



# DRMI Newsletter

Issue 40

[www.nps.edu/DRMI](http://www.nps.edu/DRMI)

July 2012

## 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.

### Send Us Your News!



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](mailto:drmiadmin@nps.edu).

## Issue 40 Highlights

<b>Musings from Francois Melese</b>	<b>2, 4</b>
<b>Resident Programs</b>	<b>2-3</b>
<b>Mobile Programs</b>	<b>4-5</b>
<b>Research and Publications</b>	<b>5-6</b>
<b>Faculty and Staff News</b>	<b>6-7</b>
<b>Participant News</b>	<b>7</b>
<b>Recent DRMI Graduates</b>	<b>8-10</b>
<b>Additional DRMI Photos</b>	<b>11-12</b>
<b>Future Course Dates</b>	<b>12</b>
<b>Facebook</b>	<b>12</b>
<b>DRMI on FM myLearn</b>	<b>12</b>





**Francois Melese**  
*Executive Director,  
DRMI*

## Musings from Francois Melese

**DRMI's Executive Director**

There are valuable lessons to be learned from the Eurozone. The Eurozone is made up of 17 countries that share a common currency out of the 27 members of the European Union. Massive public spending that occurred in several Eurozone countries (partly to counter the global financial crisis) triggered a string of sovereign debt crises that now places unprecedented pressure on public budgets. Facing weak global demand and unable to gain competitiveness through increased productivity or devaluation, many countries find themselves stuck with large deficits and debt. Combined with alarming demographics, most Eurozone countries have come to realize generous promises to underwrite health care, social security, government pensions and welfare programs may prove unsustainable. Meanwhile, debt loads accumulate, and borrowing costs soar as bond-rating agencies threaten downgrades.

Today, bond markets charge steep premiums to purchase bonds from the most heavily indebted countries. Effectively shut out of bond markets, these countries are forced to turn to taxpayers in other Eurozone countries and around the world to stay afloat, either through the European Central Bank (ECB) or the International Monetary Fund (IMF). The price of loans and bailouts from the ECB and IMF includes structural adjustments (to increase competition and spur private investment), and stringent austerity measures (to cut deficits by slashing public expenditures and raising taxes). A rapid

*(continued on page 4)*

## Resident Programs

### **DRMI graduates budget course**

DRMI graduated the Budget Preparation, Execution and Accountability (BPEA) course on 30 March 2012 with participants from Brazil, Saudi Arabia and the United States. The BPEA course is eight days of focused instruction on defense budget development. Participants are exposed to a variety of budgeting tools and techniques on preparing, submitting and executing budgets, and apply these same concepts to topics and issues of relevance within their countries and organizations for future application.

### **DRMI graduates PMB 12-1**

Seventeen participants from Italy, Saudi Arabia and the United States graduated from the Performance Management and Budgeting course on 6 April 2012. This one-week course examined performance management and budgeting concepts beginning with planning-to-budgeting and government accounting systems, and different types of and uses for budgets. DRMI faculty provided participants a foundation for performance management and budgeting by developing top-level goals and objectives, examining indicators of performance and performance hierarchies, and showing how indicators can be developed and used for managing effectiveness. Participants then applied the concepts learned in the course to develop a performance hierarchy for their organizations.

### **International Defense Management Course (IDMC) 12-1**

As reported in the last newsletter, IDMC 12-1 commenced on 6 February. During the second half of the course, the class visited Washington, DC, 13-18 March as part of the Field Studies Program (FSP). Twenty-six international officials from 17 countries enjoyed the unseasonably warm weather, beautiful cherry blossoms and abundant spring flowers as they visited the capital's many memorials, including two docent-led tours of the U.S. Capitol and the Library of Congress. The class also visited the Pentagon, where an official of the Office of the Undersecretary of Defense Strategic Policy presented and then led the group in a lively discussion on the U.S. approach to strategic policy making. To quote the IDMC 12-1 class leader Brigadier General Abuoi Arok Deng: "We, the participants from 17 countries, have learned a lot and enjoyed this visit where we visited several areas within the Pentagon including the historical 9-11 Memorial. This was an indication of strong partnership between our countries and the United States of America."

On 7 April the IDMC 12-1 participants and several of the Foreign Area Officer-Cultural Ambassadors (CAs) enjoyed a perfect day in San Francisco and one last activity before the IDMC participants prepared for graduation and to return home. The group visited the usual cultural hot spots of the City Cen-



*IDMC 12-1 students visit Washington DC*

## Resident Programs (cont.)

ter, Twin Peaks, The Golden Gate Bridge, Union Square and Chinatown. The trip provided an excellent opportunity for the participants and the CAs to speak to each other in their native languages and their target languages: English for the participants and Arabic, Indonesian, Russian and French for the CAs. The course included a well-received guest presentation on 11 April by VADM William Landay III, Director of the Defense Security Cooperation Agency. The class graduated on 18 April.

### DRMI conducts risk management course

Eleven participants from five countries (including the U.S.) successfully completed the Risk Management Course on 20 April. DRMI faculty provided course participants the skills to conduct probabilistic risk analyses for management decisions. Participants had the opportunity to apply what they learned to problems motivated by their own professional responsibilities.

### DRMI graduates Indonesian resident course

DRMI faculty concluded a two-week resident Indonesian Resources Management course on 4 May 2012. Among the 30 participants was the director of the Indonesian Defense University, Air Vice Marshall Harahap. The faculty presented key concepts



*Prof Jim Morris and Indonesian students*

in economics and quantitative reasoning designed to enhance the effective allocation and use of scarce defense resources, and then had the participants apply these concepts in a simulated environment through a series of exercises and case studies. The class also had the opportunity to visit the Monterey Bay Aquarium and go on a trip to San Francisco, where they enjoyed a city tour

and attended a reception at the Indonesian Consulate. Charlie Orsburn, DRMI Field Studies Program manager, accompanied the class on the San Francisco trip, during which she had many opportunities to discuss American culture and the importance of human rights with the participants.

### DRMI faculty conduct workshop for Georgian MoD

DRMI faculty conducted a one-week workshop on performance metrics in Monterey 14-18 May for representatives of the Georgian MoD. The workshop,



*Georgian participants working*

sponsored by the U.S. Department of Defense's Georgia Fresh Look program, supported the MoD's efforts to match performance metrics to MoD strategic, operational and implementation plans. Workshop participants brought strategic documents and prepared performance metrics for several strategic areas within defense. The visit follows previous DRMI efforts from a one-week workshop on program budgeting at the Ministry of Defense of Georgia in Tbilisi last fall as part of the Fresh Look program.

### DRMC 12-2 graduates

On 23 April DRMI launched its second Defense Resources Management Course of 2012, with 29 participants from 13 countries. A highlight of the course was a talk by Barry Watts, Senior Fellow, of the Center for Strategic and Budgetary Assessments, an independent, nonpartisan policy research institute established to promote innovative thinking and debate



*Barry Watts speaks to DRMC 12-2*

about national security strategy and investment options. Watts' presentation included information on making informed decisions on matters of strategy, security policy and the allocation of scarce human and capital resources. The participants graduated 17 May.

### DRMC 12-3 underway

At press time, the Defense Resources Management Course 12-3, the third DRMC of 2012, was underway with 33 participants from 12 countries. The participants began their course 21 May and will graduate on 15 June.

### DRMI, NPS hosts Rivlin and Winter

On 21 May, DRMI, the Center for New Security Economics and Net Assessment, the Graduate School of Business and Public Policy (GSBPP) and the Global Public Policy Academic Group co-hosted a conversation between Dr. Alice Rivlin, a senior fellow at the Brookings Institution and Dr. Sidney Winter, a professor of management at the Wharton School, University of Pennsylvania. Dr. Rivlin has served as vice-chair of the Federal Reserve, director of the Congress-



*Rivlin and Winter speak to DRMC 12-3*

## Musings from Francois Melese (cont.)

“changing of the guard” in democratically held elections reflects the painful adjustments that must be made in the face of these new funding realities. In many cases this has been accompanied by public demonstrations and political turmoil.

The net result is intense pressure on public budgets. Defense is the largest discretionary item in most national budgets. As such, it is also a major target for spending cuts. Within the defense budget attention focuses on “big ticket items” such as military compensation (including health care, pensions, housing, and other promises), and the acquisition, operation and maintenance of equipment, facilities, services, and supplies.

New governments will launch strategic defense reviews that are likely to shift national security priorities and recommend new base realignment and closure (BRAC) actions. Two valuable lessons we would hope to learn from the Eurozone are: i) That defense cutbacks force countries into more cooperative engagements to preserve collective security, and ii) That as competition increases for scarce taxpayer funds, continued public support for defense requires spending that is transparent, efficient and effective. This is what DRMI teaches. Please use your DRMI education to help ensure our future security in these challenging times, and let us know if we can help.

Best wishes, Francois ■

## Resident Programs (cont.)

sional Budget Office, and was director of the Office of Management and Budget during President Clinton’s administration. Dr. Winter is an eminent theorist in firm behavior and previously served for four years as chief economist of the Government Accountability Office. The issues discussed in their conversation and subsequent question and answer period included fiscal responsibility and balanced budgets; compassion and responsibility; the role of markets and regulation; and the crisis in the U.S. and Europe. ■

## Mobile Programs

### African Union course conducted in Ethiopia



Al Polley

DRMI conducted a two-week course for the African Union’s (AU) Peace Support Operations Department (PSOD) in Addis Ababa, Ethiopia, 5-16 March 2012. The PSOD is responsible for planning the AU’s mission in Somalia (known as AMISOM) and recently has been tasked to plan the AU’s mission against the Lord’s Resistance Army. DRMI was asked to help the PSOD think about how to evaluate and make resource allocation tradeoffs in an operational planning environment. The PSOD has a different set of challenges from those of a sovereign nation, since the resources they ultimately

allocate come from the AU member nations and the international donor community. Nevertheless, the principles of efficient and effective resource allocation apply as strongly in their case as at the national level.

### Angelis presents cost-benefit workshop in Armenia



Diana Angelis

Associate Professor Diana Angelis joined Dr. Dan Nussbaum (OR) in Yerevan, Armenia, to present a three-day workshop on Cost-Benefit Analysis. NPS Partnership for Peace Training and Education Center organized the workshop, held 26-28 Mar. Fifteen members of the Armed Forces of Armenia participated in the workshop held at the Ministry of Defense in Yerevan. The workshop included presentations and case studies on life cycle cost estimation, measurement of benefits and effectiveness, and risk and opportunity costs.

### DRMI faculty conduct third human resources course in Jordan

DRMI faculty Dr. Jomana Amara, Dr. Diana Angelis, Senior Lecturer Steve Hurst, and Lt. Col. Mike Nixon traveled to Amman, Jordan to conduct the Institute’s third round of Human Capital Resources Management



AU PSOD graduation

## Mobile Programs (cont.)



Jordanian Human Resources course

Course 1- 12 April. The Director of Training for the Jordanian Armed Forces (JAF), General Farghal, sponsored the course with a primary goal of introducing a large



Steve Hurst

segment of the JAF to international best practices in human resources management. Gen. Farghal addressed the officers stressing the importance of managing and developing human capital in the armed forces. Officers from the Army and Air Force mostly at the ranks of lieutenant colonel and colonel were selected by Jordan to take the course.

### DRMI faculty conduct workshop in Kazakhstan

Assistant Professor Laura Armev and Lecturer Mark Hladky conducted a five-day cost analysis workshop for the Kazakhstan Ministry of Defense 16-20 April. The participants in the workshop from the MoD consisted of military and civilian personnel who work in various finance, accounting and logistics departments within the Ministry. DRMI faculty focused on cost concepts, cost estimating techniques, and performance mea-



Laura Armev

surement within a budget system framework. Through discussion and exercises the participants examined current MoD cost estimating and budgeting practices and discussed possible improvements. ■

## Research and Publications

### Amara publishes on Iraq

Associate Professor Jomana Amara's research titled, "Military Stabilization Efforts on Economic Development and Security: The Case of Iraq" will appear in the *Journal of Development Economics*. The research describes United States' efforts to effect change in Iraq by using a combination of economic, political, and military means. Most notably, the United States used a buildup of security forces, the "surge," as an intervention to stabilize Iraq. The article uses structural change tests to determine the effect of the intervention on security and economic metrics of success. The research suggests there is compelling evidence that several events may have had a direct influence on security variables with the surge being one of the events. However, the research finds little evidence that the surge was the primary intervention that enhanced economic development and political order.

### Hansen presents research at UC Berkeley

In May, Assistant Professor Jason Hansen presented co-authored research at the seminar series of the Department of Agricultural and Resource Economics, the University of

California, Berkeley. He and Professor Janie Chermak of the University of New Mexico, presented "Living Within our Means: the Case of Population Growth and Economic Development Under Scarce Water Resources." The study investigates the tradeoffs between development and water scarcity, trying to find the optimal balance between policies for growth and for water supply management.



Jason Hansen

### Regnier, Simon study supply chain in acquisition, present research

Sustaining military assets such as vehicles and power-hungry command and control equipment in the battlefield can require a costly and vulnerable logistics network. Yet when acquisition decisions are made, years or decades before systems' eventual use in the field, it is impossible to anticipate what the logistics network will look like and therefore difficult to estimate the financial and non-financial burdens imposed by warfighter demands for fuel, water, and other supplies.

Associate Professor Eva Regnier and Assistant Professor Jay Simon have been working on methods to estimate the burdens of warfighters' supply demands during the acquisition process. Their approach includes modeling the structure of the logistics network and estimating the organization-wide costs associated with personnel and vehicles for transportation and force protection. In May, Drs. Regnier and Simon presented their most recent work with Dr. Daniel Nussbaum of the NPS Operations Research Department, at the 9th Annual Acquisition Research Symposium in Monterey. The paper, "Estimating Supply-Chain Burdens in Support of Acquisition Decisions," builds on earlier work by Dr. Regnier and Dr. Nussbaum.



Eva Regnier

## Research and Publications (cont.)

### Richter reviews for National Science Foundation



Anke Richter

During the week of 30 April, Associate Professor Anke Richter served as a reviewer on a joint National Science Foundation (NSF) and the Agency for Healthcare Research and Quality (AHRQ) panel. In the

fall, NSF and AHRQ announced a joint funding opportunity, Advancing Health Services through Systems Modeling Research, and the panel reviewed the highly interesting proposals that were submitted in response to this call. The proposals fell in the general categories of health care systems modeling and behavior characterization, and health IT-enabled personalized diagnosis and treatment.

### Simon attends operations research conference



Jay Simon

Assistant Professor Jay Simon attended Southern California Operations Research / Operations Management Day, a regional conference focusing on operations research and operations man-

agement, on 4 May at UCLA.

### Webb publishes and speaks at Italian conference on performance



Natalie Webb

Associate Professor Natalie Webb was a keynote speaker at the XIII Workshop Organizzazione Aziendale titled, “Desperately Seeking Performance in Organizations” at the University of Verona 28-29 May, 2012.

Dr. Webb addressed lessons learned, and critical elements and enablers in performance management systems in military

### Assistant Professor Jomana Amara is now Associate Professor Amara

Assistant Professor Jomana Amara was promoted to associate professor in March. She received her promotion and award of tenure in recognition of her valuable contributions in defense economics. NPS leaders said the following about her promotion: “She has been successful at raising sponsored research funds, and instrumental in developing the new DRMI Human Capital Resources Management Course. Her leadership and professional service to conferences has been exemplary, and her Fulbright Scholarship a testimony to her dedication to her research in key areas of interest to DRMI, NPS and DoD.”

Congratulations, Dr. Amara!



Jomana Amara

organizations. She also presented a paper subsequently published in the peer-reviewed conference proceedings: Suppa, Armando & Webb, Natalie. (In press.) “Managing Performance in the Defense Sector: Cases of the Italian Army and U.S. Navy Surface Warfare Enterprise.”

### DRMI faculty review for journals

In the past quarter, several DRMI faculty served their academic communities by reviewing scholarly manuscripts: Associate Professor Anke Richter reviewed a journal article for *Healthcare Management Science*, two articles for the *Homeland Security Affairs Journal*, and an article for the *Journal of Emergency Management*.

Assistant Professor Jay Simon served as an associate editor for papers submitted to *Decision Analysis*.



Ryan Sullivan

Assistant Professor Ryan Sullivan served as a referee for articles submitted to the *National Tax Journal* and *Public Finance Review*.

Associate Professor Natalie Webb served on the board of *Non-profit Management and Leadership* and reviewed articles for the best issue of 2011. She also reviewed for the *African Journal of Business Management*. ■

### DRMI says farewell to faculty member



LtCol Mike Nixon

Lieutenant Colonel Michael Nixon completed his tour as an instructor and faculty representative of the United States Army at DRMI on 10 May. During his more than two years of service at DRMI, LTC Nixon was widely recognized as one of DRMI’s most proficient and capable instructors. His 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 United States and its allies around the world. LTC Nixon and his family will continue to serve our country at U.S. Central Command in Tampa, Florida, where he will assume the position of CJ-8 Chief of Programming responsible for POM, budget recommendations and execution.

Besides his significant contributions to DRMI, we will miss LTC Nixon’s keen sense of humor. He notes that the only major negative in his DRMI assignment was his failure to reduce his golf handicap. However, he says he significantly improved his skills as a future Yellow Cab driver, became a multiple marathoner, improved family time, and experienced, “the obvious declination in that pesky receding hairline.”

Good luck, Mike!

## Faculty and Staff News (cont.)

### Hansen teaches in GSBPP

Assistant Professor Jason Hansen taught a course in the GSBPP during the spring quarter to 33 masters' students. In "Economic Analysis and Defense Resources Allocation," Dr. Hansen developed tools and techniques of economic efficiency to assist in public sector decision-making. In the class, Dr. Hansen explained the foundations of cost-benefit and cost-effectiveness analysis. Topics covered included social welfare analysis, approaches to problem solving, constrained optimization and multi-attribute decision analysis.

### McNab teaches Economics of Stability Operations and presents to comptroller conference

Associate Professor Robert McNab is teaching NS 3042 Economics of Stability Operations this quarter in the National Security Affairs Department at NPS. In late May, Dr. McNab was invited to present to the American Society of Military Comptrollers' Professional Development Institute. His talk addressed linkages between planning, programming, budgeting and performance in defense establishments.



Bob McNab

### Richter guest lectures at San Francisco State University

During the week of 26 March, Associate Professor Anke Richter was a guest lecturer in the Project Management class within the MBA program at San Francisco State University (SFSU). The same week, she was also a guest lecturer in the dual degree MBA/MIB (master's in international business) program, an international program taught in San Francisco and in Nice, France. Roughly half of these students come from the U.S. and the rest come from around the world. In both courses, she focused on project management in government.

### Richter attends NATO conference

During the week of 23 April, Associate Professor Anke Richter attended the NATO Building Integrity (BI) Steering Committee meeting in Brussels, Belgium. The Building Integrity Initiative was launched within the Euro-Atlantic Partnership Council (EAPC) in November 2007. The BI Initiative has become an integral part of NATO's partnership program, open to NATO allies and PfP, Mediterranean Dialogue, Istanbul Cooperation Initiative and other partners across the globe. The two aims of the BI Initiative are to understand and devise methods to lessen the impact of corruption on NATO-led operations and to provide practical support to help nations develop "smart" institutions and to enhance nation capabilities in key areas set out in the Partnership Action Plan for Defence Institution Building.

### DRMI faculty continues support of DIRI in Peru

DRMI faculty Associate Professor Natalie Webb joined Ms. Kara Bue, country manager for the Defense Institution Reform Initiative (DIRI) program in Peru to conduct a two-day workshop 26-27 April in Lima, Peru, as part of the DIRI. Dr. Webb continued to work with representatives of the Peruvian armed forces and Ministry of Defense on their work towards implementing results-based budgeting. The team departed with progress on a clear roadmap for the way forward and expects to return in August to continue this important effort.

### DRMI faculty participate in security cooperation conferences



Luis Morales

Lecturer Luis Morales represented DRMI at the USCENTCOM and USSOUTHCOM security cooperation education and training working group conferences held in Florida from 19-30 March 2012. These annual conferences offer a deliberate and comprehensive annual interagency venue to synchronize and coordinate international education and training

programs and resources to achieve the most efficient and effective execution of security cooperation objectives. Senior lecturer Al Polley, DRMI's international programs coordinator, will attend the USEUCOM and USAFRICOM security cooperation conferences to be held in Germany in April and May 2012, respectively. ■

## Participant News

### Finnish graduate makes Lieutenant General

Congratulations to Finnish Maj Gen Sakari Honkamaa on his promotion to Lieutenant General on 3 Jun 2012. Gen Honkamaa was a graduate of the 2003 Senior International Defense Management Course.

### Success stories from Albania

In a 2008 article, Barbara Honeggar, a journalist with NPS Military Affairs, quoted Lt. Col (now Col) Adi Ndoni, Albanian Army: "I'm very glad that I've taken part in this course [IDMC 08-2]. I'll take back what I've learned and we will be incorporating parts of the program into our own curriculum. I'm also honored to be part of a course that was attended by our current Minister of Interior Affairs, Bujar Nishani, in 1995." On 11 June 2012, Albania elected Mr. Nishani as their President. Mr. Nishani attended the International Defense Management Course 1995-2. ■

## Recent DRMI Graduates

DRMI congratulates all the recent graduates!



*Class Photo: BPEA 12-1*



*Class Photo: PM&B 12-2*



*Class Photo: IDMC 12-1*



*Class Photo: RISK 12-1*

Recent DRMI Graduates (cont.)



*Class Photo: DRMC 12-2*



*Class Photo: DRMC 12-3*

## Additional DRMI Photos

See also online DRMI photo album!

[http://faculty.nps.edu/dl/DRMI/photoAlbum\\_2012\\_july/index.html](http://faculty.nps.edu/dl/DRMI/photoAlbum_2012_july/index.html)



*Indonesian Students with Flags*



*DRMI Faculty Group*

## Future Course Dates

### Tentative Resident Course Schedule For Remainder of 2012

- **25 Jun – 20 Jul**  
43rd Senior Defense Management Course
- **23 Jul – 16 Aug**  
Defense Resources Management Course
- **20 Aug - 31 Aug**  
Multiple Criteria Decision Making Course
- **20 Aug – 14 Sep**  
Defense Resources Management Course
- **17 Sep - 26 Sep**  
Budget Preparation, Execution and Accountability Course
- **24 Sep – 7 Dec**  
International Defense Management Course
- **22 Oct – 2 Nov**  
Multiple Criteria Decision Making Course

## Facebook

Share your experiences and photos with other DRMI students and professionals. Facebook is user-friendly and it is easy to create an account. To find DRMI on Facebook, search for “DRMI Courses” and click on the button. It would be extremely helpful if past participants would include a message indicating when they attended DRMI when sending the friend request. At the last count, DRMI had over 275 friends. Will you be our next? ■

## DRMI on FM myLearn

DoD operates a website designed to provide the Department’s financial management community information on training and professional development opportunities. Please see the site for information on DRMI’s courses, comments by our graduates and ratings: <https://fmonline.ousdc.osd.mil>. Access to the website requires a secure common access card login. DRMI faculty welcome your feedback!

## DRMI Photos (continued)



*DRMC12-2 participants in front of Halligan*



*IDMC participants in DC*



*Getting a taste of Americana*



*Kazak MoD participants with DRMI faculty*