

# **Collaborative Leadership**

## *The Future of Nonprofit Contracting*

**Lauren Miltenberger**

*Villanova University*

**Margaret F. Sloan**

*James Madison University*

### **Abstract**

The cross-sector relationship between nonprofit organizations and government agencies has evolved over the past few decades, moving from a competitive model of contracting to a collaborative one, as shown in the literature. However, collaboration in the human service contracting system is a complicated endeavor. Nonprofit organizations are critical to the human service system, and implementing collaborative contracting arrangements from their perspective is a key component to the process. Founded on practitioner interviews, this research provides information from the nonprofit perspective on how to implement collaboration within the U.S. human service contracting system, a framework for understanding the elements in the contracting relationship, and recommendations for creating and sustaining collaborative contracting relationships.

**Keywords:** *contracting; collaboration; public service; nonprofit organizations*

---

**Lauren Miltenberger** is an assistant professor, Public Administration Department, Villanova University. **Margaret F. Sloan** is an assistant professor of Strategic Leadership Studies and advisor to the Nonprofit and Community Leadership concentration, College of Business, James Madison University. Please send author correspondence to [lauren.miltenberger@villanova.edu](mailto:lauren.miltenberger@villanova.edu)

In the world of human services, nonprofit organizations and government agencies are intricately connected, and these relationships are perceived as either competitive or collaborative. Nonprofit organizations are the predominant provider of public human services through contracts from government agencies (Salamon, 1995, 2012), with nearly one third of revenues for public charities coming in the form of government grants and contracts (Blackwood, Roeger, & Pettijohn 2012). Based on the assumption that competition will increase efficiency, drive effectiveness, and reduce costs (Brudney, Fernandez, Ryu, & Wright, 2005; Savas, 1987), public services are contracted out to nonprofits; local, state, and tribal governments; and for-profit firms at a rate of approximately 30% of the federal budget (Pettijohn, 2013).

The human service system has a long history of nonprofit-government coordination and funding. Often carried out through contracting arrangements, these relationships require certain criteria on both sides for success. Nonprofit scholarship recognizes the potential for adversarial or competitive relationships between nonprofits and government in which service provision by one sector is viewed as displacing the services of the other or competing for the same customers (Najam, 2000; Young, 1999, 2000); scholarship also raises questions about the relationship between competitive and collaborative motivations in public agency networks (Lee, Feiock, & Lee, 2012) and how competition and collaboration affect the future of public management (Donahue, 2010). At the same time, the literature on human services recognizes the competitive perspective but presses the need for greater collaboration between government funders and their nonprofit service partners (Alexander, 2000; Amirkhanyan, 2010; Amirkhanyan, Kim, & Lambright, 2012; Austin, 2003; L. Brown & Troutt, 2004; Poole, 2003; Romzek & Johnston, 2005; Van Slyke, 2003). This literature also consistently identifies the mutually dependent partnership between the two sectors (Salamon, 1995, 2012) in which government relies on human service organizations and other nonprofits to provide services it seeks to foster, and these organizations rely to varying degrees on government support to carry out their service provision.

The cross-sector relationship between nonprofit organizations and government agencies has evolved over the past few decades, moving from a competitive model of contracting to a collaborative one (Amirkhanyan et al., 2012; Austin, 2003; Bovaird, 2006; L. Brown & Troutt, 2004; Osborne & McLaughlin, 2004; Romzek & Johnston, 2002; Van Slyke, 2003). However, collaboration in the human service contracting system is a complicated endeavor in practice.

Founded on practitioner interviews, this research provides information from the nonprofit perspective on how to implement collaboration within the U.S. human service contracting system, a framework for understanding the elements in the contracting relationship, and recommendations for creating and sustaining collaborative contracting relationships. Research on how to integrate collaboration within the human services contracting system from those applying these concepts in practice is necessary to share this information with the broader nonprofit community. The central purpose of this study is to provide evidence from practice on how to combine collaboration with contracting for nonprofit leaders, government contracting agencies, and educators.

## Contracting Behavior in Theory and Practice

Contracting has been a major component for public managers (T. Brown, Potoski, & Van Slyke, 2006; Smith & Lipsky, 2009). The contracting system enables government agencies to fulfill legislative mandates, increase efficiency, gain flexibility in service provision, and improve service quality with nonprofits extending the public sector's service capacities, innovativeness, and access to special services (Austin, 2003; Savas, 2002). The literature on contracting includes two main types: competitive and collaborative (or relational). The competitive contract is developed via the framework of competition and a principal-agent approach, which assumes that an anonymous market and potentially adversarial relationship among exchange partners works best to create efficiency (Johnston & Girth, 2012; Lamothe & Lamothe, 2012). On the other hand, the collaborative contract is based on trust, reciprocity, and a shared model of decision making (DeHoog, 1990; Huxham & Vangen, 2000a, 2000b). This view stresses the collaborative nature of the contracting process and how important it is for nonprofits and government to connect and coordinate planning and programs. Recently, scholars have discussed the need for the use of collaboration and the collaborative design of contracts, but the competitive contract is heavily used in practice. The tensions between the two approaches are discussed in more detail below to provide the necessary context for the current human service system.

### Influence of Competition and Markets

The human service system in the United States has been characterized by the market-based ideology and the usage of competitive contracts. This view stresses the importance of the market and requires the devolution of programs from the federal level to state and local levels and the contracting out of public services when possible, human services being no exception (Baines, 2010; Eikenberry, 2009; Hasenfeld & Garrow, 2012).

Despite the intention of this approach, in practice the competitive contracts pose challenges to service provision, including a fragmented approach to the functioning of the human services system (Bovaird, 2006; DeHoog, 1990; Dias & Maynard-Moody, 2007; Kettl, 2006; Sclar, 2000). The request for proposal (RFP) process and monitoring requirements that exist to increase efficiency, decrease contractor opportunism, and allow the government to select optimal contractors make certain aspects of collaboration difficult. The RFP process can produce system inefficiencies and create a culture in which government agencies view nonprofit organizations only as vendors in the market-based exchange of services via a contract (Kettl, 2006; Milward & Provan, 2003; Salamon, 2002). This competitive model can be characterized by uneven coordination and a lack of communication across sectors that can produce problems for effective system delivery and program efficacy. A majority of nonprofits (75%) in a national survey by the Urban Institute stated that the RFP process and the reporting process, key elements of competitive contracting, were problematic within human services (Boris, de Leon, Roeger, & Nikolova, 2010). Also, there can be duplicate processes required by different government agencies, whereby each agency has its own internal, RFP, cost-reimbursement, and reporting requirements. The "complexification" of the current human services system (National Council of Nonprofits, 2010) creates administrative problems that nonprofits must overcome in everyday practice. These prob-

lems and differences can unintentionally push governments away from their nonprofit service providers rather than bringing them closer together.

Adding support for this view of a market-based approach—a view that many nonprofits hold—some scholars have questioned the ability of competitive contracting to operate in the human services environment. In a review of competitive contracting as applied to public services, DeHoog (1990) found that “rather than focusing on joint problem solving, this impersonal rule-driven, and sometimes adversarial relationship lends itself to losing sight of the goals and failing to take advantage of private expertise of the nonprofits” (p. 319).

### **Collaborative Contracting and the Role of State Task Forces**

Human service delivery can alternatively be viewed through the lens of collaboration (Alexander, Comfort, Weiner, & Bogue, 2001). This collaborative viewpoint allows for government to see nonprofits as partners in the delivery of social services and as central to the fulfillment of policy goals (Berry, Krutz, Langner, & Budetti, 2008). Likewise for nonprofits, if they operate in a vacuum away from the goals of public policies, these goals will likely not be addressed in the provision of services. Collaboration can link nonprofits and government in effective ways to improve how the human service system is structured.

In the human service literature, there is “new evidence that says arms-length contracting, principals and agents is insufficient. Instead collective behavior is important as is the back and forth exchange of ideas” (Amirkhanyan, 2009, p. 546). This view questions the arm’s length format of competitive contracting and says instead that state agencies overseeing human service contracts can accomplish more by adopting a partnering role with local nonprofit organizations (Johnston & Romzek, 2008; Lambright, 2009; Milward & Provan, 2003; Poole, 2003). Many researchers have identified collaborative (or relational) contracting as a significant trend and have argued for its efficacy in human services (Amirkhanyan et al., 2012; DeHoog, 1990; Sclar 2000; Van Slyke, 2007). Collaborative contracts focus on the ability of contracting partners to exchange information in a mutually beneficial way using trust and frequent communications. The flexibility and coordination described within the collaborative contracting model correspond well with the mutually dependent relationship between nonprofits and government in the human service environment. In addition, the complex nature of human service provision should encourage continual coordination between nonprofit service providers and government agencies on evolving program and community needs.

Despite recent scholarship emphasizing the need for the use of collaboration and the collaborative design of contracts in human services, the competitive contract is still heavily used in practice. Because this is the case, providers of human services are left wondering how to manage contracts using a collaborative approach when the system also relies heavily upon the competitive contract. Currently, task forces in nine states in the United States are working on this issue and are identifying how to reform the

competitive contracting system to include more collaborative elements.<sup>1</sup> Task forces have been developed through legislation, through executive order, and through executive agency (see Table 1). We found that the creation of government–nonprofit task forces through legislation or executive order provides additional benefits to consider compared to agency-driven task forces. By their very nature, they have the endorsement and support of high level officials and therefore a stronger perception of authority and accountability. When they are established in this way, there is typically a list of who will be included on the task force based on the positions they represent (ex-officio members). Nonprofit leaders on the task forces have important insights on this issue. From the nonprofit perspective, task forces are also addressing how the competitive contracting environment can become more collaborative, how collaborative contracting relationships form, and what contract design elements promote collaboration. Additionally, because some solutions identified by the task force will require legislation to implement, this built-in support can substantially hasten its introduction and approval.

**Table 1***Scope and Structure of State Task Forces*

<b>Task force authority</b>	<b>State</b>
Legislative	Connecticut, Hawaii, Illinois, Maryland, Texas
Executive Order	New Jersey, New York (Attorney General)
Executive Agency	Maine, North Carolina

## Method

Because of the complexity involved in contracting relationships, we applied a highly cited model of collaboration (Ansell & Gash, 2008) to assess the contracting environment strategically. In this way, we could operationalize different components of collaboration and test their usage within the competitive contracting environment.

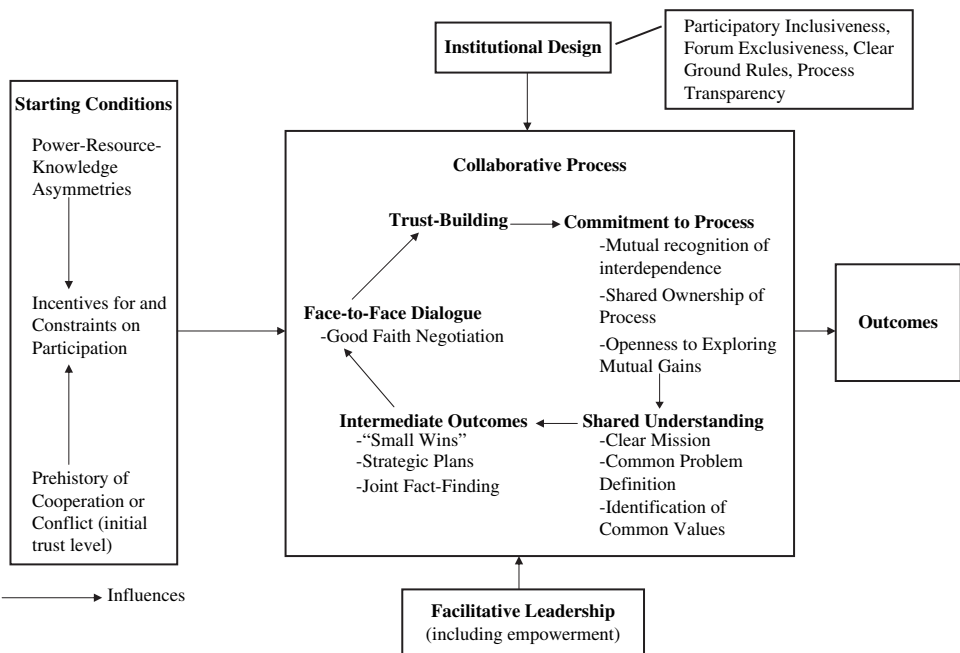
### Model of Collaborative Governance as Applied to Contracting

This qualitative study explores how to incorporate collaboration in the human service contracting environment from the perspective of nonprofit leaders working on state government–nonprofit task forces. Multiple data collection methods are typically used in qualitative studies to capture the complexity of the content and obtain detailed understanding of the phenomenon being studied (Creswell, 2009). For this study, we used interviews and document analysis to collect data. In-depth interviews were conducted with 18 nonprofit leaders from eight states who were involved in contracting reform task forces. We also analyzed publicly available documents and internal reports

<sup>1</sup>The United States lags behind other industrialized nations in the area of cross-sector human service partnerships. The strengthening of deliberate cross-sector relations has resulted in the completion of sector-level framework agreements that commit public and nonprofit sectors to increase collaboration. The first such agreement, The Compact on Relations between Government and the Voluntary and Community Sector in England, was signed in 1998 and represented an unparalleled repositioning of the nonprofit sector (Kendall, 2003). The term *compact* has since become the most commonly used generic descriptor for such agreements, but other terms such as *accord*, *charter*, *concordat*, *cooperation program*, *protocol*, *partnership*, and *strategy* are also used in different countries (Casey, Dalton, Melville, & Onyx, 2009). These new vehicles for the creation of cross-sector alliances and partnerships seek to create a strong set of guidelines, principles, and practices for nonprofit and government leaders to use in a range of service delivery and policy-making functions (Casey et al., 2009).

that the task forces provided to us including the National Council of Nonprofits website on Contracting Reform and any other documents that we received from the participant at the time of the interview (e.g., minutes from task force meetings, task force draft and final report). Document analysis consisted of reviewing these materials to find evidence of the way the task forces define collaboration in contracting; we searched for the words *collaboration* and *collaborative contracting* and obtained the relevant descriptors surrounding the word itself.

While many research papers discuss the need for collaboration and provide certain aspects of what is needed to collaborate successfully, only a few create a model to describe what is required to have a successful collaboration. The model provided by Ansell and Gash (2008) is a useful framework for understanding collaborative governance working in public management. A contingency approach was used to analyze the specific features and conditions needed for collaboration (see Figure 1; Ansell & Gash, 2008). Ansell and Gash's collaborative governance model emphasizes trust, shared vision, and reciprocity within collaboration. Also, their model is particularly useful for this study because it compartmentalizes the process of collaboration into different elements including starting conditions, facilitative leadership, institutional design, and the collaborative process. We used this model to help identify various criteria for success within the context of incorporating collaborative elements into the competitive contract environment.



**Figure 1.** A model of collaborative governance. From “Collaborative Governance in Theory and Practice,” by C. Ansell and A. Gash, 2008, *Journal of Public Administration Research and Theory*, 18, p. 550. Used with permission.

In advance of the interviews, we provided Ansell and Gash's (2008) collaborative governance model to the nonprofit respondents to review. Participants received a copy of the Ansell and Gash model with specific questions on each of the model's components. Interviews were then conducted with participants between August and November 2014. This facilitated lengthy discussions of these topics and allowed us to probe on specific issues from the Ansell and Gash model that participants mentioned. Also, semistructured interviews provided the opportunity to ask participants questions about the interplay between collaboration and contracting, which is a complex process and one that lends itself to the qualitative approach.

Codes were created using Ansell and Gash's (2008) model of collaborative governance as a framework to analyze the data. A codebook was produced that defined each of the codes, which were identified with a brief description. Through an iterative process that reflects back to Ansell and Gash's theoretical framework and the research questions guiding this study, we developed a scheme of deductive codes that represents important concepts and themes. Qualitative research stresses in-depth investigation in a small number of communities and usually uses purposive sampling as opposed to random sampling. Purposive sampling allowed us to select the task force participants who were the experts on introducing collaboration into contracting, which was the phenomenon under investigation (Lincoln & Guba, 1985).

Interviewing is an optimal method for this study because of the need to find out from the respondents how they perceive collaboration working within the contracting environment. Through interviews, the researcher can better extrapolate other people's perspectives and transfer insights into how those interviewed make sense of their world and of the experiences they have had related to the phenomenon under study (Rubin & Rubin, 1995). Therefore, the interview provided us with the best method of collecting data about this particular phenomenon under study. Document analysis from reports and meeting minutes of the state task forces were another source of data to substantiate and clarify certain ideas that were expressed in the interviews. Because we only interviewed those already engaged in fostering collaborative contracting via the state task forces, the interviews may not be wholly representative of all nonprofit human service providers in contracting relationships.

## Findings

The interview data provided a wealth of information on how nonprofits view the way collaboration can improve the competitive contracting relationship. Although collaboration is a difficult process (Hibbert & Huxham, 2010) and even more difficult when applied to contracting (Gazley & Brudney, 2007), we found that, for human services nonprofits at least, it is a preferred and obtainable goal. Findings indicate that nonprofits welcome the creation of the task forces at the state level, see themselves as true partners with government, and pursue new avenues for coordination and communication. The findings connected to the testing of Ansell and Gash's (2008) model including starting conditions, facilitative leadership, institutional design, and collaborative process are described below.



## Starting Conditions

Nonprofit responders unanimously identified starting conditions as the key to a successful collaboration and the most important stage of Ansell and Gash's (2008) model. Themes within the starting conditions included the presence of asymmetrical power perceptions, the importance of mutual recognition of interdependence, incentives for and constraints on participation, and the influence of prehistory of collaboration or conflict. Facilitative leadership is also discussed within the starting conditions in the model, and nonprofit respondents recognized this as a key component of the beginning of collaborative discussions.

**Reducing asymmetry and the importance of mutual recognition of interdependence.** Nonprofits in this study believe that a collaborative approach begins with the premise that there is a shared distribution of power, resources, and knowledge based on mutual dependence.<sup>2</sup> Power, resources, and knowledge converge in this context, with each partner bringing different elements to the relationship. Government has predominantly been in the primary power position because they provide the funding, scope, and types of services. However, nonprofit leaders expressed the position that they also have power in this relationship in terms of their knowledge of service delivery and the communities they serve. When power is understood as a shared component of the system and complemented with a collaborative structure, the hope is for a more effective system based on shared responsibilities. Power imbalances are common according to Ansell and Gash (2008), yet they do not restrict the possibility of an effective collaboration.

Nonprofit leader respondents similarly stated that nonprofits need to be clear about where they stand in this relationship and that the relationship is based on mutual dependence and shared power. Nonprofit respondents described two types of contractual power: (1) fiscal, legal, policy, and fiduciary power held most commonly by government and (2) service delivery power held by nonprofits. Although they recognize their power through service delivery, there was a general feeling that government does have ultimate power as being the buyer of the services. One nonprofit respondent stated it this way:

The power is really shared, but that comes after the RFP is signed. Before the nonprofit is selected the government does have more power because as long as there are more nonprofits than the state needs to provide services, the power remains with the state, the holder of the contracts.

**Incentives for and constraints on participation.** Primary incentives for participating in contract relationships center on organizational stability. Nonprofit contractors realistically assessed the fragmentation within the current environment and noted that the need for reform incentivized their desire to seek greater collaboration with funders. In addition, nonprofit leaders noted that fragmentation and lack of coordination are expensive and burdensome in the long run; therefore, fiscal and organizational capacity pressures also provided a major incentive for participating in contracting processes. In this spirit, nonprofits largely welcomed the dialogue created by the

<sup>2</sup>The power-resource-knowledge asymmetry within the nonprofit-government relationship is tightly connected to interdependence theory (Salamon, 1989). Interdependence theory claims that the nonprofit-government relationship is complementary and collaborative and is based on a mutual dependency (Salamon, 1989). It asserts that government agencies have become dependent on nonprofits as the providers of human services and that nonprofits have become dependent on public financing.



task forces to discuss challenges in the system. Although nonprofits were circumspect about whether they would ever obtain a perfect collaborative contract, any movement toward collaboration was recognized as a welcome addition. Last, a major incentive for nonprofit contracting was a rational and self-satisfying one—to stay in business and achieve their core purposes—as funding from the government represents a high percentage of their budgets.

Although monetary incentives for contracting are enticing, nonprofit respondents also expressed wariness toward a variety of constraints on achieving successful contract outcomes. Such constraints included lack of adequate funding to carry out the scope of the contracted services, lack of other organizational resources to accomplish desires of collaborative partner, little coordination of efforts with grant funders or dependence on a personal relationship with a single individual in the agency, lack of experienced managers on the funding side to provide guidance, and lack of attention from government contract managers who also have low resources relative to demand. Those with multiple contract experiences related inconsistent relationships across contracts that was caused by the variance among federal agencies and their approach, expectations, and requirements. As noted, prior history with contracts colors the anticipations of service contractors when seeking new contracting experiences, and nonprofit contractors indicated the importance of the relational prehistory with funders, either positive or negative, within their starting conditions. Nonprofits with negative prior contract experience also expressed difficulty with leaving the negative baggage behind and moving forward in good faith that this contracting experience would be different.

### **Facilitative Leadership**

Leadership that shares responsibility for success and recognizes the contribution of all parties (Wassenaar & Pearce, 2012) is key within a collaborative relationship, especially when there is a prehistory of conflict and when power and resources are asymmetrically distributed. In a collaborative process that involves contracting during which these conditions present themselves many times at the outset, the need for effective facilitative leadership is of immediate concern. Facilitative leaders steward the process of engaging multiple stakeholders and moving the collaborative process forward. Effective facilitative leadership that yields collaborative processes is likely to be a difficult task for many organizations, particularly in the contracting relationship. Although Ansell and Gash (2008) describe facilitative leadership as a separate component in their framework, nonprofit respondents discussed the need of inserting leadership as a necessary component within the starting conditions because it is vital to successful collaboration.

According to interview feedback, both sides of the funding relationship can do a better job of facilitating leadership that fosters change. Nonprofit leaders interviewed noted that government is the primary leader in creating the collaborative reforms and the most successful approach is to get buy-in from the very top. Those interviewed gave several recommendations for governmental leaders to foster collaborative contracting environments: (1) Government needs to act as a change agent by creating structures that encourage collaborative starting conditions through policy tools and even legislation. Also, even when executive level leadership has buy-in on collaborative process, this support needs to trickle down to mid-level managers and frontline government contract officers. (2) The government leaders championing the collaborative

contracting reforms must be able to facilitate process changes in departmental rules and guidelines. In this way, nonprofits noted that government change agents can focus the needs for collaboration and craft new rules and regulations that include collaborative approaches. (3) In addition, there must also be a heightened awareness of how the new collaborative design of the contracts can and should include nonprofits in creative ways.

Overall, starting conditions elicited the majority of feedback from nonprofit leaders. Simply incorporating collaborative conversations during the starting conditions phase could enhance the productivity of partnership between contracting agencies and government.

### **Institutional Design**

**Clear ground rules, transparency, and participatory inclusiveness.** In Ansell and Gash's (2008) model, an effective institutional design creates the necessary protocols and procedures needed for a collaboration's legitimate foundation. However, the current institutional design of the contracting environment is haphazard and complicated (Boris et al., 2010; Cooper, 2003; DeHoog, 1990; Sclar, 2000). Nonprofit contractors discussed the need for collaborative leadership to foster transparency and participatory inclusiveness across the contract design process and program creation.

All of the nonprofit leaders interviewed discussed process transparency as a key issue regarding the contract design process and program creation. For example, many wanted to have more transparency regarding why certain conditions were included in the RFP and reporting documents. A greater emphasis on transparency highlights the obstacles and constraints that government contract managers and contractors face. From the nonprofit perspective, one interview respondent noted that lack of transparency may lead to "resentment from many, with contracts being decided and rates determined without transparency and without alignment to quality standards. This causes confusion and misunderstanding." All of the task forces were actively working on improving collaborative leadership in the contract design process including consistent RFP processes and streamlined reporting requirements across all government agencies.

In addition to the process components of collaboration as design elements, the issue of program transparency was consistently brought up in the interviews. Nonprofit respondents felt that the institutional design needed to include clear ground rules on how collaboration affects program components. For example, one interview respondent described how in mental health contracts detailed programmatic goals and outcomes were included in the contracts for youth, but not for adults. Nonprofits were confused by this and wondered if the outcomes could be streamlined for both sets of contracts. A discussion with government task force members clarified that detailed and specific sets of outcomes came directly from the law or policy that was providing the funding. However, the policy on adult mental health services was not as specific. Therefore, the specific outcomes included in the youth contract could not be changed, because these were tied directly to the funding. If the policy that created the contract was specific on items of funding, program delivery methods, or outcomes, a collaborative dialogue with the nonprofits could not change these items. This occasionally frustrated nonprofits because they had had experiences in which the contract was not consistent with their program standards or in which the completeness of contract

specifications was not communicated well. DeHoog (1990) recognized this issue when applying contracts to human services, stating,

Unfortunately, clear performance specifications are difficult to generate and communicate in some human services. In addition, if it is a new service or one with which the government agency has no prior experience in supplying (which is usually the case, as government has not provided human services in many years) this can create a particularly knotty issue, as the potential supplies may be the expert, not the government. (p. 319)

On the other end of the spectrum, in other instances programmatic components of the contract were not specified within the RFP or contract policy. In these instances, nonprofits had latitude to deliver services in the most effective way that they thought possible. The ground rules for this type of collaboration include programming on a personal level, where a dialogue and discussion on the type of program to include can occur between nonprofit service provider and government contract manager. Once the discussion on the ground rules that govern the interactions between the two partners is complete, the next phase of the collaboration can begin.

Finally, strong institutional design must be supported by strong organizational infrastructures. Both sides of the funding relationship repeatedly mentioned problems with insufficient bandwidth to accomplish the scope of work. Such infrastructure problems have to be remedied during the starting conditions for the work to continue effectively. Some task forces have encouraged the use of comprehensive cloud systems through which contracting organizations can upload applications, reports, and documents.

### **Collaborative Process**

Strong starting conditions, institutional design, and facilitative leadership support the development of a collaborative process. The collaborative process, according to Ansell and Gash (2008), includes trust building, face-to-face dialogue, shared understanding, and a commitment to the process. The black box (Thomson & Perry, 2006) of the collaborative process was difficult to describe for nonprofit respondents, primarily because the task forces were just beginning. However, there was total agreement on the need for focused coordination and dedication to the collaborative process and how these components can be successfully merged into more fluid and logical collaborative contracting functions. Currently, interviewees described that the current system does not allow nonprofits and government to have the opportunity to discuss programs, services, community interventions, goals, or other vital aspects of the contract. One nonprofit respondent stated,

If these government services were not contracted out, the government would have these conversations – program frontline employees would talk to the finance or procurement department about what is best and the evaluation would be based on a understood set of goals coming from the rules and regulations that are visible to everyone.

With the contracting out of services, the nonprofits are blind to all of these internal process and design components, which can be confusing and create frustrations, because of a lack of understanding of how the system is designed and why.

Working in favor of a collaborative process are the commonly held missions, values, and hoped-for outcomes between nonprofits and government agencies with regard to human service provision. Each side also faces constraints. By recognizing commonalities and understanding the other partner's constraints, nonprofits and government can come to view themselves as players on the same side. In the words of one respondent,

I'd say to work with nonprofits successfully, one should be knowledgeable about their realities and come prepared to either accommodate them or at the very least address them in a respectful, collaborative manner so that problem solving can take place. This includes acknowledgment of the situations that could be at the root cause of resentment, anger, frustration, cynicism, skepticism, etc.

The culmination of sound starting conditions, clear institutional design, and well-defined collaborative processes is the successful collaborative contracting relationship.

### **Implications for Leadership, Policy, and Practice**

As indicated below, the interviews provided lessons through examples of behaviors and processes from the nonprofit perspective that can be learned and shared when incorporating greater levels of collaboration into a competitive contracting system.

Collaborative leadership is an important starting condition to help smooth out all aspects of contracting behaviors. Although Ansell and Gash's (2008) model includes facilitative leadership as a stand-alone component, the importance of this type of leadership in the initial stages of the process is critical to set the stage for the collaborative process throughout. As respondents noted, lack of coordination and program fragmentation can be costly to organizations and create additional burdens on already constrained organizations. The financial incentive for human service organizations to engage in contracting is not likely to change; however, other constraints in the contracting process may be alleviated with collaborative leadership that mitigates power asymmetry, values both parties' perspectives and experience to build trust, and fosters better communication between parties.

Collaborative leadership could bring about needed reform in the RFP process. For instance, if the process were divided into two components, (1) pre-RFP and (2) post-RFP, government agencies could improve the quality of the RFP by including the expertise of service delivery professionals into the request, creating a logical and feasible delivery system from the outset. Along with this reform, a central application and reporting portal could eliminate redundancies in paperwork, monitoring, finances, and reporting. Because successful collaborative contracts also need to emphasize shared program components, nonprofit providers also need to be consulted and their expertise considered before program guidelines are set. Policy surrounding the development of new funding programs and reform of existing programs should include collaborative structures, but all partners need to be cognizant of certain policy guidelines that cannot be changed because of federal or state mandates.

Contracts can be competitive and collaborative. The competitive nature of the contracting system does not inhibit collaboration with partners. Contract management systems can integrate collaboration at every stage in the process, especially when

the government agencies and nonprofit organizations are viewed as partners and not principals versus agents. These collaborative relationships must be formalized, even if it seems unnatural at first. Formal arrangements can encourage greater levels of trust between partners by detailing expectations; therefore, formality can enhance relationships in the long run (Amirkhanyan et al., 2012). However, the personal and relational qualities of the contract must also be added to the design. This includes the space to have face-to-face dialogue and informal discussions about power and resource imbalances and opportunities to review program and service recipient updates and revisions. The high transaction costs associated with relational contracting are investments in the future. These investments can improve the functioning of the overall system and the functioning of the relationship between nonprofit service providers and government agencies. Recent research on contracting has also discussed the possibility of including formal and relational aspects in contracting design (Amirkhanyan et al., 2012; Van Slyke, 2007).

The recognition of mutual dependence is critical to building collaborative contracting. Interdependence theory is the common foundation explaining the nonprofit–government relationship. The findings from this study point toward, again and again, the need for the recognition of mutual dependence and how this mutual dependence provides the justification and legitimacy for the collaboration to occur. Using this theoretical lens to view the relationship, and not only the principal–agent model used in many contracting studies, provides a more holistic view of the nonprofit–government relationship. This understanding must also translate as a building block into the starting conditions of the collaboration and the discussions of power, resources, and knowledge asymmetry that sometimes occur in this environment. As the buyer of goods, the government holds inherent power. On the other hand, nonprofits, as the sellers of human service goods, have less formal power and are subject to the buyer's request. Yet nonprofits can exercise their informal power in a variety of ways. Nonprofits can act as champions of service delivery and as innovators of new ideas related to programs and structure. Nonprofit leaders must remember that the government is mutually dependent on the nonprofit and that the government needs the services to be provided by nonprofits, just as much as the nonprofits need the funding. Nonprofit leaders can use their power to engage and communicate with their government counterparts effectively and productively.

In Ansell and Gash's (2008) model, two opposite extremes of either a past history of cooperation or a past history of distrust and antagonism can have serious effects on the future of a collaboration. One nonprofit–government relationship can have distrust and conflict (Boris & Steurele, 2006), yet other collaborations can flourish. Because nonprofits can have many contracts simultaneously (according to the Urban Institute, 2010, 46% of organizations have multiple contracts) and provide a variety of services, they frequently have contracts with multiple government agencies. In sum, this means that a nonprofit can have one contracting relationship that is cooperative and works well, but then another that works poorly. Understanding the differences among contract managers and using this as a starting point in the conversation can begin to move the contractual relationship into a more collaborative territory.

As in other research (Lambright, 2009; Van Slyke, 2007), in this study the initial trust level was key—government agencies need to trust nonprofit partners because they

are both focused on the same set of goals. Prior history affects such trust. Nonprofit respondents recognized that the process of building trust is a complex undertaking and often depends on the relationships they have with the contract managers. Understanding trust as having organizational and interpersonal levels (Jeffries & Reed, 2000) is a critical component to creating the necessary starting conditions for collaboration to work.

## Conclusion

The future of collaborative contracting systems is improving with certain states moving closer to it through conversations facilitated by state-level task forces. The literature clearly describes collaboration as necessary within contracting; however, there are not many examples of how to incorporate collaboration within the system of competitive contracting. Nonprofit leaders need blueprints and models to guide them. The Ansell and Gash (2008) model of collaborative governance provides such a guide to consider adapting successful strategies of collaboration to the competitive contracting system that has heavily influenced human service provision.

Our research reiterates the importance of shared leadership to bring about collaboration across all stages of the contracting process. Shared leadership values the experience and expertise of both parties and fosters communication in ways that can promote better contract and program design, usher in needed reform for streamlining processes, promote alignment surrounding desired program outcomes, and ultimately create better service provision.

## References

- Alexander, J. (2000). Adaptive strategies of nonprofit human service organizations in an era of devolution and new public management. *Nonprofit Management and Leadership, 10*, 287–303. <https://doi.org/10.1002/nml.10305>
- Alexander, J. A., Comfort, M. B., Weiner, B. J., & Bogue, R. (2001). Leadership in collaborative community health partnerships. *Nonprofit Management and Leadership, 12*, 159–175. <https://doi.org/10.1002/nml.12203>
- Amirkhanyan, A. (2009). Collaborative performance measurement: Examining and explaining the prevalence of collaboration in state and local government contracts. *Journal of Public Administration Research and Theory, 19*, 523–554. <https://doi.org/10.1093/jopart/mun022>
- Amirkhanyan, A. (2010). Monitoring across sectors: Examining the effect of nonprofit and for-profit contractor ownership on performance monitoring in state and local government contracts. *Public Administration Review, 70*, 742–775. <https://doi.org/10.1111/j.1540-6210.2010.02202.x>
- Amirkhanyan, A., Kim, H. J., & Lambright, K. (2012). Closer than “arms length”: Understanding the factors associated with collaborative contracting. *The American Review of Public Administration, 42*, 341–366. <https://doi.org/10.1177/0275074011402319>

- Ansell, C., & Gash, A. (2008). Collaborative governance in theory and practice. *Journal of Public Administration Research and Theory*, 18, 543–571. <https://doi.org/10.1093/jopart/mum032>
- Austin, J. E. (2003). Marketing's role in cross-sector collaboration. *Journal of Nonprofit & Public Sector Marketing*, 11(1), 23–39. [https://doi.org/10.1300/J054v11n01\\_03](https://doi.org/10.1300/J054v11n01_03)
- Baines, D. (2010). 'If we don't get back to where we were before': Working in the restructured non-profit social services. *British Journal of Social Work*, 40, 928–945. <https://doi.org/10.1093/bjsw/bcn176>
- Berry, C., Krutz, G., Langner, B., & Budetti, P. (2008). Jump-starting collaboration: The ABCD Initiative and the provision of child development services through Medicaid and collaborators. *Public Administration Review*, 68, 480–490. <https://doi.org/10.1111/j.1540-6210.2008.00884.x>
- Blackwood, A., Roeger, K., & Pettijohn, S. (2012). *The nonprofit almanac 2012*. Washington, DC: Urban Institute.
- Boris, E. T., de Leon, E., Roeger, K. L., & Nikolova, M. (2010). *Human service nonprofits and government collaboration: Findings from the 2010 National Survey of Nonprofit Government Contracting and Grants*. Washington, DC: The Urban Institute Center on Nonprofits and Philanthropy.
- Boris, E. T., & Steurele, C. E. (2006). Scope and dimensions of the nonprofit sector. In W. W. Powell & R. Steinberg (Eds.), *The non-profit sector: A research handbook* (2nd ed., pp. 66–88). New Haven, CT: Yale University.
- Bovaird, T. (2006). Developing new forms of partnership with the 'market' in the procurement of public services. *Public Administration*, 84(1), 81–102. <https://doi.org/10.1111/j.0033-3298.2006.00494.x>
- Brown, L. K., & Troutt, E. (2004). Funding relations between nonprofits and government: A positive example. *Nonprofit and Voluntary Sector Quarterly*, 33, 5–27. <https://doi.org/10.1177/0899764003260601>
- Brown, T. L., Potoski, M., & Van Slyke, D. M. (2006). Managing public service contracts: Aligning values, institutions, and markets. *Public Administration Review*, 66, 323–331. <https://doi.org/10.1111/j.1540-6210.2006.00590.x>
- Brudney, J. L., Fernandez, S., Ryu, J. E., & Wright, D. S. (2005). Exploring and explaining contracting out: Patterns among the American states. *Journal of Public Administration Research and Theory*, 15, 393–419. <https://doi.org/10.1093/jopart/mui019>
- Casey, J., Dalton, B., Melville, R., & Onyx, J. (2009). *International perspectives on strengthening government–nonprofit relations: Are compacts applicable to the USA?* (Working Paper Series). New York, NY: Center for Nonprofit Strategy and Management, Baruch College, City University of New York.
- Cooper, P. J. (1980). Government contracts in public administration: The role and environment of the contracting officer. *Public Administration Review*, 50, 459–468. <https://doi.org/10.2307/3110201>
- Cooper, P. J. (2003). *Governing by contract: Challenges and opportunities for public managers*. Washington, DC: CQ Press.



- Creswell, J. W. (2009). *Research design: Qualitative, quantitative, and mixed methods approaches*. Thousand Oaks, CA: Sage.
- DeHoog, R. H. (1990). Competition, negotiation, or cooperation: Three models for service contracting. *Administration & Society*, 22, 317–340. <https://doi.org/10.1177/009539979002200303>
- Dias, J. J., & Maynard-Moody, S. (2007). For-profit welfare: Contracts, conflicts, and the performance paradox. *Journal of Public Administration Research and Theory*, 17, 189–211. <https://doi.org/10.1093/jopart/mul002>
- Donahue, J. D. (2010). The race: Can collaboration outrun rivalry between American business and government. *Public Administration Review*, 70(Suppl. 1), S151–S152. <https://doi.org/10.1111/j.1540-6210.2010.02259.x>
- Eikenberry, A. M. (2009). Refusing the market: A democratic discourse for voluntary and nonprofit organizations. *Nonprofit and Voluntary Sector Quarterly*, 38, 582–596. <https://doi.org/10.1177/0899764009333686>
- Gazley, B., & Brudney, J. L. (2007). The purpose (and perils) of government–nonprofit partnership. *Nonprofit and Voluntary Sector Quarterly*, 36, 389–415. <https://doi.org/10.1177/0899764006295997>
- Hasenfeld, Y., & Garrow, E. (2012). Nonprofit human-service organizations, social rights, and advocacy in a neoliberal welfare state. *Social Service Review*, 86, 295–322. <https://doi.org/10.1086/666391>
- Hibbert, P., & Huxham, C. (2010). The past in play: Tradition in the structures of collaboration. *Organization Studies*, 31, 525–554. <https://doi.org/10.1177/0170840610372203>
- Huxham, C., & Vangen, S. (2000a). Ambiguity, complexity, and dynamics in the membership of collaboration. *Human Relations*, 53, 771–806. <https://doi.org/10.1177/0018726700536002>
- Huxham, C., & Vangen, S. (2000b). Leadership in the shaping and implementation of collaboration agendas: How things happen in a (not quite) joined-up world. *Academy of Management Journal*, 43, 1159–1175. <https://doi.org/10.2307/1556343>
- Jeffries, F. L., & Reed, R. (2000). Trust and adaptation in relational contracting. *Academy of Management Review*, 25, 873–882.
- Johnston, J. M., & Girth, A. M. (2012). Government contracts and ‘managing the market’: Exploring the costs of strategic management responses to weak vendor competition. *Administration & Society*, 44(1), 3–29. <https://doi.org/10.1177/0095399711417396>
- Johnston, J. M., & Romzek, B. S. (2008). Social welfare contracts as networks: The impact of networks stability on management and performance. *Administration & Society*, 40, 115–146.
- Kendall, J. (2003). *The voluntary sector: Comparative perspectives in the UK*. London, England: Routledge. <https://doi.org/10.4324/9780203400128>
- Kettl, D. F. (2006). Managing boundaries in American administration: The collaboration imperative. *Public Administration Review*, 66(Suppl. 1), 10–19. <https://doi.org/10.1111/j.1540-6210.2006.00662.x>

- Lambright, K. T. (2009). Agency theory and beyond: Contracted providers' motivations to properly use service monitoring tools. *Journal of Public Administration Research and Theory*, 19, 207–227. <https://doi.org/10.1093/jopart/mun009>
- Lamothe, M., & Lamothe, S. (2012). What determines the formal versus relational nature of local government contracting. *Urban Affairs Review*, 48, 322–353. <https://doi.org/10.1177/1078087411432418>
- Lee, I. W., Feiock, R. C., & Lee, Y. (2012). Competitors and cooperators: A micro-level analysis of regional economic development collaboration networks. *Public Administration Review*, 72, 253–262. <https://doi.org/10.1111/j.1540-6210.2011.02501.x>
- Lincoln, Y., & Guba, E. (1985). *Naturalistic inquiry*. Thousand Oaks, CA: Sage.
- Milward, H. B., & Provan, K. (2003). Managing the hollow state: Collaboration and contracting. *Public Management Review*, 5(1), 1–18. <https://doi.org/10.1080/1461667022000028834>
- Najam, A. (2000). The four-C's of third sector-government relations: Cooperation, confrontation, complementarity, and co-optation. *Nonprofit Management and Leadership*, 10, 375–396. <https://doi.org/10.1002/nml.10403>
- National Council of Nonprofits. (2010). *Crisis, costs, and complexification: Government's human services contracting "system" hurts everyone*. Retrieved from <https://www.councilofnonprofits.org/sites/default/files/documents/Costs-Complexification-and-Crisis.pdf>
- Osborne, S. P., & McLaughlin, K. (2004). The cross-cutting review of the voluntary sector: Where next for local government–voluntary sector relationships? *Regional Studies*, 38, 571–580. <https://doi.org/10.1080/0143116042000229320>
- Pettijohn, S. L. (2013). *Federal government contracts and grants for nonprofits*. Washington, DC: Urban Institute.
- Poole, D. L. (2003). Scaling up CBO's for second-order devolution in welfare reform. *Nonprofit Management and Leadership*, 13, 325–341. <https://doi.org/10.1002/nml.3>
- Romzek, B. S., & Johnston, J. M. (2005). State social services contracting: Exploring the determinants of effective contract accountability. *Public Administration Review*, 65, 436–449. <https://doi.org/10.1111/j.1540-6210.2005.00470.x>
- Rubin, H. J., & Rubin, I. (1995). *Qualitative interviewing: The art of hearing data*. Thousand Oaks, CA: Sage.
- Salamon, L. M. (1989). *Beyond privatization: The tools of government action*. Washington, DC: Urban Institute Press.
- Salamon, L. M. (1995). *Partners in public service: Government–nonprofit relations in the modern welfare state*. Baltimore, MD: Johns Hopkins University Press.
- Salamon, L. M. (Ed.). (2002). *The tools of government: A guide to the new governance*. Oxford, United Kingdom: Oxford University Press.
- Salamon, L. M. (Ed.). (2012). *The state of nonprofit America*. Washington, DC: Brookings Institute Press.
- Savas, E. (1987). *Alternatives for delivering public services*. Boulder, CO: Westview Press.

- Savas, E. (2002). Competition and choice in New York City. Social services. *Public Administration Review*, 62, 82–91. <https://doi.org/10.1111/1540-6210.00157>
- Sclar, E. (2000). *You don't always get what you pay for: The economics of privatization*. Ithaca, NY: Cornell University Press.
- Smith, S. R., & Lipsky, M. (2009). *Nonprofits for hire: The welfare state in the age of contracting*. Cambridge, MA: Harvard University Press.
- Thomson, A. M., & Perry, J. L. (2006). Collaboration processes: Inside the black box. *Public Administration Review*, 66(Suppl. 1), 20–32. <https://doi.org/10.1111/j.1540-6210.2006.00663.x>
- Van Slyke, D. M. (2003). The mythology of privatization in contracting for social services. *Public Administration Review*, 63, 296–315. <https://doi.org/10.1111/1540-6210.00291>
- Van Slyke, D. M. (2007). Agents or stewards: Using theory to understand the government–nonprofit social service contracting relationship. *Journal of Public Administration Research and Theory*, 17, 157–187. <https://doi.org/10.1093/jopart/mul012>
- Wassenaar, C. L., & Pearce, C. L. (2012). The nature of shared leadership. In D. V. Day & J. Antonakis (Eds.), *The nature of leadership* (pp. 363–392). Los Angeles, CA: Sage.
- Young, D. R. (1999). Complementary, supplementary, or adversarial? A theoretical and historical examination of nonprofit–government relations in the United States. In E. T. Boris & E. C. Steuerle (Eds.), *Nonprofits & government: Collaboration & conflict* (pp. 31–67). Washington, DC: Urban Institute Press.
- Young, D. R. (2000). Alternative models of government–nonprofit sector relations: Theoretical and international perspectives. *Nonprofit and Voluntary Sector Quarterly*, 29, 149–172. <https://doi.org/10.1177/0899764000291009>

Reproduced with permission of copyright owner.  
Further reproduction prohibited without permission.