United States Naval Academy Periodic Review Report

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Chapter Six

Evidence of Linked Institutional Planning and Budgeting Processes

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Since the completion of the 2005 Institutional Self-Study and Site-Visit, the Naval Academy has continued to make progress in linking strategic planning, resource allocation and institutional renewal. As discussed in detail in Chapter Four, the Academy operates in a unique planning and budgeting environment where integration must occur not only within the institution, but also within the larger context of the Department of the Navy (DON) and the Department of Defense (DOD). The current environment is particularly challenging as the Department of the Navy grapples with funding ongoing combat operations, recapitalizing the force, and meeting ever increasing personnel costs while at the same time dealing with ongoing Defense Department budget cuts. The Naval Academy's ability to plan, budget and assess must always be considered in light of this complex environment and competition for federal resources.

The key to the Academy's ability to form an effective link among plans, budgets and assessments rests with the development and execution of a comprehensive strategic plan. The Academy's recently published *Strategic Plan 2020: Leaders to Serve the Nation* (**Enclosure 2.03**) provides this foundational document. Strategic planning, however, is not new to the Academy with *Strategic Plan 2020*. The Academy's first formal strategic plan dates back to 1992 with updates and refinements in 1999, 2004 and 2006. The Academy formulated the current strategic plan by using a four step process of *diagnose, define, develop and deploy,* modeled after the McKinsey and Company approach to strategic planning.

In the diagnostic stage, the planning team analyzed the current economic, educational, political and security environments to determine threats and opportunities. Additionally, the planning team studied the documents that provide guidance to the Department of Defense and Department of the Navy, including the *National Security Strategy*, the *Defense Planning Guidance*, the *Maritime Strategy*, the *Chief of Naval Operations' Guidance* and the *Commandant of the Marine Corps' Planning Guidance*. From this effort, the planning team identified the most significant environmental factors that influence the Academy's ability to accomplish their mission in the coming decade.

In the *definition* stage, the Academy's Senior Leadership Team (SLT) interacted with a wide range of participants both inside and outside the Academy to discuss and debate the core elements of the strategic plan, specifically the mission, vision, values, graduate attributes and strategic imperatives. From these interactions and numerous additional hours spent by the SLT internally, consensus formed around a slightly revised mission statement, a 2020 vision statement, an alignment of Academy values with those of the Navy and Marine Corps, and a set of seven Attributes of Graduates (**Enclosure 2.02**). All of these strategic plan elements were approved by the Secretary of the Navy, Chief of Naval Operations and Commandant of the Marine Corps.

Broad involvement by the Academy community *developed* the details that support the established mission, vision, values and graduate attributes. Ten strategic imperatives and thirty-seven subordinate objectives or initiatives emerged, centered on the four broad concepts of exemplary people, integrated programs, vibrant enterprise and value-added outreach. These imperatives and objectives guide the planning, budgeting and assessment processes related to endowments and gift funds generated by the Naval Academy Foundation (a private 501(c) 5 non-profit organization) and to the extent possible, Federal appropriations as discussed in Chapter Four.

The *deployment* phase is ongoing as the Academy executes its communication strategy associated with the plan. Key stakeholders, including the Navy's Advance Education Review Board (AERB), the Board of Visitors (BOV), the Secretary of the Navy, the Chief of Naval Operations, the Commandant of the Marine Corps, the Naval Academy Alumni Association and Foundation (NAAAF), and Naval Academy Parents' Groups have received *Strategic Plan 2020* (**Enclosure 2.03**) and briefings on its contents. Audiences internal to the Academy have also been briefed on *Strategic Plan 2020*. Additionally, the Academy's Senior Leadership Team is finalizing the governance structure for executing the plan and the assessment strategy to ensure ongoing institutional assessment and renewal as described in Chapter Two in response to the MSCHE RECOMMENDATION for Standard 7.

A new Superintendent reported aboard the Academy in August 2010, just following the *Strategic Plan 2020* development and roll out. Within his first month in office, the Superintendent publicly stated his strong support for the strategic plan and commitment to its aggressive execution. The top strategic imperatives include (not in priority order):

- Unrestricted Giving
- Admissions Excellence and STEM Camp
- Center for Cyber Security Studies (CCSS)
- Stockdale Center for Ethical Leadership
- Center for Academic Excellence (CAE).
- Faculty Development
- International Education Excellence
- Athletic Excellence
- Naval Academy Preparatory School (NAPS) Transformation
- Midshipmen Activities Center (MAC)
- Project-Based Learning
- Naval Academy Science and Engineering Conference (NASEC)

The other initiatives in *Strategic Plan 2020* are currently under review and refinement.

As in the past, the Naval Academy Strategic Plan assists the Academy in linking mission, vision, objectives, budgeting and resource allocation, assessment and institutional renewal. The plan must be stable enough to enable the Academy to have a clear way ahead and adaptable enough to react to new, unanticipated requirements that are levied upon the Academy by the Department of the Navy.

Budgeting and Resource Allocation Process

The Deputy for Finance, who serves as the USNA chief financial officer, coordinates the process of aligning the strategic plan and the budget and resource allocation process; working with the academic and administrative cost-centers, including the Academic Dean and Provost, the Athletic Director, the Commandant, the Dean of Admissions, the Deputy for IT Services, and the Finance Office. The cost-center leaders must provide input on the current budget year as well as subsequent budget years that will help form the Department of the Navy's input to the President's budget submitted to Congress.

Budget processes are coordinated by the Deputy for Finance, reviewed by the Academy's Senior Leadership Team and approved by the Superintendent. Budget proposals must support the USNA mission to develop midshipmen morally, mentally and physically and be consistent with the Strategic Plan, with special scrutiny reserved for new programs that must be clearly aligned with one of the Strategic Plan's imperatives.

While cost center heads and the Senior Leadership Team work with the appropriated fund process, they are simultaneously managing private endowment and gift funds and reimbursable funds such as research grants for work done in support of other federal agencies. In all cases, these other sources of funds help supplement the appropriations provided by Congress through the Department of Defense and Department of the Navy and are always in keeping with the Academy's strategic direction. Many of the twenty-six initiatives in *Strategic Plan 2020* necessary for fully achieving the USNA vision and objectives will require a combination of both appropriated and private funds for completion.

Illustrative Example

An illustrative case study of the Academy's ability to integrate strategic objectives with guidance from higher agencies with both appropriated and private funds is the creation of the International Programs Office (IPO) in 2005. This case study also serves as an example of demonstrated flexibility to adapt curriculum, priorities and funding streams to the dynamic requirements of the world in which USNA graduates enter.

In 2005, the Department of Defense published a *Defense Language Transformation Roadmap* that reinforced the need for military leaders to have improved capability in languages, as well as regional area skills and cultural expertise, and identified the current shortfalls in these capabilities. The *Roadmap* provided the guidance to create foundational language and cultural expertise in the officer, civilian and enlisted ranks, and to exploit study abroad opportunities to facilitate language acquisition. Armed with this guidance and direction from higher authority, work began at USNA to establish the International Programs Office (IPO). Guidance contained in the *Defense Language Transformation Roadmap* was then reinforced in the *2006 Quadrennial Defense Review*, which resulted in a *DOD Program Decision Memorandum* appropriating $3.22 million annually for USNA foreign language programs and a one-time provision for $10 million to modify existing buildings to accommodate increased foreign language faculty, staff and classrooms.

With this initial appropriated funding, the Academy created the IPO in September of 2005. Additionally, the Academy substantially strengthened its international exchange program, provided increased opportunities for semester abroad studies and established majors in Chinese and Arabic with the associated personnel and facilities support. Every subsequent Program Objective Memorandum (POM) submission to the Department of the Navy has included growth for experiential opportunities abroad to increase foreign language proficiency, regional understanding and cultural awareness.

The Academy has identified language, regional expertise and cultural awareness (LREC) as a strategic priority. Consequently, in addition to the appropriated stream of funding, philanthropic contributions to the IPO have been received to increase the margin of excellence in the education and experience of Midshipmen for these skill sets.

The Naval Academy *Strategic Plan 2020* lists "adaptable individuals who understand and appreciate global and cross-cultural dynamics" as one of the seven attributes of a Naval Academy graduate. USNA efforts at strengthening LREC through experiential opportunities provide a clear example of aligning institutional planning and budget processes to prioritize future needs within the context of challenging fiscal conditions. With a strategic requirement and with both appropriated and philanthropic sources of funding, USNA has adapted its organization to meet the needs of a changing global environment.

Assessment

Strategic plan development and execution is insufficient if not accompanied by aggressive assessment and periodic refinements. Institutional renewal at USNA is driven by a culture of continuous assessment that finds its roots, to some degree, in the rotational military leadership at the Academy. Though turnover of some of the senior staff on a regular basis can be seen as a disadvantage, periodic replacement of Senior Leadership based on military rotation requirements creates the conditions for continuous assessment, and prevents the stagnation of the Senior Leadership Team. Since the completion of the last Accreditation report, USNA has considered the recommendations of the 2005 Middle States visit, as well as other external review groups and taken active steps to institute a more rigorous, formalized assessment system. As described in the response to MSCHE Recommendation for Standard 7 in Section One of Chapter Two, the Superintendent created the Academy Effectiveness Board (AEB) with the charter is to "coordinate the development, maintenance and execution of the Naval Academy Effectiveness plan." Its membership consists of various interests from across the three pillars of the USNA program -- moral, mental and physical. Additional support is provided as needed by legal, financial, human resources, and facilities expertise resident at USNA. The AEB is a standing committee of the Senior Leadership Team that is chaired by the Superintendent.

As described in the final report of the External Review Group (ERG), *United States Naval Academy Assessment and Institutional Effectiveness* (10 January 2007), the AEB views assessment as "a process for continuous improvement that is inextricably linked to planning and implementation." Effective assessment requires measurable goals, linked to USNA mission accomplishment. The publication of the Naval Academy's *Strategic Plan 2020* is an example of a change in strategic direction

which followed accurate and well thought out assessments of USNA performance. The Naval Academy is currently developing a set of metrics to measure the performance objectives laid out in the strategic imperatives and defined by the Attributes of Graduate that will be monitored and assessed by the AEB. USNA is continuously improving in this critical area. This type of change fosters a dynamic culture that continually assesses itself to avoid stagnation and maintain relevance.

Conclusion: The Way Ahead

Like any academic institution facing dynamic and turbulent times, the Academy continues to refine its approach to planning, budgeting, assessment and renewal. The Academy identified priority focus areas based upon self assessment and the recommendations of external review groups. In the months and years ahead, the Academy must focus on the following actions:

- Fully communicate the Strategic Plan to the entire Naval Academy community to include all staff, faculty, coaches and midshipmen.
- Provide additional financial education to key leaders at the Academy, to include Academic Division Directors and Department Heads, members of the Faculty Senate and key leaders throughout the Academy.
- Fully implement the Strategic Plan governance structure and assessment plan.
- Strengthen the feedback loop between the Navy and Marine Corps and Naval Academy.

Considering the Naval Academy's mission and its graduates' role in national defense, the cost of not properly integrating planning, budgeting, assessment and renewal is steep. With a clear understanding of the price of failure in this regard, the Academy continues to work daily to execute the Strategic Plan with diligence, integrity and resolve.