DRMI Program Mission

Established in 1965, DRMI’s mission is to enhance the effective allocation and use of scarce resources in modern defense organizations by developing participants’ analytical decision-making skills. DRMI faculty teach key concepts in management, economics, and quantitative reasoning. In addition, the DRMI curriculum uses real-world cases in contexts that include contemporary issues.

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Get promoted? Change jobs? We want to hear from you! Stay connected with DRMI by sending us your news and making sure we have your current email address. When a new newsletter becomes available, we’ll send you an email with a newsletter link so you can keep in touch with your classmates and stay informed on the latest with DRMI. Send your news to drmiadmin@nps.edu.
imperative for the U.S. to develop ever-for the fact that tight budgets make it support. There is high-level appreciation engagements continue to receive strong Fortunately, DRMI’s international der of the current fiscal year beginning furlough most of the civilian work force concomitant for travel, training, and exercises; and will find immediate savings, the Department of Defense was forced to cut travel and conferences; curtail flight hours, steaming hours, training, and exercises; and will furlough most of the civilian work force for approximately 11 days for the remainder of the current fiscal year beginning 8 July 2013.

The defense sector has not been spared. Since cuts became effective late in the fiscal year, and big budget categories like military pay and benefits are protected, the impact has been concentrated and painful to other budget categories, especially to defense civilians. Required to find immediate savings, the Department of Defense was forced to cut travel and conferences; curtail flight hours, steaming hours, training, and exercises; and will furlough most of the civilian work force for approximately 11 days for the remainder of the current fiscal year beginning 8 July 2013.

Fortunately, DRMI’s international engagements continue to receive strong support. There is high-level appreciation for the fact that tight budgets make it imperative for the U.S. to develop ever-

(continued on page 4)
Resident Programs (cont.)

basic elements of probabilistic risk analysis for management decisions. Participants then had the opportunity to apply what they learned to problems motivated by their own professional responsibilities.

DRMC 13-2 Graduates
On 22 April, DRMI launched its second Defense Resources Management Course of 2013, with 28 participants from 16 countries. A highlight of the course was a reception at the Stillwell Community Center located at the Old Fort Ord and was hosted by The Defense Language Institute Foreign Area Officers Association in conjunction with the DRMI Field Studies Program Foreign Area Officers-Cultural Ambassadors Program. It was an opportunity to meet the foreign area officers (FAOs), regional affairs officers (RAOs), and political affairs officers (PAOs) who are studying foreign languages at the Defense Language Institute Foreign Language School and Presidio of Monterey, California (DLFLIC), and who will soon be reporting to their new duty stations across the world—many to the regions and countries of DRMI's participants. Lieutenant Colonel Gregory P. Christiansen, Dean of Students at the Defense Language Institute, was the guest speaker. He addressed the group on the importance of building relationships of trust where the key to maintaining that trust is to be trustworthy. The evening was a great success, and DRMI looks forward to helping with the next event in June. The class graduated on 16 May.

DRMC 13-3 Concludes
The Defense Resources Management Course (DRMC) 13-3, the third DRMC of 2013, began 20 May with 16 participants from eight countries (the U.S., Denmark, Germany, Italy, Malta, Saudi Arabia, and Slovenia). On Wednesday, 12 June, the director of the Foreign Area Officer (FAO) Program held an embassy-style reception in honor of DRMI's FAO officers and the international participants from DRMC 13-3. More than 100 people attended the reception, which took place in the Herrmann Hall Ballroom at the Naval Postgraduate School. Rear Admiral Douglas J. Venlet delivered the keynote speech. On 14 June, the participants successfully completed the requirements of the course, and DRMI faculty held a small graduation.

DRMI Faculty Offer Independent Study
Associate Professor Natalie Webb, Assistant Professor Cameron MacKenzie, Senior Lecturer Steve Hurst, Lieutenant Colonel (LTC) Steve Hanson, and Lieutenant Commander (LCDR) Sam Dowell provided independent study courses to participants from Saudi Arabia over the past six months. From December through March, LCDR Dowell worked with a group studying public budgeting, and LTC Hanson and Dr. Webb provided information on leadership and management using two books, Good to Great and Turn the Ship Around. Participants read and examined case studies and provided frequent presentations on the above topics.

Mr. Hurst completed an introductory presentation on the use of the three main applications of Microsoft Office 2010—Word, PowerPoint, and Excel. Each week the participants were given assignments to create complex documents involving far more elements than would normally be used in a standard letter or presentation. Dr. MacKenzie's course revolved around reading Bak’s Paradox: Strategies for a Catastrophic World by Ted G. Lewis. Participants read chapters in the book and discussed the issues related to preparing for catastrophes, and whether the theories proposed by the author are applicable to the military and Saudi Arabia.

Mobile Programs

DRMI Conducts First Mobile International Defense Management Course in the Palestinian Territories
Associate Professor Jomana Amara, Associate Professor Jonathan Lipow, Senior Lecturer Steve Hurst, and Lecturer Mark Hladky conducted the first ever Mobile International Defense Management Course in the Palestinian Territories 17-29 March 2013. The first day of the course was an orientation for 23 senior Palestinian officials to familiarize them with DRMI's resources management course concepts and obtain their feedback on areas to emphasize to junior officers for the remainder of the course. Concepts discussed included: basic resources management and human capital management; quantitative reasoning; plans; and budgets. After open discussions with the senior officials on preferred concepts and areas of emphasis, the DRMI team spent the other eight days of the course presenting these concepts to 41 junior officers.

Angelis, McNab and Hanson Work on Human Resources Management for Armenia
Professor Robert McNab and Lieutenant Colonel (LTC) Steven Hanson worked with the Armenian Ministry of Defense the week of 18 March 2013 as part of a U.S. - UK Human Resources Management engagement team. Dr. McNab led discussions on reforming basic military compensation to focus on issues of efficiency, equity, and effective-
Musings from Francois Melese (cont.)
closer cooperation with our many partners and allies to boost collective security and encourage the best use of scarce resources. Strategic management concepts, tools and techniques presented and applied in DRMI courses, workshops, and technical expertise provide a ray of light and a foundation for making the best of a difficult situation. The tighter defense budgets, the greater the importance of collective security efforts. DRMI’s cooperative engagements contribute to the application of defense management tools that mitigate the impact of budget cuts, strengthen political cohesion, and contribute to military interoperability.

Collective security means every country depends on the effectiveness of its partners’ military investments in personnel, equipment, materiel, etc. Public confidence in defense institutions is especially important at a time of great fiscal stress. Making best use of resources for collective defense requires institutions that promote integrity, transparency, and accountability in every phase of defense management: Planning, Programming, Budgeting, Execution & Assessment (PPBEA). For example, as pressure increases to make the best use of defense resources and to demonstrate accountability for funds entrusted to defense and security, NATO launched its Building Integrity (BI) Initiative. Since 2007, every NATO member and partner has been encouraged to: build integrity (codes of conduct, ethics training, etc.); increase transparency (clear rules and regulations, defense management systems, analytical tools, etc.); and improve accountability (financial reporting, reward and enforcement mechanisms, judicial procedures, etc.).

The third biennial BI Conference conducted 26 - 28 February in Monterey was supported by the U.S. Office of the Secretary of Defense for Policy and jointly organized by NATO HQ and DRMI (part of the Naval Postgraduate School, NATO’s U.S. Partnership
(continued on page 6)

Mobile Programs (cont.)
ness. LTC Hanson provided operational lessons learned about the role of NCOs and financial management. The DRMI team also presented a technical paper on military compensation and recommended the development of a military compensation strategy to guide the reform process. Associate Professor Diana Angelis worked extensively on preparing the material that was ultimately delivered to the Armenian Ministry of Defense (MoD). Additionally, she co-authored a report on military compensation that DRMI faculty provided to the Armenian MoD in 2012. She also worked with LTC Hanson on the development of a total compensation cost model that may become the basis for cost estimates and analysis for military compensation in Armenia.

Richter, Hanson Conduct Workshop in Kyrgyzstan
Professor Anke Richter and Lieutenant Colonel Steve Hanson conducted a Building Integrity workshop in Kyrgyzstan 8 - 10 April. Eighteen members of the Kyrgyzstan Ministry of Defense, Ministry of the Interior, and Border Services participated in the three-day workshop, the latest in a series of workshops presented in Kyrgyzstan. The workshop participants focused on the three pillars of building integrity: integrity (the societal definition of corrupt behavior versus the accepted norm); transparency (the means for detecting that unwanted behaviors have occurred); and accountability (the ability of the legal and judicial system to enforce the desired conduct regardless of the political power of the defending party). Faculty facilitated discussions and case studies focusing on procurement and logistics, ‘whistle blower’ laws, the inspector general, novel approaches to enforcement, and U.S. experiences with its own forces in Iraq.

Hurst and Lipow conduct Human Capital Resources Management Workshop in Ukraine
Between 23 - 26 April, Senior Lecturer Steve Hurst and Associate Professor Jonathan Lipow conducted a Human Capital Resources Management workshop in Kiev, Ukraine with civilian and military leaders from the Ukrainian Ministry of Defense. Topics covered included force downsizing, manpower recruitment and selection, and the challenges inherent in transitioning from a force based on conscription to one based on volunteers.

Amara, Morales and Hladky Pffer Human Capital Resources Management Course in Jordan
Associate Professor Joseph Amara and Lecturers Luis Morales and Mark Hladky offered a human capital resources management course in Jordan 28 Apr - 9 May. The director of training for the Jordanian Armed Forces, General Farghal, sponsored the course with a primary goal of introducing a large segment of the Jordanian Armed Forces to international best practices in human resources management. Twenty-four officers from the Army and Air Force, primarily at the ranks of lieutenant colonel and colonel, were selected by Jordan to attend the course.

McPherson Supports Logistics in Congo
Between 6 - 10 May, DRMI Lecturer Major Mike McPherson, USAF, worked with a logistics team in the Democratic Republic of Congo advising on how to better operationalize logistical support for Congolese units during deployment.

McPherson Works with Joint Group in Afghanistan
As NATO draws down support in Afghanistan, coalition forces have gradually turned over responsibility for planning, budgeting, and execution of Afghan National Security Forces (ANSF) budgetary resources, but with very limited success. Low obligation
rates, poor contract performance, and a failure to gain World Bank certification forced Senior Afghan Ministry of Defense and Ministry of Interior officials and their coalition mentors to seek support from leading U.S. defense education and training institutions. The Combined Security Transition Command—Afghanistan (CSTC-A) Deputy Commander for Support, Brigadier General Jonathan Maddux, initiated an Afghan acquisition schoolhouse for procurement and resources management in an effort to professionalize the workforce and increase resources management performance. To make this initiative a reality, CSTC-A called on the Defense Resources Management Institute (DRMI), the International Defense Acquisition Resource Management (IDARM), and Defense Acquisition University (DAU) for support. Representatives from each organization worked in Kabul (3-10 May 2013) with the goal of establishing a plan for implementing the Afghan Defense Acquisition and Resource Management (AFDARM) Initiative.

The team spent eight days on the ground traveling around Kabul assessing education and training needs, meeting with Afghan representatives, and doing site surveys for the proposed schoolhouse. The visit was very productive, and the first basic course will be offered in the new AFDARM facilities on 15 June 2013. This is only the beginning; in a joint effort, DRMI, IDARM, and DAU are developing curriculum for intermediate and executive level resources management courses. The team also established an action plan and a framework for the development of three acquisition career fields: Procurement, Financial Management, and Program Management. Although there will be many challenges, DRMI has postured itself to meet these challenges and other emerging mission needs in Afghanistan. A team of DRMI faculty has been formed to focus on the AFDARM development, and CSTC-A hopes DRMI will play a key role in the AFDARM project as it comes to fruition in the coming years. DRMI looks forward to establishing this relationship with the Afghan government and with our coalition partners involved in Operation ENDURING FREEDOM.

Angelis Participates in Serbian Workshop
Associate Professor Diana Angelis joined a team from the International Defense Acquisition Resources Management (IDARM) program led by Dr. Elizabeth Wright to present a workshop titled, “Building and Sustaining Accountability in Defense Acquisition Decision Making.” The workshop was conducted from 20-24 May at the Serbian Ministry of Defense in Belgrade, Serbia. It brought together academics and practitioners who explored the characteristics and conditions for successful defense acquisition resource management and decision-making, and offered suggestions for improving accountability in national level systems. Dr. Angelis presented concepts on the relationship between accountability and budgeting, particularly the role of open budgeting.

Webb Continues to Support Defense Institution Reform Initiative in Peru
Associate Professor Natalie Webb continues to support an initiative to implement results-based budgeting in the Ministry of Defense of Peru. Dr. Webb, in conjunction with other team members from Defense Institution Reform Initiative (DIRI) in the U.S. and Peru, provides subject matter expertise and consulting services to the Vice Minister for Resources Management, MoD, and his staff.

Research and Publications
Hansen Presents at Regulation Industry Conference
Assistant Professor Jason Hansen presented “Living within Our Means: Balancing Economic Growth with Water Scarcity” at the 26th Annual Western Conference for the Center for Research in Regulated Industries.

Professor Hansen and coauthor Professor Janie Chermak of the University of New Mexico use optimal control theory to investigate the balance between water scarcity and economic development. The conference was held in Monterey, California.

DRMI Faculty Service
Angelis Advises Three NPS Theses
Associate Professor Diana Angelis served as thesis advisor for three NPS theses completed in June. Commander (CDR) Sidney Hodgson investigated how earned value information reported for DoD major weapon systems acquisition programs is related to program cancellation in, “An Investigation of Possible Discriminating Variables in DoD Major Acquisition Program Cancellation.” CDR Hodgson investigated whether there are differences in the key earned value metrics reported for troubled programs, and sought to develop a model that captures the probability of cancellation based on earned value information. The results provide reasonably strong evidence that early cost

MacKenzie Publishes Article
Assistant Professor Cameron MacKenzie published an article with his co-author Kash Barker, entitled “Empirical data and regression analysis for estimation of infrastructure resilience with application to electric power outages,” in the Journal of Infrastructure Systems 19(1), 25-35.

McNab Publishes on Bilateral Monopoly
Musings from Francois Melese (cont.)

Training and Education Center) with the support of the United States Partnership for Peace Training and Education Center (USPTC) Program Office. A key goal was to provide an opportunity for civilian and military officials to develop strategies to strengthen integrity, transparency, and accountability in the defense and security sector. A question asked of the more than 170 participants was: "Does NATO have the right set of tools to help nations build defense institutions and forces that are transparent, accountable, and that offer value for money?" After extensive review of the current tool kit, NATO's official conference report concluded with several recommendations among which are two specific efforts led by DRMI: 1) Update the BI Compendium by developing a second volume of best practices. (See the first volume at: http://www.nato.int/nato_static/assets/pdf/pdf_topics/20120607_BI_Compendium_EN.pdf); and 2) Examine the BI Self-Assessment and Peer Review Process. (See: http://www.nato.int/nato_static/assets/pdf/pdf_topics/20111205_Building_Integrity-English.pdf).

We welcome your advice and hope our work contributes to increase the efficiency and effectiveness of our collective security efforts and benefits all of our countries.

Sincerely, Francois

Future Course Dates

- 22 Jul – 15 Aug
  DRMC 13-4
- 19 Aug – 13 Sep
  DRMC 13-5
- 19 Aug – 30 Aug
  MCDM
- 16 Sep – 25 Sep
  BPEA
- 7 Oct – 13 Dec
  IDMC 13-2
- 12 Nov – 22 Nov
  MCDM

DRMI Faculty Service (cont.)

growth in a program is an indicator of program cancellation.

Lieutenant Commander (LCDR) Carl T. Biggs examined the impact of transaction costs on major weapon systems cost breaches using the systems engineering/program management cost as a proxy measure for transaction costs in, "Implications of Transaction Costs for Cost Breaches." LCDR Biggs explored the association between cost growth and transaction costs, the real cost of business negotiations and program management. One finding of the study is that for acquisition programs with cost-plus contracts, there is a statistically significant relationship between the likelihood of a cost threshold breach occurring and the relative magnitude of transaction costs. No such relationship was found for fixed price contracts.

Lieutenant Frank Strom and Lieutenant David Dorfman analyzed the use of different types of optical cable in ship construction to improve the efficiency of cable installation at naval shipyards in, "An Optimization Model for Fiber Optic Cable Installation aboard Naval Vessels." The study examined the cost implications of cable quality on the installation of fiber optic cables in Navy ships. Based on interviews with engineers, managers, and installers at three different U.S. Naval shipyards, the authors determined there is a trade-off between the quality of cable and the amount of rework required to install the cable. They developed a model to measure the installation quality of fiber optic cable based on tensile strength, minimum bend diameter, and crush capacity. Their results show that the highest quality cable has the lowest total installation cost risk.

Both CDR Hodgson and LCDR Biggs were awarded an NPS outstanding thesis award for this work.

Hansen Advises NPS Professional Reports

Assistant Professor Jason Hansen advises two professional reports for students enrolled in the Graduate School of Business and Public Policy at the Naval Postgraduate School. Both reports partially fulfill the requirements for the degree of Master of Business Administration. Pakistan Air Force Wing Commander Aamir Siddiqui, and U.S. Navy Lieutenants Christopher Kading and Kasey Carter completed "Biofuel: a comparative case study." U.S. Army Major Anh Ha and U.S. Captain Nathaniel Costa completed "The Army Materiel Requirements Documents: Qualitative Analysis of Efficiency and Effectiveness." Professor Hansen advised these students on their reports over a period of nearly one year.

McNab Works for OSD Policy as Subject Matter Expert

Professor Robert M. McNab was invited by the Office of the Undersecretary of Defense for Policy/Defense Institution Building program to participate in a review of the Strategic Defense Review of a partner nation. Dr. McNab will travel to this nation as the subject matter expert in defense budgeting in the summer of 2013.

DRMI Participates in U.S. Central Command (USCENTCOM) Conference

Lecturer Luis Morales attended the USCENTCOM Security Cooperation Education and Training Working Group (SCETWG) conference in Tampa, FL from 18 - 21 March. The SCETWGs are conducted by U.S. regional commands annually to review and program respective partner country military education and training opportunities for the current and next fiscal years. U.S. Embassy country teams from regional command designated countries and representatives from various DoD schools attend the conference. For DRMI representatives, the SCETWGs are an excellent venue to promote and schedule resident and mobile education opportunities, clarify and distinguish DRMI's "brand" from similar programs, and establish strong relationships with host nation representatives who request DRMI's various programs.

Webb Teaches in the Graduate School of Business and Public Policy

Associate Professor Natalie Webb taught Economic Analysis and Defense Resource Allocation, GB4071, in the spring quarter for the Graduate School of Business and Public
DRMI Faculty Service (cont.)

Policy. The course covers basic concepts in microeconomics and public finance leading to successful cost-benefit or cost-effectiveness analyses required of many defense employees. Highlights included guest lectures from DRMI, Assistant Professor Jay Simon and Lieutenant Colonel Steve Hanson; Dr. Patricia Brukoff, an expert in public policy and post-Soviet studies; and Dr. Sunder Ramaswamy, economist and President, Monterey Institute of International Studies.

Hansen Lectures at Hartnell College
Assistant Professor Jason Hansen guest lectured at a local college. Faculty from the School of Agribusiness at Hartnell College invited Professor Hansen to lecture in two courses, “Sales and Service in Agribusiness” and “Agricultural Marketing.” Relying on his research interests and DRMI teaching experience, Professor Hansen delivered lectures “Water, Weeds and War” and “Game Theory and Strategic Decision Making.” Course participants, who are pursuing agricultural business degrees in the evenings while gainfully employed in the agriculture sector during the day, found the concepts of pricing and strategy especially intriguing as they apply to agriculture.

Faculty Review for Professional Communities
Assistant Professor Jason Hansen peer reviewed a journal submission for Water Resources Research and two submissions for the Journal of Hydrology.

Assistant Professor Cameron MacKenzie reviewed a journal article submitted to IIE Transactions.

Professor Robert M. McNab served as a referee for the British Journal of Economics, Management and Trade, and Public Finance and Management.

Associate Professor Natalie Webb reviewed for and served on the editorial board of Nonprofit Management and Leadership.

Faculty and Staff News

Professors McNab and Richter Promoted
Congratulations to Professors Robert McNab and Anke Richter. Effective 1 July 2013, Drs. McNab and Richter were promoted to the rank of full professor in recognition of their accomplishments in teaching, research, and service. The statements presented for each are as follows:

Professor Robert McNab is promoted to full professor in recognition of his pioneering contributions to the analysis of fiscal decentralization and his applications of econometric analysis to important questions of national security. Dr. McNab has demonstrated an exceptional ability to raise sponsored research funds to support joint research efforts including students and his colleagues. His teaching has been outstanding, including developing new courses and working with an impressive set of thesis students. His strong administrative and leadership skills in taking on key responsibilities, such as DRMI Academic Associate, serving as chair of the Global Public Policy Academic Group, and serving on a journal editorial board are a testament to his exceptional service to DRMI, NPS, and to his academic community. Congratulations!

Professor Anke Richter is promoted to full professor in recognition of her pioneering application of operations research techniques to public health preparedness, disease process modeling and emergency response, and her contributions to the first version of an HIV resource allocation model used by the

DRMI Says Farewell to Faculty Member
Lieutenant Colonel (LTC) Steven Hanson completed his tour as an instructor and faculty representative of the U.S. Army at DRMI on 8 June. During his year of service at DRMI, LTC Hanson was widely recognized as a proficient and capable instructor, making significant improvements in deliverables for multiple courses and events. LTC Hanson recently provided excellent support for a joint U.S.-UK/Armenia exchange on military compensation. One senior DRMI faculty member commented, “I have observed LTC Hanson in class and have reviewed our student critiques; he has received reviews comparable to fewer than a handful of our military faculty in all my years at NPS and ranks at least as high, and often higher, than our long-term PhD faculty in his ability to deliver relevant and useful content to students.” His outstanding leadership and problem-solving skills proved very useful to DRMI not only in curriculum and teaching efforts, but to scholarly projects and service efforts as well.

LTC Hanson’s achievements contributed significantly to the educational and diplomatic missions of DRMI and to the professional development of hundreds of officers and civilian defense professionals from the U.S. and its allies around the world. LTC Hanson and his family will continue to serve at the U.S. Army Financial Management School at Fort Jackson, South Carolina where he has been assigned as a division chief.

Wishing you continued success in all your future endeavors, Steve!
Faculty and Staff News (cont.)

Center for Disease Control and Prevention (CDC). Her strength as an educator is demonstrated by the success of the many courses and workshops she has conducted in multiple countries, her service as DRMI Academic Associate organizing resident and international courses and coordinating teaching assignments for NPS faculty. She has exhibited exemplary leadership in service to DRMI, NPS and the DoD, including taking on key responsibilities as DRMI’s Academic Associate, the U.S. representative to NATO’s Building Integrity program, in organizing a high-visibility workshop in Brazil recognized by the Secretary of State, and as a member of the editorial board of a professional journal on Homeland Security. Congratulations!

McNab Teaches at MIIS
Professor Robert M. McNab taught a graduate course during the spring semester in applied econometrics for the Monterey Institute of International Studies.

Webb Finishes Service on NPS Provost Search
Associate Professor Natalie Webb concluded her service on NPS’s Provost Search Committee. The committee was successful in recommending candidates for the provost/vice president position, which concluded with the acceptance of Dr. Douglas Hensler as NPS’s new provost. Dr. Hensler joined NPS on 3 June.

Other News

DRMI Faculty to Participate in OUSD(C) Web-Based Training Development
The Office of the Under Secretary of Defense (Comptroller) Human Capital and Resources Management, has asked the Defense Resources Management Institute (DRMI) to assist in the development of web-based training for financial management (FM) certification levels 2 and 3. This effort is part of the DoD FM certification program which is intended to provide, per Undersecretary Robert Hale, “a DoD-wide framework to guide professional development [for FM professionals] and to adapt to future requirements.” Associate Professor Eva Regnier and Lecturer Luis Morales participated in a teleconference on 4 March with OUSD(C) representatives to identify the type and scope of content DRMI might be able to contribute to this effort, which highlights the importance web-based training is to the future of education in DoD. Mr. Morales represented DRMI as part of a working group of DoD schools assembled by OUSD(C) in 2011 to develop DoD FM workforce competencies and proficiency levels, and then align courses offered by their respective organizations to the approved list of FM competencies and proficiency levels.

Recent DRMI Graduates

Class Photo: DRMC 13-2
Recent DRMI Graduates (cont.)

Class Photo: DRMC 13-3

Class Photo: PM&b 13-1
Recent DRMI Graduates (cont.)

Class Photo: IDMC 13-1

Class Photo: RISK 13-1