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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Did you know that DRMI is on Facebook? Add DRMI Courses as a friend at www.facebook.com/drmi.courses to stay in touch with past, present, and future DRMI participants.
Resident Programs

Defense Resources Management Course (DRMC) 13-5 Concludes
DRMC faculty concluded the Defense Resources Management Course (DRMC) 13-5 on 13 September. The course, which began on 19 August, had 31 participants from the following 10 countries: Denmark, Germany, Italy, Mongolia, Oman, Pakistan, Papua New Guinea, Saudi Arabia, Ukraine, and the United States. Twenty-two military officers and nine civilians attended the course.

DMRI’s IDMC and MCDM Participants Interface at FAO-CA Social Event
DMRI’s participants in the International Defense Resources Management Course (IDMC) 14-1 and Multiple Criteria Decision Making (MCDM) 14-1 course attended a social event on 14 November 2013. IDMC and MCDM participants joined the Foreign Area Officer-Cultural Ambassadors for a reception and cultural exchange at the Hilton Garden Inn of Monterey. This event provided a great opportunity to foster security cooperation, share ideas, and answer each group’s questions. The gathering was a rare occasion where the DMRI Field Studies Program was able to combine an activity for two different international groups; this made the event a richer experience for everyone who participated.

DRMI Thanks Active Duty Military Faculty and Foreign Area Officer-Cultural Ambassadors (FAO-CAs) for Their Service
The day 6 October 2013 was an eventful one for DRMI; it marked both the start of the International Defense Management Course (IDMC) 14-1, with its 36 participants from 23 countries, and the return of select faculty and staff for their first day back to work following the government shutdown. Everyone at DRMI—faculty, staff, and participants alike—was extremely thankful for the service of DRMI active duty military faculty members and the Foreign Area Officer-Cultural Ambassadors Program (FAO-CAP) volunteers. They worked tirelessly in the absence of DRMI faculty and staff and graciously supported DRMI during a tumultuous period at both DMRI and the Naval Postgraduate School.

The government froze Field Studies Program (FSP) money in anticipation of a new continuing resolution; this action left the FSP program without funding for its standard events. Dedicated FAO-CAs helped hold gatherings, which limited the FSP’s need to cancel or postpone events. Thankfully the FSP temporarily resolved its funding issue and took its major trip, the Washington DC Field Trip.

Following the Washington, DC trip, many FAO-CAs invited the IDMC 14-1 group to their homes for participants’ first American Thanksgiving celebration.

IDMC Traveled to Washington, DC and San Francisco with Field Studies Program
International Defense Management Course (IDMC) 14-1 participants traveled to Washington, DC from 19-24 November on a Field Studies Program (FSP) field trip. The trip included briefings at the Pentagon from Mr. Ted Ogren, Directorate for Organizational and Management Planning, Office of the Director of Administration and Management, Office of the Secretary of Defense and Gregory P. Christiansen, Lt. Col., USAF, Chief, International Affairs Specialist (IAS), Program Secretary of the Air Force, International Affairs (SAF/IA). Participants also had a meeting in the Members Room at the Library of Congress with California Congressman Sam Farr on 20 November.

The following day, the group visited the United States Capitol, Library of Congress, and other important memorials. On 22 November, participants enjoyed a tour of Colonial Williamsburg, Historic Jamestown, and Jamestown Island where staff members briefed them about the beginnings of U.S. colonization and several important strate-
gic decisions that settlers made during our nation’s early history. On 23 November, the participants visited Arlington National Cemetery and witnessed the changing of the guard at the Tomb of the Unknown Soldier and a wreath laying ceremony. Following the visit to Arlington, participants enjoyed dinner together and saw the memorials at night. On 24 November, just before heading home, the participants visited the National Air & Space Museum, Udvar-Hazy Center. After returning to Monterey participants presented their FSP American Culture briefings to other participants and the DRMI faculty.

On 7 December the FSP took the participants for a day trip to San Francisco. Participants enjoyed seeing the Golden Gate Bridge, the Palace of Fine Arts at Golden Gate Park, Union Square, Chinatown, Pier 39, and Fisherman’s Wharf.

Budget Preparation, Execution, and Accountability (BPEA) 13-1 Concludes

DRMI conducted an eight-day course titled, “Budget Preparation, Execution and Accountability” (BPEA) from 16-25 September. This course provided principles and concepts for preparing and executing defense budgets. The 22 participants came from nine different nations: Argentina, Columbia, Lebanon, Liberia, Malaysia, Norway, Pakistan, Saudi Arabia, and the United States. DRMI faculty for the course included Dr. Bob McNab, Dr. Jonathan Lipow, Dr. Francois Melese, Dr. Diana Angelis, Maj Mike McPherson (USAF), LCDR Sam Dowell (USN), Lecturer Mark Hladky (course coordinator), and Lecturer Luis Morales. The faculty began the discussion with a general planning, programming, budgeting, and execution system (PPBES) framework and illustrated how planning and programming supports national defense objectives and priorities. The faculty and participants then discussed how this kind of system allocates resources within a budget. The participants worked through several case studies designed to capture the process of translating top-level guidance and integrating it at lower organizational levels to create a defensible budget, implement funds control, and establish performance management and accountability in the resource allocation process.

International Defense Management Course (IDMC) 14-1 Concludes

International Defense Management Course (IDMC) participants graduated 13 December in a ceremony that DRMI faculty and staff held in the Herrmann Hall Barbara McNitt Ballroom. The IDMC began on 7 October and had 37 participants, 35 of whom are internationals (the two U.S. participants were members of the U.S. Marine Corps and the DRMI faculty). Participants came from the following countries: Albania, Armenia, Belize, Bulgaria, Czech Republic, Jordan, Latvia, Lebanon, Liberia, Lithuania, Macedonia, Malawi, Maldives, Morocco, Nepal, Pakistan, Romania, Saudi Arabia, South Korea, South Sudan, Sri Lanka, the United States, and Uruguay.

Multiple-Criteria Decision Making (MCDM) Concludes

DRMI faculty concluded a Multiple-Criteria Decision Making (MCDM) course on 22 November 2013. The course began 12 November, and included 10 participants from the United States, the Dominican Republic, Lebanon, Romania, and Saudi Arabia. DRMI faculty provided lectures and case studies that participants need for developing the tools to address decision problems with many objectives, which are often conflicting. Participants applied the techniques from the course to projects of their own choosing, based on issues that their own organizations have faced.

Mobile Programs

DRMI Workshop in Kazakhstan

DRMI conducted a Strategic Budgeting workshop for 16 participants from the Ministry of Defense of Kazakhstan, 9-13 September 2013. This was DRMI’s eighth event in Kazakhstan and the most recent in a series of workshops that began in November 2007. All of these events have been funded as part of the Defense Institution Building (DIB) program, managed by OSD (Policy). DRMI is proud to support this program and looks forward to continuing its involvement with both Kazakhstan and DIB.

DRMI conducts Resources Management Course (RMC) in Jordan

Associate Professor Jomana Amara (course coordinator), Lecturer Luis Morales, Assistant Professor Jason Hanson, and Senior Lecturer Stephen Hurst delivered a three-week Resources Management Course (RMC) for the Jordan Armed Forces from 10-27 November. The class had a good mix of participants, including 24 officers representing the various services. The DRMI faculty presented a series of stimulating lectures, case studies, and problems; this provided participants with the analytical basis for cost-effectiveness analysis, focusing on aspects of national security and decision making processes for defense resources management and allocation.

DRMI Conducts Assessment in Macedonia

Professor Francois Melese conducted an assessment of the Planning-Programming-Budgeting System (PPBS) for the Ministry of Defense of the Republic of Macedonia. In early December, Professor Melese reviewed the “Long-Term Defence Development Plan,”
Mobile Programs (cont.)

USN, was recently appointed chief of staff. NPS leadership continues to focus on providing top-quality education to U.S. naval officers along with members of other services and nations. In addition, NPS remains focused on improving its processes and procedures in light of recommendations made by the 2012 Navy Inspector General’s report. At DRMI, we continue to offer programs to enhance the effective allocation and use of scarce resources in modern defense organizations by developing participants’ analytical decision-making skills.

In Washington, D.C., our leadership continues to cope with budget uncertainty while trying to plan for current and future military operations. The Honorable Robert Hale, the Under Secretary of Defense (Comptroller) and Chief Financial Officer for DoD (and the chair of DRMI’s Policy Guidance Council) recently noted in a Defense One article that chopping defense spending at a time of budget uncertainty is “like buying an insurance policy with a greatly raised deductible—if you have to make a claim, there will be great regrets.” He went on to state that, regardless of the particular planning scenario, the enormous budget uncertainty negatively impacts the DoD; when planners examine very wide ranges of budget numbers, they face great difficulty in predicting the effect of budget cuts on military operations and readiness. He suggests that proposed cuts will “substantially risk force readiness, reduce procurement along with investment in research and development, and threaten recruitment and retention of mid- and junior-level talent.” However, Mr. Hale remains “cautiously optimistic” that “negotiators in Congress will come up with a ‘micro-deal’ that would lift some of sequestration and perhaps limit defense cuts to $20 billion-$25 billion rather than the $50 billion required under the 2011 Budget Control Act.” Perhaps more today than at any other time, DoD must make wise use of defense resources.

Research and Publications

Hansen and Lipow Publish

Assistant Professor Jason Hansen and Associate Professor Jonathan Lipow published an article entitled “Accounting for systematic risk in benefit-cost analysis: A practical approach.” It appears in Volume 4, Issue 3 of the Journal of Benefit Cost Analysis.
grant from the Defense Security Cooperation Agency (DSCA) to identify measures of effectiveness for security cooperation programs. This research will develop a framework for measuring selected security cooperation programs’ effectiveness. The research will begin by identifying the goals and specific objectives that each program is intended to achieve, and the researchers will recommend data collection methods to measure outcomes and answer questions that relate directly to those objectives. Identifying metrics will enable DSCA to quantify the effectiveness of specific programs, which include both hard and soft power. Over the long term, gathering the right metrics can help DSCA identify the most cost-effective programs.

Lipow, Simon, and Seifert Publish

A paper by Dr. Jonathan Lipow and LCDR Anthony Seifert, “Pareto superior reform of the U.S. military retirement system,” was accepted for publication at Defense and Peace Economics.

Angelis and McNab Study Computer Based Training

Dr. Bob McNab and Dr. Diana Angelis completed work on a paper titled “Does computer-based training impact maintenance costs and action? An empirical analysis of the U.S. Navy’s AN/SQQ-89(v) sonar system.” They have submitted the paper for publication.

Regnier Participates in OPNAV Sponsored Logistics-Centric Game

The Office of the Chief of Naval Operations (OPNAV) sponsored the Logistics-Centric Game (LCG) 2013, 19-20 November at the Center for Naval Analysis in Alexandria, VA. This war-game’s overall objectives were to identify and stress logistics vulnerabilities on joint force power projection, enhance and inform war fighter awareness to criticality of logistics continuity, and identify logistics factors of concern to inform policy and programmatic decisions. Fuel logistics continues to be a key vulnerability and DoD has not modeled or adequately considered these logistics in their processes.4 According to Ms. Sharon Burke, Assistant Secretary of Defense of Operational Energy Plans and Programs (ASD OEPP), DoD is preparing for anti-access/area-denial, which will put the supply chain “fully in play in the battle field.”5

Participants came from the Defense Logistics Agency (DLA), U.S. Transportation Command (TRANSCOM), Military Sealift Command (MSC), Naval Supply Systems Command (NAVSUP), Joint Staff, and the following OPNAV groups: Fleet Readiness and Logistics (N4), Policy, and Operations (N3/N5), Deputy Chief of Naval Operations (DCNO) for Information Dominance (N2/N6), DCNO Resources, Requirements, and Assessments (N8), and the DCNO for Warfare Systems (N9), among other organizations. OPNAV asked Dr. Dan Nussbaum and Dr. Regnier to participate as representatives of the Naval Postgraduate School’s Energy Academic Group (EAG). Dr. Nussbaum serves as the chair of the EAG, a new NPS academic group. For more information on the EAG, please see the following website: http://nps.edu/energy.

In addition to its relationship to risk and logistics in the DRM1 curriculum, the LCG is highly related to Dr. Regnier’s research on the fully burdened cost of supply under threat. In 2013, Drs. Regnier and Nussbaum advised an MS thesis titled, “Resource burden of logistics to navy ships under threat scenarios”6 and have worked for several years researching the fully burdened cost of fuel logistics. (Endnotes on page 8.)

Regnier Publishes

Dr. Eva Regnier co-authored an article with Steven Shechter that examines the challenge that medical decision making faces when predicting disease progression, for example HIV. The paper compares the errors associated with sampling error due to sparse data with the errors associated with reducing the model size, which is a common way of dealing with limited data. The authors show that reducing model size often induces larger errors than sampling, and creates a bias to overestimation of remaining lifetime for patients in poor health states, and underestimating remaining lifetime for patients in better health states. Regnier and Shechter recommend using larger model sizes and using interpolation to estimate model parameters when data are sparse.


Regnier Facilitates Energy Executive Education Course

Dr. Eva Regnier served as a facilitator on the Energy Executive Education course 23-27 September at the Naval Postgraduate School. A diverse mix of naval officers, senior enlisted, and DoD civilians attended the course. The Energy Academic Group (EAG) and Cebrowski Institute tailored the course to empower senior leaders to foster cultural change in support of Secretary of the Navy Ray Mabus’ energy security goals and initiatives. This was the second course to take place in 2013 and leadership hopes to continue them periodically in the future.

DRMI Faculty Develop Financial Management Certification

Managing resources in today’s fiscal environment is a tough job and by all accounts it is only becoming more difficult. Recognizing this, in 2011 the Undersecretary of Defense (Comptroller), Mr. Robert Hale, launched an initiative to ensure Department of Defense (DoD) Financial Managers are prepared to assist decision makers across the DoD. The initiative is the DoD Financial Management Certifica-
Future Course Dates

- **13-24 Jan**
  Human Capital Resources Management (HCRM)

- **27 Jan – 7 Feb**
  Risk Management Course

- **10 Feb – 18 Apr**
  International Defense Management Course (IDMC)

- **17-21 Mar**
  Performance Management and Budgeting (PMB)

- **21 Apr – 2 May**
  Risk Management Course

- **21 Apr – 15 May**
  Defense Resources Management Course (DRMC)

- **19 May – 13 Jun**
  Defense Resources Management Course (DRMC)

- **28 May – 6 Jun**
  Budget Preparation, Execution, and Accountability (BPEA)

- **16 Jun – 11 Jun**
  Defense Resources Management Course (DRMC)

- **14-25 Jul**
  Multiple Criteria Decision Making (MCDM)

- **4-28 Aug**
  Senior International Defense Management Course (SIDMC)

- **3-26 Sep**
  Defense Resources Management Course (DRMC)

Research and Publications (cont.)

Future Course Dates / Research & Publications

- Future Course Dates
- Research and Publications (cont.)

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Melese, Richter, and Webb work on NATO Building Integrity Initiative

Professor Melese wrote the opening remarks and Dr. Anke Richter and Dr. Natalie Webb edited the North Atlantic Treaty Organization (NATO) Building Integrity Conference Proceedings, which DRMI published and NATO headquarters distributed to allied and partner countries. With the support of NATO and the Office of the Secretary of Defense (OSD)-Policy, DRMI organized the conference, which took place in Monterey, CA February 25-28, 2013. (Download proceedings PDF: http://www.nato.int/nato_static/assets/pdf/pdf_topics/20131111_130225-BI-conference.pdf.) An outcome of the conference was the decision to publish a second volume of the Building Integrity and Reducing Corruption in Defence: A Compendium of Best Practices as part of NATO’s Building Integrity initiative. Dr. Richter and Dr. Melese will edit this second volume and they are currently soliciting contributions from allied and partner countries. (Download compendium PDF: http://www.nato.int/nato_static/assets/pdf/pdf_topics/20120607_BI_Compendium_EN.pdf.)
evaluate alternative methods of financing Foreign Military Sales (FMS) transactions.

**Webb Presents Papers at Conference**
Associate Professor Natalie Webb presented two papers at the Association for Research on Nonprofit Organizations and Voluntary Action annual conference in Hartford, CT 21-23 November. They were titled as follows: “De-standardizing fundraising ratios again: One size does not fit all,” which used the case study of military and veterans’ nonprofits in comparison with other groups to shed light on the use (and misuse) of fundraising ratios as standards for performance and conduct of nonprofits and “How early experiences of voluntarism impact intellectual approaches as an academic economist.”

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**DRMI Faculty Service**

**Hansen Reviews Articles**
Dr. Jason Hansen reviewed journal articles for the *Journal of Hydrology* and *Water Resources Research.*

**Lipow Teaches Economics of National Security**
During the fall quarter, Dr. Jonathan Lipow taught a class on the economics of national security (NS 3040) for the NPS National Security Affairs Department. Students came from all branches of the U.S. armed forces, as well as from Yemen, Uganda, and Turkey.

**Lipow Publishes Book Review**

**Sullivan Teaches Economics of Global Defense Environment**
During the fall quarter, Assistant Professor Ryan Sullivan taught GB3070, Economics of the Global Defense Environment in the Graduate School of Business and Public Policy at the Naval Postgraduate School.

**Melese Reviews Swiss National Science Foundation Grant**
The Swiss National Science Foundation (SNSF) asked Professor Francois Melese to review a grant application for a major international research project in order to receive funding. The official request stated, “The Swiss National Science Foundation is the most important funding agency in Switzerland and is responsible for the scientific evaluation of research proposals. In order to ensure the objectivity of its selection procedures, the SNSF relies on the help of external experts who are internationally recognised and active in the research fields of the projects submitted for evaluation.” For more information on the SNSF, please see the following website: http://www.snf.ch/E.

**MacKenzie Reviews Singapore National Research Foundation Funding Proposal**
Assistant Professor Cameron MacKenzie reviewed a major international research funding proposal on behalf of the Singapore National Research Foundation (NRF). The Singapore NRF is a department within the Prime Minister’s office dedicated to setting the national direction for research and development.

**MacKenzie Reviews for Journals**
Dr. Cameron MacKenzie reviewed submissions for two journals: *Risk Analysis* and *IIE Transactions.*

**Angelis and McNab Advise Future DRMI Military Faculty Member**
Dr. Diana Angelis and Dr. Bob McNab advised a future DRMI military faculty member, Maj Jan-Hendrik Zurlippe, who completed his Master’s at NPS in December. Maj Zurlippe developed a total compensation model for a Peacekeeping Brigade (PKB) that extended traditional compensation cost models by including not only active duty costs, but also retirement benefits. By doing so, the model allowed decision makers to evaluate the long-term consequences of compensation and force structure alternatives. This research applied the model to a real-world case, the PKB, and he will present his results to the Armenian Army in 2014.

**NPS Faculty Elect Lipow to Scholarship Committee**
The NPS faculty elected Dr. Jonathan Lipow to a position on their Scholarship Committee for a three-year term.

**Webb Serves on Board and Reviews Articles**
Associate Professor Natalie Webb, an editorial board member of the journal *Nonprofit Management and Leadership,* attended the annual board meeting in Hartford, CT on 21 November.

Associate Professor Natalie Webb reviewed articles for *Nonprofit Management and Leadership,* and *Nonprofit Voluntary and Sector Quarterly* in the last quarter.

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**Faculty and Staff News**

**DRMI Welcomes Bertelsen to Faculty**
DRMI welcomed Peter Bertelsen, Lecturer, to the faculty in October. Peter earned his BA in History from the University of California, San Diego (1992) and his MBA in International Management from the Thunderbird School of Global Management (2001). He came to DRMI from the Naval Postgraduate School’s U.S. Partnership for Peace (PfP) Training and Education Center (USPTC) Program Office where, since 2010, he developed and managed security cooperation programs (workshops and short courses), engaging NPS faculty to address U.S. Combatant Command (COCOM) objectives in partner countries. He has participated in the delivery of partner capacity building and defense institution building programs in the following nations: Armenia, Bosnia-Herzegovina, Chile, Moldova, Montenegro, Portugal, Romania, and Uzbekistan. Previously, he spent more than 15 years in program development and project management roles in the private sector. Most recently, he led an economic development corporation in southwestern Montana, where he managed multi-million dollar community development revolving loan funds and a consulting program focused on assisting high growth potential organizations with business planning and strategy development. Having lived in both Spain and Denmark, Peter is conversant in Spanish and Danish.
Faculty and Staff News (cont.)

Armey Awarded Meheroo Jussawalla Research Prize

Dr. Laura Armey, along with coauthor, Dr. Laura Hosman, received the Pacific Telecommunications Council’s (PTC) 2014 Meheroo Jussawalla Research prize for their paper “The centrality of electricity for Internet uptake in low-income countries.” The PTC awards the Meheroo Jussawalla Prize to the best participant research paper at the annual PTC conference. The prize is named in honor of international telecommunications scholar, Meheroo Jussawalla. It is open to all participants at the annual conference with research papers accepted for presentation.

DRMI Welcomes Bailey’s Return to the Department

DRMI welcomed the return of Ms. Kathleen Bailey, Research Associate, to the DRMI faculty. She received her Bachelor of Arts in English and Environmental Studies from Alfred University in 2001, her Master of Arts in International Environmental Policy from the Monterey Institute of International Studies (a graduate school of Middlebury College) in 2005, and her Master of Arts in Security Studies: Western Hemisphere from the Naval Postgraduate School (NPS) in 2011. Dr. Bob McNab of DRMI and Dr. Chris Twomey of the National Security Affairs department served as her thesis advisers. Her thesis employed an econometric model and examined whether Sino-Brazilian trade and investment significantly influenced Brazil’s voting affinity in the United Nations General Assembly. She has published co-authored articles with Dr. McNab in The DISAM Journal of International Security Assistance Management and in Security and Defense Studies Review. Her research interests include environmental security, energy, climate change, economic reform, and national security (both at the global and the U.S. level). Ms. Bailey first joined DRMI in June 2004, receiving a promotion to Research Associate in January 2006. After spending the last year working with a nonprofit environmental group in Santa Cruz and supporting the Center for Civil Military Relations on various projects, she returned to DRMI in October. She also serves as a Writing Coach in the Naval Postgraduate School’s Graduate Writing Center, located in the Dudley Knox Library.

Future DRMI Marine Corps Faculty Member Wins Award

Maj Jan-Hendrik Zurlippe, U.S. Marine Corps, received the 2013 Fall Quarter United States Marine Corps Superior Service Award for outstanding academic achievement and superior service. Following his graduation from NPS, Maj Zurlippe will become DRMI’s newest U.S. Marine Corps faculty member.

Endnotes

2. Ibid.
3. Ibid.
Recent DRMI Graduates
Recent DRMI Graduates (cont.)
Recent DRMI Graduates (cont.)

Kazakhstan Strategic Budgeting Workshop

Additional DRMI Photos

Eva Regnier at Energy Executive Conference (U.S. Navy photo by Shawn J. Stewart)
Additional DRMI Photos (cont.)

FAO-CA Social Attendees

FAO-CA Social Attendees

FAO-CA Social Attendees

Minister of Defense and State Secretary (Macedonia)

IDMC 14-1 at the Capital

Macedonia MoD PPBS Assessment