cycle time, throughput, capacity, inventory, and information technology could affect operations. In more than 30 case studies on companies ranging from Benihana to Microsoft, I critiqued manufacturing, communication, and service operations by analyzing the fundamentals of process theory. The course demonstrated the application of academic theory to real-world operation, and I found myself constantly challenging ways I had managed operations on board ship.

Financial reporting and control was another subject I was surprised to find had direct application to naval operations. The majority of the course focused on systems organizations set in place to implement strategy, to balance the excitement of innovation and risk taking with internal controls.

## Education Initiatives

There is no doubt the Navy's career development models produce talented combat leaders, but the majority of our senior leaders lack formal business training. There are signs, however, that the Navy has recognized this gap. In summer 2002, Chief of Naval Operations Admiral Vern Clark sent several junior flag officers to a two-week "mini-MBA" program in Monterey, California.<sup>1</sup> These officers were given a crash course on business concepts and theories at the Naval Postgraduate School. In addition, flag officers had the opportunity to interact and exchange ideas with

several executives from leading area businesses.

Recent initiatives by the Naval Postgraduate School to improve its financial management and MBA curriculum are another encouraging sign. These include the launch of an aviator-tailored executive MBA program and a joint program with the University of Maryland's Smith School of Business.<sup>2</sup>

Within the past few years line communities have created civilian MBA opportunities for a select number of junior officers. The submarine community has established an MBA program with Wharton, and the surface

warfare community has developed a program with Wharton, Harvard Business School, and Northwestern University's Kellogg School. Graduate education vouchers also provide some line officers the funding and freedom to attend part-time MBA programs throughout the country. In addition to their retention value, these programs indicate our leaders have recognized the value of business training.

Senior Navy official, interview with author, Washington, DC, 2 July 2002.

<sup>2</sup>U.S. Navy, "Graduate School of Business and Public Policy-Overview," Naval Postgraduate School Web site, [web.nps.navy.mil/~sm/curriculum.html](http://web.nps.navy.mil/~sm/curriculum.html) [accessed 29 December 2002].

The Navy is ripe with similar systems. Like most effective companies, it has in place systems that define culture, reduce exposure to risk, manage uncertainties, and measure performance. The Navy's core values are part of its belief system. Rules and procedures such as rules of engagement and the Uniformed Code of Military Justice establish boundaries to guide personnel action and reduce risk. Systems such as the Engineering Operation Sequencing System, Planned Maintenance System, and Operational Risk Management System help the Navy control operational uncertainties. Finally, reporting systems such as the Casualty Reporting System, fitness reports, and even the interdeployment readiness cycle are diagnostic systems that measure critical performance output.

To test my belief that my civilian MBA skills could work in the military setting, I conducted three Navy-related projects during business school. One dealt with levers of organizational control and how Navy leaders applied these levers to deal with surface warrior retention. I focused on the issues of leading change and organizational renewal within the Office of the Chief of Naval Operations (OpNav) staff by studying the Deep Blue organization. In my regulation, deregulation, and privatization course, I studied the prospects of privatization within the Department of Defense.

I also spent one summer interning in the Pentagon on the OpNav and Secretary of the Navy staffs. Although I was the least experienced project team member in both rank and Pentagon experience, my business school training gave me the confidence and ability to contribute to the team's efforts. The skills I learned in class proved to be extremely helpful in addressing Navy-related issues.

### The Way Ahead

The Navy demands global thinkers who can dissect and resolve challenging issues that span operating policies, budgetary constraints, and human capital. Leaders not only must be tactically decisive in warfare, but also must be

strategic thinkers who can implement and execute plans. An MBA can contribute greatly to this aim. Because the degree is so flexible, it is well suited to the complexity of today's Navy. It can aid critical thinking by grounding our officers in analytical models and frameworks. It also can help our leaders develop new ways to reshape and challenge our force and build a performance system that rewards and fosters innovation and risk taking while maintaining an appropriate balance of organizational control.

New investments in flag officer education, such as the Center for Executive Education at the Naval Postgraduate School, is a positive step, but business education opportunities must be increased to the lieutenant to captain levels to achieve Admiral Clark's goal to "extend this understanding to the deck plates."<sup>3</sup> For junior officers, the Navy should increase MBA-related program openings at both the Naval Postgraduate School and civilian universities. These actions should not be viewed as retention mechanisms, but as investments in our human capital. For senior officers, the Navy should consider offering one- to two-month executive education programs for all future commanding officers. By aligning our professional education programs to support "Sea Power 21," the Navy will realize a high return on its investment.

<sup>1</sup>Secretary of the Navy Gordon England, "Remarks for the Secretary of the Navy at the Current Strategy Forum, Naval War College, Newport, R.I., 12 June 2001," U.S. Navy Web site, [www.chinfo.navy.mil/navpalib/people/secnav/england/speeches/nwc010612.txt](http://www.chinfo.navy.mil/navpalib/people/secnav/england/speeches/nwc010612.txt) [accessed 26 June 2002].

<sup>2</sup>Adm. Vernon Clark, USN, "Sea Power 21: Projecting Decisive Joint Capabilities," U.S. Naval Institute *Proceedings*, October 2002, pp. 32-41.

<sup>3</sup>Adm. Vernon Clark, USN, "CNO Guidance for 2002-Fight and Win!" U.S. Navy Web site, [www.chinfo.navy.mil/navpalib/cno/clark-guidance2002.html](http://www.chinfo.navy.mil/navpalib/cno/clark-guidance2002.html) [accessed June 26, 2002].

<sup>4</sup>Susan Orstein, "Soldiering through Business School," *Business 2.0*, June 2002, [www.business2.com/articles/mag/print/0,1643,40343,00.html](http://www.business2.com/articles/mag/print/0,1643,40343,00.html) [accessed 26 July 2002].

<sup>5</sup>England, "Remarks at the Current Strategy Forum, 12 June 2001."

<sup>6</sup>England, "Remarks at the Current Strategy Forum, 12 June 2001."

<sup>7</sup>Clark, "Projecting Decisive Joint Capabilities."

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