

**COLLABORATIVE GOVERNANCE: SERVICE DELIVERY
PERFORMANCE THROUGH MULTI-SECTOR
CONTRACTING—THE CASE OF AMERICAN STATE
ADMINISTRATIVE AGENCIES, 1998 AND 2004***

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INTRODUCTION

This article focuses on contracting as a form of collaborative governance in which state government agencies connect with private, nonprofit, and other public partners to secure desired outcomes in pursuit of the effective delivery of public services. The empirical focus centers on a representative set of administrative agencies located in the fifty American states.

At the onset of the 21st Century Kettl (2000:488) noted the “transformation of governance,” and argued that the tasks of public executives, “In doing the peoples’ work to a large and growing degree, American governments [involve] shared responsibility with other levels of government, with private companies, and with nonprofit organizations.” He further observed (2000: 488) that globalization and devolution have layered “new challenges that have strained the capacity of governments—and their nongovernmental partners—to deliver high-quality services.” Contracting (out) for public services with third parties (Salmon 1981) is one of those new challenges. It involves governmental agencies in collaborative, shared, network processes that aim at effective service delivery.

Contracting

For two decades contracting has been a lightning rod term in the field of public management in the United States and abroad. Whether offered as a set of organizational practices, proposed as a major reform initiative, or advanced as a means of downsizing government, contracting has both galvanized and polarized debates in the public policy/management community.

Missing from most policy/administrative discussions and debates about contracting is a broad-based body of information about the actual use and estimated performance of contracting

by a representative cluster of public agencies. Apart from selected surveys at the local (municipal) level most public administrative experience and research involving contracting are anecdotal, case-specific, or otherwise narrowly focused (Siegel, 1999). In this article we report on and analyze data gathered from a large representative set of agencies in the American states at two points in time, 1998 and 2004.

The scope and the content of the literature on contracting are illustrative of the significance of this tool as an instrument of governance. In Salamon's volume (2002) focusing on more than a dozen tools of government Kelman (2002: 282) observes that, "None of the tools of government discussed in this book is more ubiquitous than contracting." Cooper (2003: 11) reinforces the importance of this tool by asserting, "It is difficult to think of any aspect of modern life that is not significantly affected by government contracts." O'Neill (2002: 2) introduces his book, Nonprofit Nation, with the statement that contracting is one avenue through which, "the nonprofit sector is a major presence in American life."

The Fifty American States

Granted the controversial and significant character of contracting in the United States and beyond, the question arises: Why focus on contracting among American state governmental agencies? The central role of the American states in providing public services is often overlooked both within and beyond the borders of the USA. The American states have not been merely emergent and resurgent over the past half century (Bowman and Kearney 2005). They have been referred to as the "engines of change" and the "balance wheels of American federalism" (Wright 2006).

A current textbook on the American states (VanHorn 2006:1) offers the following set of assertions.

Today, at the beginning of the twenty-first century, state governments are at the cutting edge of political and policy reform . . . State leaders wield enormous political influence, not only over the destinies of their states, but over the future of the nation. Governors . . .

and bureaucrats are responsible for carrying out much of the nation's public business and are setting national agendas too. Increasingly, federal [national] policymakers expect state governments to assume full policy and administrative responsibilities.

To set the context for grasping the significance of state administration, including contracting, it is first necessary to view the sprawling and diverse array of discrete state administrative agencies. Table 1 lists across five decades the names of specific types of administrative agencies existing in at least three-fourths (38) of the 50 states. The 51 agencies, common to most (or all) state governments in 1959, constituted classic and core functions of the states. Many dated from the 19th Century and grew by accretion to the middle of the 20th Century, sometimes as response to national initiatives.

[Table 1 about here]

It is not pertinent in this context to explain this five-decade agency accumulation phenomenon. (See Jenks and Wright 1993; Bowling et al. 2006.) We only document here in summary form the immense expansion of state administration over the past half-century. Each decade since the 1950s recorded the creation of numerous new types of agencies. By the end of the century nearly 120 distinct administrative entities operated in most the 50 states.

The dramatic growth and larger significance of state administration is confirmed by other numbers. In 1951 total employment in state governments was about one million. By 2001 state employment totaled about five million, far exceeding the 2.7 million national civilian personnel complement. Most state employees were lodged in the bureaucratic structures of the hundreds of state administrative agencies identified in Table 1.

In a noteworthy empirical analysis of state and national employment trends across five decades (1950-1997) Bohte and Meier conclude (2000:44), “we find evidence that the bottom-up view of federalism is correct . . . Growth in state government [employment] results in subsequent growth in the national government, growth in national government does not result in subsequent increases in state government.” Bohte and Meier also examined the causal effect of national

grants (federal aid) on both state employment and state finances. They found (200:45) “evidence that federal aid (in constant dollars) results in changes in state expenditures, but that federal aid does not affect the number of state employees.” In other words, federal aid has been stimulative in a conditional sense. It propels state outlays but does not promote state employment expansion. In short, federal aid across the last half of the 20th Century produced programmatic fiscal impacts but not administrative staffing effects. The states largely “stand alone” from administrative, bureaucratic, or management standpoints.

SURVEYING STATE AGENCIES: IDENTIFYING CONTRACTING DIMENSIONS

The significance of state government administration has not escaped attention and analysis (Elling 2004, Bowling and Wright 1998a, 1998b, Wright 1967). A series of nine periodic surveys of state agency directors twice each decade for five decades (1964-2004) has been conducted by the American State Administrators Project (ASAP). These university-based, foundation-supported mail questionnaire surveys have provided a substantial database on state agencies and top-level executives. The data have enabled scholars to track and monitor trends and variations in both a common core and a shifting array of policy and management issues in state government (Bowling 2006; Wright and Cho 2001). Despite declining ASAP response rates (from 70% to 30%) across the decades, the number of respondents, varying from 900 to 1600, have been confirmed as representative of the more than 3000 heads of state administrative agencies across the 50 American states (Brudney and Wright 2002; Wright and Cho 2001).

Dimensions of Contracting

The 1998 ASAP survey contained a battery of five questions on significant aspects of contracting with three types of external entities for the delivery of agency services. In abbreviated terms these queries probed five dimensions of contracting: 1) deciding, (2) density, (3) directionality, (4) diversity, and (5) disposition. Given the scope, significance, and

controversial character of contracting, the 2004 ASAP survey supplemented the 1998 items with five further dimensions of contracting: (6) discretion, (7) deliberateness, (8) determination, (9) duty, and (10) divisiveness.

Both organizational and theoretical considerations prompted us to place these ten dimensions in two broad components. The internal component included dimensions that focused on choices and criteria guided by five agency focused features. The external component is represented by five dimensions located beyond agency organizational boundaries (Choi and Wright 2004).

[Table 2 about here]

The ten (10) contracting dimensions classified under the two components, internal and external, are displayed in Table 2. In addition to brief descriptors clarifying each dimension, a set of percentages are indicated. These represent the marginal proportions for the nearly 600 agencies reporting the use of contracting for service delivery in 2004. For example, the density dimension shows that over one-fourth (28%) of the agencies allocated one fifth or more of their budgets to service delivery contracts. For deliberateness, more than half (56%) reported that the agency's capacity to exercise oversight of contracting was high or very high.

Table 2 is provided primarily for introductory purposes. It offers an overview of the range of question-based issues that form the empirical and analytical foundations of the article. Central to the collaborative governance theme of this Conference and Workshop are the three types of sectors with which the responding state agencies collaborate in executing service delivery agreements. Those sectors are: (1) for-profit (private) firms, (2) nonprofit organizations, and (3) other governmental units.

Our analysis draws on the two surveys consisting of responses from the 1998 and 2004 samples (600-800) of state administrative agencies. The samples are representative responses from populations of more than 3,000 agencies across the fifty American states (Brudney and Wright 2002). The breadth and richness of these data yield important and instructive insights into

collaborative public management performance. To our knowledge no other data sets offer as much potential for empirical results on the presence, patterns and performance of contracting by public administrative agencies.

Contracting for Service Delivery: 1998 and 2004

Both survey years produced data on the five initial dimensions of contracting. These dimensions are: (1) decision-making [use of contracting for service delivery], (2) diversity [number of sectors with which the agency contracts], (3) density [percent of budget allocated to contracting], (4) directionality [level of contracting—increasing, decreasing, or stable], and (5) disposition, subdivided into (a) cost effects and (b) service quality effects of contracting. Similarities and differences on each of these five dimensions between 1998 and 2004 are presented in Table 3 and offer important descriptive findings about contracting practices and results.

(Table 3 about here)

It is tempting to engage in an extended elaboration and interpretation of the percentages reported in Table 3. Because collaboration and performance themes dominate the core of the article we bypass an extended discussion and highlight only two prominent findings from the surveys separated by six years.

First, the similarities of the figures across the time span are remarkable. The divergence in proportions for the dimensions of decisionmaking, diversity, density, and disposition are negligible and insignificant. Second, only for directionality do the proportions diverge, and there, all three percentages for 2004 are substantially below those for 1998. Recall, however, that the directionality question asks whether, over the past four years, service delivery contracting had increased with each of the three collaborating types of entities. (Two other response options were “no change” and “decreased.”)

The lower percentages for 2004 indicate that, in comparison to 1998, contracting increased at lower rates. Nevertheless, one-third, two-fifths, and about half of all state agencies engaged in increased contracting respectively with other governments, nonprofits, and for-profit organizations. The comparable proportions for 1998 were, respectively, half, three-fifths, and over four-fifths.

Contract Performance: Cost and Quality Factors

The central focus of our analysis, however, centers on the disposition dimension of contracting, namely the assessments provided by the state administrators about the cost and quality effects of contracting on services delivered for their agency. By combining cost and quality assessments we identify patterns of contracting performance that serve as the major dependent variable in our analysis. Illustrative of this strategy is Table 4. (Results for 1998 have been reported elsewhere. Choi, Cho, Brudney, and Wright 2005; Choi and Wright, 2004).

[Table 4 and here]

Here we present, compare, and analyze responses from both ASAP survey years. In a pattern somewhat similar to Table 3, the percentages for 1998 and 2004 are not dramatically different. There was a modest drop of seven percentage points, from 49 to 42, in agencies grouped in the “enhanced” category. In a compensatory fashion the size of the mixed performance category increased from 34% to 43% over the six-year time span. The diminished performance category remained roughly the same, with a slight drop from 18% in 1998 to 15% in 2004. Perhaps the overriding point is the substantial proportions of state agency heads who report that contracting has contributed to improved service delivery. From two-fifths to nearly one-half of all state agencies appear to gain in cost and/or quality from using contracts to collaborate with third parties in implementing organizational aims.

What factors explain whether public agencies, through contracting, achieve enhanced performance—improvements in service cost and/or quality and no declines in either? What

explains diminished performance—declines in service cost and/or quality? What features define mixed performance through contracting—no improvement in service cost or quality? These are questions central to the aims in this article and beyond. More broadly, we posit a model composed of clusters of variables. These include: the attributes and attitudes of the agency head; the functional area in which the agency operates; agency size and budgetary resources; the intergovernmental environment of the agency, including its dependence on federal aid; and the agency's contracting environment, such as the level of competition among contract providers and the perceived ability of the agency to monitor contract provisions.

In sum, our analysis seeks to demonstrate essential features of contracting performance among an extensive set of significant public agencies. Our inquiry offers a breadth of agencies and multiple contracting dimensions combined with a specificity of focus that offers a noteworthy contribution to this important topic.

A METRIC MEASURING CONTRACTING PERFORMANCE

Table 4 displayed three broad categories (as well as subcategories) of service delivery performance achieved through agency contracting. Using the subcategories of enhanced, mixed, and diminished performance we created a five-point scale measuring overall contract performance for each agency, abbreviated as MCP (Measure of Contract Performance). The measure assesses contract performance on a scale ranging from +2 (enhanced) through 0 (mixed or neutral) to -2 (diminished). Table 5 shows the scoring categories and the proportions of agencies falling into each category of performance for 1998 and 2004.

[Table 5 about here]

The top category of “greatly enhanced” contract performance (scored +2) encompasses agencies where costs were down and quality was up as a result of contracting. This category amounted to 27% and 20% of all agencies in 1998 and 2004, respectively. The next group of

agencies achieved “moderately enhanced” contract performance (scored +1). It consists of agencies where either costs were down and quality was stable or costs were stable and quality was up. This category constituted 22% of all state agencies engaged in contracting in both 1998 and 2004.

State agencies in the “mixed” or neutral category of contact performance received a zero (0) score. These organizations had one of the following three combinations as a result of contracting: (a) costs down and quality down, (b) costs same and quality same, or (c) costs up and quality up. This category included 34% of contracting agencies in 1998 and 43% in 2004.

Agencies in the the final two categories experienced diminished contract performance. The “moderately diminished” group (scored -1) consisted of 11% of contracting agencies in both 1998 and 2004. These agencies achieved one of two combinations: (a) costs were stable while quality declined, or (b) costs increased while quality remained the same. The final category of “greatly diminished” contact performance merits a -2 because reported costs increased as a result of contracting while quality declined. Fortunately, this group was a small contingent of agencies, only 7% in 1998 and barely 4% in 2004.

The mean contract performance scores for 1998 and 2004 are reported at the bottom of Table 5. As suggested by the shifting percentages in Table 4, and confirmed by the two mean scores in Table 5, there was a modest decline in contract performance from the former to the latter period. While the mean MCP dropped from .50 in 1998 to .44 in 2004, the standard deviation also declined; as a result, the coefficient of variation (C.V.) remained the same for both years at .42. In other words, the distribution patterns of contracting performance across the two surveys remained the same.

The primary virtue of the summary measure of contract performance (MCP) developed here is that it combines in a single metric the two central aspects or aims of agency contracting: cost-savings and service quality. As illustrated by the results portrayed in Tables 4 and 5,

focusing on one or the other of these criteria can lead to mistaken notions regarding the overall achievements of contracting.

As students and practitioners of public administration have long recognized, service delivery options that involve saving money at the expense of quality are false economies. Similarly, concentration on quality alone can likewise exact too great a price. Our measure of contract performance combines both dimensions into a single, useful, and easily interpretable metric. Negative scores on the metric indicate a net loss to the agency with respect to contracting. Scores at or near zero (0) indicate a mixed or neutral performance, while positive scores show a net gain to the agency with respect to contracting for service delivery.

This straightforward metric offers a useful, valuable, and meaningful tool. With a single statistic we can fairly summarize the type, level, or quality of contract performance for any group, category, or cluster of state agencies and compare them with other groups, categories, or clusters. Subsequent use of the metric and related discussions will demonstrate the utility of the metric as a measure of contracting performance. It serves as a helpful and even powerful tool.

APPLYING THE MEASURE OF CONTRACTING PERFORMANCE (MCP)

The first application of the performance metric involves the three contracting dimensions for which we have data from both 1998 and 2004. Those dimensions are diversity, directionality, and density. MCP scores for categories of these dimensions are reported in Table 6.

[Table 6 about here]

Diversity: Number of Contract Sectors

Diversity is the number of different sectors with which the state agency concludes contracts. This variable ranges from one to three. Single-sector contracts may be only with private firms, with nonprofits, or with other governments. Roughly one fourth of the agencies

specialized in one-sector contracting. About another third of the agencies concluded contracts with any two of the three sectors serving as service delivery agents. Finally, slightly more than two in five agencies executed contracts with all three sectors.

Elsewhere (Choi and others 2005) found a clear and positive relationship between contracting diversity and several variables that defined the agency's connections with features of federal aid, e.g., receipt of aid, dependency on federal aid, and derivation of aid from multiple national agencies. As we noted there (Choi and others 2005), "one set of vertical complexities begets another set of horizontal complexities." Vertical interdependency was positively associated with horizontal collaborative complexity.

Is contracting diversity also associated with contract performance? Do agencies that collaborate through contracting with organizations in all three sectors report better performance scores than agencies reliant on entities located in only one of the three sectors? A glimpse of the MCP scores in Table 6 provides the basis for considering relationships between the variables.

The MCP figures for diversity in 1998 are remarkably similar. There are no consequential differences in the performance scores for one-, two-, and three-sector contracting agencies. The scores for 2004 display notable but not consistent contrasts. The MCP score is highest (0.55) for agencies engaged in two-sector contracting. This is significantly higher than the scores for agencies involved in one- and three-sector contracting, which are, respectively, 0.35 and 0.45.

We acknowledge the imprecision and aggregated character of the diversity measure. For example, it would be advantageous to know the total number of contracts operative in each of the three sectors as a better measure of diversity. The underlying hypothesis regarding diversity is that the more focused or less diverse the character of agency's contracting experience, the greater its expected effectiveness, other factors being equal. Clearly, this association is not evident among the performance scores for this variable in Table 6.

In subsequent analyses we plan to examine a variant of the diversity variable called specialization (Choi and others 2004). It posits a continuum of contracting from the most

exclusively public (other governments) contracting to the exclusively private (for profit) contract collaborators. One form of this hypothesis drawn from NPM (New Public Management) literature is that the most effective contracting performance would be with private firms while the lowest performance scores would apply to other governments and/or nonprofit entities.

Directionality: Increased Contract Usage

Cooper (2003:11) called contracting the “300-pound gorilla that cannot be ignored,” and pointed to “the increased pressure for more contracting even as public agencies have been called upon to shrink their sizes and role.” The figures reported and briefly discussed in Table 3 on directionality gave empirical support to Cooper’s contention. For all three types of collaborating entities in both 1998 and 2004 there were substantial proportions reporting increased use of contracting, ranging from one third to over four fifths of the state agencies.

In what manner if any, is the tendency to increase contract collaboration related to contract performance? The MCP scores for the three types of contractees are displayed under the directional dimension in Table 6. Among agencies contracting with other governments in 1998, those reporting increased contract usage were notably lower in contract performance than for agencies where contracting levels had remained stable over the prior four years. Somewhat surprisingly, the difference was reversed in 2004. The mean performance score for agencies increasing their contracts with other governments was .58 compared to only .40 for agencies with stable contracting levels.

Without more information on the number, types, duration, and content of the other-government contracts it is difficult to offer inferences, much less confident conclusions about the observed performance differences for the two time periods. The only other notable difference in scores for directionality involves contracting with nonprofits in 2004. Here also, state agencies that increased their contract usage with nonprofits rated service delivery performance significantly higher.

It appears that the implied hypothesis behind the supposed relationship between directionality and contract performance is flawed. The supposition is that state agencies which increased their use of the contract device should experience and report better performance from those contracts regardless of the type of collaborator. That is clearly not the case for contracts with private firms. Furthermore, it holds for only one of the two time periods for contracting with nonprofits or with other governments. More detailed measures and sophisticated analyses are required to assess how much public agencies learn from the trends and patterns present in their collaborative experiences with service delivery contractees.

Density

The density dimension represents the proportion of an agency's budget invested in service delivery contracts. As noted earlier (Table 3), considerable stability was present in the 1998 and 2004 distributions on this dimension. Here the query is whether the agencies with greater (or greatest) reliance on contracting also rate high (or highest) on contract performance scores.

For density, like directionality, the results are far from confirmatory. In 1998, the agencies most reliant on contracting (more than 40% of their budgets) did have elevated performance scores at 0.73. This was significantly higher than for all other categories. In 2004 this exceptional score was not repeated. In fact, the performance score for the high density contractors is not distinctive or different from the scores of all other density categories. It is difficult to document from these ASAP data that the heaviest users of contracting as a collaborative device are also the most effective contractors.

DISCRETION, DELIBERATENESS, AND DUTY IN CONTRACTING

Thus far the application of the contracting performance metric has been informative but lacking in supporting expectations or hypotheses. Does the MCP metric produce confirmation of expectations when applied to the discretion, deliberateness, and duty dimensions of contracting? Table 7 offers encouraging findings for these three dimensions for 2004, the only year for which the data are available.

[Table 7 about here]

Discretion

Discretion is an indicator of the reported degree to which competition exists in concluding the service delivery contracts. It is how much choice the agency has in selecting contractees. While the MCP results are not compelling, it is encouraging to note the top score was recorded by agencies that had the highest level of contract competition. The mean MCP of 0.72 was far above the categories with lesser competition. This finding, while isolated and provisional, lends support to the thesis that competition among potential contractees gives agency heads options to secure better performance from third-party collaborators.

Deliberateness

How deliberate are American state agencies in monitoring the contracts they conclude for service delivery through the three types of third-party collaborators? In other words, how do agency heads rate their organization's capacity to oversee the contracts? On a scale from very high to very low, as Table 7 indicates, there is a clear and consistent positive relationship between monitoring ability and reported contract performance.

Agencies with the highest ability display an MCP mean of 0.82. The MCP numbers decline sharply and consistently as monitoring ability drops. It has been long and widely argued that the ability to oversee and evaluate the contracting process and contractee performance is a crucial issue in assuring effective service delivery. The scores and the clear relationship

confirmed in Table 7 for deliberateness do not guarantee outstanding performance. It does show, however, that greater monitoring ability is associated with better performance.

Duty

It may appear puzzling if not incongruous to characterize a dimension of contracting for service delivery as “duty.” Our rationale for using the term is derived from the essential public character of collaboration through contracting. The visible, open, and collective nature of contracting for public service delivery is accompanied by two types of obligation. One is accountability; the second is responsiveness. We posed questions designed to assess each of these obligations. The agency heads were asked whether contracting had increased, decreased, or had no effect on: (a) agency accountability for the contracted services, and (b) the agency’s ability to respond to public needs.

Table 7 reports the MCP means for both accountability and responsiveness. The contrasts between scores for the increased and decreased categories are large and significant in the expected direction. Among those indicating increased agency accountability via contracting (41% of the sample) the MCP score was strong and positive. Administrators acknowledging decreased accountability (15% of the sample) recorded a negative performance score (-0.09).

A comparison of responsiveness scores reveals a sharp and dramatic difference. Those indicating increased adaptiveness to public needs through contracting recorded a high and positive MCP figure (0.74). In a marked and clear contrast the MCP was a strong negative (-0.71) for the sample of agencies (10%) indicating decreased responsiveness.

The results and patterns disclosed in Table 7 provide selective support for a constructive, favorable, and positive view of the use of service delivery contracting by state administrative agencies. Contract competition, monitoring capacity, as well as greater agency accountability and responsiveness are linked to evaluations of better performance in service delivery.

The ideological and philosophical controversies swirling around contracting make these findings a modest but fresh breeze of rationality in the turbulent atmosphere surrounding contracting. Certainly these results do not and should not suppress discussion and debate over the proper timing and conditions connected with contracting. It is encouraging, however, to find that the dimensions of discretion (competition), deliberateness (monitoring), and duty (accountability and responsiveness) are constructively connected to assessments of improved contract performance.

EXTERNAL CONTRACTING DIMENSIONS: DIVISIVENESS AND DETERMINATION

Two final dimensions of contracting remain to be examined. The two are concluding parts of the external components of contracting (see Table 2). One involves the amount of controversy about contracting while the second addresses the level of public satisfaction with services delivered through contracts. The former we label divisiveness (level of controversy); the latter is called determination (the degree of public satisfaction). Table 8 displays the categories within these two dimensions as well as the MCP figures for each category.

[Table 8 about here]

Divisiveness

The divisiveness dimension shows hints of a meaningful expected relationship. As the level of controversy associated with contracting decisions declines there is an expected increase in reported MCP scores. This inverse relationship does not extend to the lowest or minimal level of conflict about contracting. It does apply, however, for the upper levels of controversy.

Proceeding from the very high to the low categories there is a progressive rise in the MCP figures. In short, there is a clear indication of a negative association between public controversy over contracting decisions and estimated contract performance. Conflict appears

linked to reduced contract effectiveness. The more controversy associated with contracting decisions the lower the contract performance rating.

Determination

“Determination” is not the certainty, commitment, nor dedication with which state agency heads make decisions about contracting for service delivery. Instead, determination is the estimated or ascertained level of public satisfaction with services delivered to agency clients. The MCP figures for four satisfaction levels appear in the lower section of Table 8.

Public satisfaction is positively associated with contract performance. The higher the former is, the more effective the latter. This finding is another small piece in the larger jigsaw puzzle of public agency contracting for service delivery. It adds a small green (positive) element to the larger multi-colored and complex puzzle of collaboration in providing public services.

The many hues that characterize the larger picture of contracting for services clearly vary from green (positive) to gray (neutral) to red (negative). Findings for the multiple dimensions of contracting reported above have common and distinctive greenish hues. They lend support to a more positive or favorable set of perspectives about contracting as that collaborative process is viewed by state administrators. In metaphorical terms, for this portion of the contracting puzzle the dominant colors are varied shades of green.

CONCLUDING OBSERVATIONS

A recent review of three major volumes on public management was titled, “Conceptualizing and Measuring Collaborative Networks.” (Rethemeyer 2005). The author (2005: 117) observed that, “public management . . . is network management and network management is about facilitating relationships in order to maintain coproduction among members [of networks].” State executives are, ipso facto, engaged in public management. Their

involvement in collaborative networks is not merely optional; it is virtually required for survival. But survival is not their raison d'être. It is therefore, no surprise that state agency heads are extensively connected through the contracting process with mazes of networks in pursuit of public service delivery.

The research reported here confirms the extensive engagement, through contracting, of American state executives in complex collaborative activities. In simple descriptive terms for both 1998 and 2004 we document that state agencies contracted for service delivery with other governments, nonprofits, and private firms at rates approximating 60%, 70%, and 80%, respectively. Using contracting out for the delivery of services as a basic tool for collaboration, we examined not only the level of agency contracting across two time periods but also its major constituent dimensions. The authors developed these dimensions and were able to assess them empirically through large surveys of state agency heads conducted in 1998 and 2004.

Based on responses to the 1998 and 2004 surveys, this study has provided results on the decision to contract (“decision-making”), number of sectors with which the agency contracts (“diversity”), the percent of the agency budget allocated to contracts (“density”), whether contracting has increased or decreased over the last four years (“directionality”), and the cost and quality effects of contracting (“disposition”). In 2004 we were able to obtain data on the additional dimensions of contract competition (“discretion”), agency monitoring capability (“deliberateness”), agency accountability and responsiveness (“duty”), level of controversy surrounding contracting (“divisiveness”), and public satisfaction with the services delivered in this manner (“determination”).

The centerpiece of our presentation and analysis is the development of a summary statistic that measures agency contract performance. This measure of contracting performance (MCP) is based on combinations of two key factors that are part of agency contracting: the cost of delivering services to the public and the quality of the services delivered. MCP scores ranged from a maximum of +2 for greatly enhanced contract performance, though 0 for mixed or neutral

effects, to -2 for greatly diminished performance. This straightforward measure gives a useful indication of overall contract performance, where positive scores denote net gains in service delivery realized through contracting, negative scores net losses and scores at or near zero producing mixed or neutral effects.

Empirical analysis based on the composite MCP lends support to some but not all hypothesized relationships. For example, analysis of the diversity dimension (number of sectors with which the agency contracts) shows no apparent relationship to contracting performance (Table 6). The directionality (increase or decrease in contracting over the last four years) and density (the percent of budget allocated to contracts) dimensions demonstrate inconsistent relationships (Table 6). Other findings are more promising. As hypothesized, as contract competition increases (discretion), the measure of contract performance likewise increases (Table 7). Also as expected, as agency monitoring capability increases so does contract performance (Table 7). Increases in the dual aspects of agency duty (accountability and responsiveness) are associated in the manner predicted with contact performance (Table 7). Finally, the level of controversy surrounding the agency contracting decision (divisiveness) is associated with decreased contract performance (Table 8). Conversely, greater public satisfaction with contracted services (determination) is associated with increased MCP scores. (Table 8).

The systematic analysis presented in this study on a large representative sample of public entities engaged in contracting is rare and offers needed insights on an important and controversial issue. Next steps for our research include developing more comprehensive models of contract performance and subjecting them to further empirical test. We are interested in how the multiple dimensions of contracting described in this article simultaneously affect overall contract performance. Such an analysis would help to distinguish the dimensions of contracting that appear to be more (or less) crucial than others. For public administrators charged with

delivering services to the public in the most effective manner possible, the information gained from such results could be significant and advantageous.

Table 1. Scope and Growth of State Administrative Agencies by Decade (1959-1999)

A. First-Generation Agencies (1950s)

1. Adjutant General
2. Aeronautics
3. Aging
4. Agriculture
5. Alcoholic Beverage Control
6. Attorney General
7. Banking
8. Budgeting
9. Child Welfare
10. Corrections
11. Education (State School Officer)
12. Emergency Management (Civil Defense)
13. Employment Services
14. Fire Marshal
15. Fish and Game
16. Food (Inspection/Purity)
17. Forestry

18. Geology
19. Health
20. Higher Education
21. Highway Patrol
22. Highways
23. Insurance
24. Labor
25. Labor Arbitration & Mediation
26. Library
27. Mining
28. Mental Health (&Retardations)
29. Motor Vehicles
30. Oil & Gas
31. Parks & Recreation
32. Parole
33. Personnel
34. Planning
35. Post Audit

36. Public Utility Regulation
37. Purchasing
38. Revenue
39. Secretary of State
40. Securities (Regulation)
41. Soil Conservation
42. Solid Waste (Sanitation)
43. Tourism (Advertising)
44. Treasurer
45. Unemployment (Compensation) Insurance
46. Veterans Affairs
47. Vocational Education
48. Water Quality
49. Water Resources
50. Welfare
51. Workers' Compensation

B. Second-Generation Agencies (1960s)

1. Administration
2. Air Quality
3. Commerce
4. Community Affairs
5. Comptroller
6. Court Administration

7. Criminal Justice Planning
8. Economic (Industrial) Development
9. Federal-State Relations
10. Highway Safety

11. Juvenile Rehabilitation (Delinquency)
12. Law Enforcement (State Police)
13. Natural Resources

C. Third-Generation Agencies (1970s)

1. Alcohol & Drug Abuse
2. Archives
3. Arts Council
4. Child Labor
5. Civil Rights
6. Consumer Affairs (Consumer Protection)
7. Energy Resources
8. Environment (Protection)
9. Ethics
10. Exceptional Children (Special Education)

11. Fair Employment (Equal Opportunity)
12. Finance
13. Historic Preservation
14. Housing Finance
15. Human Resources/Services
16. Manpower
17. Mass Transit
18. Medicaid
19. Occupational Health & Safety

20. Public Lands
21. Railroad
22. Savings & Loan
23. Social Services
24. State-Local Relations
25. Telecommunication
26. Transportation
27. Veterinarian
28. Vocational Rehabilitation
29. Women's Commissions
30. Information

D. Fourth-Generation Agencies (1980s)

1. Boating Law Administration
2. Emergency Medical Services
3. Employee Relations
4. Employee Services
5. Ground Water Management
6. Hazardous Waste

7. Horse Racing
8. International Trade
9. Licensing (Occupational/Professional)
10. Small and Minority Business
11. State Fair

12. Training and Development
13. Underground Storage Tanks
14. Vital Statistics
15. Weights and Measures

E. Fifth-Generation Agencies (1990s)

1. Building Codes
2. Child Support Enforcement
3. Crime Victims Compensation

4. Development Disabled
5. Facilities Management
6. Fleet Management

7. Gaming (Regulation)
8. Lobby Law Administration

F. Emergent Agencies (1990s: Agencies present in 25 or more states, but less than 38)

1. Coastal Zone Management (30)
2. Lottery (37)
3. Latino Affairs (27)
4. Native American Affairs (35)

5. Public Broadcasting (34)
6. Public Defender (37)
7. Public Works (25)
8. Recycling (27)

9. Wellness/Employee Assistance (25)

Source: Based on listing in Book of the States, Supplement 2, State Administrative Officials Classified by Functions, Council of State Governments, Lexington, Ky.: 1959, 1969, 1979, 1989, and 1999. Agency names are listed if the agency existed in 38 or more states for the respective decades. Agency names/titles vary slightly from decade to decade

**Table 2. Two Components and Ten Dimensions of State Agency Contracting for Service Delivery:
A Conceptual Framework With Summary Responses, 2004**

<u>Internal Component</u>	←—————→	<u>External Component</u>
<u>Dimensions of Contracting</u>		
<p>Decisionmaking (contract use, 65%)</p> <p>Density (over 20% of budget, 28%)</p> <p>Directionality (increased usage, 40-50%)</p> <p>*Deliberateness (contract oversight high and very high, 56%)</p> <p>*Duty (responsiveness increased, 57%) (accountability increased, 41%)</p>		<p>Diversity (three-sector of contractees, 40%)</p> <p>Disposition (cost/quality enhanced, 42%)</p> <p>*Discretion (contractee competition high and very high, 39%)</p> <p>*Divisiveness (conflict high and very high, 20%)</p> <p>*Determination (public satisfaction high and very high, 54%)</p>

N=580 ± 20

Source: Choi and Wright, 2004

**Table 3. Five Dimensions of Contracting For Service Delivery
By State Administrative Agencies, 1998 and 2004**

	1998	2004
<i>DECISIONMAKING: Agency Contracts for Service Delivery (Ns=1175, 920)</i>		
	(Percentages)	
Yes	73	65
No	27	35
<i>DIVERSITY: Agencies Contracting with Sectors (Ns=850, 542)</i>		
Other Governments	61	58
Non-Profits	71	68
For-Profits	83	85
<i>DENSITY: Percent of Budget Allocated by Contracts (Ns=820, 590)</i>		
10% or less	55	61
11-20%	15	12
21-40%	13	12
Over 40%	17	16
<i>DIRECTIONALITY: Increase in Contracting over Last Four Years</i>		
Other Governments (Ns=457, 382)	53	62
Non-Profits (Ns=527, 416)	61	43
For-Profits (Ns=631, 489)	83	54
<i>DISPOSITION: Cost and Quality Effects</i>		
<i>Effects on Service Costs (Ns=767, 589)</i>		
Increased	31	35
Decreased	36	28
No Effect	33	37
<i>Effects on Service Quality (Ns=780, 592)</i>		
Improved	52	56
Decreased	10	6
No Effect	37	38

Source: Deil S. Wright, *American State Administrators Project (ASAP) Survey*,
Odum Institute for Research in Social Science, University of North Carolina
at Chapel Hill

**Table 4. Disposition Dimension of State Agency Service Contracting:
Cost and Quality Performance Assessments, 1998 and 2004**

	1998		2004	
	N	percentages	N	percentages
<i>Performance Enhanced</i>				
a. Cost down, Quality up	197	27	117	20
b. Cost down, Quality same	67	9	43	7
c. Cost stable, Quality up	93	13	90	15
Sub-Total	357	49	250	42
<i>Performance Mixed</i>				
a. Cost down, Quality down	13	2	6	1
b. Cost same, Quality same	131	18	123	21
c. Cost up, Quality up	99	14	122	21
Sub-Total	243	34	251	43
<i>Performance Diminished</i>				
a. Cost same, Quality down	11	1	5	1
b. Cost up, Quality same	75	10	58	10
c. Cost up, Quality down	49	7	24	4
Sub-Total	135	18	87	15
Total	735	100*	588	100*

Source: Deil S. Wright, *American State Administrators Project (ASAP) Survey*,
Odum Institute for Research in Social Science, University of North Carolina at Chapel Hill

*Because of rounding the percentages may not add to 100

Table 5. A Metric Measuring Contract Performance Among American State Administrative Agencies, 1998 and 2004

Measurement of Contract Performance (MCP)		1998	2004
Enhanced			Percentage
	Greatly (+2)	27	20
	Moderately (+1)	22	22
Neutral	(0)	34	43
Diminished			
	Moderately (-1)	11	11
	Greatly (-2)	7	4
		100*	100*
Mean		0.50	0.44
**S.D.		1.19	1.05
***C.V.		0.42	0.42

Source: Deil S. Wright, American State Administrators Project (ASAP) Survey, Odum Institute for Research in Social Science, University of North Carolina at Chapel Hill

*Because of rounding the percentages may not add to 100

Standard Deviation *Coefficient of Variation

**Table 6. Performance Scores for Diversity, Directionality, and Density
Dimensions of Contracting by American State Administrative Agencies**

		1998		2004	
		MCP*	N	MCP*	N
<i>Diversity (Number of Contractees)</i>					
	One	0.52	154	0.38	133
	Two	0.50	184	0.55	155
	Three	0.55	256	0.45	193
<i>Directionality (Increased Use)</i>					
Other Gov'ts	Yes	0.39	212	0.58	127
	No	0.55	523	0.40	244
Non-Profits	Yes	0.47	283	0.56	175
	No	0.53	452	0.41	230
For-Profits	Yes	0.48	368	0.40	262
	No	0.52	367	0.47	217
<i>Density (% of Budget Allocated to Contracts)</i>					
	5 or Less	0.43	245	0.48	196
	6 - 10	0.50	167	0.46	153
	11 - 20	0.45	100	0.37	71
	21 - 40	0.42	92	0.38	66
	Over 40	0.73	115	0.45	91

*Measure of Contracting Performance (means)

Table 7. Contract Performance Scores for Discretion, Deliberateness, and Duty Dimensions of Contracting by American State Administrative Agencies, 2004

	MCP*	N
<i>Discretion: Contract Competition</i>		
Very High	0.72	61
High	0.37	171
Moderate	0.37	214
Low or Very Low	0.48	137
<i>Deliberateness: Agency Monitoring Ability</i>		
Very High	0.82	76
High	0.53	249
Moderate	0.26	197
Low or Very Low	0.11	63
<i>Duty: Agency Accountability</i>		
Increased	0.58	238
Decreased	-0.09	75
<i>Agency Responsiveness</i>		
Increased	0.74	339
Decreased	-0.71	63

*Measure of Contracting Performance (means)

**Table 8. Contract Performance Scores for Divisiveness and Determination
Dimensions of Contracting by American State Administrative Agencies, 2004**

	MCP*	N
<i>Divisiveness: Level of Controversy</i>		
Very High or High	0.26	117
Moderate	0.49	153
Low	0.57	150
Very Low	0.41	158
<i>Determination: Public Satisfaction</i>		
Very High	0.76	42
High	0.62	272
Moderate	0.20	251
Low or Very Low	-0.06	17

**Measure of Contracting Performance (means)*

[NOTE: References will be sent early next week separately.]