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DRMI Newsletter

Defense Resources Management Institute, Naval Postgraduate School, Monterey, California

Issue 16

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Feature Article

Evaluating Executive Performance in the Public Sector, by Dr. Natalie Webb

Introduction



All over the world, and at all levels of government, Performance Based Management Systems (PBMS) are growing both in terms of their usage and their importance. Terms like "performance management," "balanced scorecard," and "performance budgeting"

spring up in all kinds of discussions on what it means to have an effective government. This is the first of a two-part series on executive evaluation used to help leaders in government model, structure and manage top executives' evaluation systems based on results achieved. (For a more thorough treatment of this subject, (See Evaluating Executives" on page 9.)

DRMI News

DRMC 06-1 graduated on 3 February. The course included 25 participants from 10 countries, including the US.

We commenced the International Defense Management Course (IDMC 06-1) on 6 February 2006 with 42 participants from 31 countries. Among them are seven women.

DRMI conducts mobile course for NSA

DRMI conducted a mobile defense resources management course January 23 to February 3 for the National Security Agency (NSA) in the Washington, DC area. Dr Kent Wall was the course coordinator and taught in both weeks, as did Dr. George Satterthwaite. Dr. Francois Melese taught in the first week and was replaced by CDR Kevin Maher in the second.

El Salvador MIDMC, by Senior Lecturer Larry Vaughan

DRMI conducted a Mobile International Defense Management Course (MIDMC) in San Salvador, El Salvador from 13-24 February 2006. The DRMI faculty team consisted of Dr. Jim Airola, Dr. Diana Angelis, Senior Lecturer Don Bonsper, Senior Lecturer Phil, Costain, CDR Kevin Maher, Dr. Anke Richter and Senior Lecturer Larry Vaughan (team leader). This was the sixth course presented by DRMI in El Salvador since 1991. The class consisted of 38 highly motivated participants made up of 17 military and 21 civilians. One civilian represented the Ministry of Defense and the remaining 20 came from ministries and departments of the Environment, Legislative Assembly, Finance, Foreign Relations, Government, Economics, Education, Health, General Procurement, Tourism and a private university. This mix of participants (14 females and 24 males) created a powerful dynamic for small group discussions.

High-level interest and support for the course was evident by the attendees at the opening and closing ceremonies. General Jorge Molina Contreras, the Inspector General, opened the course and appealed to the participants to make

good use of the knowledge they would receive, noting that the future of El Salvador was, in part, dependent on their abilities and efforts. Prior to presenting the participation certificates at the closing ceremony, Rear Admiral Marco Antonio Palacios Luna, the Chief of Naval Operations (a former DRMI and NPS graduate), spoke to the class about the importance of implementing the tools and techniques presented during the course. He noted that he directly applied the ideas he learned at DRMI to hurricane relief operations and attributed much of the reason for his promotion to flag rank to the way of thinking he developed during his time at DRMI and NPS. Also present at the closing ceremony were COL Santiago, the MILGRP Commander, and Ms. Annie Schwartz from the MILGP.

DRMI's presentation of key economic concepts and analytical tools combined with various lectures and exercises on public budgeting have had an impact on the government of El Salvador. The lecture on Transparency and Accountability and the follow-on discussion period were well received as a topic of great importance. Participant comments were positive regarding the conduct and content of the two-week course.

Guatemala MIDMC, by Dr. Peter Frederiksen

Dr. Peter Frederiksen led the 5th Mobile International Defense Management Course (MIDMC) in Guatemala, 13-24 March 06. Dr. Francois Melese and Dr. Jomana Amara joined him in the first week. LTC Luis Morales, USA, and Senior Lecturer Steve Hurst replaced Drs. Melese and Amara for the second week. The twenty-five participants included an air force colonel, and 20 army lieutenant colonels from various parts of the Guatemalan Defense Forces. The four civilians were from the Ministry of External Relations, the Secretariat for Strategic Analysis, the Department of Defense Policy, and the Department of Internal Development.

As in 2004, the faculty stayed at and conducted the course in the Guatemala City Marriott, which, as always, provided excellent support and facilities. The Guatemalan military is slowly getting a smaller and smaller share of the national budget, so the course topic - the allocation of scarce resources - seemed very timely and appropriate.

COL Wilkins, USA, MILGP Commander opened the course and was accompanied by MAJ Frank

Ferraro, USAF and Ms. Flor de Maria Santizo, the training assistant at the MILGP. The MILGP provided great support to the team.



Guatemalan MIDMC participants

COL Barrios Ortega, Guatemalan Air Force represented the Chief of Staff at the closing ceremony. After he received his diploma, he was invited to hand out the diplomas to the rest of the class. LTC Morales gave the closing remarks in Spanish on behalf of DRMI.

Albania MIDMC, by Associate Professor Robert M. McNab

DRMI just concluded a Mobile International Defense Management Course (MIDMC) in Tirana, Albania from 3 to 7 April 2006. DRMI faculty team members consisted of Dr. Robert M. McNab (coordinator), Senior Lecturer Don Bonsper, and Lecturer Al Polley. This was the first course presented by DRMI in Albania and the first one-week MIDMC.



Albanian MIDMC participants

The class consisted of 17 participants, including a senior representative from the Albanian General Staff and a member of Parliament. Partici-

pants ranged from the rank of major general to captain, and included representatives from Albania's J5, J6, and J7. The course elicited a great deal of interest in that Albania is currently developing a

Planning Programming Budgeting Execution System (PPBES). Discussions inside and outside of class focused on asking the right questions and the development of tools and concepts in support of Albania's program of modernization and the goal of NATO membership.

High-level interest and support for the course was evidenced by the closure of the course by Deputy Defense Minister Karabina and the U.S. Deputy Chief of Mission (DCM) Steven Zate. Both Deputy Minsiter Karabina and DCM Zate noted the DRMI course's contribution to ongoing defense reform, to fighting against corruption, and to increasing the capability of the Albanian armed forces in the Global War on Terror.

IDMC 06-1 Travels and News

The 42 participants of IDMC 06-1 had a successful tour of the Monterey Peninsula, to include Point Lobos, on February 11. On March 14-19, the participants traveled to Washington, DC with escorts LtCol Chris Page, Dr. Eva Regnier, Mr. Scott Ramos, Dr. George Satterthwaite and Ms. Mary Jo McDonough. They toured the National Capitol, Arlington Cemetery and the Smithsonian Museums. They received briefings from Congressional staffers, Pentagon officials, the State Department and the Institute for Defense Analyses.



Wg Cdr Imran Baig from Pakistan and Dr Plamenka Makedonska from Macedonia sightseeing in the nation's Capitol

The participants will host a farewell party on April 17 for their community hosts, and DRMI will host a graduation luncheon on April 19.

Participant News

A note from Major Remus Costan (IDMC 02-1)

Dear Eva,

It is great to find out news from you. I'm still teaching decision-making theory and PPBES in our Center. Due to my promotion, Chief of Education Planning Office, I've reduced my presence in the classroom as much is necessary. We started last year a new program related to Chief Information Officers with NDU from Washington D.C. Now we are in the phase to start the first class. So, a lot of things to do.

I am involved in a Ph.D. program in Electrical Engineering and Computer Science, still have two years more for papers and final thesis. I've started to teach also Communication and Transportation development in the rural area. This is a master degree program developed by the Transilvania State University from Brasov under European Union umbrella. This is very interesting for me and for my students because the knowledge and also because is an ADL program too.

Briefly, this is me now.

Please, pass to all the Monterey faculty the very best wishes from me and Maria.

Remus

A note from LTC Dragan Zmajevic (IDMC 05-2)

Dear Mary

Few minutes ago I received you letter with two quarters. It is very kind of you. now I have completed my collection of USA quarters. Thank you also for your wishes.

Since 1st February I have begun with diet and after 50 days I reduced my weight for 12 kilos (about 25 pounds). Now I have 103 kilos and I am feeling much better. I am going to continue with that diet maybe one month more and I ex-

pect to reach about 96 kilos (it would be ideal for my height and age). I am sending my picture with my youngest granddaughter taken a couple days ago.



LTC Dragan Zmajevic with his granddaughter

I wish all the best to all of you and especially to you.

Sincerely,
Yours Dragan

P.S. Do you have any contacts with family Georgevich (my community hosts). If you have it, please give them my warmest regards and wishes. These days I am going to write a letter for them.

Captain Grimstvedt (DRMC 01-5) appointed Commodore Admiral

Captain Bernt Grimstvedt, the Director of the Norwegian Navy Training Establishment KNM Tordenskiold, was appointed Commodore Admiral in the cabinet 17-Feb-06. Captain Grimstvedt attended the Defense Resource Management Course in Monterey, CA in August 2001. He fills the position as Chief of Norwegian Naval Education and Training.

Curriculum Development, Teaching News and Service

DRMI participants surveyed

In January, we issued a survey to all international participants since 1999 for whom we had an email address. The purpose of the survey was to determine interest in our new courses. Thanks to the many participants who responded.

The information was an important input to determining which courses to offer and when they would be offered.

DRMI Policy Guidance Council meets

The annual meeting of the DRMI Policy Guidance Council (PGC) was held at NPS on 2 March. Mr. Bradley Berkson, Director, Office of the Secretary of Defense (OSD), Program Analysis and Evaluation (PA&E) chaired the meeting. Also in attendance were Mr. Ryan Henry, Principal Deputy Under Secretary of Defense for Policy; Ms. Sharon Cooper, Assistant Director, Defense Human Resources Activity; RDML Richard Wells, President, Naval Postgraduate School (NPS) and Director, DRMI; Dr. C.J. LaCivita, Executive Director, DRMI; LTG (Ret) Robert Ord, III, Dean, School of International Graduate Studies, NPS; Mr. Timothy Bright, Director, Regional Assessments and Modeling Division, OSD (PA&E), Mr. Peter Cornell, Chief, Management Division, Defense Security Cooperation Agency; Mr. Barry Pavel, Director, Strategy, Office of the Undersecretary of Defense for Policy; and Mr. Gary Morgan, Regional Assessments and Modeling Division, OSD (PA&E).

Items on the agenda included a review of DRMI curricula and course schedules, a discussion of how to increase participation of priority countries in DRMI courses, a discussion of how to ensure that DRMI's research program addresses issues of Department of Defense (DoD) interest and a review of DRMI facilities.

The Council validated DRMI curricula and processes. They also agreed that OSD should identify broad areas of research to assist the DRMI faculty in focusing their efforts on research that addresses both curriculum development and DoD needs. In addition, they agreed on a number of steps to increase the participation of priority countries in DRMI programs. Overall, it was a very good meeting as the Council expressed its enthusiastic support for DRMI and its programs.

DRMI representatives participate in TPMRs

DRMI will send representatives to the annual Training Planning Management Reviews (TPMRs). Senior Lecturer Don Bonsper attended the PACOM TPMR in Bangkok, Thailand

and LTC Luis Morales the CENTCOM TPMR in Tampa, Florida. Lecturer Al Polley will attend the EUCOM TPMR in Grainau (near Garmisch), Germany, and Senior Lecturer Larry Vaughan the SOUTHCOM TPMR in Miami, Florida. This will be the first opportunity for DRMI to present information about its new course offerings. DRMI is looking forward to establishing new connections and renewing old ties.

DRMI to offer revised version of SIDMC

The Institute will offer a revised version of its flagship Senior International Defense Management Course (SIDMC) June 26 through July 20, 2006. This will include substantial changes to course content and emphasis. The conceptual basis for the course remains the same: the application of the analytical approach to resource allocation decisions. The content now includes more material on the interaction between planning and programming decisions. The process by which national defense goals and objectives are defined and structured will be closely examined. This information will then be used to develop a program structure. We will also examine the way in which analysis serves the decision maker within a management system built on the program structure. The use of cost-effectiveness analysis, capabilities-based planning, and risk management will be included. Participants will work through exercises and case studies in each of these areas.

Dr. Jim Airola teaching Labor Economics at NPS



Dr. Jim Airola is teaching Labor Economics in the Graduate School of Business and Public Policy at NPS this spring. The course explores issues related to military labor markets and investigates questions regarding personnel policies and incentive schemes, topics of practical importance to military decision-makers.

Dr. Diana Angelis presents tutorial at USAF Flight Test Center



Dr. Diana Angelis presented a tutorial on quality improvement methodologies, including "Lean Thinking," "Six Sigma," and "Lean Sigma" to senior leadership at the US Air Force (USAF) Flight Test Center on 24 Mar 06. Dr. Angelis, a Lt Col in the USAF Reserve, recently served on a two-week active duty tour at Edwards Air Force Base, CA.

Dr. Angelis teaching Engineering Economics and Cost Estimation at NPS

Dr. Diana Angelis is teaching SI3011, Engineering Economics and Cost Estimation in the 2006 spring quarter. The class is part of the Masters in Systems Engineering program offered through the Department of Systems Engineering at NPS. The course is offered via video tele-conference (VTC) and includes students from Virginia Beach, VA, Louisville, KY, San Diego, CA and Port Hueneme, CA. All the students are pursuing their graduate degree while working full-time for the Navy.

In the 2005 fall quarter, the Department of Systems Engineering recognized Dr. Angelis for outstanding teaching.

Dr. Jim Blandin appointed to MOVES review group



Dr. Leonard Ferrari, the Dean of Research at NPS, appointed Dr. Jim Blandin to serve on a four-member faculty program review group for the Modeling, Virtual Environments and Simulation (MOVES) Institute at NPS. The purpose of the review group is to provide an independent review of the MOVES Institute teaching and research programs for the Dean of Research.

Senior Lecturer Don Bonsper participates in Principles of Defense Acquisition Management



Senior Lecturer Don Bonsper participated in the March offering of the Principles of Defense Acquisition Management presented by the International Defense Acquisition Resource Management (IDARM) Program. He gave lectures on Budget Systems Design and the Planning Programming Budgeting and Execution (PPBE) Process.

Programming Budgeting and Execution (PPBE) Process.

Dr. Francois Melese gives keynote address at EAPC meeting



Dr. Francois Melese was invited to give a keynote address at the Euro-Atlantic Partnership Council (EAPC) meetings (1-2 March) in Yerevan, Armenia. Several times per year NATO Headquarters invites a team of experts from NATO partner countries to assist aspiring members. This particular EAPC Economic Committee Session was entitled "Economic Aspects of Security: Improving the Governance of the Defence Sector."

Dr. Melese's keynote talk was entitled "The Optimal Evolution of Defense Management and Budgeting in Transition Countries." He was also official "Rapporteur" of the session called "Good Governance and Improvement in Resource Management and Defence Spending." The meetings were attended by the Deputy Minister of Foreign Affairs of Armenia, the Director of the European Commission's "Office of Cooperation," The Head of Georgia's Regional Economic Cooperation Division, First Secretary of the Ministry of Foreign Affairs of Belarus, various NATO Ambassadors to Armenia, as well as representatives from Romania, Moldova, Croatia, Austria, the UK, Bulgaria and other countries from the region.

LtCol Chris Page conducts course in Practical Marine Corps Comptrollership



LtCol Chris Page conducted the semi-annual short course in Practical Marine Corps Comptrollership from 27 Feb through 3 March 2006. The course provided a practical working application/ knowledge of all areas of Financial Management within the Department of the Navy as well

as a current update on Marine Corps Appropriations. It also hosted Dr. C.J. LaCivita, Dr. Natalie Webb and Dr. Jim Morris with special lectures in Planning, Programming and Budgeting, Performance Measurement and Organizational Behavior. Twenty-seven students from various Marine Corps activities participated in this offering. A second course offering will be conducted 8-12 May 2006.

Dr. Eva Regnier teaching Basic Quantitative Methods in Management at NPS



Dr. Eva Regnier is teaching a new course in the Graduate School of Business and Public Policy at NPS in the spring quarter of 2006. The course, titled "Basic Quantitative Methods in Management," introduces the mathematical basis required for advanced management and cost-benefit

analysis. Math topics include algebra, graphs, differential calculus, including both single and multiple variable functions, and indefinite and definite integrals. Management concepts include cost-benefit and cost-effectiveness analysis, marginal analysis, unconstrained and constrained optimization, and welfare analysis.

Dr. Natalie Webb presents workshop at Pacific Command

Dr. Natalie Webb presented a four-hour workshop on performance planning in government to Navy captains and equivalent-ranking civilians at Pacific Command in late January. The course was developed through and delivered by the Center for Executive Education at NPS, at the request of the Deputy Director of Intelligence, Rear Admiral Andrew Singer, U.S. Pacific Command.

Staff and Faculty News

Lt Col Fred Bellamy, USAF, joins DRMI faculty



Fred Bellamy, Lt Col, US Air Force, joined the DRMI faculty in January 2006. His last assignment was at the Air Force Institute of Technology (AFIT), Wright-Patterson Air Force Base (AFB), Ohio, where he served as the Director of Requirements. During his three-year assignment at AFIT, he was responsible for developing future year funding requirements, strategic, institutional and security plans. Throughout his diverse career, he has served in various cost, budget, audit and plans positions in both the active and the reserve components. He received his Bachelors degree in Business Administration from California State University, Sacramento (1984) and his Master of Arts degree in Management from Webster University, St. Louis Missouri (1990). He completed Air Command and Staff College in Residence, Maxwell Air Force Base, Alabama in 2000. He is married and has one teenage daughter.

Dr. Robert McNab promoted to associate professor



Dr. Robert McNab received a promotion to associate professor. The announcement read, "This promotion and award of tenure is in recognition of his excellence in teaching, his internationally recognized research, and his contributions to curriculum development. His teaching is excellent, and he is adept at facilitating the small group discussions that are integral to all DRMI programs. His teaching in NPS graduate courses is outstanding as well. He led the development of a new short course at DRMI and participated in the development of two others. His research in the areas of the economics of the public sector and the economics of defense has resulted in important contributions to the literature and a growing international reputation."

Lecturer Al Polley receives MA in International Relations



Lecturer Al Polley received a Master of Arts in International Relations upon completion of the Global Masters of Arts Program offered by the Fletcher School of Law and Diplomacy at Tufts University. Mr. Polley wrote a thesis entitled "Lessons Learned from Swedish Pension Reform applied to U.S. Social Security Reform." Mr. Polley reports, "The program combined three two-week resident sessions with internet-based courses in Transnational Social Issues, Security Studies, International Organizations, Leadership and Management, International Negotiation, International Trade Economics and Investment, International Finance, and International Politics. The 33 graduates represented 12 countries--Belgium, Bulgaria, Cameroon, Chile, Greece, Hungary, Indonesia, India, Mongolia, Taiwan, U.K., and the U.S.--so was similar in ways to a typical DRMI class! However, unlike a DRMI course, there were tests and grades to contend with! (@#\$\$%^&)."

Dr. Natalie Webb participates in Navy Distinguished Visitor Program

In late January, Dr. Natalie Webb participated in one of the Navy's Distinguished Visitor's Programs, embarking on the USS Abraham Lincoln (CVN 72, a nuclear-powered carrier) for a 24-hour educational experience. The tour included surviving an arrested landing (105 to 0 mph in two seconds) and a catapult assisted takeoff (0 to 128 mph in three seconds) from the carrier. Dr. Webb says she had a great time and would do it again anytime, if given the opportunity!

Conference Presentations, Research and Publications

Defense and Security Analysis to publish paper by Drs. Airola and Melese

Airola, Jim and Francois Melese. (2006). *Managing Defense Infrastructure: The Case of Military Housing*. Defense and Security Analysis. Forthcoming.

Drs. Jim Airola and Francois Melese collaborated to write "Managing Defense Infrastructure: The Case of Military Housing," which will appear in the forthcoming issue of Defense and Security Analysis. The paper provides an analytical framework to assess the tradeoffs involved in the decision to provide military housing or housing allowances to active service members.

Senior Lecturer Don Bonsper attends Korea Security Assistance Conference

The Korea Security Assistance Conference was a first ever attempt by a country to bring the military departments and selected US Department of Defense (DoD) schools to one country to explain what training and education opportunities are available. It lasted a day and a half, with day one being devoted to presentations by all of the visitors, and the morning of the second day being devoted to one-on-one sessions between the schools and interested Korean training officers. Both Korean Navy and Air Force training officers expressed an interest in DRMI programs. DRMI looks forward to increased Korean participation in future courses.

Dr. Jim Blandin invited to participate in conference on privatizing national security

Dr. Jim Blandin has been invited to participate in a conference roundtable on Understanding the Privatization of National Security. The conference will be held in Chicago May 11-12 and is sponsored by the American Bar Association Standing Committee on Law and National Security and the National Strategy Forum, McCormick Tribune Foundation.

Drs. LaCivita and Amara attend 39th annual DoD Cost Analysis Symposium



Dr. C.J. LaCivita, DRMI Executive Director, and Dr. Jomana Amara attended the 39th annual DoD Cost Analysis Symposium (DODCAS) held in Williamsburg, Virginia, 14-17 February. The theme for this year's symposium was "DoD Business Practices and Processes." The symposium

consisted of two plenary sessions and four concurrent tracks. The first plenary session, DoD Acquisition: Vision for the Future, chaired by

Honorable Kenneth J. Krieg, Under Secretary of Defense for Acquisition, Technology and Logistics, addressed the challenges the acquisition community will face due to the DoD's transformation. The panel consisted



of Admiral Edmund P. Giambastiani, Vice Chairman of the Joint Chiefs of Staff, LTGEN (Ret) George K. Muellner, President of Advanced Systems for Boeing Integrated Defense Systems, and LTGEN (Ret) Ronald T. Kadish, Vice President and Partner, Booz Allen Hamil-

ton. The second plenary session, Logistics Transformation, addressed the transformation of logistics due to a variety of changes taking place in the DoD. The themes for the four concurrent tracks were DoD Business Processes, The Acquisition Process, Cost Estimating and Resource Processes, and Cost Analysis: Data Sources and Analytical Tools. It was a stimulating and useful conference.

Drs. Webb and Blandin publish paper on evaluating public sector performance

For an abbreviated version of the paper, please see "Feature Article."

Webb, N.J., & Blandin, J. (2006). Evaluating executive performance in the public sector. *International Public Management Review*. 7(1), 98-117.

Future Resident Courses

Budget Preparation, Execution and Accountability (BPEA): 7-16 August 2006

This eight-day course provides the foundation for preparing and executing the defense budget. Generic Planning Programming Budgeting Execution System (PPBES) will be used to illustrate how planning and programming support national defense objectives and priorities. Case studies illustrate how PPB guidance is integrated to create a budget, implement funds control, and establish performance management and accountability in the resource allocation process.

Multi-Criteria Decision Making (MCDM): 24 July-4 August 2006

This ten-day course develops a method of approach to support decision making by managers in defense organizations. The focus is on practical application to management decisions involving many organizational objectives. Emphasis is placed on (i) formulating the problem (ii) understanding the analytical process involved in evaluating potential solution alternatives; and (iii) interpreting the results of the analysis in support of choosing a solution. Practical examples from defense resource allocation problems will be provided and each participant will be required to apply the approach to a decision problem of current interest to their MoD. This exercise will serve as a foundation for further work on this problem once they return to their organization.

Financial Integrity, Accountability, and Transparency (FIAT): Date to be announced

This eight-day course explores how the principles of good governance and the concepts of integrity, accountability and transparency can reduce the negative impact of corruption in government. Additionally, it introduces management and economic concepts in order to understand how corruption reduces government efficiency and effectiveness. Tools for enhancing transparency will be discussed including budgeting processes, accounting principles and management systems. Issues related to external aid and NGO's will also be explored.

Streamlining Government through Outsourcing, Privatization, and Public-Private Partnerships (SGOP): Date to be announced

This five-day course leverages economic and management tools to improve the structure and functioning of defense operations and support activities. International examples of successful outsourcing contracts, privatizations, and public-private partnerships will be presented, along with a discussion of pitfalls to avoid. Each participant will be given the opportunity to develop a Strategic Proposal to bring home to their Ministry of Defense. This final exercise will serve as a model for implementing positive changes that benefit the national budget and national security.

Base Realignment, Closure, and Economic Redevelopment (BRCER): Date to be announced

This ten-day course focuses on the economic concepts used in selecting military facilities for closure, realignment and to promote economic redevelopment. Case studies will be used to illustrate the link between strategic plan, military capabilities and program budgets. Cost-Effectiveness analysis, estimating environmental costs, risk analysis and the process of economic redevelopment will be discussed in a wide variety of international settings. Examples of successes and failures will be examined in order to develop a set of principles that can be applied in the context of the participant's own nation.

Evaluating Executives (Continued from Page 1.)

see the publication (in press) under the same title by Webb, N.J. and Blandin, J. at www.ipmr.net.)

At national levels, governments and private institutions have embraced a performance management approach. Beginning as early as the 1940s, the Hoover Commission (1947) in the US began efforts to improve the efficiency and effectiveness of government.¹ Today, the same ideas are at work all over the world. The Government Performance and Results Act (GPRA) of 1993, the Bush administration's Program Assessment Rating Tool (PART), and the President's Management Agenda, are just three of the current initiatives challenging US government managers to focus on and be accountable for results.²

Current and past initiatives on performance management push managers to measure and examine results. We suggest a model to evaluate senior executives based on results they achieve. How can this be done? Leaders of organizations must create strategic goals and objectives and cascade them from organization level to the executive's areas of responsibility. Because individual decision making and accountability plays into the success of the organization, the model takes into account the decisions and actions of the executive, and how the results of their actions contribute to the organization's success.

Setting Goals and Objectives

To help government executives find ways to reward performance with pay or other rewards, leaders first formulate a strategic plan that considers customers' and stakeholders' perspectives and strategic outcomes desired, and how the strategy will be executed.³ Leaders **must assess where** the organization **is and where it wants to be**. The strategic plan presents the desired outcomes or results of the organization. With a strategic plan in place, leaders may then turn to execution. Executives are responsible for insuring that the organization succeeds; thus, their performance must be measured relative to achieving organizational outcomes. Their objectives should be directly tied (cascaded) from high-level organizational goals and objectives. In other words vertical alignment of outcomes is necessary. Rather than focusing on competencies required, such as Homeland Security's list of competencies: "technical competence, critical thinking, cooperation and teamwork, communication, customer service, managing resources, representing the agency, achieving results, leadership, and assigning, evaluating and monitoring work,"⁴ executives need to be evaluated on the attributes that contributed to or the results they achieved in light of organizational goals.⁵

In addition to vertically-aligned goals, horizontal alignment matters as well (Casey and Peck, 2004). Cross-organizational awareness can avoid situations where people with clear goals and the motivation to achieve them plow ahead, creating unintended negative consequences for others.⁶

How can horizontally and vertically aligned goals be created? Working together, senior leaders associate organizational goals with results in terms of individual performance (quality, quantity, cost, timeliness, etc.). They go through an exercise, perhaps iteratively, thinking about defining big results in terms of the aggregation of a series of smaller results.

The model: Tying the strategy to performance evaluation

Smaller results rolling up to big results can be visualized in an objectives hierarchy. Big results, which may be characteristics, tasks, or outcomes at a higher level, must cascade down the hierarchy to measurable results or outcomes of effort or action. By tying organizational

measures of performance to executive objectives, down to the level of measurability on specific key factors, executives can see what is needed to "roll up" to success, both in terms of the executive's evaluation and reward, and in terms of achieving the organization's higher-level goals and objectives.

Suppose success for a service organization is defined through the achievement of the following goals:

- provide responsive, best value services consistently to customers
- structure internal processes to deliver customer outcomes effectively and efficiently
- make sure the workforce is empowered and enabled to deliver services both now and into the future, and
- manage resources for the best customer (or taxpayer) value

The top level of the hierarchy, then, is stated here in terms of goals.

(see Figure 1 in Appendix)

An executive might then break each of these down by suggesting how the goals might be achieved. This is the point where stating objectives (performance measures) becomes more detailed and complex. *Rather than stating qualities of the executive, such as leadership, the hierarchical process must drive executives to define performance measures that really matter - that is, measures that are measurable and realistic.* The executive being evaluated should define how to do the work, and, with top leadership, together define what to do.⁸ The executive, at this stage, might say something like, "I believe that we can provide responsive, best value services consistently to customers if we can:

- Provide an answer to their initial queries within 24 hours, and
- Reduce levels of authorization to no more than three, and
- Provide requested items within one week, within 5% of quoted price."⁹

The second level may be obtained by formulating specific individual objectives. In our example, the three objectives that have to be met are framed as end states. Rather than holding an executive to 100% achievement of these, the

objectives can be measured in terms of degrees of success. One measure or metric, for example, might be the percentage of initial queries answered within 24 hours. Figure 2 shows how this next level of the hierarchy may look.

(see Figure 2 in Appendix)

This may be the final level of evaluation for the executive on these tasks, where measures of success are defined by the percentages achieved. Or perhaps the executive and leaders continue down the hierarchy, where various tasks, responsibilities, and outcomes that can be better evaluated are used and help determine what actions or strategies "roll up" to meet organization and individual objectives.

Pursuing detail in the sub-objectives at each level results in a relevant set of objectives for the executive. For each supporting objective, the executive and his evaluators continue to build the hierarchy by developing more detailed definitions of each objective. To evaluate effectively, the hierarchical process stops only when a way of measuring things becomes clear (even if it is subjective).

Two examples illustrate how performance measures are used in the model. In the simplest case, suppose one of an executive's objectives was to reply to customer requests within 24 hours. If she met that objective 89% of the time, a score of 0.89 is applied. In a more difficult example, suppose an executive's evaluator wants to measure effective communications.¹⁰ To determine if the customer or the executive's boss thinks the executive communicates effectively, it may be necessary to collect information on typical measures of "success" in communication. These may be frequency of communication, accessibility of the information, content of the information, and the method used to communicate. (Because much of what a senior executive does is subjective, it is likely that some measures of performance will come from employee surveys or interviews, or subjective assessment of an executive's skill or talent in executing the responsibility and achieving a desired result.) If the executive receives a subjective measure from the evaluator or through surveys with the customer of say, 75%, then a score of 0.75 can be applied to this "result." In this way, attributes used in many areas (multitasking) can be accounted for and rewarded in some manner.

This example shows that at each level of the model, each characteristic, task, or responsibility desired fits under the purpose it serves. An effective executive is one who contributes substantially towards achievement of the top-level goals. The model shows a method for drilling down to measurable objectives, where some of the objectives can be subjective and measured in a way to quantify performance.

To construct an overall measure of effectiveness (MOE) of an executive, the evaluator must have set priorities, or weights, at each level of the hierarchy. For example, if each of the four top-level objectives contributes equally to the organization's success, each of them receives a weight of 0.25. Then, using the analytical hierarchy process, each attribute or score is multiplied by the weighted objective to result in an MOE. For an extended discussion of the analytical hierarchy process, see the MOE literature; for example, Miser and Quade, 1985, Keeney, 1992, or Keeney and Gregory, 2005.

Again using a simple example, suppose an executive is held accountable for contributing to two higher-level objectives, X and Y. The executive and his evaluator have agreed they are equally important, so they each receive a weight of 50%. The executive is measured on his contribution to the success of each higher-level objective with one performance measure. The executive received scores of 90% and 70%, respectively, on the performance measures for achieving X and Y. The model for this executive would be as shown in Figure 3.

(see Figure 3 in Appendix)

The measure of effectiveness of this executive would be calculated as:

$$\text{MOE} = 0.5(0.9) + 0.5(0.7) = 0.8$$

Other executives could be measured by rolling up their performance measures in the same manner.

In next quarter's edition of this newsletter, we'll discuss how to use the model, pitfalls associated with the model, and implementation issues related to the model.

References:

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Keeney, R. 1992. Value-Focused Thinking, Harvard University Press.

Keeney, R. and R. Gregory. 2005. "Selecting Attributes to Measure the Achieve-ment of Objectives." Operations Research, 53/1:1-11.

Miser, H.J. and E. S. Quade, eds. 1985. Handbook of Systems Analysis: Overview of Uses, Procedures, Applications, and Practice. John Wiley & Sons Ltd.

Footnotes:

¹ <http://www.trumanlibrary.org/hover/hover.htm>.

² <http://www.whitehouse.gov/omb/mgmt-gpra/>.

³ Note that we use the term "executive" to mean the person who is being evaluated, and "leader" or "evaluator" as the senior executive or leader responsible for undertaking the evaluation and overseeing the evaluation process of that executive.

⁴ Barr, S. June 30, 2005. "Homeland Security, Defense Asks Employees About Gauging Performance." Washington Post.

⁵ An even bigger problem with this list is "achieving results" is put on par with things like "critical thinking." Even the best leader can be a wonderful critical thinker, but not achieve desired results!)

⁶ Casey and Peck also note that this is human nature and not necessarily a reflection of individual shortcomings. They propose a way to formulate measures of performance that are horizontally and vertically aligned goals, where a measurable, results-focused objective is combined with a small number of corresponding restrictions. This very powerful tool allows managers to combine what to achieve with what not to achieve and provides a robust tool to formulate behavior. For more, contact Casey and Peck through Linda.thaut@elg.net.

⁸ An important point about evaluating senior executives, however, is that many feel they do not need, or it is "impossible," to structure goals on how to achieve a desired outcome. While micro-management of how to achieve the result is not desirable, everyone can benefit from agreeing on what the organization is trying to do, and what the executive must do to make that happen. See also Casey and Peck. 2004. p. 1.

⁹ This material draws on ideas presented by Bill Casey and Wendi Peck of the Executive Leadership Group at the Navy's Executive Business Course, Monterey, CA 2004. For reference see Casey and Peck, 2004.

¹⁰ Note that this is not a measure of outcomes, which are more directly linked to organizational outcome. However, it is clear that the responsibilities of senior executives often include intangible attributes. This example illustrates that it is possible to assign value to an attribute even if it is subjective.

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Appendix

Figure 1: Top-level goals for success of the organization

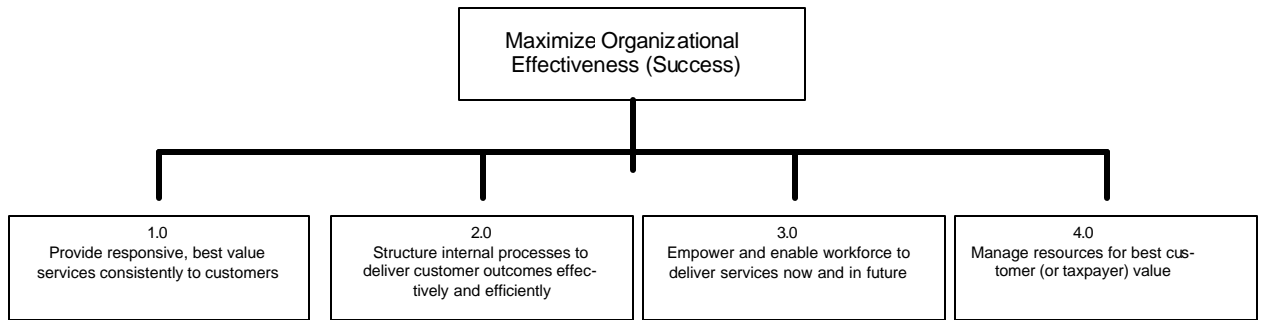


Figure 2: Second level of the performance evaluation hierarchy

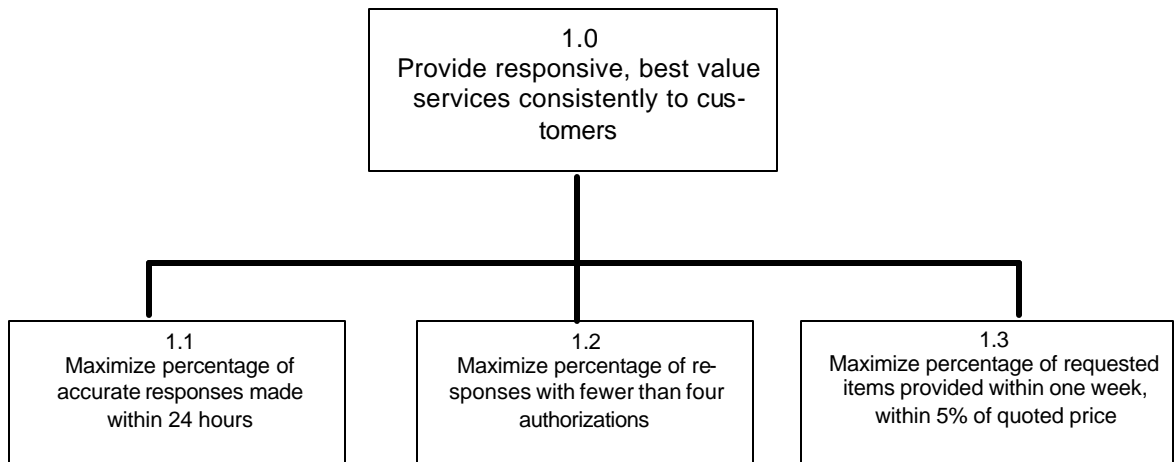


Figure 3: Performance Evaluation Model for an Executive with Two Objectives

