

Applying Marginal Analysis in Determining the Number of Contractors: An approach for the Advisory and Assistance Services (A&AS) and Department of Defense (DOD)

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ABSTRACT

The Department of Defense (DOD) finds itself these days with budget constraints and having to account not only for its deliverance of its core missions but for its efficient use of resources as well. Contractors are considered an important resource. Several publications have recently suggested the DOD needs a better budget allocation methodology as well as a better census of contractors. It has been criticized for not even knowing how many contractors it has under contract.

This paper suggests the use of an economic concept called marginal analysis to help project managers, directors, contracting officers, and other decision-makers in government and non-government agencies manage the allocated budget. Arriving at an efficient use of contractors while not losing control of the DOD's responsibilities, may be provided by using marginal analysis. The DOD relies on such organizations as the Advisory and Assistance Services (A&AS) to provide services that help improve the quality and timely delivery of contractor's services while minimizing costs. The A&AS services take the form of information, advice, opinions, alternatives, analyses, evaluations, recommendations, training, and technical support. The researchers using recent data, a hypothetical budget, and marginal analysis where fixed costs are locked in, suggest that the A&AS should target the number of contractors that gains its most efficient use of resources by minimizing costs while ensuring mission success.