Graduate School of Business and Public Policy (GSBPP) Research Newsletter / Fall 2011

Monterey, California ; Naval Postgraduate School
Associate Professor Keith Snider received his PhD in Public Administration and Public Affairs from Virginia Tech, and his dissertation title is “Pragmatism and the Intellectual Development of American Public Administration.” He has an MS in Operations Research from the Naval Postgraduate School, and a BS from the United States Military Academy, West Point, NY. He joined the NPS faculty in 1996 as Assistant Professor, Department of Systems Management, and was promoted and awarded tenure in 2002 in the Graduate School of Business & Public Policy as Associate Professor of Public Administration and Management.

Snider served in the U.S. Army from 1976–1996, retiring from active duty at the rank of Lieutenant Colonel.

During AY2011 Associate Professor Snider took a twelve-month sabbatical as Visiting Scholar at Virginia Tech’s Center for Public Administration and Policy in Alexandria, VA. His principal research during this year focused on defense acquisition workforce policy, specifically, an analysis of efforts to professionalize the workforce and the extent to which those efforts contribute to successful acquisition outcomes. In addition to statistical analysis of cost, schedule, and performance outcomes from Selected Acquisition Reports from 1997–2010, the research incorporated expert opinions from policy-makers and academics in the D.C. area. The results will be published in an NPS Acquisition Research Program technical report and submitted for consideration to two peer-reviewed journals.

In addition, Associate Professor Snider began a new research agenda that examines social/societal aspects of public procurement. The two main areas of initial study are (1) public procurement policies for small and disadvantaged businesses, and (2) the effects of public procurement on corporate social responsibility. He collaborated with several other researchers, including GSBPP’s Rene Rendon and Max Kidalov, to produce three accepted peer-reviewed articles, along with two more journal manuscripts in progress. Snider sees this as a very profitable area for a long-term stream of research that can involve MBA students, as well as faculty members from several different disciplines.

Selected Recent Publications

(Cont. on page 2)


**Book**


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Keith Snider receiving the Khi V. Thai Research Scholar of the Year Award, 2008, presented by the Public Procurement Research Center and the National Institute of Governmental Purchasing at its annual conference in August 2008 in Charlotte, NC.
This thesis estimates the cost of biofuel to meet the Department of the Navy’s (DoN) stated energy objectives, that is, sailing the Great Green Fleet in 2016 and transitioning to 50% alternative fuel by 2020. The first estimate is for the additional cost to operate the Carrier Air Wing (CVW) component of the Great Green Fleet in 2016. A premium to the cost of JP-5 is estimated.

A second estimate is made for a CVW operating a six-month deployment with 50% biofuel in 2020. A premium was estimated and a sensitivity analysis was conducted to project the required reduction in costs for biofuel from 2012 estimates to reach parity pricing with petroleum fuel by 2020.

A United States energy objective is to develop and grow a domestic biofuels industry. By creating this industry, U.S. dependence on imported petroleum may be reduced. The decrease in foreign petroleum may then increase U.S. energy security and, ultimately, increase U.S. national security. This thesis makes a cost estimate for the use of blended biofuel with JP-5. The additional cost may be seen as the cost of improved national security.

**Objectives**

- Develop a cost estimate for biofuel used for the Carrier Air Wing component of the Great Green Fleet to be deployed by the U.S. Navy in 2016.
- Additionally, develop a cost estimate for a six-month deployment using 50/50 blended jet fuel in 2020.
- What premium over the cost of JP-5 will the DoN pay to operate at 50% biofuel for naval aviation?
- At what level of production will the cost of biofuel be equivalent to the cost of JP-5?

**Study Results**

- Development of a U.S. based biofuel industry may decrease U.S. dependency on foreign petroleum.
- A domestic biofuel industry may increase energy independence and lead to improved national security.
Additional cost or premium paid for biofuel by the DoN in the near term may be worth the long term goals for the United States.

- 2016—Great Green Fleet; Premium could be $3.7M
- 2020—Premium for each scenario could be $71.3M, $12.1M, or $30.9M

Commander Michael D. Callahan was born and raised in Buffalo, NY. He received a Bachelor of Science in Political Science and was commissioned from the United States Naval Academy in 1991. He earned his “Wings of Gold” in December 1993. He is a career P-3 Orion pilot. His operational tours were with the VP-10 “Red Lancers,” RAF 120 Squadron flying the MR2 Nimrod, VPU-1 “Old Buzzards,” VP-46 “Grey Knights,” and VX-30 “Bloodhounds.” He has logged over 3600 flight hours on missions all around the globe. After completing a Masters of Business Administration in financial management, he will report to the Office of the Assistant Secretary of the Navy, Financial Management and Comptroller, in Arlington, VA.
Since 2003, the Surface Warfare Officer (SWO) community has changed initial officer training on two occasions. In 2003, they replaced the six-month schoolhouse training (SWOSDOC) with an OJT intensive shipboard computer-based training called “SWOS-at-Sea,” in which officers received no initial training and were sent directly to their ships. Yet, many considered the SWOS-at-Sea initiative inadequate fleet preparation, prompting the reestablishment of a one-month “SWO Intro” course in 2008.

A 2010 Government Accountability Office report recommended that the Navy evaluate how changes to initial SWO training impact officer job performance, not just budgetary costs. Specifically, analysis should consider how these changes impact officer proficiencies, and the time it takes to attain warfare qualification.

This thesis calculated current shipboard training costs in terms of officer non-proficiency over the first-tour qualification period, which it then compared to the shipboard costs associated with previous versions of SWO training. It then incorporated previous cost estimates for implementing said training to derive the Navy’s total investment in SWO training from commissioning to SWO qualification.

**Study Results**

**Shipboard Training Costs:** The model calculated shipboard training costs under SWOSDOC to be the least expensive at $35,272 per officer. SWOS-at-Sea costs the most ($53,944 per officer) in terms of officer non-proficiency. And SWO Intro OJT costs per officer were $45,565.

**Initial Training Costs:** A previous NPS thesis calculated initial training costs for SWOSDOC and SWOS-at-Sea (in current dollars) at $65,605 and $37,211 per officer, respectively. Elements of this cost estimate were applicable to SWO Intro as well, the cost of which this thesis estimated at $43,283 per officer.

**Total SWO Investment:** Adding the cost of initial and shipboard training yielded a total investment in SWO development of $100,877 for SWOSDOC, $91,154 for SWOS-at-Sea, and $88,847 for SWO Intro.

Comparing SWOS-at-Sea and SWO Intro costs indicates that modest increases to investment in initial training resulted in greater cost savings during shipboard OJT.
However, SWOSDOC’s relatively high total investment cost suggests that there is a point at which tradeoffs between initial and shipboard training become inefficient.

The research concluded that reductions to formal SWO training did not result in direct savings, as the budgetary cost savings were offset by increases to the proficiency-based shipboard training costs. In other words, much of the budgetary costs were effectively transferred to ships, in terms of undertrained first-tour officers.

The charts below illustrate the monthly investment in shipboard OJT, which was calculated by multiplying officer non-proficiency by the Navy’s cost to employ first-tour officers (Navy Ensign Composite Pay-Rate).

About the Student

Tony Macaluso is a native of Gainesville, FL. He studied economics at the Naval Academy, where he graduated with merit in 2005. He then reported to USS *Crommelin* (FFG-37) in Pearl Harbor, HI, where he served as Repair Division Officer, First Lieutenant, and Navigator. On *Crommelin*, he completed a CARAT deployment to Southeast Asia, and a Counter Drug Operations deployment to the Eastern Pacific and Caribbean. In 2008, he reported to Naval Service Training Command in Great Lakes, IL, where he served as Deputy Learning Strategies Officer and Curriculum Officer. He graduates this month with a Masters of Business Administration from the Naval Postgraduate School. He will attend training in Newport, RI, prior to returning to the fleet as a Department Head.
Training Air Wing (TRAWING) Two is responsible for providing the fleet with newly winged Navy and Marine Corps aviators. As part of the training mission, TRAWING Two currently plans a large scale “Strike” training detachment to Naval Auxiliary Field (NAF) El Centro at a rate of approximately four per year. Smaller Strike detachments are occasionally conducted as required. The large scale Strike detachments typically last for approximately three weeks and are conducted roughly every three months. Each large-scale Strike detachment consists of approximately ninety military personnel (instructor pilots, students, and medical personnel), one civilian administrative contractor, one Chief of Naval Air Training (CNATRA) detachment liaison, and forty-eight contract maintenance personnel. Approximately twenty-one aircraft are typically deployed. The number of aircraft deployed varies slightly and is commensurate with the number of training events planned.

This thesis consists of an analysis of the costs, production capacity, and performance effects associated with replacing the four detachments per year by Training Air Wing Two to Naval Air Facility El Centro, with a permanent maintenance detachment located at NAF El Centro that will perform all contractor logistics services. The two scenarios analyzed are (1) continuation of current operations under the detachment model (the status quo), and (2) placement of a permanent detachment of maintenance personnel at NAF El Centro (the alternative). The objective was to compare the two alternatives, choosing the alternative which provides the greatest net benefit and most efficient use of resources.

The analysis involved data collection of costs associated with work-up, transit, detachment, and subsequent retrograde on a per detachment basis to establish a current operations baseline. Pro forma estimates were made based on input from sources familiar with the detachment process to be used as a basis for comparison to the status quo. Data for this research project were gathered from the after action reports for Training Air Wing Two’s detachments to El Centro. Normalization of data was required in order to reconcile detachment production with costs incurred.

Study Results

The analysis revealed a potential cost savings of 16.7% on a cost per completed student event basis. While strict comparison in terms of cost revealed that the alternative represents a higher total cost on an annual basis, this marginal increase is compensated for by
corresponding increases in productivity and efficiency, resulting in an overall increased benefit. Comparison in terms of production capacity indicates a significantly higher capacity for student events with a lower number of aircraft being utilized over a sustained period. In addition to the monetary benefits demonstrated, this thesis implies greater efficiencies can be gained in the form of scheduling flexibility, student training flow, and reduced time to train.

**Performance Comparison**

<table>
<thead>
<tr>
<th>PERFORMANCE</th>
<th>Cost per NSE</th>
<th>Savings per NSE</th>
<th>Improvement in Efficiency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Status Quo (Fiscal Year 2010)</td>
<td>$716</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Alternative, One Maint Shift</td>
<td>$597</td>
<td>$119</td>
<td>16.7%</td>
</tr>
<tr>
<td>Alternative, Two Maint Shifts</td>
<td>$704</td>
<td>$12</td>
<td>1.7%</td>
</tr>
</tbody>
</table>

Status Quo figures are based on historical data. Alternative figures are estimates.

**About the Student**

Aaron R. Hinman was commissioned in the Marine Corps through OCC in 2000. After completing flight training in Pensacola, FL, Kingsville, TX, and Miramar, CA, he was stationed in Beaufort, SC, with the “Crusaders” of VMFA-122 and later with the “Hawks” of VMFA (AW)-533 flying the F/A-18 Hornet.

While stationed at Beaufort, he participated in multiple detachments and deployments including NATO exercise “Clean Hunter” in Denmark, West-Pac, and OIF. Following his tour in Beaufort, he returned to Kingsville, TX, where he was a flight instructor serving as the VT-21 “Redhawks” air-to-ground standardization officer. He was later appointed as the CNATRA air-to-air Stage Manager and was recognized as the Training Air Wing Two Instructor Pilot of the year for 2009.

Major Hinman began attending NPS in pursuit of an MBA in Financial Management in June 2010. He was awarded the Conrad Scholar Award for Distinguished Academic Achievement in Financial Management, the Department of the Navy Award for Academic Excellence in Financial Management, the Rear Admiral Thomas R. McClellan Award for Academic Excellence in the GSBPP, and graduated Beta Gamma Sigma in December 2011.

**Break-Even Points from Sensitivity Analysis**

“Days Flops” indicates the minimum number of days the alternative must be utilized by a particular number of aircraft or order to break even. Cost per NSE

“Capacities at RAC are expressed as expected NSE”
On December 1, 2011, Cdr. Michael Callahan, Lt. Anthony Macaluso, and Maj. Aaron Hinman travelled to Washington D.C. and briefed their theses to a sizable number of the Naval Comptroller staff.
Acquisition


Summary: Scholars of corporate social responsibility (CSR), which refers to the responsibilities of a firm to society in four domains—economic, legal, ethical, and discretionary—have typically excluded defense firms from their research, mainly on ideological grounds. This study challenged these assumptions and measure the CSR orientations of managers of defense firms. The findings reveal the orientations of defense firm managers to be consistent with those of other corporate populations, though the highly regulated environment of defense contracting causes some differences. The findings help to redeem the social standing of defense firms, and by implication, their employees and the military members who use their products, from unwarranted antimilitary biases.


Summary: This paper provides a comparative perspective of public procurement policies for small and medium-sized enterprises (SME) in the United States and Europe. Public procurement is increasingly recognized as a strategic function of public administration because of the huge amount of resources it consumes, as well as the important policy objectives it seeks to promote, including SME-related objectives. Progress towards meeting SME procurement participation goals, however, remains elusive on both sides of the Atlantic. Policy makers and administrators have little comparative research upon which to draw regarding the effectiveness of various policy approaches, a shortcoming this paper seeks to address. An institutional perspective is adopted which helps explain similarities and differences in U.S. and European SME policies.
Financial Management


Summary: This case study reviewed the enactment and implementation of the National Security Personnel System (NSPS) in the U.S. Department of Defense. Proponents of reform seized the opportunity to enact reform in the aftermath of 9/11, basing their arguments on national security concerns. However, the policy-making process did not produce a consensus for reform among key stakeholders in the personnel management policy community. Instead, the NSPS angered and alienated the Office of Personnel Management, the public employee unions, and a number of congressional Democrats. Implementation of the NSPS became problematic as Defense Department officials attempted to move quickly and independently to get the new system online, eventually forcing the department to put the system on hold. In the end, Congress imposed limits on its implementation, advocates for the system disappeared, and a new president supported the repeal of NSPS. This case provides useful insights into the formulation of future strategies for personnel management reform.


Summary: The paper addresses choice of subjects in experiments with particular attention paid to the use of students. First, it reviews the literature concerning internal and external validity concerns with respect to subject type choice followed by a discussion of experimental design. Then it review six of the leading accounting journals, evaluating and comparing subject types used in published articles employing experiments during the period 1994-2007 inclusive. The results show that many accounting researchers have used student subjects, both undergraduate and graduate, in their research while making relatively significant contributions to the accounting literature. In designing and conducting experiments, extant literature provides guidance whereby researchers employing students, particularly undergraduate students, can mitigate potential external validity concerns. Researchers should conduct manipulation checks with at least some “real world” subjects to compare with student subjects. If differences are found, then researchers will need to redesign their experiments in order to address external validity concerns.
**Peer-Reviewed Journal Articles**


**Conference Papers**


**Conference Presentations**

Rendon, R. (2011, December 1). *Contracting for cloud computing: Opportunities and risks.*

**NPS Technical Reports**


**Financial Management**

**Peer refereed journal**


**Books**

Conference Presentations


Management

Conference Papers


Operations & Logistics

NPS Technical Reports


The Conrad Scholar Program’s objective is to enhance professional development opportunities for students and faculty, and conduct and direct research supportive of the Office of the Assistant Secretary of the Navy (Financial Management and Comptroller) in areas of resource management. Up to four top Financial Management M.B.A. students per graduating class are identified as potential Conrad Scholars and cleared to complete their theses. Their thesis topics are selected to address issues of importance to the Defense Department’s financial management community and are approved by the program sponsor, the Director of the Office of Budget (FMB). The students brief their theses to the FMB and other interested members of the Operational Navy (OPNAV), Headquarters, Marine Corps (HQMC) and Secretariat staffs. Additionally, they may be asked to write an essay for publication based on their theses.

CAPT Henry J. Sanford, USN (Ret.), is the new Conrad Chair in Financial Management at the Naval Postgraduate School; he was appointed in August 2011.

Captain Henry J. Sanford graduated from St. Bonaventure University in 1973. In August of the same year, he was commissioned an Ensign through the Reserve Officer Candidate program. Captain Sanford’s initial sea tour was in the amphibious ship USS Austin (LPD 4), where he served as First Division Officer and Boat Division Officer. In 1975, he was assigned as Engineer Officer in USS Antelope (PG 86), a guided missile equipped patrol gunboat home ported in Naples, Italy.

Following a tour ashore as Director, Advanced Gas Turbine School, in Great Lakes, IL, and as a student at the Naval Postgraduate School (MS, Financial Management), he returned to sea as Engineer Officer in USS Oliver Hazard Perry (FFG 7) from 1980 to 1982. In 1982, Captain Sanford was assigned as Material Officer on the staff of Commander, Destroyer Squadron Eight. In 1984, he reported to the U.S. Naval Academy where he served as Flag Secretary to the superintendent and as an economics instructor. Captain Sanford reported to USS Merrill (DD 976) as Executive Officer in January 1986. During this tour, he participated in Persian Gulf operations including Operations Earnest Will and Praying Mantis. Returning ashore in July 1988, Sanford was assigned to the staff of Director, General Planning and Programming Division, Office of the CNO (OP 80). He graduated from the National War College in June 1991. Captain Sanford had command of USS Simpson (FFG 56) from January 1992 until September 1993.
During this period, Simpson made two deployments to the Mediterranean Sea and Persian Gulf. From November 1993 until June 1994, he was the Director of Resource Management at the Naval Postgraduate School. From July 1994 to June 1998, he was the Executive Assistant (Chief of Staff) to the Superintendent of the U.S. Naval Academy.

Sanford served as Commanding Officer, Naval Station Pearl Harbor, from September 1998 until June 2000, and as Deputy Director of Information Technology Services at the U.S. Naval Academy from June 2000 until his retirement from the Navy in March 2002. In October 2001, he became the Chief Financial Officer and Treasurer of the United States Naval Academy Alumni Association, Inc. and the United States Naval Academy Foundation, Inc.—two non-profit supporting organizations of the United States Naval Academy. In August 2011, Captain Sanford was selected to fill the Conrad Chair in Financial Management at the Naval Postgraduate School.

Captain Sanford’s awards include the Legion of Merit (with Gold Star), Meritorious Service Medal (with Gold Star), Navy Commendation Medal (Combat V/two Gold Stars), Navy Achievement Medal (with Gold Star), and various unit and expeditionary awards. He is married to Captain Katherine Lovejoy Sanford, USNR (Ret.) of Seattle, WA. They have three daughters, Patricia, Katherine, and Mary, and reside in Annapolis, MD.

Executive Master in Business Administration (EMBA) Program Video

Check out the video on our EMBA. This one-of-a-kind program is a Defense-focused general management program for senior department navy officers and senior department navy civilians. The program and course core capitalizes on the current managerial and leadership skill of program participants. It provides participants with an emphasis in financial management, acquisition knowledge and abilities, and analytical and critical thinking skills.

Testimonial for the video is given by Lcdr. Ben Charles, currently stationed in California at the Lemoore Naval Station. Lcdr. Charles enrolled in the program in March 2011. He describes how the program integrates with his job and emphasizes the relevance of the courses which cover significant concepts and notes that learnings are immediately applicable to real life situations. Charles highlights the positive effects that the EMBA program has in his career and prizes the delivery method of classes that are taught through video teleconferencing (VTC), making it easier for people stationed in different locations to participate in the program.

http://www.nps.edu/video/portal/Video.aspx?enc=1yt2N9tcjd0vq1esaM1yTb0QEfVBLQf

Website: www.nps.edu/Academics/Schools/GBPP/Academics/EMBA/index.html
Sponsored Research Centers

Center for Defense Management Research: Research Areas

- The History of Defense Management Reform”
- “Personnel Management Reform”
- “Financial Management Reform”
- “Communication and Organizational Change”
- “Performance Measurement and Benchmarking”

Some of the Sponsors that work with the Center for Defense Management Research on research projects are as follow:

- U.S. Office of Personnel Management
- Undersecretary of Defense
- U.S. Navy Office of Budget
- Office of the Chief of Naval Operations, N40, Sea Enterprise Program and N40, Task Force Energy
- Defense Supply Center Richmond
- Deputy Chief of Naval Operations (Material Readiness and Logistics)
- Naval Postgraduate School Acquisition Chair
- Naval Postgraduate School

Manpower, Personnel, Training and Education Program

This program is sponsored by the Office of the Chief of Naval Personnel (N1). Research areas include the following:

- “Navy Econometric Modeling System—Retention, Attrition, Recruiting”
- “An Analysis of the Navy’s Tuition Assistance Program: Analysis of Long—Term Effects and Recent Developments”
- “Divo Training Effectiveness in the Surface Community”
- “Using Prediction Markets for Navy Total Force Management”
- “Laboratory Analysis of Navy Selective Reenlistment Bonus (SRB) Policies”
FY 2012 Acquisition Research Program: New Sponsors

- Defense Acquisition Career Management (DACM)
- Program Executive Office Integrated Warfare Systems (PEO IWS 7.0)
- Office of Acquisition Resources and Analysis (ARA)

**FY 2012 New Sponsored Projects**

Advanced acquisition program 49-11  
**Sponsor:** Communication Electronics Commands (CECOM)

Cost of attrition II  
**Sponsor:** Office of the Secretary of Defense (OSD)

Civilian executive MBA 807  
**Sponsor:** Office of the Assistant Secretary of the Navy (OASN)

Instruction of the financial audit short course Management  
**Sponsor:** Office of the Assistant Secretary of the Navy (OASN)

Contract/program DL program  
**Sponsor:** Various

Practical comptrollership course  
**Sponsor:** Office of the Assistant Secretary of the Navy (OASN)
About the Alumnus

Kenneth Bevel enlisted in the Marine Corps in September 1990. Bevel served as a Supply Administration Clerk until 1995. In May 1996, he was accepted to the Broadened Opportunity for Officer Selection (BOOST) Program and later to the Marine Enlisted Commissioning Education Program (MECEP) in June 1997. After graduating in May 2001 from the University of Memphis with a Bachelor of Science degree in Computer Engineering Technology, he was commissioned a Second Lieutenant in the Marine Corps.

Following The Basic School in 2001, Second Lieutenant Bevel attended the Logistics Officers Course in Camp Lejeune, NC. In April 2002, Second Lieutenant Bevel was transferred to Okinawa, Japan. During this tour of duty, he served with 3D Transportation Support Battalion (TSB), 3D Force Service Support Group (FSSG) as Landing Support Company, Company Commander, Operations Officer and Kadena 5 Right Officer in Charge. While attached to 3D TSB, Second Lieutenant Bevel participated in the MV Lopez Emergency Offload in South Korea, Exercise Cobra Gold in Thailand, and Exercise Crocodile in Australia.

In October 2003, First Lieutenant Bevel was transferred from 3D TSB to 3D FSSG Headquarters and Service Battalion where he served as the Commanding General’s Aide-de-Camp until May 2005. In May 2005, he was assigned to the Naval Postgraduate School where he pursued a Master of Business Administration degree in Logistics Management.

Upon completion, he was transferred to the Marine Corps Logistics Command in Albany, GA, where he retired. Included in this service are his deployments to Kuwait in support of the Persian Gulf War in 1990 and his deployment to Kuwait and Afghanistan in support of Operation Iraqi Freedom and Operation Enduring Freedom. The topic of Bevel’s thesis was “Increasing the Operational Availability of H-60 Support Equipment.”
The purpose of this MBA project was to identify inefficiencies in the H-60 support equipment calibration process at Naval Air Station, North Island, and to analyze their impact on operational availability. To conduct this analysis, the standard calibration process at North Island was mapped from beginning to end from a using unit perspective. After identifying the process inefficiencies, the impact on operational availability was identified and changes were proposed.

**Current Mission**

After 20 years of active service in the United States Marine Corps, Bevel retired in April 2011 to serve in the ministry. He is currently the Senior Associate Pastor of Connections and Major Events at Sherwood Baptist Church. His responsibilities include coordination of major events, coordination of the Security, Usher, and Greeter ministries, and the assisting of new members and visitors in connecting to Sherwood.

In addition to his daily responsibilities, Bevel may be recognized for his role as Lieutenant Michael Simmons in the 2008 inspirational movie *Fireproof* and for his role as Nathan Hayes in the movie *Courageous*. *Courageous* is the fourth release of Sherwood Pictures, the moviemaking ministry of Sherwood. The first release since *Fireproof*, the No. 1 independent film of 2008, *Courageous* joins *Facing the Giants* and *Flywheel* in touching and impacting lives through heartfelt stories of faith and hope.

Ken and his wife Lauana have been happily married for 15 years and have two children, Kyra and Kaleb.

**Click on this link to watch the trailer:**
http://movies.yahoo.com/movie/1810216426/details

*This information was released with permission of Captain Kenneth Bevel, USMC (Ret.).*
Congratulations Professor Douglas Brook, winner of the December GSBPP Liskin MBA/MSM Class Faculty Award which recognizes Professor Brook for all of his hard work and dedication to the learning and intellectual growth of our students, individually and as a class. Professor Brook received the award during the Fall 2011 awards ceremony on December 6.

Right to left: GSBPP Professor Douglas Brook, NPS President Daniel T. Oliver, and Rear Adm. Merrill Ruck, USN (Ret.), Executive Director of the NPS Foundation.

The 2011 Chinese Finance Association (TCFA) Best Paper Symposium Awards

Compliments to GSBPP Assistant Professor Chong Wang whose paper, *Dynamics of Entrepreneurship Under Incomplete Markets*, was selected by the TCFA as a Best Paper on Global Financial Markets during the 2011 TCFA 17th Annual Conference in New York last October. We congratulate Assistant Prof. Wang for his high-quality research in global financial market, which earned him this well-deserved Best Paper Symposium Award.

**Paper Abstract:** An entrepreneur faces substantial non-diversifiable business risk and liquidity constraints, both of which we refer to as frictions. We show that these frictions have significant economic effects on business start-up, capital accumulation/asset sales, portfolio allocation, consumption/saving, and business exit decisions. Compared with the complete-markets benchmark, these frictions make entrepreneurs invest substantially less in the business, consume less, and allocate less to the market portfolio. The endogenous exit option provides flexibility for the entrepreneur to manage downside risk. The entrepreneur's optimal entry decision critically depends on the outside option, the start-up cost, risk aversion, and wealth. We show that the flexibility to build up financial wealth before entering into entrepreneurship is quite valuable. Finally, we provide an operational framework to calculate the private equity idiosyncratic risk premium for an entrepreneurial firm and show that this premium depends on entrepreneurial wealth, non-diversifiable risk exposure, and risk aversion. Read more at [http://www.nber.org/papers/w16843](http://www.nber.org/papers/w16843)
And the Award Goes to...  
Congratulations to Our Student Award Winners for Fall 2011

Naval Supply Systems Command Award for Academic Excellence in Management  
Kristian Wahlgren

Rear Admiral Thomas R. McClellan Award for Academic Excellence in the Graduate School of Business and Public Policy  
Aaron Hinman

Department of the Navy Award for Academic Excellence in Financial Management  
Anthony Macaluso & Aaron Hinman

The Louis D. Liskin Award for Excellence in Business & Public Policy  
Laura K. Nicholson

Army Acquisition Corps Award for Scholastic Achievement  
Amanda Flint & David A. Jimenez

RADM Eaton Logistics Award for Outstanding Achievement  
Hugo Hermansen

Graduate School of Business and Public Policy Faculty Outstanding International Student Award  
Sim Wee Chung & Yavuz Idug

The Assistant Secretary of the Air Force (Acquisition) Award for Academic Excellence  
Justin A. Hodge

Conrad Scholar Award for Distinguished Academic Achievement in Financial Management  
Anthony Macaluso & Aaron Hinman & Michael Callahan
GSBPP Associate Professor Rene Rendon presented Contracting for Cloud Computing: Opportunities and Risks, at the Law and Technology in the Federal Market Conference hosted by the George Washington University Law School in Washington DC, on December 1. Rendon’s presentation included an overview of cloud computing and implications for the government contracting process in the procurement of cloud computing services.

On September 20–22, Rendon presented his research entitled An Assessment of Navy Contract Management Processes, at the Aviation Technology, Integration, Operations and Naval Aviation Conference held in Virginia Beach, VA. The paper discussed research results from a survey-based assessment of Navy contract management process capability, and identified contracting process capability enablers. The assessments were conducted at Naval Air System Command, Naval Sea Systems Command, and Fleet Industrial Supply Centers.

On October 13–16, GSBPP Lecturer Brian Hudgens participated at the Networking and Electronic Commerce Research Conference held in Lake Garda, Italy, where he presented his paper, Through a Blurred Lens: Cyber Distortion in Command and Control.

On September 2011, GSBPP Associate Professor Geraldo Ferrer participated at the 10th International Conference on Modeling and Applied Simulation of the Institute of Electrical and Electronics Engineers held in Rome, Italy. Ferrer was a discussant in the “Production Systems Design” Track in the Radio Frequency Identification sessions.

Professor James Suchan attended the Association for Business Communication Conference in Montreal, Canada, October 19–22. He presented two papers, Preserving Honor and Avoiding Shame: Face Saving Communication Strategies in the Middle East and How the Internet is Shaping English as a “Lingua Franca.”
Events

GSBPP Distinguished Professor Lawrence Jones and Senior Lecturer Philip Candreva collaborated with Professor Marc Devore of the European University Institute (EUI) visiting professor, Centre for Strategic Education and Technology, University of St. Gallen, Switzerland, to author a new book.

*Financing National Defense: Policy & Process* is published by Information Age Publishing and covers the processes, actors, and political and policy dimensions of budgeting for national defense in the United States. Providing an historical and theoretical foundation, coupled with practical approaches, the text will be used in public budgeting courses in the MBA and EMBA programs at NPS beginning this winter quarter.

Associate Professor David R. Henderson gave a lecture to about 300 students and faculty at Western Kentucky University in Bowling Green, KY, on September 12. His talk was entitled *Lessons Not Learned from 9/11: An Economic, Numerate, Constitutional Perspective*.

On October 3, Henderson presented a paper at the Mont Pelerin Society meetings in Istanbul. His paper was titled *The Financial Crisis Redux*. In the paper, Henderson pointed out that while the critics are right that greed was an important cause of the financial crisis, the key was greed combined with bad incentives. Many of these incentives, he noted, such as deposit insurance and the doctrine of “too big to fail,” were put in place by the government.


On the same day, Henderson taped a segment for the John Stossel show in New York where he talked about the problem with three current fads: “Buy American,” “No Sweat,” and “Fair Trade.”
A team of NPS faculty members participated in a study by the Air Force Research Laboratory (AFRL) at Kirtland AFB, NM. The study involved a comprehensive assessment of an AFRL technical initiative to provide a plug-and-play architecture (including standards) for space vehicles—comparable to plug-and-play peripherals for personal computers with connections through USB ports and standards.

The effort began for the NPS team in April 2011 and continued through October—with follow on actions after the final report was published in late October. The NPS study group members included Chip Franck (GSBPP), Dan Nussbaum (OR Dept.), Capt Marcus Rodriguezarchilla, USAF (a resident MBA student), and NPS-resident subject matter experts (primarily from the Space Systems Academic Group).

The final report was a comprehensive review of the SPA initiative, intended to provide useful insight regarding continued funding (or not) of this initiative, which included considerations of technology, engineering, operations analysis, and the business case. The study team itself included over twenty members. The NPS participants had primary responsibility for the Business Case Analysis—primarily Return on Investment (ROI) analysis, and assessment of readiness and capability of the industrial base to implement the SPA initiative. The entire report consisted of seven chapters. Nussbaum and Rodriguezarchilla took the lead for the Return on Investment analysis (Chapter 6); and Franck led the effort for the Industrial Base Assessment (Chapter 7).

On September 20–21, 2011, the study group briefed an independent review board—a panel of space experts from government, industry, and academic institutions. The board wrapped up its deliberations on September 23, providing recommendations now being implemented. Capt. Rodriguezarchilla’s work on the ROI analysis provided a foundation for his MBA professional report. He graduated on December 16.

**GSBPP Economic Seminar Series**

On October 24, Associate Professor Scott Carrell, Faculty Research Fellow at the National Bureau of Economic Research in the Economics of Education group and a Research Fellow at Institute for the Study of Labor, presented his paper *From Natural Variation to Optimal Policy? The Lucas Critique Meets Peer Effects.*
Events

Dr. Carrell spent ten years as an active duty officer in the U.S. Air Force and is currently a Major in the Air Force Reserves. He specializes in the fields of labor economics, economics of education, and public economics. To read the paper, go to http://www.econ.ucdavis.edu/faculty/scarrell/sortexp.pdf

On November 17, Associate Professor Carlos Dobkin from UC Santa Cruz, presented his paper The Effects of the Minimum Legal Drinking Age on Morbidity. Dobkin has published extensively in top economics journals (American Economic Review, Quarterly Journal of Economics, American Economic Journal, amongst others) in the areas of Health Economics, Education, and Applied Econometrics. See his research at http://people.ucsc.edu/~cdobkin/

On December 1, Assistant Professor Stephen C. Hansen from the GSBPP Financial Management group presented his work Auditor Capital Expertise.

**Paper Abstract:**

Auditors are an integral part of their clients’ capital raising process, but the possibility that auditors may have capital raising expertise has not been investigated. I create a proxy for auditor capital expertise and estimate a model in which clients select between six different auditors for the years 2004 and 2008. In the model, clients select between the individual Big Four auditors and the Medium Two-Grant Thornton and BDO Seidman using industry and capital expertise measures, as well as the standard controls. I find that there is a clear hierarchy in the audit market. Capital expertise leads to an increase in the probability of selecting one Big Four auditor (Ernst and Young), but reduces the probability of selecting either of the Medium Two. Auditor industry and capital expertise are uncorrelated in 2004, but positively correlated in 2008, suggesting that there are potential synergies in combining two types of expertise at a local office.

On December 8, Asst. Professor Paul Niehaus presented his paper The Marginal Rate of Corruption in Public Programs. Assistant Professor Niehaus’ research deals with welfare and corruption in developing countries, and he has recently published in top economics journals (i.e., Journal of Political Economy and the American Economic Review).

See the website and links to all his papers at http://dss.ucsd.edu/~pniehaus/index.html

On December 13, Garret Christensen, a post-doc at UC Berkeley presented his paper War Deaths and the Military Labor Supply: Evidence from Iraq and Afghanistan.

Link to his paper and his other research at http://www.ocf.berkeley.edu/~garret/
RADM Joseph P. Mulloy visited the Naval Postgraduate school on November 29. He met with Graduate School of Business & Public Policy (GSBPP) Dean William Gates, and financial management faculty and students. As part of his visit, he gave them a presentation on Navy Budget Overview and the latest budgetary status in DC. RADM Mulloy’s current position is Director for Fiscal Management (N82). He is also the curriculum sponsor for the 837 (FM) curriculum at the GSBPP.

RADM Mulloy also met with NPS President Daniel T. Oliver, Dr. Doug Moses, Vice Provost for Academic Affairs, and Ms. Colleen Nickles, Vice President for Finance and Administration at NPS.


**Gold LEED Certification for New Building at NPS**

In October 2011, Congressman Sam Farr and other officials participated at a ribbon-cutting ceremony at NPS to celebrate the completion of a brand new 12,000 sq. ft. academic building, which will be used primarily by the Graduate School of Business & Public Policy. The new structure, known as P-197, and constructed according to the *Leadership in Energy and Environmental Design (LEED)* standards and specifications, will receive a Gold level certification, the second highest after Platinum, in recognition of the environmentally sustainable design and features present in the building.

**Expanding Your Horizon: Conference and Career Fair for Young Women**

On November 5, approximately 150 young women from grades 5–10 participated at this important event. The conference, hosted by NPS, had the objective to encourage the participation of young women in fields such as science, technology, engineering, and mathematics (STEM), currently underrepresented by women.
The Graduate School of Business & Public Policy (GSBPP) participated at the event. The GSBPP’s informal booth displayed colorful posters, brochures, and other material that highlighted the value of mathematics in many career areas and in everyday life. GSBPP Dean William Gates, together with other GSBPP faculty, answered questions and gave words of encouragement to the young ladies, helping them to consider careers in technology and the sciences.

NPS Visited by Two Special Guests on November 18

The two guests to NPS were Brigadier General Michael E. Williamson, who assumed his duties as Joint Program Executive Officer for the Joint Tactical Radio System in March 2011, and Colonel Raymond Jones who is the Airborne, Maritime/Fixed Station Joint Tactical Radio System program manager. They are unusual in being Army officers assigned in San Diego and co-located with the Navy's SPAWAR offices, where there is little Army presence otherwise. Both of these officers are also proud NPS graduates from GSBPP in System Acquisition Management. The purpose of their visit was to meet with Professor John Dillard and discuss the common challenges of complex system development.

Dillard had been the Program Manager for a similar radio system development effort in the mid-1990s, when he was serving in the Army. They also met with GSBPP Dean Gates and Provost Ferrari to discuss partnering initiatives in the education of returning war veterans. They were briefed on the Acquisition Research Program by Keith Snider and Karey Shaffer. They are both expected at the upcoming Research Symposium in May 2012.

Graduation Ceremony

On December 16, 2011, faculty, students, and their families gathered at 10.00 in Kill Hall Auditorium to celebrate the graduating class of Fall 2011. Capt. Wayne Hughes, USN (Ret.) Dean Emeritus and Professor at Naval Postgraduate School offered the congratulatory speech at commencement.

Video available at: http://www.nps.edu/video/portal/Video.aspx?enc=4hUcaXaFtwADgwHegyDbh6EileiuKT8D
On May 16–17, 2012, NPS and the Graduate School of Business & Public Policy will host the 9th Annual Acquisition Research Symposium in Monterey, CA. The title of the event is Acquisition Research: Creating Synergy for Informed Change. The keynote speaker is Lieutenant General William N. Phillips, USA, Principal Military Deputy to the Assistant Secretary of the Army (Acquisition, Logistics & Technology). This annual symposium serves as a forum for the exchange of ideas among scholars and practitioners of public sector acquisition.

**NPS Foundation Winter Quarterly Event**

Protecting U.S. Contracting Funds in Afghanistan,

featuring LCDR Matt Jacobs, SC, USN, and Mr. Mark J. Doyle, Managing Partner, Rmetrics, LLC. The event will be held Thursday, January 19, 2012, at 5:00 PM at the Naval Postgraduate School M.E.

Auditorium. LCDR Jacobs and Mr. Doyle will discuss what is being done to protect U.S. contracting funds in Afghanistan in support of the counter-insurgency (COIN) mission using financial forensics.

Download the event flyer here [PDF Format].

**26th Annual Breakfast Commemorates the Birthday of Dr. Martin Luther King, Jr.**

On Saturday, January 14, 2012, The National Naval Officers Association (NNOA) Monterey Chapter and the Naval Postgraduate School will host the 26th Annual Dr. Martin Luther King, Jr. Breakfast Buffet.

Keynote speaker for this special event is Reverend Dr. Harold R. Mayberry, Pastor of the First African Methodist Episcopal Church of Oakland. The event is open to all students, staff, and the peninsula community.

For more information, visit [http://www.nps.edu/About/Events/NPSEvents_MLK-Breakfast_2011.html](http://www.nps.edu/About/Events/NPSEvents_MLK-Breakfast_2011.html)
Conferences

CRUSER


George Lucas, professor of Ethics and Public Policy in the Graduate School of Public Policy, will attend the conference and will be part of a panel titled *Praise and Blame: Moral Agency and the Ambiguity of Accountability in Robotics*.

Learn more about the conference and the panels’ topics at: [http://www.nps.edu/Research/cruser/roboethics.html](http://www.nps.edu/Research/cruser/roboethics.html)

Pre-Graduation Awards

The ceremony for the winter quarter awards will be held March 20, 2012, at King Hall to congratulate all NPS faculty and student recipients of the awards.

Graduation

On March 30, 2012, faculty, students, and their families will gather at 10.00 in King Hall Auditorium to celebrate the graduating class of Winter 2012.
GSBPP Associate Professor Deborah Gibbons and Lecturer Cary Simon are beginning to write a series of mini-cases about humanitarian aid, collaboration, and reconstruction in a variety of cultural and inter-cultural environments. The cases will feature short vignettes with appendices of the general social and economic challenges that have been compounded by the 2010 earthquake in Haiti, with cultural perspectives; and for the long-term, they hope to build a library of culture cases for future courses on international management and crisis response. The theme of the instructional series will be collaboration in pursuit of humanitarian and peace-building goals, but the lessons will apply to a variety of organizational situations.

The first case in the series will focus on recovery from the general social and economic challenges that have been compounded by the 2010 earthquake in Haiti. Associate Professor Gibbons visited Haiti at the end of September to do background research and to gather stories and photos for the case. The whirlwind trip gave her five days of cultural immersion, including walks through the crowded streets of Port au Prince and Cap Haitien and an afternoon along the backroads with Patrick Delatour, who chaired Haiti’s Commission for Reconstruction after the earthquake. She visited a college, a hospital, and a remote children’s project, and interviewed the leader of an American volunteer group that was in Haiti to help rebuild homes. Each of these people and places revealed new insights about the culture, the needs, and the possible solutions for Haiti’s challenges.
The housing and roads were in worse condition than Gibbons expected, and vast hillside refugee camps remain on the outskirts of Port au Prince (see photo). The cities of Port au Prince and Cap Haitien were crowded with many unfinished or crumbling structures, and lots of graffiti and trash, yet the majority of the people wore stylish, brightly clean clothing. This made quite a contrast. Ditches and waterways were piled with garbage, and the driving on heavily-rutted roads was crazy. Many earthquake-damaged buildings remain just as they fell, although international teams are still rebuilding homes with and for locals. The United Nations was everywhere in the cities, particularly in Port au Prince.

Despite the challenges that Haiti faces, the terrain is beautiful. The forests are full of wild coconuts, plantains/bananas, breadfruit, avocado, guava, papaya, and also domestic goats, chickens, occasional cows and donkeys, and sometimes pigs. The nation is among the poorest on earth, yet nearly everyone looked healthy, fit, and neatly-dressed, even in the countryside.

Patrick Delatour seemed to have a strong presence among the rural and small-town people between Cap Haitien and the Citadel, Haiti’s premier historical landmark. Patrick, in his role as the national architect and Minister of Tourism, has overseen the construction of a fitted-stone road leading from a local small town to the landmark (see photo), and he has been negotiating with a Caribbean cruise company to create some collaborative tours that would bring outside visitors—and their money—to the area. He shared stories, concerns, and points of national pride with Deborah during an afternoon ATV trip through the forest and a catered lunch out-of-doors at his open-sided forest home. The food was good, and the stories and insights were great.

The children's project was a particular highlight of Gibbons’ trip, even though the facilities were simple and largely without electricity. This U.S.-based organization provides education, food, school supplies, and health care for the poorest of local kids. They have a full-time nurse who monitors every child and sends monthly reports to the main office, and also music and art lessons on a rotating schedule.

(Cont. on page 32)
The quality of the curriculum and healthcare was impressive, given that one must drive through three broad rivers and several little streams to get there (see photo).

By providing long-term care and education, this organization is contributing to future prosperity for the children they help and the economy that those children will build. This aligns with the primary theme that Deborah Gibbons brought home from her visit—some kinds of aid build competence for the future, while other kinds of aid build dependence on foreign help. She believes that Haiti has received too little of the former and too much of the latter, so it was encouraging that the people whom she met on this trip share a hopeful vision for building Haiti’s ability to sustain itself.

She hopes to incorporate socio-cultural insights into the teaching case and help students think strategically about using short-term aid to produce long-term benefits. After that, she intends to write a case about social and cultural challenges that must be addressed in order to provide health care to Bangladeshi women and children who live in ethnic enclaves within Western nations.