Government-nonprofit relationships and the management process of social welfare service contracting in Korea

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GOVERNMENT-NONPROFIT RELATIONSHIPS AND
THE MANAGEMENT PROCESS OF SOCIAL WELFARE
SERVICE CONTRACTING IN KOREA

by

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ABSTRACT

This dissertation is an exploratory analysis of a government policy tool− contracting out social welfare services with nonprofit organizations− that aims to identify how contracting relationships between public and nonprofit managers influence the contract management process. The theoretical framework draws on the government-nonprofit relationship literature, especially studies that rely on resource dependence theory and agency theory. Using data gathered from interviews conducted with public officials in district governments and workers in social welfare centers in Korea, this dissertation examines the contract management process, particularly negotiation, monitoring, and evaluation through five critical dimensions of the contracting relationship: power, resources, communication, information sharing, and past experiences of contracting.

The research findings show that both contracting parties acknowledge the limited capacity of government and the significant capacities of social welfare centers. The parties have resource-interdependent relationships that are characterized primarily by the exchange of government funding for the service delivery capacity of social welfare centers. Both parties generally describe contracting and contracting relationships as transactional, legal, and falling within a principal-agent frame. At the same time, most nonprofit workers prefer that contracts should be managed according to defining elements of relational contracting. Also, the findings reveal important differences in the way that public officials and nonprofit workers perceive and translate goal divergence, resource investments of the other party in contracting, connection between dependence on resources and power balance, information gaps, negotiation, effects of resource gaps on negotiation and monitoring, contract renewal and contract length, and contracting legal systems.
The key finding lies in realistic, detailed descriptions of five crucial dimensions of contracting relationships and their impacts on negotiation and monitoring processes in terms of possibility, frequency, methods, or quality. These findings place major emphasis on the need for a shift in the focus of researchers, practitioners, and welfare policy makers, from the management of contracts to the management of contracting relationships. This dissertation sheds light on the continuing development of contracting relationships, the management of relationships, and the essential role of mutual understanding between contracting actors in arriving at mutually beneficial outcomes.
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CHAPTER ONE: INTRODUCTION

Contracting as a Global Phenomenon

In the last three decades, governments at all levels and in a wide range of countries have employed contracting out public services with nonprofit organizations as a policy tool. According to the Organization for Economic Co-operation and Development (OECD) National Accounts Database (2011), governments in OECD countries spend on average 12 percent of their GDP on government contracting, with variations from over 15 percent of GDP in the Netherlands, the Czech Republic, and Iceland to less than 7 percent of GDP in Mexico, Chile, and Switzerland (p.148).¹

In the United States, Pettijohn, Boris, De Vita, and Fyffe (2013) assess the size and scope of government funding with nonprofit organizations through a 2013 national survey by the Center on Nonprofits and Philanthropy at the Urban Institute.² Their survey results reveal extensive federal, state, and local government contracts and grants with nonprofit organizations. Government agencies have approximately 350,000 contracts and grants (p. 1) valued at about $137 billion with about 56,000 nonprofits³ in 2012. In particular, government agencies have approximately 200,000 contracts and grants valued at about $81 billion with about 30,000 human service nonprofits (see Table 1). McKeever and Pettijohn (2014) also report that government contracts and grants account for nearly one-third (32.3 percent) of 2012 nonprofit revenue (p. 5).

² The survey was based on a national, stratified, and randomly drawn sample of 501(c)(3) public charities taken from the Urban Institute’s National Center for Charitable Statistics (NCCS). The selected 20,000 samples are organizations that are required to file a Form 990 with the US Internal Revenue Service and have more than $100,000 in expenditures (p. 48). The 2010 national survey of human service organizations present that government agencies have approximately 200,000 contracts and grants valued at about $100 billion with about 33,000 human service nonprofits in 2009 (p. 7).
³ The survey results also show that on average, nonprofit organizations have six contracts and/or grants per organization and the median is three in 2012 (p. 1). In the case of human service nonprofits, on average, they have seven contracts and grants with government agencies in 2012 (p. 37).
Table 1: Nonprofit Organizations with Government Contracts and Grants in U.S.

<table>
<thead>
<tr>
<th>Type of organization</th>
<th>Number of organizations</th>
<th>Percent of government contracts/grants</th>
<th>Total ($ millions)</th>
<th>Percent of dollar amount of contracts/grants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arts, culture, and humanities</td>
<td>7,189</td>
<td>12.9</td>
<td>1,081</td>
<td>0.8</td>
</tr>
<tr>
<td>Education</td>
<td>3,828</td>
<td>6.9</td>
<td>5,223</td>
<td>3.8</td>
</tr>
<tr>
<td>Environment and animals</td>
<td>2,359</td>
<td>4.2</td>
<td>1,306</td>
<td>1.0</td>
</tr>
<tr>
<td>Health</td>
<td>6,729</td>
<td>12.1</td>
<td>36,448</td>
<td>26.5</td>
</tr>
<tr>
<td>Human services</td>
<td>29,483</td>
<td>52.9</td>
<td>80,565</td>
<td>58.6</td>
</tr>
<tr>
<td>Other</td>
<td>6,114</td>
<td>11.0</td>
<td>12,769</td>
<td>9.3</td>
</tr>
<tr>
<td>Total</td>
<td>55,702</td>
<td>100.0</td>
<td>137,392</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Center on Nonprofits and Philanthropy, Urban Institute, National Survey of Nonprofit-Government Contracts and Grants (2013, p. 9)

Contracting as a Policy Tool in Korea

In Korea, privatization and contracting have become major tools for public service provision since the 1980s. In particular, most social welfare services are delivered across the country through local government contracting with nongovernmental, nonprofit organizations. In response to the pressures for smaller and more effective governments, Korean governments began to adopt contracting for public service delivery in the 1980s. Since the mid-1990s, Korean local governments have actively employed contracting to provide a variety of public services, especially social welfare services.

Many scholars consider the management of the Korean economic system by the International Monetary Fund (IMF), a result of the economic crisis in 1997, as the most significant factor that stimulated contracting (Choi, 2002; Choi, 2002; Jeong, 1999; Lee, 1997; Park, 2004; Son & Choi, 2003; Song, 2005). With the economic crisis as momentum, the government conducted drastic reforms in the public sector, particularly in the public service delivery system across the country. The reform in public service delivery was carried out by
implementing business-oriented strategies and reducing the number of public officials in local
governments. In this context, contracting was considered as the most innovative management
strategy in achieving the government’s objective of administrative and economic reforms.

In addition, in December 1998, the central government issued “Guidelines for fostering
privatization regarding the autonomous affairs of local governments,” which aimed to make local
governments employ service contracting as a part of administrative reforms (Song, 2005, p. 46;
Choi, 2002, p. 2). In January 1999, the central government compelled each local government
across the country to identify a list of service areas suitable for contracting and to design an
implementation plan\textsuperscript{4} for contracting that could be executed in 2000 (Jeong, 1999, p. 2). Also, in
January 2000, the government enacted the Assistance for Non-profit, Non-governmental
Organizations Act. By providing grants-in-aid, the law enabled NGOs to deliver public services
as substitutes for governments. Along with the enactment of this law, these government actions
indicated that governmental contracting out services in Korea was planned and enforced by a
top-down approach taken by the central government, not by voluntary, independent decisions of
local governments.

With respect to the characteristics of contracting, social welfare services are the most
frequently contracted-out services in Korean local governments. Park (2012) reports that social
welfare services account for 40.5 percent of local government contracts for public services.
According to the OECD National Accounts Database (2011), Korean governments spend 12
percent of GDP on public contracting.\textsuperscript{5} Local governments contract out social welfare services
through various social welfare facilities (e.g., social welfare centers, senior centers, or youth
centers) across the country. For example, local governments fund, on average, 93.3 percent of the

\textsuperscript{4} See the “Government Reform White Paper” by the Ministry of Public Budget (1999, pp. 14-17).
\textsuperscript{5} See \url{http://dx.doi.org/10.1787/888932391013} (OECD, Government at a Glance 2011).
budgets of all social welfare centers (Park, 2012). Another feature is that certain kinds of administrative services (e.g., purchasing, payroll, personnel, and legal matters) and core managerial functions (e.g., policy making and rule/regulation making) of governments are not contracted out to other sectors. This is because the Korean government regards administrative services and core managerial functions of government as government’s domain. Such services should be completely free from competition or involvement by the other sectors.

In comparison with the U.S., a number of different influences explain the nature of contracting in Korea: (1) local governments began to actively use contracting only in the mid-1990s; (2) NGOs have a short history (since the late 1980s) with a low degree of formality and institutionalization; in addition, (3) Korea’s political regime system shifted relatively recently from an authoritarian to a democratic regime after the Great Democratic Movement of 1987; and (4) the public mostly perceives NGOs as actively involved in the public policy process and sometimes even aggressive in pursuing their goals because a majority of prominent NGOs are advocacy organizations for political, environmental, and labor issues. In light of this history, most Koreans believe that government has more power than the other sectors and the role of NGOs is to object to government policies. In summary, because of the short history of contracting between governments and NGOs, NGOs have limited experience and capacity for contract management, as compared to the U.S. These factors are summarized based on the literature on the history of NGOs in Korea (Ju, 1999; Kim, 1999a, 2000; Kim & Kang, 2000; Kwon, 1999; Lew & Chang, 1998; Park, 2004; Park, 2005).

**Overview of Contracting Research**

This section provides an introduction to the research on contracting on which the dissertation research questions are based. Along with the increasing use of contracting as a public
service delivery mechanism, a substantial body of research on contract management focusing especially on monitoring, evaluation, and performance contracting reflects a growing concern and attention to contract outcomes and accountability issues. In reporting the proliferation of performance contracting, Smith and Lipsky (1993) note “performance-based contracts have been implemented out of concern for contractor accountability” (p. 91). Some scholars and journalists highlight a dark side to contracting such as corruption and other problems. For example, Seidenstat (1999) attributes the difficulty in monitoring contracted services to various forms of corruption within government operations (p. 246). In this regard, academics and practitioners have continued to develop management strategies for ensuring the effectiveness of contract management and accountability.

The topic of public service contract management in terms of processes, structures, practices, problems, and strategies has been extensively discussed by a number of researchers and practitioners within public administration and policy, public management, and nonprofit management (Anheier & Seibel, 1990; Boris & Steuerle, 2006; Brown, & Potoski, 2003, 2006; Donahue, 1989, 1993; Hammack & Young, 1993; Rehfuss, 1989; Romzek & Johnston, 2002, 2005; Salamon, 2002a, 2002b; Savas, 1987, 2000; Sclar, 2000; Seidenstat, 1999; Van Slyke, 2003, 2007). A great deal of literature on contracting out public services reports how to contract out services, how to manage the contract process, how to improve contract outcomes, and how to secure accountability. In the 1980s and early 1990s, only a few scholars conducted empirical research on the management of inter-sectoral contracting relationships and the capacity of public contract managers to forge and manage relationships in the contract management process (DeHoog, 1984, 1986; Kettl, 1988; Kramer, 1981; Ostrander & Langton, 1987).

However, more recently, scholars have begun to empirically examine inter-sectoral interactions and relationships in the social service area through a relational contracting
framework (Alexander & Nank, 2009; Amirkhanyan, Kim, & Lambright, 2011; Bertelli & Smith, 2010; Brown, Potoski, & Van Slyke, 2007; Cairns & Harris, 2011; Cooper, 2003; Feeney & Smith, 2008; Fernandez, 2007; Saidel, 2011, 2013; Van Slyke, 2007, 2009). The relational contracting literature accounts for the development of collaborative relationships between government and nonprofits that include more cooperative and flexible interactions such as negotiation, agreement on shared, informal norms, and co-management. Relational contracting places a particular focus on the importance of interactions and relationships between contracting parties developed on the basis of trust and the impacts of relationships on contract performance (see the section on the review of literature on relational contracting). Relational contracting studies contribute to research on contract management by offering a new perspective on mechanisms for public governance.

Previous studies on public managers’ capacity to implement the contracting process provide a valuable foundation (Behn & Kant, 1999; Brown & Potoski, 2003a, 2004; Cooper, 1980; DeHoog, 1984; Gargan, 1981; Kettl, 1993; Rehfuss, 1989; Romzek & Johnston, 2002). They offer detailed explanations for public managers’ capacity to improve contract performance, utilizing a conventional contracting approach. They argue for the need to expand the scope of government management capacity, particularly in light of the challenges of relational contracting. Additionally, they point out that the subject of public managers’ capacity to build contracting relationships and governance mechanisms necessary for the task requires more researcher attention. For instance, Kelman (2005) proposes that public management needs help and calls for a variety of new theories, frameworks, and empirical evidence to improve its practice (p. 968).

In accordance with the widespread use of contracting as a vehicle for providing social welfare services, Korean scholars have conducted large-scale research on government-nonprofit relationships and government contracting with social welfare facilities (Bae, 1998; Choi, 2002;
Chu, 2008; Gong, 2011; Ha, 1994; Han & Lee, 2009; Im, 2000; Jeong, 2002; Kang, 2000; Kang & Kim, 2007; Kim, 1997; Kim, 1999a, 2000; Kim, 2000; Kim, 2006; Kwon, 1995; Nam, 1989; Noh, 2002; Oh, 2000; Park, 2009; Park, 2012; Park & Lee, 2001; Seo, 2005; Shin, 1999; Song, 2005; Yoon, 2008). The main themes of the contracting research are to (1) introduce theories and models of the relationship and contract management; (2) identify factors that influence the relationship and the contract management process; (3) describe the contract management process and present contract problems throughout the process; (4) evaluate contract performance; and (5) offer policy recommendations for contract success.

Whereas the subject of relational contracting has recently attracted increasing scholarly interest, particularly in the social service contracting area in the U.S., surprisingly, very few Korean studies discuss relational contracting in the field of public service contracting (e.g., Kim, 2006). Only a few studies aim to introduce relational contracting theory in terms of its definition and features. In this respect, what is lacking in prior and recent research on government contracting in Korea is a more developed empirical investigation of whether and how government-nonprofit contracting relationships affect the entire process of contract management. Also, more empirical research is necessary to examine in greater depth how public officials build, develop, and end (or remake) contracting relationships with nonprofits, what factors influence the relational aspects of contracting, and how the primary elements of relational contracting fit into and play out in the context of social service contracting.

Based on the literature on classical, arm’s-length contracting, relational contracting, and inter-organizational theories reviewed in the next chapter, this research proceeds from two premises. First, government-nonprofit contracting relationships are not self-administering or self-

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6 Scholars who discuss the relational contracting perspective agree that relational contracting fits with the social service contracting area due to the area’s specific features such as limited competition, difficulty in measuring performance, environmental uncertainty, and fiscal constraints (Saidel, 2013, p. 5).
adjusting (Van Slyke, 2009; Saidel, 2013). Regarding this premise, a prior question can be raised: Is there a relationship? In this research, I assume the relationship as a given on the ground that governments and contractors begin to have formal, legal relationships by signing contract documents through contracting as a policy instrument. Second, relationships can have major impacts on contract design decision-making, contract management processes and practices, accountability, contract conditions and restraints, transaction costs, and contract outcomes. Therefore, the important functions of contracting relationships between the two sectors in the contract management process need to be seriously recognized by public contract managers and nonprofit contractors as well as contracting scholars. That is, this research assumes a necessity for a shift in research focus from the management of contracts to the management of contracting relationships between contracting parties.

This research begins with a basic question about what relational factors influence the management of social service contracting between government and nonprofit organizations. A substantive question arises: Among various factors, could the nature and qualities of inter-organizational relationships themselves be decisive factors explaining variation in the contract process? This question leads me to deliberate on an array of related topics such as connections between contracting relationships and contract management practices, the definition of elements of contracting relationships, and the extent of relationship maintenance costs.

**Research Questions**

This dissertation aims to answer the main research question: *How do the formal and informal characteristics of government-nonprofit relationships influence the contract management process?* A set of sub-questions, specific to dimensions of the contract management process, includes:
(1) How do formal and informal government-nonprofit relationships affect decisions related to the contract negotiation process?

(2) How do formal and informal government-nonprofit relationships influence contract monitoring and evaluation?

(3) To what extent do each of the government and nonprofit actors differently perceive their contracting relationships and the contract management process in terms of contract negotiation, monitoring, and evaluation? How similar or different are their perspectives of how government-nonprofit relationships influence the contract negotiation process and contract monitoring and evaluation?

By answering these questions, this research can provide valuable insights about (1) what important issues must be managed within a contracting relationship; (2) how both parties (not one party) form, correct, develop, end, and remake contracting relationships; and (3) how government and nonprofit actors design and implement the contract management process in light of contracting relationships.

This research has no intention of proposing which specific relationship types (e.g., long-term, trust-based, or equal relationships) need to be established for contract success or of judging the value of forms, components, and characteristics of contracting relationships. Although O’Looney (1998) recognizes the advantages of trust-based relationships, the author makes it clear that “building a trust-based contractual relationship is not suggested for every contract” (p. 198). Like the implication of DeHoog’s (1990) statement, “there is no one best way to contract for services” (p. 317), it is difficult to conclude the most desirable model for contracting relationships. Rather, I seek to describe how different dimensions of contracting relationships contribute to contract negotiation, monitoring, and evaluation. For this reason, I use the term ‘government-nonprofit relationships’ instead of ‘government-nonprofit collaboration or
partnership,’ a term which implies the presence of collaboration or partnership as a characteristic of relationships between contracting parties.

The reason why I choose to focus on negotiation, monitoring, and evaluation among the various elements of the contract management process is that a large number of studies have theoretically and empirically proven the difficulties and limitations in applying a negotiated approach between contracting parties (Kettl, 1987, 1988; Kettner & Martin, 1987; Kramer & Grossman, 1987) and in improving monitoring and evaluation (Kettl, 1993; Kettner & Martin, 1985; O’Leary, 1996; Salamon, 2002; Seidenstat, 1999). In particular, scholars have used agency theory in researching contracting relationships and contracting problems and documented the complexity of accountability mechanisms (Donahue, 1989; Kettl, 1993; Milward & Provan, 2000; Romezek & Johnston, 2005; Shetterly, 2000; Smith & Lipsky, 1993, Van Slyke, 2003, 2007).

Though a wide variety of policy suggestions (e.g., success factors of monitoring cited in the literature review section) have been proposed and utilized to cope with contract problems, there are still concerns and unsolved issues for monitoring and evaluation and there are demands for more research regarding the theme of contract negotiation. In addition, the relational contracting literature puts a particular stress on contract negotiation. In view of this, negotiation is a significant subject for more rigorous empirical research in the future for the whole contract process ranging from planning, drafting, awarding, administering, monitoring, and evaluating to terminating or renewing contracts. Given the continuously increasing interest in and research on performance measurement, performance contracting, accountability, and monitoring and evaluation, systematic attention to the effect of government-nonprofit relationships on contract negotiation, monitoring, and evaluation seems warranted.
Overview of Theoretical Foundation for Research

The questions posed by this dissertation require the integration of several different theories because I aim to describe the contract management process through the lens of relationships between contracting parties. J. Brinkerhoff and D. Brinkerhoff (2002) state that there is no comprehensive theory to describe the complex and changing relations between government and nonprofits. In the same way, Young (2000) mentions that no single lens is sufficient to provide a full picture of the relationship and Coston (1998) asserts that a single relationship type should not be encouraged. Given these arguments, I decided to apply two theories that can improve the explanatory power of the characteristics of my research variables. In this research, resource dependence theory helps explain various dimensions of government-nonprofit relationships. In addition, agency theory plays a role in describing and examining the essence of relationships and the contract management process.

Among various theories of inter-organizational relationships, I use resource dependence theory (see discussion citing Emerson, 1962, 1972a; Pfeffer & Salancik, 1978, 2003 in the literature review section) since governments and nonprofits recognize a need for trade-offs in their relationships when it comes to contracting. In classifying the models of government-nonprofit relationships and in accounting for the attributes of relationship types, some scholars consider power (Coston, 1998; Gidron, Kramer, & Salamon, 1992; Grønbjerg, 1987; Kettl, 1993; Saidel, 1994; Salamon, 1995; Smith, 1996; Smith & Lipsky, 1993) and resources (D. Brinkerhoff, 2002a; Cho & Gillespie, 2006; Coston, 1998; DeHoog, 1990; Gazley & Brudney, 2007; Gidron et al., 1992; Grønbjerg, 1987; Saidel, 1991, 1994; Young, 2000) as key variables of the relationships. Additionally, I employ agency theory (see discussion citing Alchian & Demsetz, 1972; Arrow, 1985; Eisenhardt, 1989; Moe, 1984 in the literature review section) that identifies the character of contracting relationships and management strategies. A number of scholars have
used agency theory to explain contracting relationships and contract management process and practices (Donahue, 1989; Kettl, 1993; Milward & Provan, 2000; Romezek & Johnston, 2005; Shetterly, 2000; Smith & Lipsky, 1993; Van Slyke, 2003, 2007).

To summarize, with the policy tool of contracting for social welfare services as my unit of analysis and public officials in social welfare departments of local governments and nonprofit managers in social welfare centers in Korea as interviewees, the objective of my dissertation is to examine how the formal and informal aspects of government-nonprofit relationships play roles in the contract management process. The dissertation is organized into seven chapters. Chapter Two includes a comprehensive review of (1) the American literature on government-nonprofit relationships, contract management process, and relational contracting; (2) the Korean literature on relationships and contract management; and (3) the theoretical foundation for research. Chapter Three describes a set of critical variables on government-nonprofit relationships and the contract management process based on the research literature as well as the data collection methods focused on interview data. Chapters Four, Five, and Six present and analyze qualitative research findings on government-nonprofit relationships, contract management process, and effects of government-nonprofit relationships on contract management process in sequence. Lastly, Chapter Seven concludes this dissertation with a discussion of key research findings in relation to the theoretical framework used to guide this research, and of both implications of the research for practice and limitations of the research.
CHAPTER TWO: LITERATURE REVIEW

This review of literature focuses on two key themes of my research—government-nonprofit relationships and the contract management process. I first review the government-nonprofit relationship literature to identify models and frameworks of the relationships. I focus on criteria for explaining relationship types and factors that influence the relationships such as economic, legal, institutional, and political factors. I then review the nature of partnerships (collaboration) between the two sectors in the context of both contracting and all public policy areas. The keystone of the relationship literature for this research is the examination of how the two sectors interact and how their interactions and relationships affect the contract management process.

The review of literature on contract management covers discussion on government management capacity, essential components of contract management, and determinants that account for variations in management process, practices, and outcomes. Considering the recent heightened interest in relational contracting, I review the relational contracting literature in terms of main themes, definitional elements, and different features as compared to the classical, conventional approach to contracting. Then, I review the Korean literature on government-nonprofit relationships and contract management. Lastly, I discuss the two theories that are the theoretical foundation for this research—resource dependence theory and agency theory.

Review of Literature on Government-Nonprofit Relationships

Models and frameworks of government-nonprofit relationships

A variety of dimensional models and frameworks have been developed to describe the nature and types of government-nonprofit relationships (Coston, 1998; Gidron, Kramer, & Salamon, 1992; Grønbjerg, 1987; Kramer, 1981; Najam, 2000; Saidel, 1989, 1991, 1994;
Salamon, 1995; Smith & Lipsky, 1993; Young, 1999). Each model proposes a range of different interactions, the strength of relationships between the two sectors, as well as factors in the external environment. In terms of classification criteria for relationship models, there are some variables generally considered by scholars such as power (Coston, 1998; Gidron et al., 1992; Grønbjerg, 1987), interdependence (J. Brinkerhoff, 2002b; Grønbjerg, 1993; Saidel, 1991, 1994), resources\(^7\) (Coston, 1998; Gidron et al., 1992; Saidel, 1991, 1994; Salamon, 2006, Young, 1999), roles (Coston, 1998; Gidron et al., 1992; Salamon, 1995, 2006; Young, 1999), goals (Coston, 1998; Grønbjerg, 1987; Najam, 2000), formality of the relationships (Coston, 1998), organizational identity (J. Brinkerhoff, 2002b), and external environments like uncertainty about funding, future events, and service technologies (DeHoog, 1990).

Scholars point to power as the most significant factor in the relationship, also referred to as control and discretion (Coston, 1998; Gidron et al., 1992; Grønbjerg, 1987). Their arguments show that the characteristics of organizational relationships depend on the source of power (i.e., who has the locus of power to lead other organizations and whether there is shared or sole decision making). For example, Gidron et al. (1992) propose four relationship models (“government dominant, third sector dominant, dual, collaborative”) on the basis of who finances services, who provides services, and power-sharing. By observing the way that relationships are controlled and whether power is shared or exclusively possessed by one party, they attempt to differentiate between “collaborative-vendor model” (little discretion) and “collaborative-partnership model” (discretion to some extent) according to the degree of nonprofits’ discretion in service delivery (p. 19).

Though Grønbjerg (1987) and Gidron et al. (1992) take a similar approach in defining

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\(^7\) Resources are differently defined by scholars: funding/revenues (DeHoog, 1990; Gidron et al., 1992; Saidel, 1991, 1994; Salamon, 2006; Young, 2000), service delivery capacity, information, political support and legitimacy (Saidel, 1991, 1994), and personnel, time, and expertise (DeHoog, 1990).
relationships from the angle of power and dependence, they differ in that the former considers both government’s dependence on the nonprofit sector and nonprofit’s dependence on the government, whereas the latter focuses primarily on a nonprofit’s dependence on the government based on the assumption of a clear distinction between governments as funders and nonprofits as service providers. In addition to power, Grønbjerg (1987), Coston (1998), and Najam (2000) highlight the importance of goals\(^8\) and the formality and institutionalization of the organization in defining the primary dimensions of government-nonprofit relationships. Grønbjerg (1993) also notes the multi-dimensional resource dependent relationship, which indicates that power is not the only factor explaining the features of relationships.

As compared to other scholars who discuss resources, Coston (1998) takes a slightly different viewpoint. Coston argues that resource is not a determinant of relationship forms but, rather, that there are variations in the nature and degree of resource exchanges between governments and NGOs that account for different types of relationships. In the eight-point typology spectrum of relationship, Coston describes the case of joint actions and the sharing of resources and information in symmetrical power relationships (e.g., cooperation, complementarity, collaboration); in these relationships, NGOs input their participation in the public policy-making area. In contrast to Grønbjerg (1993) and Coston (1998) who consider power balance as a pivotal factor of the relationships, Najam (2000) suggests that the degree of similarity between policy goals and strategies employed by government and NGOs determines the types of relationships (confrontation, co-optation, complementarity, cooperation) and that the

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\(^8\) Najam’s (2000) four C’s model is based on the degree of similarity between policy ends (goals) and means (strategies) of government and NGOs and Coston’s (1998) relationship types are described by, among other things, favorability of government policy vis-à-vis NGO (e.g., government’s tolerance for NGO influence and autonomy). Grønbjerg’s (1987) four patterns of institutional relations capture critical aspects of organizational environments in which nonprofits operate (e.g., how nonprofits manage funding relationships).
power factor is not important when both parties share the same goals.

Focusing on the roles of nonprofits as a factor in relationship forms, Salamon (1987, 2002a)\(^9\) indicates a change in the roles of nonprofits from substitutes for government to third party actors who have discretion. This argument relates to Young’s (1999) research on the supplementary and complementary lens of the relationships by describing nonprofits’ roles as filling the gap left unsatisfied by governments in the public service delivery and assisting the service delivery as partners to governments. Also, Coston’s (1998) discussion on the collaborative, complementary character of NGOs through service delivery pinpoints that the state and NGOs can each offer resources to the other party (e.g., government’s funding for NGO’s expertise). In analyzing the government-nonprofit relationships in terms of the roles each party plays in service delivery, Salamon (1995) further contributes to the theoretical basis of relationships by pinpointing the shortcomings\(^10\) of the theory of the welfare state and of the theories of the voluntary sector and by exploring the explanatory power of “third-party government,” perspective which sees nonprofits as third party actors who have cooperative and formal relationships with government.

As a result of reviewing the literature on models of relationships, I find that most scholars agree that there is no best, definitive model for government-nonprofit relationships that fits all situations and rather that each model appropriately corresponds to different environmental or

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\(^9\) In a later study, Salamon (2006) considers the scale of nonprofit activity to define three relationship forms—“supplementation, contestation, and cooperation”—depending on four nonprofit regime types (“authoritarian, government-dominant, partnership, third-sector-dominant”) on the ground that different combinations of three relationship modes determine different regimes of nonprofits (p. 411). Feiock and Andrew (2006) also examine the way that nonprofits work with governments in public service delivery and classify nonprofits’ roles into six categories—“autonomous service provider, coordinated service ally, subsidized provider, contractor/agent, strategic competitor, partner or advocate/lobbyist” (p. 760).

\(^10\) Salamon (1995) explains that the theory of the welfare state fails to differentiate between government’s role as a provider of funds and direction and as a provider of services, and the drawback of the theories of the voluntary sector lies in considering the voluntary sector as a substitute for governments (pp. 37-40).
organizational conditions. Though Coston (1998) introduces more multi-dimensional relationship forms by adding more diverse variables of relationships than other scholars, it is difficult to cover the complete list of all possible relationship types due to the intricate and varying character of relationships. However, each framework helps reduce the complexity and variety inherent in relationships (see Table 2).

Table 2: Typologies of Government-Nonprofit Relationships

<table>
<thead>
<tr>
<th>Study (Author, year)</th>
<th>Key Dimensions</th>
<th>Types of Relationships</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kramer, 1981</td>
<td>Roles of nonprofits</td>
<td>Primary</td>
</tr>
<tr>
<td></td>
<td>Power relationship</td>
<td>Complementary</td>
</tr>
<tr>
<td></td>
<td>Duration of services</td>
<td>Supplementary</td>
</tr>
<tr>
<td>Gronbjerg, 1987</td>
<td>Dominance of proprietary service sector</td>
<td>Cooperation</td>
</tr>
<tr>
<td></td>
<td>Public sector dependency on nonprofit sector</td>
<td>Accommodation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Competition</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Symbiosis</td>
</tr>
<tr>
<td>Gidron, Kramer &amp; Salamon, 1992</td>
<td>Allocation of responsibilities for service financing and service provision</td>
<td>Government dominant</td>
</tr>
<tr>
<td></td>
<td>Power-sharing</td>
<td>Third sector dominant</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Dual</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Collaborative</td>
</tr>
<tr>
<td>Coston, 1998</td>
<td>Extent of government resistance or acceptance of institutional pluralism</td>
<td>Repression</td>
</tr>
<tr>
<td></td>
<td>Degree of power sharing</td>
<td>Rivalry</td>
</tr>
<tr>
<td></td>
<td>Degree of formality</td>
<td>Competition</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Contracting</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Third party</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cooperation</td>
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<tr>
<td></td>
<td></td>
<td>Complementarity</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Collaboration</td>
</tr>
<tr>
<td>Young, 1999</td>
<td>Roles of nonprofits</td>
<td>Supplementary</td>
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<tr>
<td></td>
<td>Division of roles between government funding and nonprofit’s provision of services</td>
<td>Complementary</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Adversarial</td>
</tr>
<tr>
<td>Najam, 2000</td>
<td>Degree of similarity between policy ends (goals) and means (strategies) of government and NGOs</td>
<td>Confrontation,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Co-optation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Complementarity</td>
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<tr>
<td></td>
<td></td>
<td>Cooperation</td>
</tr>
<tr>
<td>J. Brinkerhoff, 2002b</td>
<td>Mutuality Organization identity</td>
<td>Contracting</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Partnership</td>
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<tr>
<td></td>
<td></td>
<td>Extension</td>
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<tr>
<td></td>
<td></td>
<td>Co-optation &amp; gradual absorption</td>
</tr>
<tr>
<td>Salamon, 2006</td>
<td>Scale of nonprofit activity</td>
<td>Supplementation</td>
</tr>
<tr>
<td></td>
<td>Nonprofit regime types</td>
<td>Contestation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cooperation</td>
</tr>
</tbody>
</table>
The common characteristic in the reviewed literature as summarized in Table 2 is that most researchers consider including both ends in the spectrum of relationships—favorable forms (e.g., cooperation, symbiosis, collaborative, complementary) and unfavorable forms (e.g., repression, rivalry, government/third sector dominant, confrontation, adversarial). On the other hand, some scholars focus only on collaborative or partner relationships rather than two contrasting types (D. Brinkerhoff, 1999, 2002a; Foster & Meinhard, 2002; Gazley, 2004, 2008a, 2008b, 2010; Gazley & Brudney, 2007; Guo & Acar, 2005; also, see the literature review on relational contracting).

There are several different features found in the identified models and frameworks of the relationship. First, some models aim to explain the relationship between the two sectors in general (e.g., whole public policy areas) (Coston, 1998; Grønbjerg, 1987; Najam, 2000; Young, 1999), while other models are specifically intended for describing relationships in the context of public service delivery (DeHoog, 1990; Gidron, Kramer, & Salamon, 1992; Ott, 1993; Saidel, 1991, 1994). Second, in contrast to other scholars, Grønbjerg’s (1987) analysis additionally involves business sectors in explaining four relationship patterns (cooperation, accommodation, competition, symbiosis) among governments, nonprofits, and business sectors and suggests the amount of public dependence on nonprofits and the presence of strong business sectors as conditions determining patterns of the relationship. Third, Coston (1998) and Najam (2000) define the relationship forms by adding the context of international settings and not limiting discussion to the United States. Fourth, different theoretical lenses are applied by scholars in formulating the relationship models such as resource dependence (Grønbjerg, 1987), economic (Gidron et al., 1992), pluralist (Coston, 1998), a mix of economic, behavioral, and sociological (Young, 1999), behavioral (Najam, 2000), and a mix of behavioral and resource dependence (J. Brinkerhoff, 2002b). Fifth, another interesting feature is that in spite of the fact that contracting
is an important part of public-private partnerships, the relationship form of “contracting” is not separately and thoroughly explored by scholars except Coston (1998) and J. Brinkerhoff (2002b) who consider contracting itself as one of the relationship types.

Instead of exploring all possible types of government-nonprofit relationships in general with a focus on power and dependence, Saidel (1989, 1991, 1994) specifically conducted a series of studies on interdependence between governments and nonprofits. Through interview and survey data from both parties, Saidel’s (1989) research suggests three dimensions of interdependence between both sectors—“resource exchange, political, and administrative” (p. 335). In particular, she underscores the exchange of information and expertise in mutually dependent relationships between the two parties. Using a resource dependence framework, Saidel (1991) identifies the resource flow between state agencies and nonprofits as a condition of interdependence and articulates that the degree of dependency is determined by the importance of available resources, availability of resources, and ability to pressure for provision of resources in the process of interactive resource flows (p. 545).

Saidel (1994) further develops her arguments by explaining three key sources of interdependence—“resource dependence, bureaucratic and interest group politics, and institutional factors” (p. 201). She asserts that the single perspective of resource dependence cannot fully account for the interdependence framework, thus other perspectives such as politics of interdependence (i.e., public agencies’ power maximization and nonprofits acting as interest groups) and institutional interdependence (e.g., professional norms, legitimized procedures) need to be added to better describe the reciprocal reliance between the two sectors.

While Salamon (1987) focuses mainly on the role of government’s funding and its impact on nonprofits from the government perspective, Saidel presents the flow of different kinds of resources between the two sectors, both from the government and nonprofit sides instead of
concentrating on the one-sided dependence of nonprofits on government revenues. Saidel’s work on interdependent relationships from the perspective of resource exchange is also discussed by Kramer (1994) who points out the strains between governments and nonprofits that are created by mutual dependence between them for service delivery and funding. To summarize, a review of the literature on models and frameworks for government-nonprofit relationships presents the goals and roles governments and nonprofits ultimately seek to achieve, how both sectors accomplish their objectives, and what factors determine the attributes of relationships. The following section discusses a set of factors that influence government-nonprofit relationships.

Factors that influence government-nonprofit relationships

To demonstrate how decision making and management in the contract process works, it is essential to place particular emphasis on government’s financing role, contracting relationships between the two sectors, and the contexts of government funding for contracting out services. This is evidenced by many scholars who examine government’s relationship to the nonprofit sector through the lens of contracting focusing on the overall growth (or decrease) of government financial support for nonprofits, effects of government funding on nonprofits, and the competition for public funds among nonprofits (Kettl, 1988; Kramer, 1994; Lukesetich, 2008; Salamon, 1987, 2006; Smith, 2002; Smith & Lipsky, 1993; Weisbrod, 1997). In addition to discussion of economic factors in the relationship, some scholars consider different contextual conditions such as legal, institutional, and political factors.11

11 Other scholars pay more attention to the nonprofit side in light of a nonprofit’s characteristics, capacity, resources, and interactions with governments (Saidel, 1991; Cho & Gillespie, 2006). The government-nonprofit contracting relationship has often been explained by examining the rationale behind government’s decision to contract with nonprofits. In addition to merits of contracting as a policy tool of service delivery (e.g., efficiency, cost-saving), scholars focus on the unique and inherent characteristics of nonprofits in terms of mission, value, history, experience, trust, and non-distribution constraints as primary factors of government’s preference to nonprofits as contractors (Bryce, 2005; Ferris, 1993; Ferris & Graddy, 1986; Kramer & Terrell, 1984; Weisbrod, 1988).
Economic factors that influence government-nonprofit relationships

Salamon (1981) reports the growing phenomenon of “third party government” arising from efficient institutional linkages between the nonprofit sector, what he calls the “voluntary sector” and the state (p. 19). Rather than a substitute, he sees nonprofits as participants in third party governance.\(^{12}\) His discussion of third party government is congruent with the notion of “government by proxy” used by Kettl (1988) in referring to the changing forms of government action and governments’ interactions with a third party. Salamon (1995) further discusses government-nonprofit partnerships in terms of the impacts of government funding on nonprofits. By describing the nonprofit sector as an “agent of the state” (p. 105), he asserts that government financing of nonprofits for public service delivery can weaken the independence of nonprofits, alter their goals and missions, and produce bureaucratization and inflexible management in nonprofits.

Salamon’s (1995) view from the government side about the relationship shows that limited government capacity (e.g., problems of performance measurement for “accountability and control”) increases the burdens on nonprofits in accounting and reporting procedures (p. 108). Pursuing the exploration of voluntary sector-state relations, Wolch (1990) argues that the increasing dependence of voluntary organizations on state funding leads to state influence on the management and goals of voluntary organizations (p. 15). Likewise, Saidel (1991) expresses concern about the effects of public funding on the autonomy of nonprofits by noting the effect of government’s monitoring and oversight on the loss of nonprofits’ autonomy (p. 551). Hodgkinson and Sumariwalla (1992) explain NGO autonomy according to nonprofit dependence on government support. Kramer (1994) also pinpoints that contracting relationships can change

\(^{12}\) In contrast to Salamon’s argument, Weisbrod (1977) maintains that nonprofits emerge in response to both market and government failure and views government and nonprofits as substitutes rather than partnerships.
nonprofit practices by altering nonprofit’s mission and making nonprofits dependent on government funding.

A more extreme case of government influence on nonprofits is addressed by Smith and Lipsky (1990) who note that some nonprofits are purposely established on account of the availability of government grants and contracts. Smith and Lipsky (1993) additionally report a change in an organization’s mission after receiving government’s financing for service provision and the founding of new nonprofits as a direct response to the availability of government funds, not as an objective to pursue organizational mission and value. To describe the reciprocal and regularized contracting relationship between the two sectors, they coined the term, “contracting regime” (p. 44), where governments play relatively powerful and dominant roles in structuring the procedures and priorities of nonprofit providers and where increasing government funding for nonprofits leads to nonprofit dependence on government. In the context of a contracting regime, Smith and Lipsky (1993) introduce the term, “nonprofits as agents of the state” to underscore government’s dominance of the nonprofit sector, turning nonprofits into agents who take care of government’s business. This term is in total accord with Salamon’s (1995) description of the nonprofit sector. In a later article, Smith (1996) depicts the contracting regime as an “adaptation by government and provider to a long-term relationship and the absence of adequate suppliers” (p.118).

Like the argument on contracting regime, Salamon (1995) uses the concept, “welfare regime” to explore the complex set of partnership arrangements between the two sectors. He describes the partnerships as closely-linked relationships in a complex and varying network (p. 82). He asserts that government financial support accounts for a substantial share of nonprofit revenues and determine variation in the characteristics of partnerships. He provides a definition of government’s role as a primary monetary and nonmonetary supporter for nonprofits, which
demonstrates the government as a powerful, essential partner in addition to increased government reliance on nonprofits.

Weisbrod (1997) also investigates government-nonprofit relations in terms of nonprofits’ responses to growing fiscal pressures. He observes nonprofit expansion and increased cooperation with private firms (because of financial benefits from collaboration) and pinpoints its side effect such as the “growing commercialism” of nonprofits (p. 544). He recognizes that the future of the nonprofit sector depends on “nonprofits’ success in finding new sources of revenue” (p. 552) and expresses concern about consequences of the blurring of the boundaries between the nonprofit and both the for-profit and public sectors. Weisbrod’s emphasis on fiscal resources (e.g., government funding) as a determinant of the future of nonprofits is consistent with the pointed arguments by Salamon (1987) and Smith and Lipsky (1993) who articulate the government’s dominant role in providing funding to nonprofits and the impacts of government revenue on nonprofits as determining factors of the relationship. Similarly, Osborne and Kaposvari (1998) report the funding pattern of NGOs and the emerging system of government contracting for public services as critical factors in the relationship between government and NGOs in Hungary.

In the same way, Smith (2002) discusses government-nonprofit relations in light of the challenges faced by nonprofit social service agencies under the circumstance of the increasing connections between the two parties. He argues that nonprofits go through a variety of management and policy challenges posed by (1) the increased competition for finding sources of revenue among for-profits and nonprofits; (2) the government’s focus on monitoring and performance evaluation for enforcing accountability; and (3) the complex rules of contracting that may be contradictory to the mission and identity of the nonprofit. His argument that resource development (fundraising, fees, and government contracts) is a major challenge for nonprofits
coincides with the viewpoint of Weisbrod (1997) who links the future of nonprofits to their success in finding revenue sources.

Likewise, Lukesetich (2008) focuses primarily on the effect of government funding on nonprofits. His research shows a simultaneous relationship between government revenues in the form of contracts and subsidies and the number of nonprofits, including the number of both extant and new nonprofits, and the fundraising activities of nonprofits (p. 435). Smith and Lipsky (1993) support this result by noting that “the availability of government funds results in more nonprofit organizations and an increase in the number of large nonprofits” (p. 441). Their arguments are congruent with Salamon’s (2002) assessment of America’s nonprofit sector in terms of the challenges and opportunities facing nonprofits. In a book titled “The State of Nonprofit America,” he makes a definite statement that “more than any other single factor, this government-nonprofit partnership is responsible for the growth of the nonprofit sector as we know it today” (p. 5). In sum, many scholars illustrate the impacts of government financial support on the nonprofit sector and on the relationship between the two sectors. Next section presents other scholars’ discussion on environmental factors influencing the relationships.

Legal, institutional, and political factors that influence government-nonprofit relationships

Along with the economic effect of government funding on nonprofits, some researchers consider other factors in government-nonprofit relationships such as legal, institutional, and political factors which help describe the characteristics of relationships and explain why the partnership or cooperation between the two sectors is increasing or decreasing. One of the influencing factors on the relationship—legal factors— is discussed by Smith and Lipsky (1993) who emphasize the function of legal structures as establishing the foundation for the contracting regime; that is, the federal law (e.g., the 1967 Amendments to the Social Service Act which
encouraged states to enter into purchase-of-service agreements with private agencies) affected the development of the contracting regime (p. 55). Osborne and Kaposvari (1998) also find the nature and pace of legislative reform to be a key determinant of the relationship between local governments and NGOs in Hungary (p. 376). Likewise, D. Brinkerhoff (1999) points out a supportive legal framework and regulation as factors in the creation and success of the partnerships.

Institutional factors impacting the government-nonprofit relationship are presented by Salamon (1995) who notes that the intricate partnerships between government and the nonprofit sector has a long, established history of linkages and interactions between the two sectors. He also demonstrates that government-nonprofit relationships in the human service field vary by unique features of local history and tradition (e.g., local political philosophies or welfare needs), which he labels “multiple welfare states” (p. 76). Saidel (1994) explains interdependent relationships between the two sectors through institutional factors such as a long, shared history of inter-organizational connections and widely accepted professional norms. Osborne and Kaposvari (1998) also discuss the “legacy of the institutional relationships from the communist era” as a main variable in the relationship between local governments and NGOs (p. 376). D. Brinkerhoff (1999) indicates the level of trust between local governments and NGOs based on shared experience of collaboration as a factor in the creation and success of partnerships. Gazley’s (2004) research on the motivations for government-nonprofit collaboration reports the significant impacts of institutional factors, such as government size, government fiscal conditions, forms of government-nonprofit interactions, and scope of volunteer involvement, on partnership frequency. Additionally, Gazley (2008b) notes the mutuality of goals as a determining factor in the partnership (p. 142) and Gazley and Brudney (2007) suggest that the motivations to collaborate depend mainly on the prior experience of the partnership.
Some scholars pay distinctive attention to the political influences in government-nonprofit relationships (Donahue, 1989; Kettl, 1993; Osborne & Kaposvari, 1998; Saidel, 1991, 1994; Savas, 1987; Smith, 1996, 1997, 2002; Smith & Lipsky, 1993). In the resource dependence framework, Saidel (1991) includes political support and legitimacy in resources exchanged between state agencies and nonprofit organizations. Later, in her interdependence framework, Saidel (1994) identifies “bureaucratic and interest group politics” as key sources of interdependent relationships between the two sectors (p. 203). The concept of contracting regime used by both Smith and Lipsky (1993) and Smith (1996) and Salamon’s (1995) notion of welfare regime reflect the political aspect of government-nonprofit relationships. Also, Osborne and Kaposvari (1998) prove that local government-NGOs relationship in Hungary is shaped and maintained on account of political culture supporting the relationship. Likewise, D. Brinkerhoff (1999) indicates the regime type (political system) as a factor explaining the creation and success of partnerships.

In particular, Smith (1996, 2000) profoundly observes the government-nonprofit relationship from the political standpoint. Smith’s (1996) argument on contracting regime states “it is very directly a response by government to political conflict and uncertainty” (p. 118). His perspective aligns with Savas’s (1987) pointed remark that “privatization is more a political than an economic act” (p. 233). Emphasizing the political character of contracting relationships, Smith (1996) argues that “regulations and policies governing contracting can be contrary to effective, efficient service delivery” (p. 126). This statement reflects the conflicting dimensions of contracting; that is, in the first place, contracting is employed as a policy tool based on economic considerations, especially efficiency and cost savings. However, on the other hand,  

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13 In addition to economic influence on contracting, Donahue (1989), Kettl (1993), Savas (1987), and Smith (1996, 1997) recognize the presence and influence of political pressures in the contract process by focusing on the way that the contract process is managed.
contracting can be more influenced by political factors at the sacrifice of economic gains. Smith (2002) further discusses the “political sensitivities” of government-nonprofit relationships with the example of political mobilization of nonprofit service agencies through the formation of political coalitions (p. 174).

**Government-nonprofit partnerships (collaboration)**

Instead of examining the factors of government-nonprofit relationships in general, a large number of public-private partnership studies indicate that some researchers take special interest in a specific relationship type—partnerships (or collaboration) and aim to explore a set of determinants of the nature, scope, and effectiveness of partnerships. Some studies on partnerships focus only on collaboration in the area of public service contracting (D. Brinkerhoff, 2002a; Gazley, 2004, 2008a, 2008b, 2010) whereas other studies on partnerships cover the whole scope of government-nonprofit collaboration in terms of various collaborative forms in all public policy areas (D. Brinkerhoff, 1999; J. Brinkerhoff, 2002b; Foster & Meinhard, 2002; Gazley & Brudney, 2007; Guo & Acar, 2005).

**Government-nonprofit partnerships (collaboration) in contracting**

With a specific focus on contracting among diverse privatization efforts, scholars commonly try to discover the motivations, advantages/disadvantages, and the restraints of partnerships that public officials and nonprofit managers perceive and experience in public service delivery. In particular, J. Brinkerhoff (2002b) regards partnership as one of the

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14 Due to the complex elements of public-private partnerships and collaboration in particular, there is no scholarly consensus on the definition of partnerships and collaboration among various definitions presented by the existing literature (see Gazley, 2004, pp. 52-57 for more discussion on definitions).

15 Gazley and Brudney (2007) specifically exclude the case of relationship governed by formal contracts and grants from the definition of collaboration. It is based on the definition of collaboration by Sink (1998) and Wood and Gray (1991) who characterize collaboration as power sharing in decision making and voluntary, autonomous membership (as cited in Gazley & Brudney, 2007, p. 390).
relationship types and tries to define partnership and build a partnership model by using two dimensions—mutuality and organizational identity. The partnership model is composed of four relation types (partnership, contracting, extension, and cooptation & gradual absorption) (p. 22). She formulates a definition of partnership as containing a high degree of both mutuality and organizational identity as compared to a definition of contracting as containing low mutuality and a high degree of organizational identity. Her definition of contracting is contrary to Saidel’s (1989, 1991, 1994) description of interdependent contracting relationships, to Kettl’s (1993) discussion on mutual dependence among contracting parties, and to the arguments of some scholars concerning the regime concept and the negative effects of contracting on nonprofits’ mission, autonomy, and values (Gazley & Brudney, 2007; Kramer, 1994; Salamon, 1995; Smith & Lipsky, 1990, 1993). D. Brinkerhoff (2002a) approaches collaboration from the point that the division of roles and responsibilities between governments and NGOs, their linkage mechanisms (information exchange, technical support, policy-making support), and the legal frameworks for NGOs are crucial in determining the nature of collaboration between the two sectors. In particular, he underlines the central role of a supportive legal framework for viable NGO formation and effective service delivery partnership (p. 58).

Gazley (2004) examines the motivations for government and nonprofits for joint service provision in terms of cost-benefits, service enhancement, relationship building, and legal requirements and differentiates the nature of partnerships (i.e., collaborative activities from non-collaborative ones) (p. 216). Her research on the factors fostering government-nonprofit partnerships reveals that partnership formation depends mainly on local government’s fiscal

16 J. Brinkerhoff (2002b) defines mutuality as interdependence that “entails respective rights and responsibilities of each actor to the others for the purpose of pursuing the maximum benefits (i.e., mutuality in decision making, resources, and responsibility sharing) (p. 22) and organizational identity as organization’s distinctive and continuing characteristics in terms of mission, core values, and constituencies.
capacity\textsuperscript{17} and previous experience of public managers with nonprofits rather than efficiency gains. Gazley (2008b) further investigates the nature and scope of informal government-nonprofit partnerships by service areas focusing on formal agreement (legal contracts), governmental resources (government control in partnership), and sources of decision making authority (whether government, nonprofits, or shared?) (p. 143). Her case study\textsuperscript{18} in Georgia finds that (1) only half of government-nonprofit partnerships involve formal contracts; (2) public managers have sufficient resources that influence partnership outcome such as funding, shared goals, and cultural norms; and (3) there is a lack of a key element of collaboration– shared decision making (p. 150). In a later research using surveys on 285 nonprofits in Georgia, Gazley (2010) identifies factors that influence nonprofit decisions to build or not to build service delivery partnerships with government such as past experience and organizational size. That is, past collaborative experience of nonprofit executives shapes more favorable attitude toward collaboration and nonprofit executives in smaller and younger organizations are more likely to perceive barriers to collaboration.

\textit{Government-nonprofit partnerships (collaboration) in the public policy area}

The scope of some inter-organizational collaboration research is not limited to the area of contracting, but rather covers various types of government-nonprofit collaboration. Focusing on four cases related to policy advocacy and policy planning and implementation, D. Brinkerhoff (1999) acknowledges the effect of the “synergies of joint actions” (p. 82) and identifies four factors in the state-civil society partnership: the congruity of objectives; mechanisms for partnership based on participation and decentralization; the clear division of the roles and

\textsuperscript{17} Gazley’s (2004) measures of fiscal capacity are expenditures per capita, median income or poverty rate, and tax capacity (p. 124).
\textsuperscript{18} Gazley (2008b) relies on two final samples of public (N=285) and nonprofit executives (N=311) who received surveys and on five interviews with public managers.
responsibilities between the two sectors; and the capacity to perform their roles and responsibilities to achieve the effectiveness of partnerships. These research findings indicate the critical elements of partnerships and offer insights into the main dimensions of government-nonprofit relationships.

Through telephone interview data on 600 nonprofits, Foster and Meinhard (2002) investigate why nonprofits have a predisposition to collaborate focusing on: (1) organizational characteristics (size, age, mandates, gender of representative, depth of networks); (2) environmental pressures (funding, competition for scarce resources); and (3) organizational attitudes toward collaboration. They argue that the propensity of nonprofits toward cooperation is mainly affected by “organizational and attitudinal factors” that produce the synergy effects for collaboration (p. 561). Their results are different from other studies that identify the environmental pressures like funding and resources as primary factors determining the cooperative, dependent, or interdependent relationships between the two sectors (Cho & Gillespie, 2006; Saidel, 1991; Salamon, 1987; Smith & Lipsky, 1993; Weisbrod, 1997).

Based on resource dependence, institutional, and network theories, Guo and Acar (2005) find that the development of formal types of collaborations (joint program, parent subsidiary, merger, and joint venture) is associated with environmental and contextual factors. Their analysis of survey data on 95 charitable organizations show that nonprofits are more likely to engage in formal collaborative activities when they are older organizations, have larger budget size, receive public funding (low level of dependence on funding), and have more board linkages with other nonprofits (p. 356). Guo and Acar view collaboration as a strategic response to uncertainty in organizational environments or funding, which is consistent with arguments of Foster and Meinhard (2002), Grønbjerg (1993), Pfeffer and Salancik (1978), Provan and Milward (1995), Saidel (1991, 1994), and Williamson (1985).
In addition, Gazley and Brudney (2007) ask why governments and nonprofits seek partnerships or why they do not, and analyze the motivations and outcomes of collaboration in terms of cost benefits, service improvement, and relationship building (p. 402). Their research results show that sectoral memberships determine attitudes about partnerships and that the motivation for collaboration is determined by the desire to secure scarce resources (expertise for government and funding for nonprofits). They conclude that the motivation to collaborate hinges on sectoral status and prior experience of partnership. Studies by Foster and Meinhard (2002), Gazley and Brudney (2007), and Gazley (2004, 2008a, 2008b) suggest that collaboration between the two sectors is more than resource exchange and involves other motivations for partnering beyond resources. These studies additionally consider organizational conditions (e.g., reputation, trust, cultural norms, and shared goals) and individual characteristics (e.g., previous experience of collaboration, managerial attitudes toward collaboration) to explain the motivations for collaboration.

Some studies on public-private partnerships (or collaboration) address environmental, organizational, and institutional factors that influence the formation or development of intersectoral collaboration. There are different scholarly opinions on the impacts of environmental feature of local community on partnerships. It is widely agreed that governments decide to privatize because of fiscal stress, whereas Boyne (1998) and Greene (2002) report a high degree of privatization occurred in the fiscally wealthier communities. Population size and growth rates are also presented as factors accelerating partnerships through contracting (Brown 1991). In line with these studies, Grønbjerg (1993) notes that sectoral membership is more significant than the number and stability of organization’s funding channels in explaining the reasons to collaborate or not to collaborate.

Many scholars present fiscal stress as the traditional rationale for partnerships through a variety of privatization tools (Boyne, 1998; Brudney et al., 2004; Ferris, 1986; Ferris & Graddy, 1986; Gazley, 2004; Hirsch, 1995; Kettl, 1988; Kettner & Martin, 1987; Savas, 2000; Sclar, 2000; Warner & Hebdon, 2001).
Regarding organizational factors, some scholars connect organizational age and size to the motivations for collaboration. For instance, Gazley (2004) notes that larger governments have more organizational capacity needed for partnerships and the newly founded nonprofits with limited history and experience tend to partner with governments for securing scarce resources. Foster and Meinhard (2002) and Guo and Acar (2005) also find that nonprofits are more likely to facilitate collaborative relationships with governments when they are older and larger organizations. In terms of institutional factors, Gazley and Brudney (2007) discuss the effect of organizational mission on partnerships by stating that a nonprofit’s mission often hinders partnerships. They conclude “organizations must have a mission that is compatible to partnering” (p. 411). Moreover, the managerial form of governments (e.g., council-manager form) is reported as a factor determining the frequency of partnerships (Boyne, 1998; Brown & Potoski, 2003b; Brudney et al., 2004; Gazley, 2004; Morgan, Hirlinger, & England, 1988). This line of research exploring the environmental, organizational, and institutional factors of partnerships (collaboration) can bring additional richness to the common approaches (e.g., funding, resources) that are used to explain the characteristics of public-private partnerships.

**Review of Literature on Contract Management Process**

While the early literature on contracting tends to discuss its economic aspects, recent studies focus on the effect of managerial factors on contracting as researchers recognize the importance of contract management (Auger, 1999; Brown & Potoski, 2003, 2006; M. Lamothe, 2004; Romzek & Johnston, 2002, 2005; Shetterly, 2000; Van Slyke & Hammonds, 2003; Warner & Hebdon, 2001). The literature on the contract management process can be divided into a set of significant lines of inquiry: government management capacity, roles and capacity of public
managers, arguments about the effects of contracting on government management capacity, accountability issues, and factors affecting the nature and characteristics of the contract management process.

**Government management capacity**

Most studies highlight the need for management capacity of governments which is essential to plan, implement, monitor, and evaluate contracted work and to form and develop effective contracting relationships with service providers. There are different perspectives about the quality of government management capacity under contracting. Savas (1992) views government as “a sophisticated inspector” of contracted-out goods and services (p. 82). By contrast, some scholars assert that the government is not an effective monitor or inspector of contracted services (DeHoog, 1985; Donahue, 1989; Kettl, 1993; Kramer & Grossman, 1987; Salamon, 1989; Smith & Lipsky, 1993). Regardless of different evaluations of government management capacity, scholars agree on the importance of management capacity to effectively govern the contract management process, to enforce accountability, and to achieve the maximum benefits of contracting.

Numerous scholars have examined the definitions and dimensions of management capacity, the impacts of management capacity on contracting, and the determinants of management capacity (Brown & Potoski, 2003a, 2006; Fernandez, Ryu, & Brudney, 2005; Gargan, 1981; Kettl, 1993; Milward, 1994; Smith & Smyth, 1996; Thompson & Riccucci, 1997). For example, Kettl (1993) asserts that government needs to develop the capacity to manage relationships with the private sector since the “government contracts do not manage themselves” (p. 180). Kettl comes to the point that “government’s relationships with the private sector are not self-administering; they require, rather, aggressive management by a strong, competent
government” (p. 6). He links government capacity to government’s role as a “smart buyer” and as a competent decision maker by underscoring the importance of organizational learning.\textsuperscript{21} Kettl’s list of capacity competencies required of public contract managers includes contract management experience, negotiation and mediation skills, oversight and program audit capabilities, policy expertise, and communication and political skills as well as capacity to manage contracting relationships.

Brown and Potoski (2003a) place particular stress on government management capacity and its connection with contract performance. They report increasing numbers of failed contracts that result from problems in government’s managerial capacity. Using the International City/County Management Association (ICMA) survey data on alternative service delivery, they identify the following factors that shape contract management capacity: prior contracting experience, transaction costs, government structure and capacity (a form of government, a level of resources), and government external environments (political opposition from public employees and their unions, population size). While Kettl (1993) defines public management capacity in terms of diverse management capacity of public managers (e.g., skills, experience) and the capacity for relationship management, Brown and Potoski (2003a) extend his definition to aspects of the organizational, political, and external environments.


\textsuperscript{21} Kettl (1993) argues that if the organizations are to be smart buyers, they need to learn which organizational structures and which behaviors work best in the particular environments that make them detect and correct errors. He adds that organization’s learning ability depends on flow of information, organizational culture, and norm. Sclar (2000) also stresses the significant role of organizational learning in determining the degree of contract success.
analysis and planning capacity and contract monitoring capacity as critical determinants of local government contracting (p. 454). Scholars introduce slightly different definitions and dimensions of management capacity; however, they all emphasize the importance of government capacity for effective contract management on the ground that contract success depends on the level and quality of government contract management capacity (Brown & Potoski, 2003a, 2003b; Fernandez, Ryu, & Brudney, 2008; Gargan, 1981; Hefetz & Warner, 2004; Kettl, 1993). Although scholars use slightly different components of management capacity as measurement indicators for contract management capacity, they all tend to consider planning capacity, implementation capacity, and monitoring and evaluation capacity.

In particular, many scholars underscore contract monitoring capacity. Rehfuss (1989) notes that the “monitoring and performance measurement phase of contract administration contributes significantly to the success of the contracting out process” (p. 84). He highlights the role of evaluators (monitors) who have knowledge and experience related to contracting that is necessary to conduct effective oversight and monitoring. Kramer and Grossman (1991) also articulate the significance of monitoring the financial conditions of contractors to ensure accountability. Likewise, Auger (1999) suggests the following lesson for enhancing the effectiveness of public managers: “pay priority attention to contract monitoring” (p. 441).

Based on ICMA survey data on alternative service delivery, Hefetz and Warner (2004) find that principal-agent problems and a monitoring system determine the level of contracting (i.e., a lack of principal-agent problems and a good monitoring system increase new contracting) and underscore a need for public managers to recognize the importance of monitoring. Warner and Hebdon (2001) also put more emphasis on information and monitoring than on political considerations in the government’s management decision. In order to solve the problem of fragmented performance oversight functions and pursue the effectiveness of performance
contracting, M. Lamothe (2004) makes a clear division between the performance measurement function and monitoring function and differentiates contract managers from contract monitors in light of roles, responsibilities, and discretion (p. 68). This adds further credence to Van Slyke’s (2007) recognition of monitoring as a contract management strategy for solving the challenges facing the government’s contracting relationship with nonprofits.

In addition to monitoring capacity, scholars underline a variety of public management functions on the ground that public managers can exercise using their own discretion in contract decision making and the contract management process. Consequently, it can directly affect the quality and results of contracting. Cooper (1980) indicates that the major responsibility of contracting officers is to “balance political demand and supports with budgetary restrictions and governmental needs” rather than the achievement of the often repeated goal—the best quality service at the lowest price (p. 462). While Cooper focuses primarily on the roles of public managers as decision makers with discretion, Gooden (1998) defines their critical roles from a broader perspective as contract planners, administrators, negotiators, technical supporters, and monitors. Behn and Kant (1999) put more stress on public managers’ functions related to performance evaluation than on pre-bid planning, procurement, and contract drafting. M. Lamothe (2004) also regards the monitoring and measurement of contract performance as the core of public managers’ roles.

In identifying the roles of public managers, Cooper (1980) and Gooden (1998) consider the overall contract process from the pre-bid activities (e.g., preparing RFPs) to the termination stage, whereas Behn and Kant (1999) and M. Lamothe (2004) concentrate on the stage of performance measurement and monitoring through the lens of performance contracting. In this discussion on performance contracting is also addressed by Smith and Lipsky (1993) who state that governments increasingly favor performance-based contracting as a means to stimulate contractor achievement and as a tool for ensuring contractor accountability.
Regarding the former, it presents a more comprehensive, distinctive list of the roles of public managers, depending on different stages of the whole contract process; however, the latter addresses the essential role of public managers as performance evaluators and monitors in the context of performance contracting, which shows their favorable perspectives on the shift from regulatory contracting to performance contracting.

While some researchers mainly discuss the importance of public managers’ skills and capacity for effective contract management, Brown and Potoski (2004) extend the scope of public managers’ roles by adding the management of service markets and service-delivery networks. Most studies treat the service market and networks as given conditions affecting contract effectiveness, whereas Brown and Potoski assert that public managers can change and manage the conditions of service markets and service-delivery networks by using their capacity.²³ Also, Brown, Potoski, and Van Slyke (2006) indicate that public managers’ job is to identify the characteristics of services and markets (i.e., competition, asset specificity, measurability of services) to deal with management challenges. In summary, what do public managers need to understand for effective contract management? A variety of answers exists for this question such as political pressures (Cooper, 1980; Gooden, 1998), public laws (Brown, Potoski, & Van Slyke, 2006), budgetary constraints (Cooper, 1980), management training (M. Lamothe, 2004), performance data collection and validation (M. Lamothe, 2004), and public interest values and resources (Brown, Potoski, & Van Slyke, 2006).

²³ Using transaction cost theory, Brown and Potoski (2004) provide detailed explanation of public managers’ roles in service markets. They assert that public managers can take various steps to stimulate market competition (e.g., implementation of contract incentives), to acquire information to reduce information asymmetries throughout the market (e.g., monitoring of vendor performance), and to assemble effective service-delivery networks of buyers, sellers, and market organizers to ensure a well-functioning public service market (p. 666).
Arguments about contracting and government management capacity

Savas and a number of other early public choice theorists (Buchanan & Tullock, 1962; Niskanen, 1971; Tullock, 1965; Ostrom & Ostrom, 1971) were highly critical of government contracting precisely because of its negative impact on government’s service delivery capacity. They argued that contracting reduces the chance to improve service production capacity as well as weakening the management capacity of the government. Scholars contend that decreased government capacity in terms of service production capacity and contract management capacity arising from growing contracting influences the government-nonprofit relationship and results in the “hollow state” or “shadow state” (Bernstein, 1991; Brown & Potoski, 2003a, 2006; DeHoog, 1985; Donahue, 1989; Kettl, 1988, 1993; Milward, 1994; Milward & Provan, 2000; Van Slyke, 2003, 2007; Wolch, 1990).

By using the metaphor, “hollow state,” Milward (1994) describes the condition that governments cannot deliver public services themselves because of the shrinking public workforce due to contracting (p. 73). Wolch (1990) employs the term, “shadow state” (or “para-state apparatus”) in referring to the roles that nonprofits increasingly play in public service delivery and signifies concern for their relationships with governments that receive public funding in return for service provision (p. 41). Focusing on the governance of the hollow state, Milward and Provan (2000) also examine the way that governments effectively govern the networks of service providers in terms of structures and incentives used to control the providers. Their assertions about clear principal-agent relationships as a critical element of governance mechanisms reflect their viewpoints of contracting relationships between governments and service providers (p. 365).

Similarly, Bernstein (1991) uses the metaphor, “game playing” to describe the
relationship between governments as funders and nonprofits as vendors (p. 21). In particular, the author tries to understand how nonprofit service providers manage what they call “the game of contracted services” to design management strategies for dealing with governments. She emphasizes the difficulties in finding the way to the complex “playing fields” (p. 33) and in grappling with conflicts of contract management with reality (e.g., conflicts of contract requirements with service goal, unrealistic criteria for evaluation) confronted by nonprofit managers in the game. Through data from interviews with nonprofit managers, Bernstein provides a concrete description of the game in terms of management problems and conflicts that nonprofit managers perceive.

Additional explanation on management problems and techniques from the government perspective can contribute to the understanding of the whole picture of game playing since the game is supposed to be played by both parties. In particular, Milward (1994) and Milward and Provan (2000) link the growing number of contracts to accountability problems. Reduced management capacity resulting from contracting is incompatible with the rationale for contracting because management capacity is an integral element for governments to plan, implement, and monitor the contracts. It raises a question of how governments can continue to adopt contracting when they have diminished management capacity. By contrast, Van Slyke and Hammond (2003) challenge the connection between contracting and weakened management capacity and rather, their case study reports that “public management capacity increased as a result of privatization” (p. 146). They admit that their research finding is contrary to previous public management studies on privatization’s impact on public managers’ capacity and attribute

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24 Bernstein (1991) uncovered a unique, realistic description of contract management—the game metaphor—by conducting a number of interviews with nonprofit managers in the contract services system and letting them report their experience in their own words.
it to unusual features in their case study (privatization of a state park in Georgia). Their conclusion is that public managers can develop management capacity through experience, expertise, and training and enforce accountability through monitoring, a contention related to Kettl’s (1993) description of public managers’ role as “smart buyers” and competent decision makers.

Determining factors of contract management success

One of the recurrent themes in scholarly studies on contract management is the factors that determine the success or failure of the contract management process. Rusten (1999) attributes major contracting problems and unsuccessful contract outcomes to inadequate management. For instance, the author pinpoints that contracting problems occur when public managers cannot or do not make efforts in collecting and analyzing essential data. In this regard, Rusten underscores the importance of the collection, analysis, sharing, and public release of the cost/contract data, and monitoring for successful contract management. This list reflects his focus on economic considerations, information management, and the management of public employees. As Rusten recognizes the significance of connecting contract planning to contract implementation for successful management, Shetterly (2000) also questions the effect of contract design on contractor performance because he recognizes the limitations in the extant literature arguing that there are only a few studies (DeHoog, 1985; Kettner & Martin, 1995; Kramer & Grossman, 1987; Peat & Costley, 2001) on this theme. Shetterly considers specification type, solicitation method, incentives (penalties), and contract length as variables of contract design.

25 In their case, after privatization, public managers had more time to focus on contract management (e.g., strategic planning, performance measurement, customer satisfaction, oversight, and evaluation) while having fewer supervisory and personnel responsibilities. It is because before privatization, public managers had responsibilities for supervising 600 employees and after privatization, there were only 57 public employees.
which affect the outcome of contract management (p. 56).


With respect to the factors explaining the effectiveness of contract management, Romzek and Johnston (2002) suggest performance measurement and management capacity (resources, training for public managers). Their analysis on the outcomes of contract management shows that effective management can be achieved when public managers have sufficient, necessary capacity and develop the mechanism for enforcing accountability. Like their emphasis on performance evaluation for effective management, Meessen, Kashala, and Musango (2006) also report the direct connection between output-based contract and high staff performance and, additionally, underscore institutional factors such as internalized norms for high performance for effective management (p. 109). In the same vein, some researchers regard monitoring, oversight, and evaluation systems as factors determining the contract outcome (Dilger, Moffet, & Struyk,
For example, in defining monitoring as proportion of monitoring activities, monitoring level, and citizen complaint mechanisms, Hefetz and Warner (2004) assert that contract success relies on more managerial factors such as monitoring than on economic considerations.

While most scholars focus on government management capacity and organizational systems to ensure contract accountability, other scholars mainly discuss the political influences in the contract management process. For instance, DeHoog (1984) addresses a different aspect of the human service contracting process by noting that “it is time that public administrationists go beyond the economists’ deceptively simple cost comparisons of private versus public production of services to examine the contracting out process, including its political, administrative, and performance components” (p. 16). In this sense, DeHoog labels the “politics of cooptation” (p. 25) to describe the case where government is co-opted and controlled by organized interests (e.g., interests of business, labor, or profession) when aiming to “mobilize political supports through strong clientele relationships” (p. 26). Greve (2001) also points out the political effects of advocacy coalitions on the contracting policy-making and implementation process in Denmark. He defines government’s role as a moderator between two different views on contracting out pursued by two stable coalitions—advocates and opponents of contracting out policy. Likewise, Romzek and Johnston (2002) report political supports such as the “political strength of client advocate groups, complexity of subcontractor relationships, and risk shifting to the contractors” as factors of contract management effectiveness (p. 429).

A detailed description of political factors affecting contract management is provided by Kramer and Grossman (1987) who investigate a set of restrictions confronted by both contracting parties. They observe that each stage of the contract management process has much room for political influences; that is, (1) government’s use of “limited bidding procedures” as a means to
seek its own interests or favor specific political players in the first stage—requests for proposals (p. 37); (2) the subjectivity of the technical rating system due to the political nature of the decision-making process in the second stage—rating and selection of bidders; (3) the “strain between power consideration and technical factors” in negotiation as the “give-and-take” form in the third stage—contract drafting, negotiating, and processing (p. 39); (4) the power struggle between the two parties to pursue their own goals in the fourth stage—monitoring; and (5) government’s discretion in the last stage—renewal or termination of contracts.

Saidel (1994) also attributes the political character of interdependence between government and nonprofits to the structure of political system and separation of powers between different branches of government, which induces the government to seek political partners. Describing nonprofits as “both constituency and clientele to public agencies” (p. 213), she illustrates that nonprofits often participate in the political process acting as supporters of public agency interests. Likewise, Seidenstat (1999) observes the political dimension of contracting by considering the inherent political nature of governments and the political elements of contract decision making with the example of awarding contracts to political friends, which are called “sweetheart contracts” (p. 18). He makes an explicit statement that “since government is a political entity, any decision about contracting to the private sector has political elements” (p. 235). Smith (2005) similarly notes “contracting pushes nonprofit agencies into the world of lobbying, political association, legislative politicking, and appeals to the mayor and governor, either directly or indirectly” (p. 388). According to Peat and Costley (2001), politics can affect the rating of proposals in that “although a point system attempts to provide objectivity to the reviewing proposals, subjectivity inherent in the rating process may lead to the influence of politics” (p. 58). In particular, Kramer and Grossman provide examples of political influences in the rating stage such as “special pleading and patronage by agency representatives and citizen

Van Slyke (2003) also presents four findings of political influences on contracting: (1) nonprofit executive directors pay close attention to new legislation and policy changes in their service areas to obtain information on future funding; (2) many nonprofit agencies advocate on behalf of clients and services; (3) nonprofit executives admitted their use of personal, organizational networks to advocate the elected/appointed officials about services to be contracted out or to facilitate payment for contracted services; and (4) elected officials and legislators can exert political pressures on public managers for the selection of service contractors. Through interview data, Van Slyke identifies who political actors are and when, how, and why they exercise different types of political influences. He comes to a conclusion that “politics is inherently a part of the privatization and contracting process, and it affects how contract relationships are managed” (p. 308).

In a study titled “A Political Consequence of Contracting,” Kelleher and Yackee (2009) prove that government contracting opens “a new pathway for organized interest groups” (p. 596) to increasingly influence public agency decision making through lobbying, which makes public contract managers change their management strategies, practices, and agency policymaking. In addition to the scholarly literature reviewed in this section, the influence of third parties on the contract management process is also identified by DeHoog (1984), Fernandez, Ryu, and Brudney (2006), Greve (2001), and Smith (2005). In addition to a great deal of research on the economic consequences of contracting (Dilger, Moffett, & Struyk, 1997; Ferris, 1986; Greene, 2002;

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26 Fernandez, Ryu, and Brudney (2006) also analyze political factors in terms of various political actors and institutions (e.g., citizens, elected officials, governments, public employees, and their unions).
Hodge, 2000; O’Looney, 1998; Savas, 2000; Sclar, 2000), Kelleher and Yackee’s (2009) empirical research on the political consequences of contracting offers a broader, new perspective for understanding the conditions of contract management and the politics of contracting.

**Accountability in contract management**

Many studies on the contract management process call particular attention to the importance of contract accountability. As mentioned earlier, numerous scholars highlight the critical functions of monitoring and connect monitoring to accountability issues. Most scholars address accountability issues from the perspective of performance measurement, oversight, monitoring, and evaluation (Behn & Kant, 1999; Brown & Potoski, 2006; DeHoog, 1984; Dicke & Ott, 1999; Donahue, 1989; Ferris & Graddy, 1986; Kettner & Martin, 1987; Kramer & Grossman, 1987; Romzek & Dubnick, 1994; Romzek & Johnston, 2005; Seidenstat, 1999; Smith & Lipsky, 1992). For instance, Kramer and Grossman (1987) state, “while accountability is an important concern for government throughout the contracting process, it is the primary consideration in the monitoring-and-evaluation stage” (p. 40). They describe the power struggle between contractors seeking the greatest amount of autonomy and government putting high priority on accountability in the monitoring-and-evaluation stage. As a result, they report that government is limited in its efforts to enforce greater accountability whereas contractors generally can maintain a high degree of independence.

Dicke and Ott (1999) also ask how to enforce accountability in contracted services and identify ten techniques: “auditing, monitoring, licensure, the courts, contracts, codes of ethics, whistle-blowing, registries, outcome-based assessment, and markets” (p. 502). Using the accountability mechanism model27 of Romzek and Dubnick (1994), which is composed of four

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27 While Romzek and Dubnick introduce accountability mechanism for the public sector, Kearns (1994) offers accountability mechanisms for nonprofits: “professional/discretionary, compliance, negotiated, and
structural dimensions (hierarchical, legal, professional, and political accountability), the authors add one more dimension (moral and ethical accountability) (p. 504). They approach accountability apparatus from the point that public managers need to choose the most appropriate method to meet their purposes of accountability. Their descriptions of five types of accountability relationships in terms of rationale, focus, and tools reflect the accountability goals of governments, criteria for monitoring and evaluation, and characteristics of government-nonprofit contracting relationships.

Romzek and Johnston (2005) further examine three factors of contract accountability effectiveness in social service contracting—“contract specification, contract design, and accountability design” (p. 438). In analyzing the effectiveness of contract accountability, they use a set of criteria such as specification of accountability relationships, appropriateness of performance measures, autonomy of contractors, ease of performance-data collection, and proper accountability alignments (p. 442). Their criteria mirror the significance of designing the government-nonprofit relationships to fulfill the objectives of accountability and of establishing the adequate performance evaluation system in terms of structures, methods, processes, and techniques. The different dimensions of accountability addressed by Dicke and Ott (1999), Kearns (1994), Romzek and Dubnick (1994), and Johnston and Romzek (1999) indicate that consensus does not yet exist on this complex issue of whether government needs to employ different methods for achieving accountability in accordance with different dimensions (or purposes) of accountability. It also calls for understanding the “black box” of accountability mechanisms designed to fulfill the best possible contract outcomes.

28 They apply the accountability model of Romzek and Dubnick (1994), which consists of “hierarchical, legal, professional, and political” accountability in conducting case studies on the social services contracts.
One of the noticeable characteristics in the government contracting research is that, with some exceptions (Behn & Kant, 1999; Girth, 2013; Lambright, 2009; Shetterly, 2000; Van Slyke, 2007), little attention is paid to the use of incentives as a means to enforce contract accountability. For instance, Van Slyke (2007) presents different dimensions of incentives depending on features of contracting relationships; that is, in a principal-agent relationship, principals provide incentives such as “contract renewal and stability, discretion and flexibility in program implementation, reputational enhancement, and vigilant monitoring through a myriad of formal and informal mechanism” to correct principal-agent problems (p. 163). By contrast, in a principal-steward relationship, “trust and reputation” are used as incentives for mutual goal alignment (p. 166). Lambright (2009) finds that contract rewards and penalties motivate contracted providers to properly use service monitoring tools (e.g., filling out reporting forms). Focusing on the negative contract incentives—sanctions—for unsatisfactory performance, Girth (2013) investigates the conditions under which public managers exercise sanctions in terms of the degree of discretion and the level of administrative burden related to the sanction process. She concludes, “Sanctions are used to tighten accountability in contracting, but as this study indicates, they are not always executed” (p. 344). To sum up the discussion on accountability, many scholars articulate monitoring capacity as the most essential capacity among various management capacity and regard monitoring activities and performance measurement as fundamental tools for accomplishing intended contract outcomes and for enforcing contractor accountability.

**Review of Literature on Relational Contracting**

The classical or conventional approach to contracting describes contracts as transactions in which both contracting parties act independently in their own self-interest and have no
informal or extra-contractual relationship to each other. For successful contracting, this approach places strong emphasis on open competition (Ferris, 1986; Greene, 2002; Kettl, 1993; Morgan, Hirlinger, & England, 1988; Savas, 1987, 2000), detailed contract specification of terms and procedures (Brown, Potoski, & Van Slyke, 2006; Rehfuss, 1989; Romzek & Johnston, 2005; Savas, 2000; Sclar, 2000), careful monitoring and evaluation on operation and performance of contractors (Brown & Potoski, 2003, 2005; Rehfuss, 1989; Romzek & Johnston, 2002; Savas, 2000; Seidenstat, 1999; Van Slyke, 2007), and public managers’ capacity to manage contracts (Brown & Potoski, 2003a, 2004; Cooper, 1980; DeHoog, 1990; Kettl, 1993; Rehfuss, 1989; Romzek & Johnston, 2002). However, a set of specific characteristics of the social service contracting area (e.g., the lack of sufficient competition, difficulty in setting performance indicators and measuring performance, and environmental uncertainty) justifies and necessitates the transition from classical, arm’s-length contracting to relational contracting.

A legal theorist, Macneil (1978) originally developed the relational contract theory by defining contracts as relations and placing relational contracts at the opposite pole to classical or discrete contracts. The argument—“the consequences of slipping the bounds of the classical contract system altogether, of reducing discreteness from dominant roles to roles equal or often subordinate to relational norms…”(p. 886)—indicates his primary focus on the relative merits of relational contracting as compared to discrete contracts. He emphasizes the relational dimension in contracts when tasks are complex and the future is uncertain. His relational contract theory ultimately explains that, when transacting parties do not rely entirely on formal contracts, by what means they ensure that each party fulfills their obligations. For example, disputes in

29 Macneil (1978) defines “discrete” exchange transaction as transaction occurring only between total strangers, brought together by chance and is entirely separated from all past, present, and future relations (p. 856). In a later article, Macneil (1987) presents several features of “discrete” contracts such as short duration, limited personal interactions and future cooperation between the parties, no sharing of benefits or burdens, and legally enforceable and fully specified contracts (p. 275).
classical contracts are resolved by formal adjudication such as injunctions (p. 878), whereas disputes in relational contracts can be coordinated through a critical element of relational contracting—negotiation or bargaining (p. 891).

In recent years, scholars have increasingly paid attention to relational contracting that offers a new lens to understand contracting relationships and governance mechanisms. The relational contracting literature describes how self-enforcing terms can be supported and maintained without the use of enforceable contracts like the case of classical or conventional contracting, with a particular focus on the relational aspect of contracting (Alexander & Nank, 2009; Amirkhanyan, Kim, & Lambright, 2011; Beinecke & DeFillippi, 1999; Bertelli & Smith, 2010; Brown, Potoski, & Van Slyke, 2007; Bryson, Crosby, & Stone, 2006; Cairns & Harris, 2011; Cooper, 2003; DeHoog, 1990; Feeney & Smith, 2008; Fernandez, 2007; Macneil, 1978; Saidel, 2011, 2013; Sclar, 2000, Smith 1996; Van Slyke, 2007; Williamson, 1985). In order to ensure accountability in social service contracting, public managers have employed various relational strategies while designing their relationships with contractors. Based on the literature reviewed below, strategies suggested by scholars include: forging collaborative relationships with partners; building trust and cooperation; relying on negotiation or mediation as a tool for resolving disputes instead of aggressive control measures; and fostering open, frequent communication among contracting parties.

In addition to the traditional government contracting model, which DeHoog (1990) labels the competition model, she introduces an alternative contracting model—the cooperation model—that presents a set of characteristics coinciding with most of the main components of relational contracting: cooperative contract management by way of information sharing, continuous personal interactions, and involvement of contractors in contract decision making; flexible contract documents resulting from trust developed between contracting parties; adoption of less
control-based enforceable management strategies; focus on professional norms and service outcomes; and, decentralized, flexible contracting systems with much room for public managers’ discretion. Sclar (2000) addresses shortcomings of the neoclassical model of competition in a discussion of the economics of privatization (e.g., agent-principal problems, information asymmetry, and moral hazard), pointing to the fact that long-term contracting relationship based on trust is a determining factor in achieving contract success in social services contracting (p. 14). Sclar goes on to note that long-term relationships based on trust can reduce transaction costs such as information costs of uncertain markets. DeHoog (1990) agrees to this standpoint by regarding the long-term relationships that can avoid transaction costs in searching for and changing contractors as an advantage of the cooperation model (p. 333).

In contrast to other public management literature which gives little attention to a legal perspective, Cooper (2003) examines contract management from the constitutional law perspective with detailed empirical examples of the changes in rules and regulations surrounding contracting in the U.S.; that is, public managers are under the authority of the constitution that empowers them. Cooper’s main argument is that contracting takes place at the intersection of a horizontal, negotiation-driven and a vertical, authority-based relationship (p. 13). Overall, he underscores the importance of public managers’ capacity to form, manage, end (or remake) contractual working relationships throughout the stages of integration, operation, and separation (or transformation), with a view to ensuring the best deal for the public.

In line with Cooper’s description of public managers positioned in both horizontal and vertical relationships, Bertelli and Smith (2010) specify the roles of public managers as “contract negotiators,” “relationship builders” or “network managers” (p. i24). The authors are fully cognizant of the value of informal governance mechanisms such as informal relationships. By connecting relational contracting to policy network theory, they explicitly state that a key
function of public managers is to “skillfully terminate some relationships without losing the credibility to develop and enhance others” when playing roles as “network builder-broker” (p. i36). They make a definite remark that “managing the relational contract is of paramount importance in modern public sector governance... Relationships have become the conduit for governance” (p. i22). In view of this, the underpinning of relational contracting lies in public managers’ capacity to design, manage, and terminate relationships that is essential to improve performance and guarantee accountability.

In developing a model of contracting performance through a relationship framework, Fernandez (2007) provides an extensive overview of privatization, the conventional approach to contracting, relational contracting, and then policy implementation literature. He systematically identifies and analyzes five variables determining the most successful contractual relationships, characterized by higher levels of contracting performance: joint problem solving after contract award, trust between the parties, public employees’ support for contracting initiative, financial resources committed to contracting, and a lack of task complexity (p. 1135). On the other hand, he finds three variables of contractual relationships that negatively affect contracting performance such as public managers’ efforts to limit contractor’s discretion, contract specification, and contract monitoring intensity (p. 1136). His findings demonstrate that the attributes of relational contracting are more properly applicable to the social service contracting arena than conventional or classical contracting. With policy recommendations for public managers to manipulate the identified variables of successful relationships for improved performance, he makes a key point that “The typical contractual relationships, as well as the most successful ones, seem to achieve a higher level of performance when they are managed in a flexible, cooperative manner” (p. 1136) by placing a particular focus on trust and joint problem solving.
Fernandez (2007) investigated the connection between public managers’ perceptions of contracting and contractors, public managers’ prior work experience, trust, and relational governance. His research findings are consistent with Feeney and Smith’s (2008) contention that informal, relational aspects of contracting lower transaction costs and improve contract performance. He also confirms their emphasis on the role of trust within contractual relationships. Also, the factors of successful contracting relationships identified by Fernandez (2007) echo the propositions of Bryson, Crosby, and Stone (2006), drawn from the existing literature about factors that contribute to successful cross-sector collaborations. For example, cross-sector collaborations are more likely to succeed: when they have committed sponsors and effective leaders; when trust-building activities are continuous; and when partners use resources and tactics to manage conflict effectively.

In a review of theory applied to inter-sectoral contracting relationships, Van Slyke (2007) regards stewardship theory as an appropriate model for government-nonprofit social services contracting relationships. This is because of the theory’s assumption that long-term contracting relationships are developed based on trust, reputation, and collective goals (p. 164). His description of principal-steward relationships is closely linked to Saidel’s (2011) notion of “governance by partnership” in the framework of “proxy-partnership governance continuum.” Also, his research finding concerning public managers’ facilitating nonprofit participation in the policy-making process when both parties have high trust is supported by Alexander and Nank (2009). They capture significant elements of effective partnerships and outcomes of partnerships such as nonprofit participation in collaborative networks to check government’s control over nonprofits, collaborative decision making, open information sharing, extension of governance capability of the government, and expansion of government discretion without a large number of strict rules.
By using a survey data set of 96 organizations, Amirkhanyan, Kim, and Lambright (2011) identify factors influencing collaborative relationship strength in the social service field, with a focus on three independent variables: contract characteristics (specification and length), contractor traits (internal management capacity, ownership status, service quality, and organization size), and environmental factors (financial autonomy, affiliation with a larger organization, and influence of client groups). Consistent with features of relational contracting, the researchers define collaborative relationship strength as goal agreement, communication quality, cooperation in contract implementation, and shared contracting procedures. Reflecting the conventional contracting approach, most literature on service contracting emphasizes contract specification and its role in making contractors understand the terms and procedures of contracts and ensuring contractor accountability. Supporting this emphasis, Amirkhanyan et al. (2011) report a somewhat nuanced research finding that “contract specification may serve as a necessary foundation on which actual relationships are built and improved” (p. 356). That is, detailed contracts play a complementary role in developing collaborative contracting relationships, rather than having a negative association, as often suggested by previous studies. For example, Brown, Potoski, and Van Slyke (2007) assert that less complete, specific contracts allow room for building a more cooperative relationship between contracting parties, creating more opportunities for collaboration and that contracts become less complete over time as trust evolves between parties.

Cairns and Harris (2011) clarify practical challenges of cross-sector partnerships and collaboration implemented at a local level: a lack of resources such as time, skills, and expertise; obstacles to build trust across sectors; a lack of understanding about organizational attributes in

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30 The study uses data from the Partnership Impact Research Project, a three-round survey of child care centers and Head Start Agencies in Ohio.
the other sector; difficulties in developing governance for partnerships including models of
decision making and strategies for dealing with uncertainty; over-dependence on a few
committed individuals; and pressure to work in partnerships at high speed. Their arguments that
trust plays a critical role in cross-sector partnerships are congruent with discussion in the
scholarly literature reviewed in this section. In particular, Van Slyke (2007, 2009) claims the
significance of trust in contracting relationships in that trust can reduce transaction costs and
serve as a substitute for monitoring. This is also supported by Amirkhanyan (2009) who
considers trust as a key element in contract monitoring and contract performance. With a special
attention to the issue of trust, Alexander and Nank (2009) clearly state that “Trust is an essential
component of all enduring partnerships. Trust is positively regarded in inter-organizational
partnerships.” (p. 369; see pp. 369-370 for a literature review of trust). The importance of trust as
a central tenet of relational governance is also evidenced by M. Lamothe and S. Lamothe’s (2012)
survey research on the factors that determine the extent of trust in local government-vendor
relationships.

In recent empirical research, following a series of studies on government-nonprofit
relationships in a resource interdependence framework, Saidel (2013) aims to understand the
ways in which public and nonprofit managers act in contracting interactions by asking questions
about how both contracting parties interpret their contractual interactions. Her interview results
show that many nonprofit and most public managers do not interpret contracting interactions as
relational. Rather, both parties present a description of transactional or principal-agent
interactions, while nonprofit managers are more likely to depict a mix of transactional and
relational practices (p. 4). Citing Kettl’s term—“smart buyers” (1993, p. 194)—as a significant
capacity of government, she introduces the “smart partnership” framework as a useful means to
implement relational contracting practices and overcome challenges in relational contracting.
Instead of treating relational contracting as an optimal, one-size-fits-all approach to contracting, she admits the pitfalls connected to relational contracting and highlights that “smart partnership” practices need to be implemented for ensuring accountability. One of the notable interview findings is that many nonprofit executives make full efforts to intentionally forge relationships by facilitating open communication and attempting to understand the priorities of public contract managers, a finding which is consistent with primary elements of relational contracting (p. 18).

Most scholars who adopt the relational contracting framework discuss the issue of accountability and performance associated with varied attributes of relational contracting. For example, Acar, Guo, and Yang (2006) begin their research on the functions of accountability with serious recognition that public-private partnerships, lacking in traditional and hierarchical authority, require different forms of accountability. Their research findings demonstrate that major functions of accountability lie in (1) “mapping and manifesting expectations” (identifying expectations about the direction of partnership) (p. 11); (2) “mobilizing and motivating” (motivating members of an organization to meet the mapped and manifested expectations) (p. 12); (3) “monitoring and measuring progress and performance” (p. 13); and (4) “modifying” (modifying partnership activities such as realignment of resources) (p. 13). Therefore, they conclude that the notion of “Accountability as Managing Expectations” is better suited to the context of public-private partnerships than that of “Accountability as Answerability” (p. 16).

The reviewed relational contracting literature signifies the reality that conventional, vertical aspects of contracting system do not disappear, though relational contracting has been considered as a significant, growing trend and a compelling alternative to the traditional contracting approach in the social service contracting area. This is also demonstrated by Agranoff’s (2006) observation that public managers still spend most of their time working within the hierarchy, regardless of an increasing number of horizontal and collaborative relationships.
across sectors (p. 57). Reflecting this, Saidel (2011) introduces the “proxy-partnership governance continuum” framework built on two core constructs—“governance by proxy” at the one end and “governance by partnership” at the opposite end of the continuum. In the same vein, Beinecke and DeFillippi (1999) articulate that “contracting may be conceptualized as a continuum from the classical contract to a relationship agreement” (p. 491) in accounting for management issues of the Medicaid program encountered during its transition to new contractors. They conclude relational contracting is an appropriate contracting model for social services in a period of change and support the view of Smith (1996) who regards relational contracting as being suitable for uncertain and volatile environments like the social service domain.

In conclusion, the crux of the reviewed literature on relational contracting (particularly, literature including discussion on both classical contracting approach and relational contracting) is summarized in Table 3 on the following page. Adopting the classical contracting approach or relational contracting in the contracting continuum involves the trade-offs between (a) complete, detailed contract specification, rigid contract evaluation and monitoring, enforcement of sanctions, and legal means for dispute resolution to minimize contractor opportunism and to ensure accountability and (b) flexibility, discretion, coordination, negotiation, and mutual trust to manage cooperative contracting relationships and respond to environmental uncertainty. The following section presents a review of the Korean literature on government-nonprofit relationships and contract management.
Table 3: Key Themes in Relational Contracting Literature

<table>
<thead>
<tr>
<th>Author (Year)</th>
<th>Key Themes</th>
</tr>
</thead>
<tbody>
<tr>
<td>DeHoog (1990)</td>
<td>Cooperation and competition models in terms of different conditions, advantages, and disadvantages</td>
</tr>
<tr>
<td>Sclar (2000)</td>
<td>Long-term relationships based on trust as a factor leading to contract success and shortcomings of the neoclassical model of competition</td>
</tr>
<tr>
<td>Cooper (2003); Bertelli &amp; Smith, (2010)</td>
<td>Positions and roles of public contract managers at the intersection of horizontal and vertical relationships</td>
</tr>
<tr>
<td>Van Slyke (2007)</td>
<td>Application of contract management practices to two theories of contractual relationships (stewardship theory and agency theory)</td>
</tr>
<tr>
<td>Feeney &amp; Smith, (2008)</td>
<td>Informal aspects of contractual relationships with recognition of formal aspects of contracting as one part of contractual relationships</td>
</tr>
<tr>
<td>Saidel (2011)</td>
<td>“Proxy-partnership governance continuum” with two constructs (“governance by partnership” and “governance by proxy”)</td>
</tr>
<tr>
<td>Saidel (2013)</td>
<td>Benefits of relational contracting as compared to arm-length, principal-agent elements of contracting interactions as a tool for securing accountability</td>
</tr>
</tbody>
</table>

Review of Korean Literature on Government-Nonprofit Relationships

Korean scholars did not take much academic interest in the theme of government-nonprofit relationships until the late 1990s. For this reason, Korea’s literature on government-nonprofit relationships shows common approaches such as: the introduction of the theories, models, and frameworks that are widely discussed in the United States; single case study or comparative case studies; the application of successful, desirable relationship forms drawing from foreign countries (especially the U.S.) to Korea; and the description of relationships across different service fields. For this reason, there is much room for systematic analysis and empirical testing on dimensions, conditions, and influencing variables on relationships in the Korean context.

Korean literature on government-nonprofit relationships can be categorized into a few themes: (1) introduction of the theories of nonprofits and theories of government-nonprofit
relationships; (2) case studies of the theories and models for government-nonprofit relationships; (3) factors influencing relationships; (4) change processes of relationships in history; and (5) policy suggestions for partnerships. For example, as a result of comparative research on the partnerships between governments and NGOs in Korea and Japan, Im (2000) describes Korea’s partnerships as a participatory competition model and Japan’s partnerships as a government-dominant model. His comparative analysis is based on four variables: historical backgrounds, the level of social development, political culture, and the political and administrative systems. In terms of factors influencing government-nonprofit relationships, several environmental factors are identified such as interactions with markets (Kim, 1997), relationships with markets and local community (Oh, 2000), regime types of governments (Kang, 2000), the legacy of perspectives on government’s functions, changes in political/economic/social/global situations, and checks and balances among other sectors (Kim, 2000).

In a discussion of the government’s relationship to the nonprofit sector, most Korean scholars focus their analyses on government funding of nonprofit organizations in the form of grants and its impact on the financial autonomy of nonprofits. The scholarly literature on government financial support of nonprofits generally discusses (1) the effectiveness of grants (Kang, 2001; Kim, 1988; Park & Lee, 2001); (2) variation in the level of grants across types of nonprofits (Noh, 2002; Jeong, 2002); (3) the current situation in awarding grants, the selection process, and nonprofit strategies for securing grants (Min, 2004; Hwang & Noh, 2005); (4) the connection between grants and audits (Park, 2009); and (5) the effects of government funding on government-nonprofit relationships (Im, 2000; Kim, 1999a, 2000; Kim & Kang, 2000; Ju, 2001; Lee, 1999, 2000; Oh, 2000; Park, 1999; Park, 2010; Seo, 2005; Shin, 1999). In addition to government funding, a variety of criteria is discussed by many scholars in accounting for features of government-nonprofit relationships (see Table 4).
Table 4: Key Dimensions that Define Government-Nonprofit Relationships

<table>
<thead>
<tr>
<th>Author (Year)</th>
<th>Key Dimensions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kim (1999a); Shin (1999); Kim &amp; Kim (2003)</td>
<td>Amount or percent of government funding</td>
</tr>
<tr>
<td>Park (1999)</td>
<td>Revenue of nonprofits</td>
</tr>
<tr>
<td>Shin (1999); Oh (2000); Jeong (2003, 2006)</td>
<td>Government’s recognition/attitude toward nonprofits measured by government policy vis-à-vis nonprofits</td>
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<tr>
<td>Kim (2000)</td>
<td>Resource interdependence in terms of importance and substitution of resources</td>
</tr>
<tr>
<td>Park (1999); Oh (2000)</td>
<td>Autonomy of nonprofits</td>
</tr>
<tr>
<td>Shin (1999)</td>
<td>Types of nonprofits</td>
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<tr>
<td>Jeong (2003, 2006)</td>
<td>Strategies of nonprofits</td>
</tr>
<tr>
<td>Shin (2000)</td>
<td>Goals and activities of nonprofits</td>
</tr>
<tr>
<td>Kwon (1999); Shin (1999)</td>
<td>Congruence of goals and means (strategies) between the two sectors</td>
</tr>
<tr>
<td>Shin (1999)</td>
<td>Degree of control and communication/contacts</td>
</tr>
<tr>
<td>Shin (1999)</td>
<td>Extent of government’s acceptance of nonprofits’ demands</td>
</tr>
<tr>
<td>Yoon (2008)</td>
<td>Methods and influences of nonprofit participation in the policy process</td>
</tr>
<tr>
<td>Kim &amp; Kim (2003); Yoon (2008)</td>
<td>Level of nonprofit participation in the policy process</td>
</tr>
</tbody>
</table>

Of particular interest, Kim (1999a) conducted a series of studies on government-nonprofit relationships. He notes that it is necessary to “collect corroborative data on the scale and scope of government funding” in order to understand the relationship (p. 671) and points out Korea’s specific condition of government financial support for nonprofits— in the form of direct grants in most cases— which allows “much room for government’s relative influence on nonprofits” (p. 670). In his resource dependence framework, Kim (2000) states that the tools and processes of government financing for nonprofits greatly impacts the relationships between the two sectors; that is, “governments can exercise strong influences on nonprofits in the case of grants and contracting in contrast to weak influences of governments in the case of vouchers” (p. 9). His research on the application of different models of government-nonprofit relationships to different types of nonprofits and service areas demonstrates that there is no fixed, one-dimensional
relationship model in Korea. Rather, there are different relationship models in accordance with the characteristics of nonprofits, services, and service environments (see Table 5).

Table 5: Typology of Government-NGO Relationships

<table>
<thead>
<tr>
<th>Type</th>
<th>Dependence of Government on NGO</th>
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<tbody>
<tr>
<td></td>
<td>High</td>
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<tr>
<td>Dependence of NGO on Government</td>
<td>Mutually dependent</td>
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<tr>
<td></td>
<td>Resource exchange: government</td>
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<tr>
<td></td>
<td>funding – NGO expertise in</td>
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<tr>
<td></td>
<td>manpower and organization</td>
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<tr>
<td></td>
<td>(Experimental social welfare;</td>
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<tr>
<td></td>
<td>development assistance)</td>
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<tr>
<td>Low</td>
<td>NGO dominant</td>
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<tr>
<td></td>
<td>Resource exchange: financial</td>
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<td></td>
<td>resources and acceptance of</td>
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<tr>
<td></td>
<td>government policy</td>
</tr>
<tr>
<td></td>
<td>(Environmental and charitable</td>
</tr>
<tr>
<td></td>
<td>NGOs)</td>
</tr>
</tbody>
</table>

Source: Kim, 2000, p. 22

While American scholars have performed much research on government-nonprofit relationship by examining a variety of the dimensions and characteristics of the relationship, specifically in the context of public service provision, the Korean literature on the government-nonprofit relationship tends to explore the relationship in general including the whole scope of nonprofits (e.g., human right, environment, education, religion, health, social welfare, art, culture) instead of limiting its analysis to nonprofits engaging in public service delivery. Whereas many scholars discuss the management of public service delivery under contracting, few studies are available to understand the nature of the government-nonprofit contracting relationship because most scholars investigate the overall relationship between the two sectors instead of

\(^{31}\) Kim (2000) defines positive resources as resources offering benefits to the other party and negative resources as resources causing negative impacts on the other party. For instance, government provides NGOs with positive resources such as grants, contracts, or tax exemption and negative resources such as restraints on NGO’s profit-making business or discontinuance of positive resources (p. 15).
Review of Korean Literature on Contract Management

The subjects of the Korean literature on contract management can be largely divided into four research objectives. First, researchers aim to explain the theories of privatization and the practical introduction of a wide variety of privatization tools. Second, they examine current situations and problems in contracting in order to present a set of policy suggestions to cope with contract problems and improve the contract management process and outcome. Third, a considerable number of scholars evaluate the contract management process, performance, and the usefulness of contracting. Lastly, some researchers focus on specific case studies of contracted services and facilities in terms of contract processes, problems, solutions, environmental factors, and performance measurement.

More specifically, early research introduces general theories about the privatization of public services and its history, merits and demerits, and the classification of privatization tools (Bae, 1998; Choi, 2002; Ha, 1994; Hwang, 1991; Kang, 1994; Kwon, 1995; Oh, 1997). Also, the studies examine whether the application of privatization methods to the public sector would be possible in practice and under what conditions (Kim, 1985; Nam, 1989; Park, 1989; Yoon, 1999). Early research tends to focus on the normative dimension of what contracting should intend to achieve while recent studies are more descriptive and evaluative of how contracting is carried out in the real contracting settings through specific, exemplary cases. Most empirical evaluation

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research on contract management tends to deal with hard services (e.g., garbage collection, wastewater disposal, or environmental facilities) that are easier to measure and evaluate than soft services (e.g., human, health, or welfare services). A typical approach of studies on soft services is to describe the contract management process, identify contracting problems and solutions, or evaluate performance of contracts by employing surveys/interviews with public officials and/or nonprofit managers and/or customer satisfaction surveys.

From the late 1990s, scholars took a closer look at contracting out social welfare services and facilities in terms of contracting situations, success factors, contractor selection procedures, management process, the government’s management capacity, problems and policy solutions, the effects of utilization of competition in the contract process, and performance evaluation. For example, Kim (2006) extensively examines the system of social welfare service contracting administered by social welfare centers in Daegu Metro City and neighboring Kyungbuk Province to analyze problems in the contract management process, propose solutions, and evaluate contract performance. In doing so, he conducted interviews with public officials and nonprofit managers and customer satisfaction surveys. Kim highlights the importance of detailed specification of contract goals and contract document, open and competitive processes for requests for proposals (RFPs), fair selection processes of contractors, and the effective system for supervision and monitoring. By means of case studies on a local basis, other scholars present similar contract problems and policy suggestions for contract cases of social welfare centers.

With respect to factors influencing the contract procurement decision and contract management process, some studies point to the impacts of different political, organizational, and institutional contexts in which Korean social service contracting is embedded. First, market competition is considered across types of regions (e.g., urban, suburban, rural) (Choi, 2002; Kang & Kim, 2007), population growth and density of population (Kang & Kim, 2007),
urbanization and density of population (Chu, 2008), types of investment in social service projects (Han & Lee, 2009). Second, fiscal stress is addressed in studies of financial autonomy (Choi, 2002; Chu, 2008; Kim & Kim, 2005; Han & Lee, 2009), scale of debt (Choi, 2002), contract performance of the previous year (Kang & Kim, 2007), fiscal capacity of local governments, service demands, and customer satisfaction (Kim, 2007), and unemployment rate (Han & Lee, 2009).

Third, political factors are mainly discussed from the leadership perspective such as local government heads’ interest in privatization and public employees’ opposition to privatization (Kim & You, 1998), political lobbying of contract bidders (Jung, 1998), reelection of local government heads (Kim & Kim, 2005), political affiliation of mayors and political ideology of a governing party (Kim, 2007), and number of public officials (Chu, 2008; Kang & Kim, 2007).

Fourth, institutional factors are suggested through studies on roles of institutional arrangements for performance-based monitoring and evaluation (Kim, 1998), necessity for amending the contract laws for successful contract management (Song & Lee, 2001; Bae, 2012), effects of contract laws on contract evaluation (Choi & Son, 2001), need for changing the relationships between governments and contractors (Kim, 2004), and impacts of contract laws and regulations on competitiveness of the contracting process (Song, 2005).

Most studies on government contracting out social welfare services through a variety of social welfare facilities concentrate on the evaluation of contract outcomes by dividing the contract management process into several phases, ranging from the RFP stage to the stage of performance evaluation and renewal.33 The contributions of the existing research on contract management are strongest where they provide a descriptive understanding of the contract

33 Scholars use different classifications of the contract management stages. Some scholars use the entire process from RFPs to termination (or renewal) while others use from the stage of contract award to contract termination (or renewal).
management process, contracting problems, and factors influencing contract outcomes, and where they offer some useful direction regarding contract management success. By contrast, one shortcoming in the extant literature on contracting is that the research frameworks indicate the independent, static, and linear aspects of each stage in the whole contract process. In this regard, future studies need to cover the dynamic, interlocking, cyclic, and mutually influential aspects of each stage in the contract process by considering the interactions, interrelations, and feedback among separate contract steps in assessing contract process, practices, and outcomes.

**Theoretical Foundation for Research**

The topic of government-nonprofit relationships has been extensively studied from multiple angles. A number of theories, models, and practices regarding the relationship have contributed to describing the nonprofit sector and the nature of government-nonprofit relationships. For example, scholars have employed a variety of theories to explain different dimensions of government-nonprofit relationships such as resource dependency theory, agency theory, stewardship theory (Lambright, 2009; Van Slyke, 2007), social capital theory (Putnam, 1993a; Saxon & Benson, 2005), government and market failure theories (see the section on models and frameworks of government-nonprofit relationships), nonprofit theories (Salamon, 1995; Weisbrod, 1978), network theory (Agranoff & McGuire, 1998; Agranoff, 2007; Provan & Milward, 1995), transaction cost theory (Pfeffer & Salancik, 1978; Saidel, 1994; Williamson, 1985), and inter-organizational collaboration theory (Foster & Meinhard, 2002; Greene, 2002; Grønbjerg, 1993; Provan & Milward, 1995). In this research, I rely on resource dependence theory and agency theory to develop the research framework including independent and dependent variables and to identify the necessary data to be collected and analyzed.
Resource dependence theory

Resource dependence theory (RDT) has received a great deal of attention from scholars examining organizations and inter-organizational relationships. The basic principle of RDT is: “the key to organizational survival is the ability to acquire and maintain resources” (Pfeffer & Salancik, 1978, p. 2). Resources affect organizational behaviors and influence organizations to seek to establish relationships with other organizations. Pfeffer and Salancik present three critical factors determining the dependence of one organization on another: the “importance of the resource” needed for survival, the extent of “discretion over resource allocation and use,” and “concentration of resource control” (pp. 46-51). Pfeffer and Salancik (2003) additionally note that organizations interact with other organizations to control necessary resources because they are unable to produce all needed resources themselves. In the same vein, Aldrich (1976) argues that resources are limited in supply because of competition among diverse organizations and that resource scarcity coupled with complex, uncertain environment pushes organizations to standardize their transactions and relations with other organizations (p. 421).

Emerson’s (1962) perspective on power dependence theory—power is not zero-sum, as each actor can have power over each other, making them interdependent—helps explain the development of RDT. Emerson (1962) characterizes power relations as a feature of social relations, not as a trait of the actor by defining it as “X has power over whom” (p. 32); that is, for the power relations between both actors to exist, “the power of actor A over actor B is equal to and entails the dependence of actor B on actor A and vice versa” (Emerson, 1972a, p. 877). Emerson (1962) discusses power advantages of one party by noting that weaker members seek to find solutions to alter the power relations because the unbalanced power relations cause tension. Also, the defining elements of RDT are drawn from open-systems perspectives (Katz & Kahn, 1966; Thompson, 1967), which see organizations as open systems faced with uncertainty, but at
the same time as subject to criteria of rationality and needing certainty. According to Thompson (1967), the major challenge confronting complex organizations lies in designing and structuring themselves to reduce uncertainty stemming from their environments and technologies (p. 13).

Based on Emerson’s account of exchange-based power determined by an ability to obtain critical resources and on open-systems perspectives that offer significant propositions for organizational behavior, RDT presents more extensive and detailed description of organizational and inter-organizational behaviors and activities, resource environments, and tactics to deal with environmental uncertainty and interdependence among organizations. In this regard, Davis and Cobb (2010) hold that “RDT is perhaps the most comprehensive in the scope of its approach to organizations, combining an account of power within organizations with a theory of how organizations seek to manage their environments” (p. 22; also see Wry, Cobb, & Aldrich, 2013, pp. 442-443).

Given my research focus— the nature of government-nonprofit relationship and its effect on contract management process,— RDT can work to anchor the research framework by (1) identifying the indicators and dimensions of government-nonprofit relationships (see independent variable section); (2) examining organizational behavior and outcomes in terms of contract negotiation, monitoring, and evaluation; (3) analyzing strategies organizations employ to manage such issues as goal incongruity, resource scarcity/need, power imbalance, and problems of communication and information sharing; and (4) describing environmental contexts in which social welfare service contracting is embedded. These are supported by Davis and Cobb’s (2010) statement that the hallmark of RDT— an emphasis on power (sources of power and dependence) and an articulation of tactics available to organizations— yields great insight into organizational behavior (p. 38).

The core tenets of RDT lead me to explore six critical issues. The first issue is how
resources affect the way that government-nonprofit contracting relationships are formed, changed, and maintained. The second issue is what kinds of resources are exchanged between the two parties and the third is how much each party depends on resources of the other party and the impact of degree of dependence on contract management process. Another issue explored is how resources influence the nature and characteristics of the relationship according to kind, scope, quality, availability, and importance of resources. The fifth issue is how the actors of governments and nonprofits deal with unequal power relations in the case of power imbalance. The final issue explored is how contract management capacity, especially in terms of resource management capacity, affects the contract management process.

As noted previously, the theme of resource dependence is discussed by scholars who consider resources as a criterion for classifying the relational types between governments and nonprofits (Coston, 1998; Gidron, et al., 1992; Grønbjerg, 1987; Young, 1999). The three models of service contracting of DeHoog (1990)–competition, negotiation, cooperation—are distinguished by the level of organizational resources such as funding, personnel, time, and expertise. Similarly, Saidel (1991) states that the degree of dependency is determined by the “importance of available resources, availability of resources, and ability to pressure for provision of resources” in the process of interactive resources flows (p. 545). Saidel’s (1994) discussion on resource interdependence notes that the resources that flow from state agencies to nonprofits are revenues, information, and legitimacy and the resources that flow from nonprofits to state agencies are service delivery capacity, information, political support and legitimacy (p. 207).

One of the reasons why governments decide to contract with nonprofits is the nonprofits’ resources such as greater flexibility (Kramer & Terrell, 1984; Salamon, 1995; Smith & Lipsky, 1993), the value of resources (Saidel, 1989, 1991), capacity and experience (Ferris, 1993), expertise and skills (Smith & Lipsky, 1993), and constituency preferences for nonprofit

In the research on collaboration, D. Brinkerhoff (2002a) finds the linkages between governments and NGOs based on resources and information as determinants of their collaboration. Foster and Meinhard (2002) also regard funding and competition for scarce resources as the motivations for nonprofit collaboration with government. In the same vein, Gazley and Brudney (2007) connect the motivations for collaboration to access to scarce resources (expertise for governments and funding for nonprofits). Based on Saidel’s (1989, 1991, 1994) resource interdependence framework, Cho and Gillespie (2006) take a different approach to describe the relationship in contrast to other scholars; that is, they employ system dynamics to design a model for the dynamics of government-nonprofit service delivery relations and prove the importance of dynamic resource exchanges such as funding, information, and feedback. Their approach mirrors Thompson’s (1967) treatment of organizations as dynamic rather than static, as the title of his book—“Organizations in Action”—indicates. Moreover, their application of dynamic resource theory contributes to solve the limitations addressed by critics of resource dependence theory (e.g., inability to capture how dynamics of the relationships work over time.
and how feedback processes operate) and provide more realistic description of the relationships by considering the inherent, varying nature of relationships.

In summary, as Emerson (1962, 1972a) addresses, power dependence theory and RDT are directly connected; namely, when organization X has power over organization Y, it means that organization Y depends on the resources of organization X and vice versa. Pfeffer and Salancik (1974) also indicate that the power of organizations depends on the amount of important resources and the extent to which organizations control discretion over resources. In view of this, RDT including the core elements of exchange-based theory of power and open systems perspectives serves as the theoretical foundation for this research.

Agency theory

Agency theory has been extensively applied to understand a variety of organizational phenomena. This theory focuses on ensuring accountability in the relationship in which one party (principal) delegates a task to another party (agent). Agency theory makes two basic assumptions: goal conflict and information asymmetry between principals and agents. Waterman and Meier (1998) state that agents have the incentive to shirk due to goal conflict whereas Mitnick (1975) holds that agents also have the incentive to engage in other sanctioned actions when there are relatively similar goals. As Arrow (1985) notes, information asymmetry is the main reason why the principal intends to hire the agent to perform the specific tasks and expects the agent to utilize his/her expertise and information. When the principal makes a wrong decision based on limited information in choosing the agent because of pre-contractual opportunism, it is called “adverse selection” (Eisenhardt, 1989). Similarly, other control problem occurs when the principal cannot directly observe the actions of the agent; this is called “moral hazard” (Moe, 1984). As a necessary consequence, the actual difficulties in observing the agent’s behavior and
evaluating contract results could create opportunities for the agent to neglect his/her responsibility. Alchian and Demsetz (1972) argue that monitoring can solve the problems of moral hazard (e.g., negligence and evasion of responsibility). To minimize agency costs and correct two control problems—adverse selection and moral hazard—that originate from information asymmetry, agency theorists prescribe various governance mechanisms such as incentives, sanctions, information systems, monitoring systems, and performance evaluations (Alchian & Demsetz, 1972; Arrow, 1985; Eisenhardt, 1989; Jensen & Meckling, 1976; Moe, 1984).

Agency theory leads me to consider a set of crucial elements of government-nonprofit relationships and the contract management process. For example, I seek to examine (1) how much information asymmetry exists between the two sectors in terms of information regarding the organizations involved (e.g., goals, priorities, resources, power) and contract management (e.g., content, expertise, technology, and SOPs of contracting); (2) whether principal-agent problems actually occur in the contract management process and if so, how each party solves and prevents the problems; (3) how principal-agent problems influence the contract management process; and (4) whether and how the management strategies suggested by agency theory develop in real contract settings and affect the contracting relationship.

A host of researchers have used agency theory, also frequently referred to as the principal-agent model, to explain (1) reasons for government’s decision to choose a certain type of service provider; (2) contract management in terms of processes, strategies, design of a contract, management capacity of public managers and vendors, monitoring, incentive system, and accountability mechanism; and (3) privatization relationships in general and contracting relationships between governments and nonprofits in particular (Dicke & Ott, 2002; Donahue, 1989; Johnston & Romzek, 1999; Kettl, 1993; Lambright, 2009; Milward & Provan, 2000;

For instance, using agency theory, Donahue (1989) examines different interests (rents) of governments and contractors, their networked relationships, and how they affect the privatization decision. He views the privatization decision as a problem of agency in that it is about how principals (governments) make their agents (contractors) deliver services in accordance with the government’s expectations by limiting agents’ opportunism. His suggestions for ensuring accountability are writing detailed, specified contracts, writing a series of step-by-step contracts, building a layered structure of accountability, and conducting better monitoring in a more structured relationship. This is why Donahue focuses primarily on how to enforce accountability and, for him, this is a question of the organizational form and function to deter the opportunism of contractors and to monitor them. Kettl (1993) also employs agency theory to explain the problems of principal-agent relationships that occurred in cases where public managers (1) define the contractor’s jobs in unclear, unspecified terms; (2) choose contractors with insufficient information; (3) fail to structure the right system for incentives and sanctions; and (4) fail to design a good monitoring system and conduct monitoring under information asymmetry.

Milward and Provan (2000, 2003) also indicate that a clear principal-agent relationship is a significant component for governments to effectively govern service providers’ networks in terms of structures and incentives used to control service providers. Brown and Potoski (2003b) mention the effect of risks posed by “agent opportunism” on government’s decision to contract with private service providers (p. 443). In the same manner, Hefetz and Warner (2004) identify principal-agent problems as significant factors in the decision to contract out and emphasize the function of monitoring for successful contracting. By applying agency theory, Van Slyke and Hammond (2003) also argue that public managers can reinforce management capacity by using
experience and training from their failed privatization cases and enforce accountability with a focus on monitoring.

In particular, in order to describe how government-nonprofit social service contracting relationships are managed, Van Slyke (2007) uses both agency theory and stewardship theory that have different initial premises about managing contractual relationships (e.g., goal divergence and self-serving agents versus goal convergence and pro-organizational stewards). He finds that, over time, public managers develop relationships that are more relaxed and evolved versions of a classic principal-agent relationship (p. 181). As a consequence, his application of stewardship theory offers some thinking or expansion of the core tenets of agency theory as Davis, Donaldson, and Schoorman (1997b, p. 612) view stewardship theory as the counterweight to agency theory (i.e., principals have agency relationships with some managers and stewardship relationships with others, and these relationships are dynamic, reflecting the shifting of interest alignment).

As Van Slyke (2007) did not attempt to validate either agency theory or stewardship theory as a “one best way,” scholars’ analyses of citation patterns to assess the importance and impact of scholarly work (e.g., Davis & Cobb, 2010; Wry, Cobb, & Aldrich, 2013) prove that each theory has its own focus and contributions (empirically or theoretically) as well as limitations. Agency theory well articulates managerial behavior of principals and agents and their contractual relationships whereas critics\(^{34}\) argue that agency theory is one-sided (Donaldson, 1990), becomes static (Mitnick, 1986), has some restrictive assumptions (Waterman & Meier, 1998), and has unrealistic descriptions of human behavior (Jensen & Meckling, 1994). RDT provides many insights about organizations and their environments while some organizational scholars recently make efforts to broaden the scope of conceptualizing environmental complexity

\(^{34}\) See also Schneider (2007) for critical commentary on agency theory.
in relation to institutional theory (Oliver, 1991; Wry, Cobb, & Aldrich, 2013). Taking merits and limitations of the two theories into consideration, this research uses both RDT and agency theory to examine contracting relationships and contract management process in Korea.

**Conclusion**

Much of the American and Korean literature on government-nonprofit relationships examines factors (as independent variables) influencing the relationships (as dependent variable). By comparison, not many studies investigate whether and how relationships (as independent variable) have direct impacts on other phenomena (e.g., social service contracting management as dependent variables). Some scholars allude to but do not explore in detail the importance of building and managing contracting relationships for maximum benefits of contracting (J. Brinkerhoff & D. Brinkerhoff, 2002; Gooden, 1998; Kettl, 1993; Romzek & Johnston, 2005; Van Slyke, 2003; Van Slyke & Hammonds, 2003). However, beginning with the early theoretical research on relational contracting by Macneil (1978), more recently, scholars have begun to pay more attention to the relational contracting framework, especially in the social service contracting area.

The scholarly literature on the contract management process generally covers factors explaining contract management throughout the whole contract process, obstacles and management strategies to cope with management problems, success factors of contracting, and contract management capacity. Many scholars agree that the most evident and serious management challenges occur in monitoring and evaluation because of constrained resources, performance measurement issues, and limited capacity of evaluators and monitors. For this reason, they emphasize the importance of enhancing public managers’ contract management capacity in terms of oversight, monitoring, and evaluation.
By contrast, the relational contracting literature takes a stand against exclusive reliance on monitoring and rather, stresses the value of negotiation and mediation as integral elements of contractual working relationships and contract performance. The relational contracting literature pays special attention to public managers’ capacity as relationship builders or contract negotiators, not as contract monitors. While there are numerous studies on evaluation and monitoring exploring factors, conditions, and practical solutions, empirical research on monitoring and evaluation from the perspective of inter-organizational relationships has not been sufficiently conducted in depth. Therefore, this dissertation focuses on how multi-dimensional government-nonprofit relationships affect contract monitoring, evaluation, negotiation, and management capacity.

In conclusion, faced with a relative lack of empirical analyses looking at the government-nonprofit relationship as an influence on the contract management process, with exceptions (i.e., recent research on relational contracting), my dissertation asks the following questions: (1) how do formal and informal government-nonprofit relationships influence decisions related to the contract negotiation process?; (2) how do formal and informal government-nonprofit relationships impact contract monitoring and evaluation?; and (3) more specifically, how do government-nonprofit relationships characterized in terms of power, resources, communication system, information sharing system, and past experience of contracting affect the negotiation process, monitoring, and evaluation? To answer these questions, I rely on critical elements of government-nonprofit relationships and the contract management process derived from resource dependence and agency theory.
CHAPTER THREE: METHODOLOGY

Research Variables

In this research, independent variables are formal and informal government-nonprofit relationships. The reason for distinguishing the formal relationship from the informal one lies in the assumption that in the beginning, government and nonprofit organizations have formal, legal relationships delineated in a formalized contracting agreement. Then they develop the informal character of the relationship along with the standardized relationship through the contract management process. Emphasizing the importance of managing the “relational contract”\textsuperscript{35} (p. i22), Bertelli and Smith (2010) view a relationship itself as an informal governance mechanism (p. i36). Thus, this research defines informal relationships as the informal aspects of interactions and linkages within government-nonprofit contracting that are beyond the formal relationships prescribed in the legal contract document.

The formal relationship is discussed by examining four indicators—power, resources, communication system, and information sharing system—while the informal relationship is explained by three indicators—communication system, information sharing system, and past experiences of contracting. According to D. Brinkerhoff (2002a) and J. Brinkerhoff and D. Brinkerhoff (2002),\textsuperscript{36} interactions between government and nonprofits are formalized by contracts or contracting laws, whereas there are always informal, personal modes of interactions, contacts, and linkages through organizational networks or key individuals within the organizations. In this respect, this research explores government-nonprofit relationships, both

\textsuperscript{35} The authors offer the definition of the “relational contract” by Gibbons (2005) that “agreement(s) so rooted in the parties’ particular circumstances that the agreement cannot be enforced by a third party, such as a court” (as cited in Bertelli & Smith, 2010, p. i22).

\textsuperscript{36} J. Brinkerhoff and D. Brinkerhoff (2002) argue that when government initiates relationships with nonprofits, the interaction patterns tend to be top-down (formal), while when nonprofits initiate relationships, interactions are more likely to be bottom-up (informal) (p. 11).
formal and informal, focusing on communication and information sharing. I differentiate formal relationships from informal ones in terms of methods, forms, and subjects used in communication and information sharing between the two sectors. The dependent variable is the contract management process, which is operationalized as decisions on the negotiation process and accountability mechanisms with special focus on monitoring and evaluation. Relying on previous scholarship, I address the rationale for inclusion of all indicators of independent and dependent variables (also, see Chapter 2, literature review section).

Table 6: Indicators and Dimensions of Independent Variables

<table>
<thead>
<tr>
<th>Variables</th>
<th>Indicators</th>
<th>Dimensions</th>
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<tbody>
<tr>
<td>Formal Government-Nonprofit Relationship</td>
<td>Power</td>
<td>Scope, locus</td>
</tr>
<tr>
<td></td>
<td>Resources (Resource capacity)</td>
<td>Scope, locus</td>
</tr>
<tr>
<td></td>
<td>Communication system</td>
<td>Scope, frequency, methods</td>
</tr>
<tr>
<td></td>
<td>Information sharing system</td>
<td>Scope, frequency, methods</td>
</tr>
<tr>
<td>Informal Government-Nonprofit Relationship</td>
<td>Communication system</td>
<td>Occurrence, scope, frequency, methods</td>
</tr>
<tr>
<td></td>
<td>Information sharing system</td>
<td>Occurrence, scope, frequency, methods</td>
</tr>
<tr>
<td></td>
<td>Past experiences of contracting</td>
<td>Occurrence, frequency (length), quality</td>
</tr>
</tbody>
</table>

**Independent variable: formal government-nonprofit relationships**

**Power and resources**

The formal aspect of government-nonprofit relationships is operationalized by four

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37 In this research, formal communication and information sharing refers to all official issues of contract management through formal channels (prescribed in contracts or contracting laws) in the form of official notices or written documentation. In comparison, informal communication and information sharing is related to personal, outside day-to-day working relationships through informal channels beyond the formal, contractual arrangements (e.g., “behind the scene” or “between you and me” modes of interactions using personal contacts or networks) that are formed by casual meetings, discussions, seminars, dialogue, or events.
indicators—power, resources (resource capacity), communication system, and information sharing system. As previously mentioned, some researchers consider power in constructing models of government-nonprofit relationships (Coston, 1998; Gidron, et al., 1992; Grønbjerg, 1987; Kramer, 1981). Ferris and Graddy (1986) argue that the extent of contracting is a result of public managers’ decisions over two values between their power and efficiency goals (p. 334). In other words, the decisions to (or not to) contract out depend on government’s choice to make the tradeoff between cost savings and government’s reduced control over the service delivery process. Kramer and Grossman (1987) also state, “All allocational decisions involve value judgment and power consideration” (p. 38) and the negotiation process includes “a strain between power considerations and technical factors” (p. 39). Kettl (1993), who looks at various dimensions of contracting relationships, questions how power is shared between governments and private markets and “whether the sharing of public and private power endangers the public interest that the government is obliged to pursue” (p. 39). Also, Saidel (1994) describes bureaucratic and interest group politics such as power maximization by public agencies and nonprofits as a major source of interdependence between the two sectors.

The terms—“contracting regime” (Smith & Lipsky, 1993; Smith, 1996) and “welfare regime” (Salamon, 1995)—reflect the relatively powerful and dominant roles of governments and imply the imbalance in power distribution between government and nonprofit agencies. Some scholars discuss public employee opposition to privatization and the power of their unions as factors in the government’s decision about whether or not to contract out services (Boyne, 1998; Dilger, Moffett, & Struyk, 1997; Fernandez & Smith, 2006; Ferris & Graddy, 1986; Nicholson-Crotty, 2004; Savas, 2000; Seidenstat, 1999). Boyne (1998), for example, discusses why different governments make different decisions in service contracting in terms of the power

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38 See the section on resource dependence theory in Chapter 2.
of public employees including four measures: employees per capita, council-manager government, unionization, and public labor costs (p. 159). Likewise, Seidenstat (1999) states that the decision to contract out services depends largely on the roles of decision makers who have discretion and political power in the executive or legislative branch of governments (p. 236).

In the context of this research on contracting relationships between organizations, based on key tenets of resource dependence theory, I conceptualize power as discretion over resources of value and specifically, operationalize power as the ability to possess, use, and allocate the needed political, economic, legal, organizational, and technological resources. That is, I define resources as something of value for organizations’ survival that can be exchanged among organizations including information, knowledge, capital, technology, reputation, legitimacy, political networks, and infrastructure of the organization (e.g., manpower, facilities, space, norms, standard operating procedures, and divisional structure and process). In comparing the concept of resource capacity with that of resources, I interpret resource capacity as abilities, know-how, and skills for developing and making the best use of a variety of resources. Thus, I assume resource capacity can fall within the category of resources in a broad sense. Two dimensions for explaining both power and resources are: (1) scope (what kinds of power and resources each party possesses and to what degree they can exercise power and use resources); and (2) locus (who has more important power and resources across different kinds of power and resources).

**Independent variable: formal and informal government-nonprofit relationships**

**Communication and information sharing system**

In analyzing government-NGO relations, Lloyd (1990) and Coston (1998) consider the degree of formality in relationships which is described by the interaction styles between the two sectors. In particular, Coston (1998) recognizes the continuum of formality (ranging from formal
to informal) in relationships and introduces the case where actors in cooperative relationships choose less formal kinds of interactions, thus retaining a degree of autonomy, legitimacy, or flexibility (p. 364). She further notes, “the greater the government-NGO linkage, the more formalized the relationship becomes” (p. 372). To describe both formal and informal aspects of the relationships, in addition to power and resources, I use two more indicators of relationships—communication and information sharing systems. This is consistent with the argument of Gazley and Brudney (2007) that public-private collaboration needs more motivations for partnering than resource exchanges.

Kettl (1993)\(^\text{39}\) attributes the difficulties in monitoring and acquiring performance data to a lack of information (p. 29) and bounded rationality, citing Coase (1937) and Simon’s (1945) organizational studies (p. 23). In an earlier study (1987), he argues that the flow of information is necessary to ensure accountability and points out the risks of information distortion induced by “government by proxy” (p. 156). Likewise, Axelrod (2004) underlines the significance of information sharing by noting that “the stability of cooperation relies on both partners having timely information about the action of the other” (p. 17). In light of the importance of information sharing, the communication system plays essential roles as a means to exchange information between the two sectors, allowing mutual understanding and assistance to create trust and transparency. Through case studies of 22 nonprofits, Brown and Troutt (2004) report that one of the critical factors in cooperative, successful contracting relationships based on mutual trust is ongoing communication and frequent feedback between contracting parties in the budget and monitoring process. Kettl (1993) also notes communication skills as a vital public

\(^\text{39}\) Kettl and other scholars employ agency theory to examine the features of contracting relationships because agency theory has much to say on information sharing and information asymmetry focusing on incomplete pre-contract information and post-contract hidden information (see the section on agency theory in Chapter 2).
management capacity. This view is supported by D. Brinkerhoff (1991) who observes that “information sharing essentially involves communication” (p. 41) and Coston (1998) who mentions that open communication includes access to financial information. Their arguments reflect a direct and indispensable link between communication and information sharing.

The informal aspects of inter-organizational relationships are extensively discussed in relational contracting studies (see the review of literature on relational contracting). The chief theme of the relational contracting literature is that long-term cooperative contracting relationships are formed and developed grounded in a norm of trust by open communication, information exchanges, and joint involvement in both decision making and problem solving. DeHoog’s (1990) cooperation model explains cooperative service contracting managed with information sharing, continuous personal interactions, and joint decision making. In the same vein, Milward and Provan (2003) regard open information sharing among networks of service providers as a crucial factor in inter-organizational collaboration.

One of the propositions about cross-sector collaborations offered by Bryson, Crosby, and Stone (2006) states that trust among collaboration partners can be built by sharing information and knowledge and demonstrating competency on a continuous basis (p. 48). With a particular focus on trust as a main component of collaborative contracting relationships, Van Slyke (2009) concludes that information sharing and continuous communication are the “building blocks for trusting relationships” (p. 153). Similarly, Alexander and Nank (2009) identify open information sharing and collaborative decision making (e.g., team decision meetings) as factors in effective partnerships (p. 373). One of the variables measuring collaborative relationship strength created by Amirkhanyan, Kim, and Lambright (2011) is communication quality, i.e., whether both parties have the capacity to openly, effectively communicate (p. 349). Through interview data analysis, Saidel (2013) reports nonprofit executives’ full efforts to develop open channels of
communication in structuring relationships (p. 18). In sum, the relational contracting literature considers communication and information sharing as essential, effective tools for building up mutual trust that is necessary to forge collaborative relationships between contracting parties.

In addition to much of the relational contracting research, a set of theories such as game theory, agency theory, social capital theory, network theory, and transaction cost economics address the issue of trust-based relationships. In particular, the principles of social capital theory offer many insights into the informal dimension of government-nonprofit relationships. Putnam (2000) defines social capital as trust, norms, reciprocity, values, and trustworthiness that originate from informal connections among individuals and social networks (p. 19). These notions are difficult to define, capture, measure, and quantify due to the difficulty of observing them; however, this does not necessarily mean that there is no informal government-nonprofit relationship that is shaped on the basis of these abstract concepts. Also, we cannot overlook the possibility that informal relationships have impacts on formal relationships or on the contract management process. This is why I decided to consider informal, individual dimensions of relationships in addition to formal and institutionalized relationships. Namely, I seek to describe communication and information sharing systems from the perspective of both during and outside day-to-day working relationships, both formal and informal, focusing on methods, forms, and subjects used in communication and information sharing.

With respect to formal government-nonprofit relationships, I use the same three dimensions for communication system and information sharing system respectively, which describe the nature of both systems: (1) scope (how much they communicate and share information in terms of quantity, to what degree they communicate and share information in terms of content and quality); (2) frequency (how often they communicate and share information, whether it occurs on a regular or occasional basis); and (3) methods (how they communicate and
share information, whether there is a protocol for both systems). To explore informal relationships, I add one more dimension—occurrence—to the three dimensions of formal relationships: (1) occurrence (whether informal communication and information sharing actually occurs); (2) scope (how much they informally communicate and share information in terms of quantity, to what degree they informally communicate and share information in terms of content and quality); (3) frequency (how often they informally communicate and share information); and (4) methods (how they informally communicate and share information in the personal and casual manner, regardless of rules, regulation, or SOPs).

Past experience of contracting is one of the chief factors explaining the informal aspect of government-nonprofit relationships. Previous experiences can reflect perceptions and attitudes of both public officials and nonprofit managers toward contracting relationships and the contract management process. Given the empirical research findings by Foster and Meinhard (2002), Gazley (2004), Gazley and Brudney (2007), and Gazley (2008b) who prove past experience of collaboration as a determining factor for government-nonprofit collaboration, I use three dimensions of past experiences: (1) occurrence (whether both parties have prior experience and familiarity of engaging together in social welfare service delivery through contracting); (2) frequency or length\(^{40}\) (for how many years and how many times for contracting); and (3) quality (description of previous experience in terms of types, characteristics, conditions, and restraints).

**Dependent variable: contract management process**

What is the keystone of the contract management process that has largely been examined by many scholars? The primary element of the contract management process is directly related to

\(^{40}\) Some scholars address the age and frequency of inter-organizational relationships as major factors explaining the nature, motivations, and outcomes of partnerships (DeHoog, 1990; Foster & Meinhard, 2002; Gazley, 2004, 2008a; Sclar, 2000; Sink, 1998).
the subject of how to ensure accountability. According to Donahue (1989), accountability is defined as “the idea of taking ‘into account’ the consequence of one’s actions for the welfare of others” (p. 10). In this research, I focus on the negotiation process as a catalyst for accountability and monitoring and evaluation as a means to ensure contract accountability.

Table 7: Indicators and Dimensions of Dependent Variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Indicators</th>
<th>Dimensions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract Management Process</td>
<td>Decisions on negotiation process</td>
<td>Possibility, scope, methods</td>
</tr>
<tr>
<td></td>
<td>Monitoring and evaluation</td>
<td>Frequency, methods, criteria, utilization of results, actors</td>
</tr>
</tbody>
</table>

**Decisions on negotiation process**

A substantial body of the contracting literature reports the effect of threats to accountability imposed by government purchase of services from nonprofit providers. In this context, negotiation is a critical factor in the contract management process since both public officials and nonprofit contractors can face unexpected situations that require a decision-making process to cope with uncertain, complex, and sudden problems when they engage in contract operation, monitoring, and evaluation. Some researchers in the early years of cross-sector contracting research discussed contract negotiation with regard to the terms and conditions of the legal contract in the contract drafting stage. By contrast, a new stream of relational contracting research puts particular emphasis on the roles of negotiation throughout the entire contracting process. Therefore, I explore negotiations occurring in the entire contract management process including monitoring/evaluation stages. Given the wide scope of different contract negotiations that are possible, proper systems and procedures need to be constructed in the formal contract negotiation process to deal with changes in contract terms, conditions, funding, organizational structures, technologies, and environmental situations.
Some scholars discuss the importance of negotiation (or bargaining) among interdependent sectors and the functions of negotiation (Anderson, 1997; DeHoog, 1990; Ingram, 1977; Kettl, 1987; Kettner & Martin, 1987; Nakamura & Smallwood, 1980; Saidel, 1994). For example, Ingram (1977) examines goal incongruence and differences in resource distribution in bargaining cases between the federal government and the states in implementing the grants-in-aid program. Anderson (1997) also attributes the need for bargaining to inconsistent goals between both parties and introduces bargaining as a policy tool for solving problems and making decisions. He goes on to note that for bargaining to occur, both parties must have resources that the other party needs (p. 153). Likewise, Nakamura and Smallwood (1980) assert that the government’s growing reliance on other sectors in providing public services induces the necessity for negotiation, especially when there is no consensus on goals between policy actors. They maintain that “the final outcome of bargaining is determined by the distribution of relative power resources among two groups” (p. 122).

Similarly, Kettl (1988) underscores consensus on goals in various forms of government by proxy (e.g., contracts or grants) for successful policy implementation (p. 132). Also, Nakamura and Smallwood’s (1980) arguments on resources as a requirement for negotiation coincide with Kettl’s comment that a negotiated approach would not work so well “when the resources are too small” (p. 68). In discussing regulatory negotiation as a policy strategy, he enumerates the merits of rulemaking through negotiations such as formulating better rules, improving the rule-making process, avoiding cost- and time-consuming litigation, bridging the gap in goals between governments and its proxies, reducing political conflicts, and bringing secret negotiating sessions out into the open (pp. 133-135). Kettl further presents his view of negotiation that “contracts are, at their core, negotiated documents” (p. 158) and “the bargain must be clear in advance” to make contracts work well (p. 160). In an earlier study, Kettl (1987)
succinctly states that “negotiation is the heart of contracting” (p. 47) and stresses bargaining as a fundamental element of the relationship when actors have different goals, resources, and cultures.

Kramer and Grossman (1987) include the process of negotiation as the third stage in the contract management process: “the outcome of negotiation depends on the importance of the issue to the contending parties and their relative power and dependency” (p. 40). Peat and Costley (2001) also involve negotiation as the third stage in the contract process, suggest the goal of negotiation as “reaching a workable agreement,” and conclude that the negotiation process determines the final outcomes of contracting (p. 58). In the same vein, the objective of negotiation defined by Kettner and Martin (1987) is “finding the best mutually acceptable solution” (p. 124). They explain the double-edged features of negotiation in the contract process; that is, contract negotiations are time-consuming and costly, but, on the other hand, contract negotiation enables governments to justify the contracts and to reach an agreement with contractors on requirements and provisions that affect contract performance (pp. 116-118).

DeHoog (1990) claims that in the negotiation model, governments and contractors are on a more equal position than in the competition model for two reasons: the negotiation model involves relational contracting and a lack of competition and detailed contract specification makes both parties engage in producing an amicable agreement (pp. 325-327). The implication that flows from this assumption is that negotiated service contracting can make the best use of flexibility in decision making under uncertain, complex contracting environments and that this model may be the most appropriate for social service contracting. Kettl (1988) also asserts the suitability of the negotiated approach for social service contracting in light of the attributes of social services. Similarly, Dudley (1990) illustrates the same contracting models as DeHoog’s (1990)—competition, negotiation, cooperation—and characterizes the negotiated contracting as being flexible and moderate in uncertainty. Gooden (1998) also presents that negotiation between
both parties takes place “wherein rates are finalized, program issues resolved, and terms of the contracts completed” (p. 505) and underlines negotiation as an effective practice for successful contract managers by noting that a final contract depends on successful final negotiation. Likewise, Brown and Potoski (2003a) maintain negotiation capacity as a crucial contract management capacity. Kettl (1993) also regards negotiation skills and mediation skills as the requisite capacity of public managers for effective contract management.

In summary, scant empirical literature is available to understand how the negotiation process works in real contracting settings, although the research on negotiation makes many assertions about the importance, necessity, benefits, purposes, determinants, and limitations of negotiation. Arguments in the negotiation literature lead me to deliberate on the connection between power, resources, resource capacity, communication system, information sharing system and negotiation. Relying on previous scholarship, I use three dimensions for examining negotiation: (1) possibility (whether negotiation actually occurs, whether each party can decide to enter into negotiation with the other party, how often negotiations occur); (2) scope (to what degree each party can negotiate with the other party in terms of content, range, and quality of negotiation, how the negotiation process works when there is goal divergence, unbalanced exchanges of resources, and information gaps); and (3) methods (what means, resources, techniques, practices, and procedures are employed by each party in initiating, developing, and concluding negotiation).

**Monitoring and Evaluation**

Kettner and Martin (1985) define monitoring as activities for ensuring contract success including a regular examination into compliance with a contract, investigation of documents or records, and identification of issues requiring corrective actions (p. 71). Kettner and Martin
(1987) further claim that “clearly contract monitoring is the most important single function of post-award administration” (p. 147). This statement conforms with Rehfuss’s (1989) contention that “the monitoring and performance measurement phase of contract administration contributes significantly to the success of the contracting out process” (p. 84). Kramer and Grossman (1987) also state, “While accountability is a pivotal concern for government throughout the contracting process, it is the primary consideration in the monitoring-and-evaluation stage” (p. 40). This viewpoint coincides with Peat and Costley (2001) who consider monitoring and evaluation as tools for the accountability stage (p. 57). In case studies on contractors’ motivations to properly use monitoring tools, Lambright (2009) also regards contracted service monitoring tools (e.g., reporting forms) as principal mechanisms for ensuring contractor accountability.

According to agency theory, an array of management strategies including oversight and monitoring is necessary to cope with information asymmetry and moral hazard, which are introduced and tested by Donahue (1989), Hefetz and Warner (2004), Johnston and Romzek (1999), Kettl (1993), Milward and Provan (2000), Shetterly (2000), Smith and Lipsky (1993), and Van Slyke (2003, 2007). For example, Johnston and Romzek (1999) state that “contracting with nongovernment entities has important implications for accountability…”(p. 387) and highlight the importance of building accountability structure to facilitate contract monitoring and minimize principal-agent problems. Seidenstat (1999) also emphasizes the primary functions of effective monitoring that can avoid all kinds of contracting problems. With a focus on the management of social services contract relationships, Van Slyke (2007) uses agency theory to examine how incentives, sanctions, and monitoring mechanisms are employed to align the actions of contractors with government’s goals and to solve challenges faced by governments in service contracting.

41 See the theoretical foundation for research, especially, the section on agency theory in Chapter 2.
Though scholars put emphasis on monitoring for successful contracting, at the same time, most scholars acknowledge that monitoring is subject to a wide variety of constraints (Kettl, 1993; Kettner & Martin, 1985; O’Leary, 1996; Salamon, 2002). For instance, Kettner and Martin (1985) point out major problems in collecting and processing accurate and proper amount of data for monitoring and evaluation and in constructing objective instruments for monitoring (pp. 152-154). Kettl (1993) attributes monitoring problems to conflicts of interests and goals between governments and contractors (p. 201). Seidenstat (1999) also suggests the difficulty in monitoring contracts for adherence to all provisions due to costs and corruption within government operations (e.g., collusion, personal use of resources, or bribery) (p. 246). Likewise, Salamon (2002b) recognizes the establishment of performance standards and monitoring the performance of contractors as management challenges (p. 312).

Reflecting numerous studies on contract monitoring and evaluation, I define monitoring and evaluation very broadly as any activities of governments (or nonprofits) to oversee and assess contracted service inputs, outputs, and/or outcomes. Based on the literature on accountability mechanisms, I use five dimensions to examine monitoring and evaluation: (1) frequency (how often governments and nonprofits conduct monitoring and evaluation, whether it is on a regular or occasional basis, and factors determining frequency); (2) methods (what methods governments and nonprofits use for monitoring and evaluation and factors determining methods); (3) criteria (what performance measurement governments and nonprofits use for monitoring and evaluation); (4) utilization of results (whether and how results of monitoring and evaluation connect to incentives or penalties); and (5) actors (characteristics of monitors and evaluators in terms of qualification, knowledge, experience, training, and expertise).

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42 See also a review of literature on contract management process, especially the section on accountability in contract management in Chapter 2.
Data Collection

Research sites

Why is Korea a good site to study my research questions? Lew and Chang (1998) analyze how the nonprofit sector in Korea differs from Western nonprofits in terms of different views of individual rights, of the state, and of methods to resolve conflicts. The authors explain the distinctive form of the third sector by the notion of what they call the “affective linkage-group” whose membership is determined by birthplace, school affiliation, and kinship (p. 286); that is, Korean society represents a strong attachment and devotion to personal networks based on regional ties (particularly, noticeable in elections), school affiliation, and kinship. They contend that the group functions as the main provider of welfare because of insufficient assistance from the state or market and that “In Korea, the presence of this affective linkage-group gives the nonprofit/nongovernmental sector a distinct flavor” (p. 285). Considering my research focus—nature and influence of relationships—Korea is an interesting site to ask my research questions: Korea has unique historical development of the nonprofit sector, particular functions of the relationship factor in social and political environments, and important cultural norms with respect to the relationship factor.

The first reason why I chose Seoul Metropolitan City, the Capital of Korea as a research site is that this city has a more organized social service system with richer and longer experiences in contracting out public services than other cities and provinces. Second, as displayed in Table 9, a large number of social welfare centers (96 centers, 23%) are located in Seoul City across 25 districts as compared to other regions. The third reason lies in specific

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43 They claim that the affective linkage-group is similar to the nonprofit/nongovernmental sector in that the group does not seek profits or distribute profits to their members and is independent of state financial support or restriction. By contrast, the group is different because its membership is not based on voluntary participation but on given attributes (i.e., birthplace, kinship, or school ties) (p. 286).
characteristics of Seoul City. This city is the capital of Korea with over a population of 10 million (a fifth of South Korean population) and the locus of political and administrative experiments, so other city and provincial governments tend to benchmark public policy implementation from Seoul City. Table 8 presents the administrative divisions and Table 9 shows the number and geographical distribution of social welfare centers.

Table 8: Administrative Divisions in Korea (2013)

<table>
<thead>
<tr>
<th>Region (Province)</th>
<th>Counties</th>
<th>Districts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seoul (Capital)</td>
<td>0</td>
<td>25</td>
</tr>
<tr>
<td>Kyunggi</td>
<td>27</td>
<td>4</td>
</tr>
<tr>
<td>Gangwon</td>
<td>7</td>
<td>11</td>
</tr>
<tr>
<td>Chungbuk</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>Chungnam</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Chonbuk</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>Chonnam</td>
<td>5</td>
<td>17</td>
</tr>
<tr>
<td>Kyungbuk</td>
<td>10</td>
<td>13</td>
</tr>
<tr>
<td>Kyungnam</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>Jeju</td>
<td>2</td>
<td>0</td>
</tr>
</tbody>
</table>

Total: Seoul City, 6 Metropolitan Cities, 9 Provinces, 74 Cities, 85 Counties

Source: Ministry of Public Administration and Security (http://www.mopas.go.kr)\(^{44}\)

Table 9: Number of Social Welfare Centers in Korea (2013)

<table>
<thead>
<tr>
<th>Region</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seoul (Capital)</td>
<td>96</td>
</tr>
<tr>
<td>Pusan Metro City</td>
<td>52</td>
</tr>
<tr>
<td>Daegu Metro City</td>
<td>25</td>
</tr>
<tr>
<td>Daegoeon Metro City</td>
<td>21</td>
</tr>
<tr>
<td>Incheon Metro City</td>
<td>19</td>
</tr>
<tr>
<td>Gwangju Metro City</td>
<td>18</td>
</tr>
<tr>
<td>Ulsan Metro City</td>
<td>8</td>
</tr>
<tr>
<td>Kyunggi Province</td>
<td>59</td>
</tr>
<tr>
<td>Kyungnam Province</td>
<td>29</td>
</tr>
<tr>
<td>Chonbuk Province</td>
<td>17</td>
</tr>
<tr>
<td>Chonnam Province</td>
<td>17</td>
</tr>
<tr>
<td>Gangwon Province</td>
<td>16</td>
</tr>
<tr>
<td>Chonnam Province</td>
<td>16</td>
</tr>
<tr>
<td>Kyungbuk Province</td>
<td>15</td>
</tr>
<tr>
<td>Chungbuk Province</td>
<td>12</td>
</tr>
<tr>
<td>Jeju Autonomous Province</td>
<td>9</td>
</tr>
</tbody>
</table>

Total: 429

Source: The Korea Association of Social Welfare Centers (http://www.kaswc.or.kr)

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\(^{44}\) In November, 2014, the name of the ministry was changed to the Ministry of Government Administration and Home Affairs (http://www.mogaha.go.kr).
Population and sample selection

In this research, the service area of contracting is limited to social welfare services provided by social welfare centers in Seoul City. In Korea, almost all of the social welfare services are provided by government contracting with a variety of social welfare facilities (e.g., social welfare centers, senior welfare centers, or rehabilitation centers). Most social welfare centers are operated by nongovernmental, nonprofit public interest welfare organizations through contracting with local governments. The services provided by social welfare centers can be characterized as comprehensive social welfare services targeting all local residents on a community basis (e.g., services for families, children, youth, handicapped persons, and senior citizens), not a single service recipient group (e.g. welfare centers for the handicapped or senior welfare centers).

The initial plan was to take a target sample of 11-13 district governments and 22-26 social welfare centers (33-39 in total) drawn from the whole population—25 district governments and 96 social welfare centers in Seoul City—and the assignment of two social welfare centers in each district to examine resource environments in which nonprofits are embedded under contracting. The criterion for choosing the sample aimed to reflect the proportional representation of district governments and social welfare centers according to geographical locations containing both a relatively wealthy area—“Gangnam” (11 districts)—and a relatively less wealthy area—“Gangbuk” (14 districts)—in Seoul City. In addition to geographical

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45 If the nongovernmental entities want to institute and operate social welfare facilities for the purpose of providing social welfare services, they have to register for legal position by submitting a set of documents required by related contracting laws for permission from mayors or provincial governors. This register enables social welfare facilities to receive funding from governments at all levels through contracting (source: the Social Welfare Services Act).

46 With some variations across social welfare centers, representative examples of services are family counseling, afterschool programs, food banks, job training, home improvement and repair, domestic abuse assistance, and mental health counseling (source: websites of social welfare centers).

47 The Han River runs through the middle of Seoul City, so it is called the south area of the Han River as
locations, other variables such as revenue size of district governments and types of social welfare centers (classified by size)\(^{48}\) were to be considered for sample selection.

In selecting the stratified purposive sample of 22-26 social welfare centers out of 96 centers, the sampling frame was first divided into the stratum—legal position as a nongovernmental, nonprofit organization—used to exclude the minority of social welfare centers that are operated by sub-units of governments in Seoul City.\(^{49}\) Then, the sample was stratified on the basis of centers’ geographical locations and types of social welfare centers classified by size. As Miles and Huberman (1994) note, this stratified purposive sampling method can facilitate group comparison. I expected the sample of 22-26 social welfare centers to reflect the variation in geographical locations and size in each district.

After I began to recruit interviewees, I found it very difficult to obtain consent to interviews from district governments and social welfare centers and, especially, to obtain consent from two social welfare centers in one district in parallel with district government in the same district, which led to a modified plan for sample selection. At first, I contacted district governments and social welfare centers according to the allocation rules of initial plan for sampling and as a result, I obtained consent from a few of them from both sides. I continued adding interview subjects in order to meet the planned sample size. The methods used to contact public officials and workers in social welfare centers were to send a set of emails only in case where I could find email address on the websites of both organizations and if not, to make phone

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\(^{48}\) Social welfare centers are classified into three types by size—“Ga” type (more than 2,000 m\(^2\)), “Na” type (between 1000 m\(^2\) and 1999 m\(^2\)), and “Da” type (between 500 m\(^2\) and 999 m\(^2\))—which reflects population size, the number of the disadvantaged in regions, and unique characteristics of regions (e.g., welfare needs or geographical specificity) (The Social Welfare Services Act).

\(^{49}\) Because the definition and classification of NGOs is complex and indefinite, I only include the clear cases of social welfare centers that are operated by nongovernmental, nonprofit entities.
call to them in order to request their participation in interviews. As I tried to abide by the initial sampling frame as much as possible, I organized interview subjects into two groups—11 public officials and 22 workers in social welfare centers—that are chosen by selection criteria such as geographical locations of district governments and geographical locations and types of social welfare centers.

Table 10: Population and Sample Frame

<table>
<thead>
<tr>
<th></th>
<th>District Governments</th>
<th>Social Welfare Centers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>25 in Seoul City</td>
<td>96 in Seoul City</td>
</tr>
<tr>
<td>Sample size</td>
<td>11 in 11 districts in Seoul City</td>
<td>22 in 17 districts in Seoul City</td>
</tr>
<tr>
<td>Sample position</td>
<td>1 public official in each of departments of social welfare</td>
<td>1 worker in each center</td>
</tr>
<tr>
<td>Sample geographical location</td>
<td>6 in Gangnam region, 5 in Gangbuk region</td>
<td>13 in Gangnam region, 9 in Gangbuk region</td>
</tr>
<tr>
<td>Sample type</td>
<td></td>
<td>8 Ga type, 13 Na type, 1 Da type</td>
</tr>
</tbody>
</table>

50 Among 22 samples, four cases pertain to more than two social welfare centers in the same district; i.e., three cases pertain to two social welfare centers and one case pertains to three social welfare centers in the same district.
Table 11: Interviewees’ Demographic Characteristics

<table>
<thead>
<tr>
<th>Position type</th>
<th>Public Officials (N=11)</th>
<th>Workers in Social Welfare Centers (N=22)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>General</td>
<td>Work periods in social welfare</td>
</tr>
<tr>
<td></td>
<td>Social welfare</td>
<td></td>
</tr>
<tr>
<td>8 – 14 months</td>
<td>6</td>
<td>4 – 9 years</td>
</tr>
<tr>
<td>15 – 22 months</td>
<td>5</td>
<td>10 – 18 years</td>
</tr>
<tr>
<td>Position grade</td>
<td>Below sixth grade</td>
<td>Position title</td>
</tr>
<tr>
<td></td>
<td>11</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Educational background</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Social welfare</td>
<td></td>
</tr>
</tbody>
</table>

In-depth interviews

In examining the government-nonprofit relationship and the contract management process, I chose qualitative research—interviews—as the main data collection method because several merits of interview method correspond with my research goal; that is, it enables me to ask interviewees clear questions in person without misinterpretation or confusion, to probe related questions in the case of insufficient and ambiguous responses, and to obtain detailed responses with explanation, contexts, and examples, especially when considering the multi-dimensional character of my research subject—the relationship. J. Lofland’s (1971) perspective on relationship as one of the units that is relevant for qualitative analysis (pp. 41-47) adds

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51 All 11 public officials take charge of managing contracts in social welfare centers. Public officials do not have specific job titles; they work for departments/team and have job descriptions (a list of tasks), so we call them their names with job grade (ranging from grade 1 to 9). In terms of job group, five interviewees belong in social welfare position (referred to as public social welfare officials) and six interviewees belong in general position (public officials). In Korea, the public social welfare official system has become effective since 1987. There are different recruitment processes for general and social welfare positions. To be a public social welfare official, one must earn at least third-level social welfare certificate (3 grade of the first-, second-, third-level) that are issued by central government when passing exams and field training. Public social welfare officials only take charge of tasks related to social welfare. In general, departments of social welfare in district governments have a mix of officials in general and social welfare positions, but the number of public social welfare officials is relatively small. The average work period of 11 interviewees is 14 months and their job grade is below the sixth grade (public officials from the sixth to the ninth grade are called ‘acting officials’). The interviewees of social welfare centers have, on average, nine years of work experience in the social welfare area.

52 J. Lofland (1971) defines qualitative analysis as aiming to answer the questions of “what are the characteristics of a social phenomenon, the forms it assumes, the variations it display” and identifies six units of qualitative analysis: acts, activities, meaning, participation, relationships, and settings (pp. 13-15).
further credence to my data collection method. In particular, he notes that investigation of the dimensions of relationships presents difficulty in properly designing and administering questions due to the inherent attributes of relationships themselves. J. Lofland and L. Lofland (1984) further demonstrate that social relationships vary in innumerable ways and “No relationship is always stable; they all have histories of change” (p. 84). Given the nature of relationships the authors describe, I regard the face-to-face interviews as the most suitable data collection method for my research.

**Interview protocols**

I developed two interview instruments, one for public officials in departments of social welfare in district governments, whose main management tasks are related to social welfare centers, and the other for workers in social welfare centers. To elicit straightforward, comprehensive responses from interviewees, I used a semi-structured interview protocol (see Appendices A, B). Both interview protocols consisted of nine substantive questions including a number of probe questions as needed that covered the integral dimensions of government-nonprofit relationships and the contract management process as well as several demographic questions.

From November 2012 to January 2013, I pre-tested the interview protocol by interviewing three public officials and four workers in social welfare centers. Pretesting improved the quality of interview data by verifying whether all questions are clear to understand, whether the questions obtain responses that correspond to the purposes of questions, and whether interview data collection process properly works in terms of time, interviewer’s roles, and the flow of conversation. After making a slight revision in the interview protocol, I sent emails or called public officials in district governments and workers in social welfare centers to request
interviews and to schedule the date, time, and place for interviews (see Appendix D, Recruitment Script).

Interview data were collected in Seoul City of Korea from February 2013 to December 2013. At the beginning of each interview, I sought informed consent by explaining the confidentiality of both interviewees’ identity and their responses and by asking their permission to use a digital recorder for transcription purpose (see Appendix E, Consent Form). Most interviewees were reluctant to give permission to record their voices and opinions, so only five interviews (one public official and four workers in social welfare centers) could be recorded and transcribed verbatim afterwards. Typically, the interviews lasted between 30 and 90 minutes.

**Interview protocol for public official**

**Part 1: Formal government-nonprofit relationships (Resources and Power)**

1. I am interested in your contracting relationship with ___name___ Social Welfare Center. Some contracting parties have cooperative relationships while others do not; and some contracting parties have a steady, predictable relationship while others have relationships that frequently change. How would you describe your relationship with ___name___ Social Welfare Center?

   *Probe*: A. Could you give me some examples of what you have described?

   This first question was to get a basic sense of how the respondent generally thinks about relationship with social welfare centers regardless of considering other variables of question 2, 3, and 4.

2. In contracting with ___name___ Social Welfare Center, what do you hope to accomplish?

   *Probe*: A. Can you prioritize these goals?

---

53 Most interviewees refused to record the interviews because they felt uncomfortable with recording their voices and their opinions. A couple of public officials said “I do not want to leave my voices and opinions on a bit at a sensitive topic, which could be misunderstood as official opinions of the government.” So, I tried to take notes as fast as I could by using a number of abbreviations during interviews and as soon as interviews were over, I reproduced the interviews while my memories remained fresh.

54 I developed two interview protocols, one for public officials, and the other for workers in social welfare centers. Two protocols have the same questions and probes, so I present the interview protocol for public officials as an example to explain the purposes of questions and probes.
B. Do you think that ___name____ Social Welfare Center has the same goals and priorities? (If no, what would you do?)

Question about goals was asked first because it was less sensitive than the questions about power and resources. Given many scholars’ emphases on goal congruence for contracting relationships and contract management, I asked this question to verify whether they shared the same goals for ensuring accountability, to compare with the criteria for monitoring and evaluation in question 8, and to explore the dimensions of negotiation in question 7 by asking probe B (e.g., whether there is a room for negotiation). Probe B was expected to reveal how the respondent perceived the goals, priorities, and characteristics of social welfare centers and how governments opt to solve goal divergence (e.g., nature, degree, and kinds of power, resources, or capacities used to deal with goal difference).

3. In your relationship with ___name____ Social Welfare Center, what resources do you bring to the contract management process?

   **Probe:**

   A. Do you think that ___name____ Social Welfare Center invests all the appropriate resources in the contract management process? (If no, what would you do?)

   B. What resources do you think are important for effective social welfare service contracting?

   Question 3 was to acquire information on resources in terms of the degree of distribution/dependence and relative importance. I asked about the kinds of resources governments use in contracting. Probe A was to ask how respondent described the condition of resource exchanges between the two parties and how governments dealt with problems arising from resource exchanges. Probe B was to find the degree of resource dependence among two parties by obtaining their opinion about the degree of importance across resources.

4. A common opinion is that the contracting relationship between the government and nonprofits is unequal because the government provides the funding. Some people assume that your department has more power than ___name____ Social Welfare Center because the District Government provides the majority of funding to ___name____ Social Welfare Center. What do you think about this?

   **Probe:**

   A. How much does your department depend on ___name____ Social Welfare Center for resources and power?

   B. Have you ever thought about strategies to make equal relationships?

   Responses to these questions were expected to offer a general and specific picture of how respondent
perceived power relations with social welfare centers and power balance in the contract management process. Because the concept of power is broad, sensitive, and difficult to answer, I proposed the common assumption of power relations between the two parties. Probe A was to find the degree of power/resource dependence and probe B was to ask whether governments employed any tactics to manage power balance/imbalance between the two parties.

**Part 2: Formal and informal government-nonprofit relationships**

*Communication System, Information Sharing System, Past Experiences of Contracting*

5. When you communicate with ___name__ Social Welfare Center, what are the subjects of your communication?

*Probe*:
A. How do you communicate with ___name__ Social Welfare Center? Is there any protocol for communication? What is the most effective method for your communication?
B. How often do you communicate with ___name__ Social Welfare Center? (Is it on a regular or occasional basis?)
C. How easy and timely is your communication with ___name__ Social Welfare Center?
D. Some people say that contracting problems can occur because of the communication between the two parties. What do you think about this?
E. How is trust built in your communication with ___name__ Social Welfare Center?

Through question 5, I tried to distinguish formal communication from informal one; that is, I supposed formal communication as relating to all issues of contract management done by official procedures, channels, and methods of communication and I paid closer attentions to the tone and nonverbal cues of respondents during interviews to capture the informal aspect of communication. With the probes, I intended to obtain information on methods (probe A), frequency (probe B), and quantity and quality (probe C) of communication. Probe D was to find out respondent’s perspective and attitude toward communication system in terms of the roles and importance of communication in the contract management process. Probe E was to elicit more subjective perception of respondent’s dependence and confidence in communication with the other party.

6. Let’s talk about information sharing. What types of information do you share with ___name__ Social Welfare Center?

*Probe*:
A. How is information shared between your department and ___name__ Social Welfare Center? Is there any protocol for information sharing? What is the most effective method for sharing information?
B. How often do you share information with ___name__ Social Welfare Center?
(Is it on a regular or occasional basis?)

C. What types of information do you have difficulty in obtaining from name Social Welfare Center? In this case, how do you get accurate information in a timely manner? Are there any specific types of information that you do not want to share with name Social Welfare Center? Why?

D. Some scholars argue that there are big information gaps between contracting parties which causes contracting problems. What do you think about this?

E. How is trust built in your information sharing with name Social Welfare Center?

Through the interviewee’s answers, I aimed to distinguish formal information sharing from informal one in terms of procedures and methods of information sharing and by paying closer attention to the tone and nonverbal cues of the respondent during interview to grasp the informal aspect of information sharing. I intended to obtain information on methods (question A) and frequency (question B). Probe C was to find the quantity (content) and quality (accuracy and timeliness) of information shared between two parties, which revealed the degree of informational gap. By asking these questions to both samples, I expected to compare the responses of interviewees from two samples. Through probe D, I sought to find respondents’ perspectives and attitude toward the degree of informational gap and the roles and importance of information sharing. Probe E was to explore respondents’ dependence and trustworthiness in information sharing.

9. Have you had any past experiences contracting with name Social Welfare Center?

Probe: A. For how many years has your department contracted with name Social Welfare Center? How many times?

B. How would you describe your past experiences with name Social Welfare Center?

C. How do your past experiences with name Social Welfare Center affect your current contract management relationship? For example, did you change any management procedures or methods in light of past experiences?

I adjusted the order of this question about past experience from 7 to 9, after the questions about negotiation and monitoring/evaluation because of probe B and C (i.e., past experiences involve all components of the contract management process including negotiation, monitoring, and evaluation). This question was to provide background information on respondents’ history of contracting relationships with nonprofits in terms of the degree and length of experiences. With probe B, I expected to get a description of past experiences across different dimensions of relationships and the contract management process. Probe C was to offer insight into the effect of past relationships on current contracting relationships.
Part 3: Contract management process (Negotiation, Monitoring and Evaluation)

7. During the contract management process, have you ever had occasion to negotiate with name Social Welfare Center? What are the topics for negotiations and how often?
   *Probe:* A. How does the negotiation process work? How are negotiations concluded when there are disagreements?
   B. In the negotiation process, how does communication and information sharing affect your negotiation with name Social Welfare Center?

Question 7 was to explore a possibility of negotiation in reality and the subject and frequency of negotiations. Also, the possibility of negotiation was expected to be identified by question 2B, 3A, and 6C. Responses to probe A revealed the factors determining the outcome of negotiation and influence gaps between the two parties in terms of power and resources that were used in the negotiation process. Probe B was to find how respondent thought about impacts of communication and information sharing on negotiation process.

8. What criteria does your department use to monitor and evaluate the contract with name Social Welfare Center?
   *Probe:* A. How often do you conduct monitoring and evaluation activities and what methods are used? What factors make you decide the frequency, methods, and scope of monitoring and evaluation activities?
   B. How do you utilize the results of monitoring and evaluation?
   (What kinds of incentives and penalties does your department employ?)
   C. Do you think that the person in your department who monitors and evaluates the contract with name Social Welfare Center has adequate information, resources, and power to do the job? Do you think that name Social Welfare Center has adequate information, resources, and power to evaluate and monitor performance on the contract?
   D. What are the obstacles to monitoring and evaluation? For example, what additional resources do you think that your department needs to conduct effective monitoring and evaluation? What have you done to improve monitoring and evaluation?
   E. How is trust built between both parties in monitoring and evaluation?
   F. How do you think that your relationship with name Social Welfare Center influences monitoring and evaluation?

By asking about the criteria for monitoring/evaluation, responses indicated the scope and focus of
monitoring/evaluation. Question 8 asking about the criteria revealed whether there were differences in the main focus of monitoring/evaluation between the two parties, which showed a presence or absence of goal congruence. Responses to probe A (frequency, methods, procedures) and probe B (utilization of results) were expected to indicate the degree and level of resources and capacity governments could use to monitor and evaluate contracts as well as governments’ attitudes toward social welfare centers in terms of the level of trust, understanding of centers’ organizational features, and characteristics of contracting relationships. Probe C was to search how respondents perceived the conditions for monitoring/evaluation to them and to the other party, especially in light of information, resources, and power. Through probe D, I wished to know how respondent judged the system of monitoring/evaluation in terms of quality, problems, and solutions and what factors determined the government decision to make efforts to improve monitoring/evaluation. Probe E examined how trust between both contracting parties was built in monitoring/evaluation and probe F was to find whether any dimensions of contracting relationships affected the criteria, frequency, methods, procedures, and result utilization of monitoring/evaluation.

Data sources (descriptive/legislative/administrative data)

To reduce threats to reliability and validity, this research relies mainly on data collected in individual interviews and additionally on several sources of data such as descriptive data, legislative data, and administrative data from governments and social welfare centers.

Descriptive data

There are some variations across district governments in the content of their websites. Some district governments post a variety of information related to contracting with social welfare centers, while others post only basic information. In general, the website of the department of social welfare includes (1) organizational structures and a division of work; (2) introductions to a series of welfare projects; (3) announcements about the department’s works (e.g., open bids for a new contractor selection or local social welfare plan); and (4) information on all social welfare centers in the district (e.g., grants, revenue and expenditure, welfare programs, or events). The official website of the Ministry of Health and Welfare in central government offers information on all social welfare facilities, focusing on the notices of national
evaluation with evaluation schedules, evaluation indicators, evaluation teams, and evaluation reports. Through the websites of the governments, I gathered information associated with interview questions about goals, resources, information sharing, monitoring, and evaluation.

In the same manner, although there are variations in the content of the websites of social welfare centers, most websites offer (1) introductions to social welfare centers (e.g., mission, history, organizational structure, division of work, and “operating welfare organizations”\(^{55}\)); (2) descriptions of welfare services and programs (goals, recipients, schedules, content, events, and affiliated facilities); (3) descriptions of sponsorships and volunteering; and (4) notice on financial information (e.g., revenue and expenditure, sponsorships, and miscellaneous expenses used by directors of the centers\(^{56}\)). In addition, the websites of the Korea Association of Social Welfare Centers and the Seoul Association of Social Welfare Centers provide a variety of information on social welfare centers in terms of bids for contracts, education programs, centers’ networks, FAQ, and management procedures of the centers. Through these websites, I collected information related to interview questions about goals, resources, information sharing, monitoring, evaluation, and past experiences of contracting that were used for data triangulation.

**Legislative data**

The Social Welfare Services Act and its Enforcement Regulation generally prescribe

\(^{55}\) According to the Social Welfare Services Act, government builds social welfare centers across the country with public funds. Only a very small number of nongovernmental welfare foundations with substantial financial resources construct social welfare centers with their own funds, operate the centers, and deliver social welfare services. But, a majority of social welfare centers built by government are operated by nongovernmental, nonprofit welfare organizations that provide services to local residents through government contracting. That is, government contracting involves contracting out both facilities of social welfare centers and social welfare services. Any NGO/NPO that contracts with government to operate a social welfare center and deliver social welfare services is called an ‘operating welfare organization.’ The operating welfare organizations of social welfare centers are mostly religious, charitable, and educational NGOs/NPOs.

\(^{56}\) Among the total budget of social welfare centers, a certain amount of funds can be used by directors of the centers for miscellaneous expenses (e.g., coffee/cookie for meetings, staff activities/outings to boost workers’ morale, or lunch/dinner for participants in meetings).
basics about social welfare works performed by various social welfare facilities including social welfare centers (see Appendix C). Several provisions in the laws give information related to my interview questions about relationships, goals, resources, power, dependence on resources, monitoring and evaluation, and past experiences of contracting. Under the Social Welfare Services Act, district governments follow the District Ordinances on Establishment and Operation of Social Welfare Facility in each district. With some variation in the content of provisions across district governments, the district ordinances commonly stipulate the purpose, scope of application, contractor selection deliberative commission, selection criteria, obligation of contractor, management supports, a division of responsibility, fee collection, management of facility, contract term, contract renewal, contract cancellation, and monitoring. I gathered information related to interview questions about relationships, goals, resources, power, dependence on resources, negotiation, monitoring, and past experiences of contracting. Legislative data also were used for triangulation of data collected for this research.

Administrative data

In general, contract documents prescribe the purpose of a contract, the term of a contract, business management, management of asset and facility, change of property in the centers, alternation of asset, contractor’s obligation, observance of contracting laws and orders of district government, contractor’s responsibility for safety management, cost sharing and management styles, contract cancellation, and indemnification for damage and insurance, monitoring, and legal disputes. These provisions offer information on interview questions about relationships, goals, resources, power, dependence on resources, information sharing, negotiation, and

57 Among 25 district governments in Seoul City, 20 district governments have their own district ordinances with varying degrees of the contents. Among eleven public officials in eleven district governments as interviewees, ten district governments have their own district ordinances (Source: Enforced Local Laws and Regulation System, www.elis.go.kr).
monitoring.

Through government documents (e.g., guidebook of evaluation, evaluation reports, and guidelines for the operation of social welfare centers), I obtained information on interview questions about goals, resources, power, dependence on resources, communication, information sharing, and past experiences of contracting. All social welfare centers establish their own system for monitoring and evaluation with guidelines, which offer information on interview questions about goals, resources, power, and monitoring. In addition to descriptive and legislative data, administrative data were used for data triangulation along with interview data.

Data Analysis

Through in-depth interviews, I expected to acquire data in the form of notes, a summary of individual interviews, and word-for-word transcripts. As mentioned, most interviewees refused to use a voice recorder, so extensive notes were taken during interviews and organized as soon as interviews were over. In the case of five interviews (one public official and four workers in social welfare centers), I transcribed the recorded interviews, repeated reading the transcripts to fully understand the data and to evaluate the quality of data, and then organized a set of key themes and sub-themes of the questions into the coherent categories as I coded the data. Since all interview transcripts are in Korean, this research adopted the translation/back-translation procedure for the best possible interpretation. The transcripts were translated from Korean to English by the researcher and then translated back from English to Korean by a Korean PhD in English language and literature in order to compare translations.

The 33 interview transcripts created from interview note-taking and recorded interviews were entered into the computer-assisted qualitative data analysis software (CAQDAS) called NVivo 10. As Bazeley (2007) indicated, NVivo can assist data management and data analysis
through “the computer’s capacity for recording, sorting, matching, and linking harnessed by the researcher to assist in answering their research questions from the data, without losing access to the source data or contexts from which the data have come” (p. 2). The interview data are in non-numeric form, so this qualitative data analysis involves the researcher’s interpretation of semi-structured data while coding the data. The coding scheme which includes relevant themes and categories is provided in Appendix F.
CHAPTER FOUR: FINDINGS on Government-Nonprofit Relationships

This chapter discusses an analysis of government-nonprofit relationships based on interview data produced from in-depth interviews with 11 public officials in district governments and 22 workers in social welfare centers in Korea. In order to examine how government-nonprofit relationships (independent variable) influence the contract management process (dependent variable), all 33 interviewees were asked to answer nine substantive questions and a number of probes, focusing on a set of indicators of independent and dependent variables.

The nine questions with a number of probes aim to find out how interview respondents perceive their contracting relationships (in terms of goals of contracting, resources, power and dependence with respect to resources, communication, information sharing, and past experiences of contracting) and the contract management process (in terms of negotiation, monitoring, and evaluation). This chapter describes how similarly or differently public officials in district governments and workers in social welfare centers observed their contracting relationships. Research findings from interview data are presented in sequence, displayed in Table 12 on the following page.
Table 12: Presentation of Findings on Government-Nonprofit Relationships

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<td>Perspectives of social welfare centers on relationships</td>
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<th>Goals of contracting</th>
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<tr>
<td>Perspectives of district governments on goals of contracting</td>
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<tr>
<td>Perspectives of social welfare centers on goals of contracting</td>
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<th>Resources</th>
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<tr>
<td>Perspectives of district governments on resources</td>
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<td>Perspectives of social welfare centers on resources</td>
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<tr>
<th>Power and dependence on resources</th>
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<tr>
<td>Perspectives of district governments on power and dependence on resources</td>
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<tr>
<td>Perspectives of social welfare centers on power and dependence on resources</td>
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</tbody>
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<table>
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<tr>
<th>Communication</th>
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<tr>
<td>Perspectives of district governments on communication</td>
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<tr>
<td>Perspectives of social welfare centers on communication</td>
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<tr>
<td>Perspectives of social welfare centers on obstacles to communication</td>
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<th>Information sharing</th>
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<tr>
<td>Perspectives of district governments on information sharing</td>
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<td>Perspectives of district governments on information gaps</td>
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<tr>
<td>Perspectives of social welfare centers on information sharing</td>
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<td>Perspectives of social welfare centers on information gaps</td>
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</tbody>
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<tr>
<th>Past experiences of contracting</th>
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<tr>
<td>Perspectives of district governments on past experiences of contracting</td>
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<tr>
<td>Perspectives of social welfare centers on past experiences of contracting</td>
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**Relationships between District Government and Social Welfare Centers**

Table 13 on the following page shows how public officials and workers in social welfare centers described their relationships with the other party in the contract management process.
Table 13: Interview Responses to Descriptions of Relationships

<table>
<thead>
<tr>
<th>Descriptions of Relationships</th>
<th>Public Officials (N=11)</th>
<th>Workers in Social Welfare Centers (N=22)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Official (work-related)</td>
<td>11</td>
<td>22</td>
</tr>
<tr>
<td>Legal (contract document)</td>
<td>11</td>
<td>21</td>
</tr>
<tr>
<td>Cooperative</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>Mutually dependent</td>
<td>1</td>
<td>15</td>
</tr>
<tr>
<td>Steady (not dynamic)</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>Need for more cooperation</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Vertical (hierarchical)</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Unofficial</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>No variation by social welfare centers in the district</td>
<td>2</td>
<td>Not applicable</td>
</tr>
</tbody>
</table>

**Perspectives of district governments on relationships**

In general, all 11 public officials described the relationships between district government and social welfare centers as official contracting relationships based on contract documents. They stated that their relationships with social welfare centers began by signing contract documents containing a set of rights and responsibilities between contracting parties. Their descriptions of the relationships were strictly limited to official and work-related relationships with no element of personal, informal, or out-of-work relationships. Most put special emphasis on legal perspectives underlying their contracting relationships pointing to examples of related contracting laws, district ordinances, and contract documents. This exemplary response shows how most public officials perceived their relationships with social welfare centers:

The relationships between district government and social welfare centers are official contracting relationships formed by a contract document. According to a contract, the Social Welfare Services Act, and the District Ordinance on Establishment and Operation of Social Welfare Facility, district government and social welfare centers take responsibilities. District government is legally required to offer financial and administrative supports and monitoring to social welfare centers and social welfare centers need to deliver a series of services and programs in accordance with the laws. It is not personal relationships between the two contracting parties. The policy direction, guidelines, legal translations, and monitoring of government are identically applied to all social welfare centers in our district. 4DG
In addition to this common description of contracting relationships, four public officials depicted the relationships as cooperative ones and three public officials presented a necessity for cooperative relationships for the purpose of effective contracting. Especially, two public officials asserted that social welfare centers have obligations to cooperate with district governments. Four public officials considered the relationships as steady, predictable ones and two public officials mentioned no variation in characteristics of the relationships across social welfare centers in their districts. One public official described the relationships as interdependent contracting ones in that both parties need each other for the same goals and mutual interests.

**Perspectives of social welfare centers on relationships**

Among the 22 workers in social welfare centers, almost all of the respondents described their relationships with district governments as officially working, contracting relationships on the basis of legal mechanisms such as related contracting laws, contract documents, and respective district ordinances. They explained the responsibilities of both contracting parties, which are government funding for the service delivery of social welfare centers, and acknowledged that both parties had mutual agreement on a need for each other. Because two contracting parties rely on each other to fulfill their own obligations in contracting, the relationships are bilateral. Eight workers in the centers depicted their relationships as cooperative ones and five workers stressed a need for cooperative relationships in the contract management process. One respondent connected trust in the relationship to the terms of a contract:

During the past four years, district government terminated contracts with half of social welfare centers in our district. Government’s new contracts with new nonprofit organizations threw workers in the centers out of employment and did harm to the continuity of service provision. I think trust-based relationships cannot be built under the circumstance of frequent changes in a contracting party and short-term contracting relationships. 4SWC

Two workers in social welfare centers depicted the relationships, with a focus on the
specific roles of social welfare centers such as mediators of communication and substitutes for governments. The two quotes assume a necessity for each other in contracting and good working relationships:

The government needs private suppliers and we need government grants and facilities for service provision. In particular, a social welfare center plays an intermediary role in connecting district government with local residents by delivering opinions to the other party. So, government needs a social welfare center as an intermediary.11SWC

Our center keeps good working relationships with district government. Our center needs a contract from government and government needs nongovernmental organizations which can provide social welfare services on a local basis, as a substitute for governments. This is why both parties need to cooperate in the contract management process.17SWC

Another two workers expressed the characteristics of relationships from district government’s perspective. They pointed out different viewpoints of public officials on how contracting is perceived and how to treat social welfare centers in contracting relationships:

I get a sense that public officials in district government regard contracting out social welfare services as a legal contract. They seem to treat contracting as a concept of awarding grants, not as a perspective of management. 9SWC

The relationship between district government and our center is an official contracting relationship, so the relationship can be legally maintained during the terms of a contract. We recognize government as a partner in contracting, but I am not sure if public officials regard us as partners. In Korea, we have a long history of hierarchical relations between governments and the private sector. In light of this tradition, it would be premature to expect governments to recognize social welfare centers as partners. 16SWC

As previously mentioned, there was no interview respondent from district government who depicted their relationships with social welfare centers as unofficial ones. By contrast, two workers in social welfare centers mentioned a possibility of unofficial relationships as well as official relationships in the contract management process:

Official relationships are formed as a result of contracting between the two and are maintained according to contracting laws and a contract document. Unofficial relationships are formed in the course of communication by phone or meetings, which give a chance to know each other, understand different languages, and exchange difficulties at work. 19SWC
In terms of official relationships, district government provides grants to social welfare centers and social welfare centers provide social welfare services under government’s monitoring. At first glance, it looks like cooperative partnerships on the whole, but the reality in Korea is rather gab-eul relationships to some degree. Unofficial relationships, described as cooperative partnerships, partially exist in order to have organic relationships between the two in local community for the same goal. Unofficially, we try to understand each other better and help governments as much as possible.

In discussing the relationships between district government and social welfare centers, most respondents of social welfare centers described a slight reduction in the degree of government’s hierarchical governing by comparing the situations of the past with those of the present in Korea. One respondent commented “governments have changed, but it is still a long way to horizontal relationships with social welfare centers” (3SWC). But, only few workers in social welfare centers directly articulated the vertical features of the relationships between contracting parties (e.g., gab-eur relationship or control/check of governments), as emphasized in agency theory for the reason of government’s control of resources and power.

Summary

For public officials and workers in social welfare centers, there are no big differences in describing the relationships between district government and social welfare centers. Both parties mostly recognized the relationships as official, work-related contracting relationships based on legal contracts and denied a presence of personal and out-of-work relationships except for two respondents of social welfare centers. While no public official mentioned unofficial character of the relationship, two workers in the centers gave descriptions of unofficial relationships that were formed in the course of communication by phone or meetings.

As compared to public officials, there are distinctive features indicated in the responses.

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The gab-eul relationships mean the power dynamic between two people or groups. Gab represents the person with more power and eur is the subjugated. This term is widely used in Korea to express any relationships such as boss/subordinate, major company/subcontractor, or adult/child. In a contract document, a district government is named as gab and a social welfare center is named as eur.
from workers in social welfare centers to the question about relationships: most workers tend to (1) express how important and valuable roles played by social welfare centers in the contract management process; (2) expect governments to treat them as partners rather than just service suppliers; and (3) place more emphasis on cooperation or partnerships, from a relationship perspective. The most evident finding on relationships between the two parties is that both parties perceive and depict contracting and contracting relationships as traditional, transactional, and legal as agency theory and the classical contracting approach holds.

**Goals of Contracting**

When the researcher asked about goals of contracting, both public officials and workers in social welfare centers addressed the reasons why district governments decided to contract out services with social welfare centers (see Table 14).

<table>
<thead>
<tr>
<th>Reasons for Contracting</th>
<th>Public Official (N=11)</th>
<th>Workers in Social Welfare Centers (N=22)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost saving</td>
<td>10</td>
<td>0</td>
</tr>
<tr>
<td>Improvement in the social welfare of local residents</td>
<td>10</td>
<td>22</td>
</tr>
<tr>
<td>Service improvement</td>
<td>8</td>
<td>22</td>
</tr>
<tr>
<td>Resources/community organizing provided by social welfare centers</td>
<td>7</td>
<td>14</td>
</tr>
<tr>
<td>Lack of government capacity</td>
<td>6</td>
<td>15</td>
</tr>
<tr>
<td>Contracting laws</td>
<td>5</td>
<td>0</td>
</tr>
</tbody>
</table>

**Perspectives of district governments on goals of contracting**

Almost all of the public officials regarded contracting as the most effective method for social welfare service delivery to cut costs and improve the quality of services provided. They agreed on the ultimate goal of contracting—improvement in the social welfare of local residents
leading to the best quality of life. Their responses are in line with theoretical rationales addressed by privatization studies (e.g., Savas, 1987) with respect to the reasons why governments contract out public services with the private sector such as pragmatic forces (better government), ideological forces (less government), and populist (better society) forces (see Table 14).

Five public officials commented that contracting had been the most common way for service delivery for a long time, according to a set of contracting laws. Six public officials explained the reasons for contracting with social welfare centers such as government’s inability to directly deliver social welfare services due to constrained human and organizational resources. Two public officials used the terms—“proxy” and “agent”—to describe the government’s need for nongovernmental organizations to operate social welfare centers and provide social welfare services on a local basis; that is, by using the terms, they explained the roles that social welfare centers play in the service delivery in local community. Seven public officials attributed the reasons for contracting to specific resources of social welfare centers (e.g., close relations with local residents, supports from local community and local welfare networks) in addition to their resource capacity of delivering accessible and convenient services responsive to local residents (e.g., expertise, experience, skills, know-how).

Table 15: Interview Responses to Social Welfare Center’s Goals for Contracting

<table>
<thead>
<tr>
<th>Goals of Contracting</th>
<th>Public Officials (N=11)</th>
<th>Workers in Social Welfare Centers (N=22)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improvement in the social welfare of local residents</td>
<td>10</td>
<td>22</td>
</tr>
<tr>
<td>Fulfillment of mission</td>
<td>11</td>
<td>22</td>
</tr>
<tr>
<td>Pursuit of religious belief</td>
<td>6</td>
<td>10</td>
</tr>
<tr>
<td>Legitimization of social welfare service delivery</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Expansion of service scope and organizational size</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>
Table 15 shows a list of interview responses from public officials and workers in social welfare centers to the question about the goals of contracting pursued by social welfare centers. In terms of goal alignment, almost all public officials believed that social welfare centers shared the same basic goal with district governments (i.e., improvement in the social welfare of local residents). All public officials added the fulfillment of organizational mission to the goals of social welfare centers and six public officials added the pursuit of religious belief of the organizations to the goals of the centers. Two public officials suggested another goal of contracting, from the standpoint of social welfare centers, as a tool for legitimizing social welfare business of organizations and for expanding program’s scope and organizational size. They stated that social welfare centers regard government contracting as an effective means to ensure legitimacy, expansion of program’s scope, and future funding. Most public officials claimed that social welfare centers cannot have different goals from district governments for several reasons. The following four quotes display exemplary opinions on the reasons why these respondents perceived no room for goal incongruence:

District government has legal authority to set and align social welfare centers and goals of government if social welfare centers have different goals for contracting. 5DG

If a social welfare center does not pursue the same goal, district government cannot award or maintain a contract with the social welfare center. 7DG

Social welfare centers share the goal of government since it is their obligations prescribed in contracting laws, contract documents, and district ordinance. 10DG

Social welfare centers cannot have different goals from government under government’s monitoring, audits, and evaluation. 11DG

**Perspectives of social welfare centers on goals of contracting**

As shown in Table 15, all respondents of social welfare centers mentioned the same basic goal for contracting as district governments (i.e., improvement in the social welfare of local
residents). Their primary goal for contracting is to help the disadvantaged toward self-reliance by offering services that correspond to specific welfare needs. In doing so, they aim to improve the level of social welfare and the quality of life for local residents. All workers articulated that the primary goals are congruent with their organizational mission. In the first place, social welfare centers exist for the purpose of providing social welfare services to local residents, especially the needy according to the Social Welfare Services Act. Thus, the reason for developing social welfare centers is in accord with the goals of contracting that both district governments and social welfare centers pursue. This is why social welfare centers across the country adhere to the direction of social welfare policy designed by central government and provide similar types of welfare services and programs, with slight variation depending on size and location.

Fourteen respondents of social welfare centers described more active roles that social welfare centers play in the contract management process noting that social welfare centers intend to make healthy, happy local communities by developing a variety of local resources, organizing networks within local communities, and dealing with a set of local problems. Among fourteen responses, the following exemplary quotes summarize the emphasis on the active roles of social welfare centers in contracting, which is often called “community organizing” in the U.S.:

Rather than unilaterally providing social welfare services, we try to listen to local residents’ opinions and help organize the networks of various welfare organizations in local community. 7SWC

Our center is to develop the quality of life by tailoring welfare services to particular client groups. We try to educate and train local residents as autonomous actors who can organize local community to deal with imminent local problems, not just as passive service recipients. Our center plays an assisting role in it. 16SWC

Our center aims to build local community with solidarity among local residents by developing a series of social welfare services which reflect welfare needs of local residents and local specific conditions. We are not just service providers because we need close ties with local residents and their participation in operating our center, executing welfare programs, and dealing with local-specific problems. 18SWC
Table 16: Type of Organizations as Interview Subjects

<table>
<thead>
<tr>
<th>Type of Organizations</th>
<th>Number of Organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Welfare corporation founded by religious congregation</td>
<td>17</td>
</tr>
<tr>
<td>Welfare corporation founded by religiously motivated incorporators and board members</td>
<td>1</td>
</tr>
<tr>
<td>Charitable welfare corporation</td>
<td>4</td>
</tr>
</tbody>
</table>

Ten respondents of social welfare centers explicitly addressed the fulfillment of religious belief rooted in their welfare organizations as one of the goals for contracting (see Table 15 and Table 16). Long before engaging in contracting with district governments, most religious welfare organizations delivered social welfare services and provided the first line of help to the disadvantaged. Religious belief is inherent in the reason why they decide to contract with district governments. The following comment illustrates this view:

Based on our organization’s religion, through contracting, we aim to practice mercy and charity to people in need who have limited access to local resources and supports from governments.

6SWC

While two public officials included the expansion of welfare services and of organizational size as goals of contracting pursued by social welfare centers, only one respondent of a social welfare center acknowledged this. The respondent regarded contracting as a useful means to continue achieving the mission of his/her welfare organization and stretching the boundaries of the organization. Several unique goals for contracting were addressed by a very small number of nonprofit workers: to conduct research on social service delivery; to train professionals in the area of social welfare; and to establish a standard model for social welfare centers.

All respondents of social welfare centers agreed that district governments have one of the same goals for contracting as social welfare centers; that is, governments intend to improve the quality of life with better social welfare services by enabling centers to deliver services to the
needy for self-reliance and to develop local community. For example, as seen in the comment below, seven respondents of social welfare centers proposed the specific goal for contracting that district governments pursue:

Government draws a big picture of social welfare policy with its implementation plan, so it requires nongovernmental organizations to put social welfare plans into practice on a local basis. This is what social welfare centers do. 7SWC

One respondent of a social welfare center revealed a different perspective on what government intended to accomplish by contracting out services with social welfare centers. This important observation illustrates the “dark side” of the government-nonprofit contracting relationship. The following quote\(^{59}\) exhibits the unique viewpoint on contracting as a means to attain other objectives; that is, political officials use nonprofits for their own purposes:

Officially, district government contracts with social welfare centers for the delivery of social welfare services according to contracting laws and district ordinances. Unofficially, there is a case of taking advantage of social welfare service delivery through contracting as a means to serve certain political purposes. I cannot deny this sort of case in reality, judging from sudden, unreasonable replacements of welfare organizations in social welfare centers and directors of the centers. 21SWC

**Summary**

Overall, district governments and social welfare centers described the same basic goal of contracting (i.e., improvement in the social welfare of local residents) that serve as a precondition for legally bounded contracting relationships. In addition to the basic goal of contracting, public officials are clearly aware of other goals that social welfare centers pursued in the contract management process. It is because, for the most part, well-known nonprofit welfare organizations have continued to operate social welfare centers and deliver services through government contracting. Most public officials took a firm stand over centers’ divergent goals for

\(^{59}\) In the quote, the nature of “political purposes” is further presented by the same interviewee in the section—perspectives of social welfare centers on power and dependence on resources.
the reasons that: (1) governments cannot accept the case where center’s different goals negatively affect contract outcomes and the basic goal of contracting; and (2) district governments have legal and administrative authority (e.g., corrective measures, contract cancellation, or legal actions) to restrain social welfare centers from pursuing divergent goals. Consistent with agency theory’s prescriptions, they employ governance mechanisms (e.g., monitoring, audits, and reporting procedures) and penalty systems based on the results of monitoring to ensure goal alignment.

Most workers in social welfare centers place a great value on their roles and capacity as organizers of local welfare networks and local problem solvers while delivering services. This is congruent with Bryce’s (2005) description of nonprofits as “social capital assets” and “agents of public policy” (p. 34). Moreover, a majority of social welfare centers had a comprehensive understanding of what district governments expected them to do in contracting; that is, they fully recognized that the goals of contracting were more than service delivery according to the direction of government’s welfare policy and that governments expected them to serve as local resource developers, community organizers, and local problem solvers. Most nonprofit workers stated the same basic goal as district governments, while several workers identified other goals (e.g., religion). One of the goals pursued by social welfare centers—expansion of welfare program’s scope and of organizational size—was identified by several respondents from both parties. That is, social welfare centers use government contracting as a tool for advertising what their nonprofit welfare organizations do (or have the capacity to do) to prospective funders and other stakeholders. This is in line with the basic tenet of resource dependence theory that organizations take actions to reduce environmental dependence and uncertainty.

In short, despite sharing the same basic goal, their contracting relationships have an element of goal incongruence, which conforms to the primary assumption of agency theory.
While most public officials recognized the presence of goal divergence, most workers in the centers did not recognize goal incongruence noting that their other goals are directly related to the basic goal (no negative influences on contract outcomes) and are pursued within the legal limit. For instance, one respondent simply said “what is wrong with seeking religious belief? It is all about helping people with God’s love.” (6SWC). By contrast, most public officials made definitive statements that social welfare centers cannot have different goals from governments because of government’s decision authority, legal restraints, and management strategies including monitoring, audits, and evaluation. Another notable observation is that when the researcher asked both parties to prioritize among several reasons for government decision to contract (Table 14) and goals of contracting (Table 15), most gave priority to the basic goal and did not rank in order of importance other goals.

**Resources**

**Perspectives of district governments on resources**

Table 17 on the following page displays the responses of 11 public officials to the question about what resources district governments and social welfare centers provide in contracting. Interview responses are consistent with the argument of most scholars that the central resource exchange is government funding for the service delivery capacities of nonprofits.
Table 17: Interview Responses of District Governments about Resources (N=11)

<table>
<thead>
<tr>
<th>Government-Provided</th>
<th>Responses</th>
<th>Social Welfare Center-Provided</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government grants</td>
<td>11</td>
<td>Service delivery capacity</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(experience, know-how, expertise)</td>
<td></td>
</tr>
<tr>
<td>Human resources</td>
<td>11</td>
<td>Support from NGOs</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(funds, manpower, information)</td>
<td></td>
</tr>
<tr>
<td>Buildings/affiliated facilities</td>
<td>7</td>
<td>Volunteers</td>
<td>7</td>
</tr>
<tr>
<td>Public space/property</td>
<td>7</td>
<td>Relations with local residents</td>
<td>6</td>
</tr>
<tr>
<td>Information</td>
<td>6</td>
<td>Sponsorship</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(financial/in-kind assistance)</td>
<td></td>
</tr>
<tr>
<td>Equipment</td>
<td>6</td>
<td>Human resources</td>
<td>6</td>
</tr>
<tr>
<td>Administrative/legal support</td>
<td>6</td>
<td>Ties with local community</td>
<td>5</td>
</tr>
<tr>
<td>Monitoring/evaluation</td>
<td>4</td>
<td>Management tools</td>
<td>5</td>
</tr>
<tr>
<td>Repair work to the centers</td>
<td>2</td>
<td>Networks among the centers</td>
<td>4</td>
</tr>
<tr>
<td>Expense support</td>
<td>1</td>
<td>Self-supervision/evaluation</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Government grants</td>
<td>1</td>
</tr>
</tbody>
</table>

Note: one respondent regarded grants as resources that both parties invest in contracting.

As seen in Table 17, all public officials identified grants from both the Seoul City Government and respective district government and human resources as the main resources provided by governments. Seven public officials stated the buildings of social welfare centers and affiliated facilities as their investments in contracting since the centers are constructed by governments with public funds. In the same vein, seven public officials regarded public spaces and public property rented for special occasions (e.g., events, conferences) as resources of district governments and six public officials regarded equipment as their resources. Six public officials said that they provided administrative supports and guidelines (e.g., work cooperation, permission to administrative requests) and four public officials included monitoring and evaluation in their list of resources.

After enumerating a list of resources invested in contracting from district governments and from social welfare centers, respectively (Table 17), five public officials especially pointed to resource gaps between contracting parties in terms of limited government capacity:
When I talk to some of the directors of social welfare centers at meetings, I can notice their rich experience, expertise, and know-how that can be utilized in contracting, dealing with governments, and acquiring supports from other social welfare centers or the National/Seoul Association of Social Welfare Centers. Their career in the social welfare area amounts to ten to twenty years. Compare it with work period of public officials in charge of contract management. 2DG

Across the Seoul City, most directors and workers in social welfare centers have long working experience and expertise in this area. Some directors of the centers have a doctorate degree in social welfare. Each social welfare center in our district has different levels and types of resources, so this gap in resources drives our department to contract out different scopes of services, programs, and facilities across social welfare centers. 3DG

Some public officials may have difficulties in understanding the management of social welfare centers and contract management when they are initially transferred to the department of social welfare. When they get used to these tasks, they are transferred to other departments because of government personnel policy such as job rotation. On average, the work period of public officials in our department is one to two years. By contrast, social welfare centers tend to have human resources with expertise and long experience. 5DG

District government needs more manpower and opportunities for education and training related to contract management and nongovernmental welfare organizations in light of the common tendency for social welfare centers operated by well-known large welfare organizations with long experience and expertise in this area. 8DG

Unlike these four responses, one public official addressed resource gaps from the standpoint of social welfare centers:

I cannot deny that social welfare centers have advantageous resources such as knowledge and experience in this area. However, most centers have low wage, little promotion, and frequent turnover in workers which leave much to be desired. 11DG

In terms of resource investments, six public officials thought that social welfare centers provided all the appropriate resources in delivering services for four key reasons: (1) to produce the best possible outcomes for local residents according to their mission and goals; (2) to achieve good performance that can help increase the chances of contract renewals and keep long-term contracts; (3) to be nominated as the center for the best services or to be awarded prizes for the top-rank centers as a result of evaluation; and (4) to maintain reputation and recognition from governments, welfare foundations, politicians, and local community. Especially, two public officials presented evidence about why social welfare centers are fully committed to acquiring
maximum resources. They commented on the centers’ continuous efforts to secure external resources such as additional welfare projects with funds from other governments, welfare foundations, or private firms.

As illustrated in Table 17, when public officials were asked about resources of social welfare centers invested in contracting, their responses include service delivery capacity (experience, expertise, know-how), supports from their welfare organizations in financial, organizational, and personnel aspects, volunteers, close relations with local residents and local community, sponsorship, human resources, networks with social welfare centers and local welfare networks, monitoring and evaluation systems of social welfare centers, and government grants\(^60\) (see next section for more discussion).

**Perspectives of social welfare centers on resources**

Table 18 on the following page lists the responses of 22 workers in social welfare centers to the question about what resources social welfare centers and district governments provide in contracting.

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\(^{60}\) One public official regarded grants as a resource of government and at the same time, mentioned grants as a resource of social welfare centers in that social welfare centers directly spend in contracting. The respondent asked the researcher whether the ownership of grants matters.
Table 18: Interview Responses of Social Welfare Centers about Resources (N=22)

<table>
<thead>
<tr>
<th>Government-Provided</th>
<th>Responses</th>
<th>Social Welfare Center-Provided</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government grants</td>
<td>19</td>
<td>Service delivery capacity (experience, expertise, know-how, knowledge)</td>
<td>22</td>
</tr>
<tr>
<td>Administrative support</td>
<td>6</td>
<td>Volunteers</td>
<td>19</td>
</tr>
<tr>
<td>Monitoring/evaluation</td>
<td>6</td>
<td>Sponsorship (financial/in-kind assistance)</td>
<td>16</td>
</tr>
<tr>
<td>Human resources</td>
<td>4</td>
<td>Human resources</td>
<td>15</td>
</tr>
<tr>
<td>Information</td>
<td>3</td>
<td>Relations with local residents</td>
<td>11</td>
</tr>
<tr>
<td>Links with governments/district representatives</td>
<td>1</td>
<td>Support from NGOs (funds, manpower, information)</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Buildings of the centers</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ties with local community</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Networks with the centers</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Activists</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Profits from profit-making business (fees/service charges)</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Equipment</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Political resources</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Affiliated facilities of centers</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Networks with local welfare organizations</td>
<td>2</td>
</tr>
</tbody>
</table>

In comparing Table 17 and Table 18, it is interesting to note that no public officials mentioned the facilities of social welfare centers and affiliated facilities as resources of social welfare centers whereas a majority of workers in the centers mentioned the facilities as their resources. All eleven public officials regarded government grants as a resource of governments that were brought to the contract management process, while only one public official included grants in the list of resources that social welfare centers invested in contracting. In particular, when nonprofit workers were asked to enumerate a list of resources provided by governments, almost all of the workers began with grants, which reflected a top priority among resources. In fact, all workers pointed to a substantial amount of government grants as a primary resource for contracting. Among workers who stressed the importance of financial resources in contracting,
several workers further addressed that district governments also put a value on the financial aspect in contracting. For example:

It seems to me that district government regards fiscal integrity of operating welfare organizations of social welfare centers as a top priority in deciding a contracting party and contract renewal. Governments prefer well-known large welfare organizations because of financial support offered to social welfare centers in delivering services. 1SWC

From the government side, fiscal integrity of operating welfare organization is one of the essential resources, judging from the fact that government awards high points to the indicator of financial capacity in the processes of contractor selection, contract termination, and contract renewal. 4SWC

Both public officials and workers in social welfare centers agreed on the importance of human resources (volunteers, activists, sponsorships), resource capacity (expertise, experience, know-how), and organizational resources (relations with local residents, ties with local community, networks with associations of social welfare centers/social workers, supports from local welfare networks) that were specific to social welfare centers. In particular, almost all workers in the centers described volunteers as a critical resource in that social welfare centers rely substantially on volunteers for direct contacts with clients. The competition for volunteers can be intense among social welfare centers in the same district and most centers find it difficult to engage volunteers in persistent volunteering. Thus, social welfare centers devote more resources to volunteer management and training in order to obtain a stable source of good volunteers. As another crucial human resource, four respondents mentioned activists.61 To social welfare centers, activists and volunteers are crucial resources in identifying emerging welfare needs and offering solutions, either temporarily or on a long-term basis. Although social workers perform on-site visits to examine welfare needs of clients for case management and risk management, their availability is limited and therefore, social welfare centers depend on

61 Activists are defined as enthusiastic persons who play more leading roles in service delivery than normal volunteers and have more than ten-thousand hours of volunteering.
volunteer services and volunteer leadership.

Similar to the way in which five public officials stated resource gaps between district governments and social welfare centers in terms of human resources, several workers in the centers also explained the characteristics of their resources and resource gaps between the two parties:

I wish that social welfare centers could have legal supports by solving the problems in contracting laws. It is widely known that there are some flaws in contracting laws which put social welfare centers in unfavorable positions. In comparison with district government, social welfare centers have no sufficient legal resources, particularly regarding contract status. If government decides contract termination, that’s it. What can we do? 5SWC

From the side of a social welfare center, there are more favorable environments because of a lot of opportunities for education and training related to contract management for social workers. In my case, I took useful online classes through the website of Information System of Social Welfare Facility run by the Ministry of Health and Welfare. 6SWC

Our welfare organization delivers contracted services in several social welfare centers across the country, so we can exchange information and resources among social welfare centers. Each district government has a different number of public officials who belong in social welfare position. It is evident that public officials in general positions have less knowledge, expertise, and skills for contracting. In reality, those who work for the department of social welfare are not all in social welfare position. 9SWC

Although social welfare centers have high turnovers in social workers, long contracting experience make social welfare centers have organizational learning that can be used in managing contracted services in the form of manuals, rules, guidelines, or casebooks. In my personal opinion, high turnovers in social workers does not necessarily bring about negative influences because social workers who move to new centers have experience, trial-and-error, and lessons acquired in the previous centers that can be of great help to new centers. 12SWC

As four public officials mentioned, four workers in social welfare centers also placed greater emphasis on the value of resources associated with networks among both social welfare centers and social workers. The Korea Association of Social Welfare Centers and the Seoul Association of Social Welfare Centers play critical roles in delivering public policy recommendations to governments, offering both education for volunteers and training for social workers, publishing a series of educational materials, and proposing guidelines and advice for
the operation of social welfare centers and the management of welfare programs. As noted in the exemplary comment below, social welfare centers made the most of resource environments in which the centers are embedded under contracting:

Especially, I like to focus on resources such as the Korea Association of Social Welfare Centers and the Seoul Association of Social Welfare Centers. The Korea Association of Social Welfare Centers offers regular mailing services to all social welfare centers across the country and regular meetings twice a year. The four branches of the Seoul Association of Social Welfare Centers have regular meetings quarterly and social welfare centers in the same district have regular meetings once a month. All kinds of meetings provide a chance to communicate, exchange information, build networks, and make a voice together so that social welfare centers can have political influence. 8SWC

All respondents of social welfare centers expressed their preference for more grants from governments for the reason that grants are not sufficient enough to manage social welfare centers and contracted services. They regard grants as an important resource and as the most attractive incentives for social welfare centers. Their opinions are identical to the statements of several public officials that all social welfare centers want more grants to cover their operating costs and extend the scope of services. When workers in the centers were asked about significant resources for effective contracting, most workers indicated an equivalent necessity to a variety of resources, except for some workers who underlined the importance of human resources. The first quote describes constrained human resources of social welfare centers and the second comment highlights human resources of the operating welfare organization of the center in addition to the restraints on human resources:

I think human resources are precondition for the operation of social welfare centers and the management of welfare services. In fact, there are low satisfaction and high turnovers in social workers because of low wage, overwork, little chances of promotion, and a lack of welfare benefits. It points out what kinds of resources are necessary for social welfare centers to effectively do their jobs. 14SWC

In the contract management process, our center can receive a great deal of support from our welfare organization because our organization has a wide variety of resources that developed by long experience in social welfare. Given that human resources are essential to provide the best quality of welfare services, our center has professional manpower, but social workers tend to
move jobs due to overwork and a lack of promotion chance. It can cost efforts and time for new social workers to adapt to new work environments, new local communities, and new service clients, and to form unity as a team among all workers, even though it is inherent limitations in most social welfare centers. 20SWC

In addition to special focus on grants, volunteers, networks with associations, and human resources, one worker emphasized the importance of the terms of a contract as a powerful resource in that contract renewal every three years hindered social welfare centers from getting a sense of job security, expanding the scope of services, and taking the initiative to try new things. In this respect, the respondent regarded a guarantee of longer contract terms (more than three years) as a key resource for contracting. In the same manner, several workers put more focus on the entire length of contracts by explaining inefficiency in short-term contracts. That is, the repeated contract renewals with longer terms of contracts are the most appealing incentives to them. Although district governments have autonomy in deciding contract conditions based on contracting laws, workers in social welfare centers raise a question of equity with respect to big differences in contract length and frequency of contract renewals across social welfare centers in Seoul City.

When the researcher asked the question about what resources district governments brought to contract management (see Table 18), most workers in social welfare centers gave a relatively short list with less than five resources whereas all workers tend to enumerate, on average, more than five resources in discussing their own resources invested in contracting. Ten\textsuperscript{62} of twenty-two workers stated more than three resources provided by governments such as grants, administrative support, monitoring and evaluation, manpower, information, and links with other governments or district representatives. The other twelve workers mentioned one to two

\textsuperscript{62} I differentiate the responses of ten workers (who stated more than three resources) from twelve workers (who stated one to two resources) because twelve workers showed different attitudes toward this question, as seen in the next sentence; twelve workers tended to mention grants after asking what the question meant and/or asking how the researcher thought about the question.
resources and showed unique responses: i.e., some workers asked what the question meant; several workers asked the question to the researcher instead of answering the question; and nine workers simply said “governments offer grants and what else?”

Summary

The common characteristic found in the responses from both parties is that they underscore the importance of human resources and organizational resources in the contract management process. In particular, most public officials addressed gaps in human resources between contracting parties and placed special emphasis to resource capacity (e.g., expertise, experience, know-how) and organizational resources of social welfare centers (e.g., relations with local residents, support from local community, networks with associations of social welfare centers and social workers) that governments lack. Most workers in the centers also recognized gaps in human resources between the two parties by describing the merits and weakness of human resources that each party possesses, with a focus on the two dimensions of their human resources; that is, social welfare centers have human resources with service delivery capacity, but unfavorable environments for continuity in personnel. In short, both parties acknowledge the limited capacity of government and the significant capacities of social welfare centers.

While most public officials enumerated a number of resources that social welfare centers invested in contracting, workers in social welfare centers listed a relatively small number of resources provided by district governments, which indicates different perspectives on resource investments by the other party. The noticeable finding in the responses from nonprofit workers is that almost all put a top priority on government grants as a key resource. And, a majority of workers mentioned facilities of social welfare centers and affiliated facilities as their resources invested in contracting, whereas no public official mentioned the facilities as resources of social
welfare centers. Judging from the position of district governments, public officials regarded both grants and facilities of social welfare centers as resources of governments, not as resources of social welfare centers, even though governments awarded contracts with grants to social welfare centers and let them operate and use the centers. This argument displays the subtle difference in the viewpoints of each contracting party on the ownership of resources in contracting relationships. Also, this can be understood by the inherent nature of principal-agent relationships in that principals mostly pay for the facilities.

In terms of resource investments in contracting, most public officials reported that both district governments and social welfare centers provided all the appropriate resources in contracting. By contrast, most nonprofit workers thought that they delivered services investing all available resources, but district governments did not invest all resources; i.e., they expected district governments to provide more grants, more public officials in charge of contract management, and more information. Unlike the agency theory assumption of moral hazard, public officials observed that social welfare centers did not use information or act opportunistically in their own interests in light of their resource investments. The assessment is based on their observations that social welfare centers focus on achieving good performance using all resources in order to: receive awards and prize money as a result of evaluation; increase the chances of contract renewals; keep long-term contracts; and maintain reputation and recognition from external organizations for securing future funding and legitimacy. These findings indicate strategic behavior of social welfare centers to ensure organizational survival as resource dependence theory predicts.

**Power and Dependence on Resources**

Table 19 outlines how public officials and workers in social welfare centers think about
the interview statement presented by the researcher. In Table 20, the independent samples t-test suggests that the difference between the two groups is statistically significant at \( p < .001 \).

Table 19: Interview Responses to Power and Dependence on Resources

<table>
<thead>
<tr>
<th>Statement: Contracting relationship is unequal because government provides funding. (Government has more power than social welfare centers because of grants)</th>
<th>Public Officials (N=11)</th>
<th>Workers in Social Welfare Centers (N=22)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disagreed</td>
<td>8</td>
<td>Disagreed</td>
</tr>
<tr>
<td>Agreed</td>
<td>0</td>
<td>Agreed</td>
</tr>
<tr>
<td>Partially agreed</td>
<td>3</td>
<td>Partially agreed</td>
</tr>
</tbody>
</table>

Table 20: Independent Samples T-Test

<table>
<thead>
<tr>
<th></th>
<th>M</th>
<th>SD</th>
<th>t-value</th>
<th>( p )</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public officials</td>
<td>1.27</td>
<td>.467</td>
<td>-4.411***</td>
<td>.000</td>
</tr>
<tr>
<td>Workers in social welfare centers</td>
<td>2.36</td>
<td>.953</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*** \( p < .001 \)

**Perspectives of district governments on power and dependence on resources**

When public officials were asked to provide their opinions on the interview statement (contracting relationship is unequal because government provides funding or government has more power than social welfare centers because of grants), most public officials disagreed with the statement. In describing the relationships in terms of resources and power, two public officials began by comparing the conditions of the past and the present. They reported that governments were commonly regarded as more powerful and dominant than the private sector in the past, but it has changed and is not working that way anymore. Three of eleven public officials showed partial agreement presenting their own arguments while eight public officials disagreed with the statement focusing on three reasons. This is consistent with findings about resources
emphasized in the summary of previous section. The first reason for disagreement raised by three public officials is that governments depend on resources of social welfare centers such as organizational resources, financial resources, and resource capacity:

The operating costs of senior welfare centers are fully covered by governments whereas the expenses for managing social welfare centers are partially covered by governments. In this sense, I do not think that social welfare centers have a high level of dependence on governments because of grants. Rather, governments prefer nongovernmental organizations with financial strength as contracting parties in that district governments include financial capacity in the selection criteria of contractors and award high points to the indicator of financial capacity. It shows the government’s dependence on financial resources of operating welfare organizations of social welfare centers. 9DG

Grants do not empower public officials to arbitrarily control social welfare centers occupying predominant positions. According to contracting laws and district ordinances, governments guide social welfare centers to deliver contracted services by means of monitoring, audits, and evaluation. Social welfare centers have a long history of welfare service delivery on a local basis, so they have a variety of resources, manpower, and capacity that can empower social welfare centers and we can depend on their resources. 10DG

The second reason for disagreement was explained by two public officials who concluded that the types, influences, and quality of resources did not determine the balance of power distribution. Their argument reveals more balanced views by acknowledging specific and advantageous sources of power belonging to each contracting party, regardless of relative importance. This contrasts with two public officials who focused solely on government’s dependence on resources of social welfare centers without explaining the influences of grants or government’s powerful resources.

In the contract management process, district government has more decision authority than social welfare centers and social welfare centers do what the government let them do and what contracting laws and district ordinances prescribe, without much room for discretion. But, it is evident that social welfare centers are managed with their various resources that governments mostly lack. So, the government depends on resources of social welfare centers in contracting relationships such as financial and personnel supports from their welfare organizations, expertise, volunteers, sponsorships, close relations with local residents, and networks with associations of social welfare centers. 8DG

District government has more decision authority than social welfare centers such as decisions about contractor selection, contract renewal, corrective measures, monitoring, and audits. On the
other hand, social welfare centers can have autonomy in executing welfare services, programs and case management within the limit of contracting laws and district ordinances and have a variety of resources used in local community that governments lack. 11DG

The third reason for disagreement with the statement indicates different descriptions of contracting relationships in light of power and dependence on resources. In contrast to the opinions of 8DG and 11DG, one public official did not admit government’s decision authority as an advantageous source of power and resources for this reason:

Social welfare centers may think that the government is in a more superior position in terms of decision authority related to contractor selection, contract termination, and contract renewal. But, the reality shows that most district governments in Seoul City tend to repeatedly renew contracts with current nonprofit welfare organizations. It is because there are not many organizations equipped with all necessary resources and capacity for contracting. This is one of the powerful advantages for large welfare organizations with long experience in contracting. 3DG

The other two public officials disagreed with the statement in that power and dependence with respect to resources between contracting parties was not one-way but a two-way flow. They began their arguments with explanations of why governments decided to contract with social welfare centers, which were exchange relations between government grants and service delivery capacity of social welfare centers. It means that as social welfare centers rely to a substantial degree on grants and public facilities of governments, the governments also rely on a variety of resources and capacity of social welfare centers in the contract management process. The exemplary response gives a comprehensive account of mutual resource dependence between the two parties:

District government and each social welfare center in our district have different types, scope, and quality of resources and power utilized in the contract management process. In terms of financial resources, all social welfare centers depend on grants from the Seoul City Government and district governments that are used to cover operation expenses, welfare benefits for workers, personnel expenses, and program expenses. In terms of physical resources, all social welfare

63 The response proves Saidel’s (1991) argument that the lack of alternative sources of resources and capacity is a key dimension of dependence between public agencies and nonprofits (p. 545).

64 This is parallel to resource dependence theory, especially to Saidel’s (1991, 1994) research findings through resource interdependence framework.
centers depend on buildings of the centers, affiliated facilities, equipments, or public spaces. District government depends mainly on human resources of social welfare centers such as social workers, volunteers, sponsors, local welfare networks, and networks among social welfare centers as well as expertise, long experience, and skills related to the operation of centers and management of welfare programs. Depending on the types of resources, governments and social welfare centers have interdependent relationships through contracting. 6DG

On the other hand, three public officials partially agreed with the statement that government funding made unequal relationships and with government having more power than social welfare centers, but each public official offered different arguments. One public official raised a possibility of unequal relationships by describing two sources of power influencing the balance of contracting relationship such as grants and decision authority:

My answer is yes and no. The government grants and decision authority to choose contractors and renew contracts can lead to unequal relationships with social welfare centers. Because of grants, social welfare centers have to adhere to guidelines of governments, respond to all requests from governments, and cooperate with monitoring and evaluation without exceptions. On the other hand, it is common that social welfare centers operated by the same welfare organizations repeatedly received renewed contracts as long as the center does not violate laws such as embezzlement of government funds. This common trend leaves room for doubts about unequal relationships between the two. 7DG

Another public official pointed out mutual needs for both contracting parties and the government’s superiority over social welfare centers in terms of power:

The government needs the private sector, especially nongovernmental organizations for the provision of social welfare services for many reasons. Nongovernmental organizations need government grants to operate social welfare centers and to fulfill their mission by helping the needy in local community. Both contracting parties need each other for accomplishing their own purposes, which cannot necessarily make unequal relationships as compared to the case where only one party needs the other. Basically, social welfare centers have to follow the directives of a chief of district governments prescribed in contracting laws and district ordinances. And, social welfare centers have to respond to all requests from governments and cooperate with government’s monitoring, audits, and evaluation. It shows that the government has more authority and leverage than social welfare centers. 4DG

The third public official addressed the concept of public-private partnerships in explaining contracting relationships through the lens of power and resources. In addition to this respondent, two more public officials mentioned public-private partnerships stating that there
had been a growing need for public-private partnerships and governments could not function alone in the area of social welfare, so the public-private partnerships were inevitable. The following comment underlines a necessity for discussing contracting relationships from the angle of cooperation instead of the angle of power balance:

To some degree, the government grants can make unequal relationships between contracting parties. But, it does not matter in contracting relationships whether it is equal or unequal. I am wondering if equal relationships are desirable for contracting. The most important thing in contracting relationships lies in willingness to cooperate with the other party. In the area of social welfare, public-private partnerships are important in implementing social welfare policy such as case management, risk management, visiting services, and training for volunteers. So, the relationships need to be discussed by the degree and quality of cooperation in the contract management process, not by the notion of power. 5DG

**Perspectives of social welfare centers on power and dependence on resources**

Fifteen of twenty-two workers agreed with the interview statement (contracting relationship is unequal because government provides funding or government has more power than social welfare centers because of grants), though the degree of agreement varied among the respondents (see Table 19). In explaining the reasons for agreement, some respondents focused on the effects of government funding on social welfare centers. Other respondents added other sources of power from the government side such as decision authority related to the entire scope of contract management, administrative authority, discretion, legal resources, national information system, political influences, and management strategies including monitoring, audits, and evaluation. For example, as seen in the two quotes, most respondents observed that government’s decision authority in contractor selection, contract termination, and contract renewal brought about unequal relationships between the two parties:

Government takes a bit favorable position than social welfare centers in that government makes a final decision over who get contracts in the first place. Especially, when district government decides to terminate a current contract and award it to a new organization, the government can make a rule for employment buyout prescribed in a contract document as a condition for bids. This kind of decision affects job security of social workers and personnel policy of social welfare
I think that unequal relationships are attributed to government’s power to decide the terms of a contract and to decide whether a contract is renewed or terminated because it significantly influences social welfare centers in many ways. 17SWC

Two respondents of social welfare centers attributed unequal relationships to the problems in contracting laws and district ordinances, especially for contractor selection and contract renewal. In district ordinances, most district governments have provisions on the processes of contractor selection and contract renewal including evaluation criteria and the establishment of a contractor selection deliberative commission (e.g., membership, roles), although most provisions are, to a large extent, brief and ambiguous with no details. This leaves much room for government’s decision authority and power:

One of the main problems in contract management is a lack of clear stipulations in the district ordinance on establishment and operation of social welfare facility regarding the contractor selection process. District government has discretionary authority to set the rules for the selection process, which has huge impacts on us. District government does not have different evaluation rules for the two cases. The first case is a new contractor selection when a current contract is terminated and the second case is contract renewal of a current contractor after the term of a contract is expired. In comparison, the second case does not need a lot of documents. According to government’s decision about evaluation rules, social welfare centers can save a waste of time and a pile of documents. 13SWC

As a contract document prescribes, social welfare centers are unilaterally charged with a set of tasks and responsibilities as compared to district government. In our case, before the district ordinance were enacted, it was totally up to district government in making decisions about contract management instead of following other contracting law. District ordinance still leaves much room for a chief of district government to exercise discretion on contract management. For instance, a chief of district government can set additional criteria for contractor selection, recommend or appoint a member of contractor selection deliberation commission, and force social welfare centers to obey his command. The government has more legal power, political power, administrative power, and decision power than social welfare centers. 15SWC

Four respondents of social welfare centers explained unequal relationships in terms of government’s political resources, in addition to decision authority and government funding. They introduced the cases where contracting was used to serve political purposes by political actors and where political resources affected both governments’ contract decisions and contracted
service management of social welfare centers. In particular, the third observation calls into question the fundamental autonomy of nonprofit organizations. In a book titled “America’s Nonprofit Sector: A Primer,” Salamon (1999, p.11) argues that “self-governing” is one of the defining characteristics of the nonprofit sector.65

The government’s authority to decide and replace a contracting party makes unequal relationships between the two parties. The position as a chief of district government is vulnerable to call in political or personal favors. There are obvious reasons why district government selects a certain nongovernmental organization or terminate a certain contract. Among the reasons, it is possible for political or personal motives to work in the contract management process in reality.

The provision of grants is not the only reason that government has more power than social welfare centers. I have experienced the cases where elections influence the direction and details of contracted services in social welfare centers. According to the policy orientations of a mayor of Seoul City or a chief of district government, social welfare centers cannot help changing their business plans whenever elections end. I think that political influences cannot make equal relationships between the two.

On average, 50-60 directors of social welfare centers across the country are replaced every year because of political purposes, especially right after the election. We cannot deny that district government (especially, a chief or high-ranking public officials) have more political resources than social welfare centers that can affect personnel management of social welfare centers.

A considerable number of respondents in social welfare centers discussed the level of dependence on resources between contracting parties by the notion of gab-eur relationships with different focuses. First, two workers gave detailed descriptions of their contracting relationships, which were characterized as gab-eur relationships, with a focus on the issues of contract termination, contract renewals, and the terms of a contract. The two responses below also display

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65 Salamon presents six defining characteristics of the nonprofit sector: self-governing, organizations (institutionalization), private as opposed to governmental, non-profit-distributing, noncompulsory (free choice in participation), and public benefit (pp. 10-11).
66 In general, nonprofit welfare organizations with whom governments contract appoint directors of social welfare centers. But, as a few respondents of social welfare centers mentioned, an executive director and/or the board of directors of a nonprofit organization is subject to political and/or personal influences by politicians, high-ranking public officials, elected officials, and donors in terms of decision authority over human resources (e.g., appointment of directors or middle managers in social welfare centers).
resource gaps between the two parties, which can be depicted as dominant position of the
government with more power:

I think that, to some degree, gab-eur relationships between the two still exist in terms of contract renewal. When district government reviews contract renewal every three years, social welfare centers have no influence on it. In fact, three years are not long enough to maintain the continuity of welfare service provision, when considering the characteristics of human services. Social welfare centers have to waste a lot of time, paperwork, and manpower to prepare for contract renewal every three years. 4SWC

The government has authority to decide the amount of grants, the selection of contractors, the renewal of a contract, and administrative measures for the results of monitoring. I have heard of the case where a chief of district government arbitrarily cancelled contract renewal. It is not difficult for district government to present manufactured reasons for contract cancellation. They can easily prepare new criteria for contract renewal, regroup the deliberative commission for contract renewal, or file lawsuits. On the contrary, social welfare centers do not have any decision authority that can significantly influence governments. In this respect, it seems to me that gab-eur relationships still remain in this area. 6SWC

Second, two workers in social welfare centers explained their contracting relationship as gab-eur relationships in terms of government’s administrative and management authority associated with monitoring, evaluation, and corrective measures. They added that the two types of government’s authority were based on legal resources guaranteed by the Social Welfare Services Act, district ordinances, and contract documents. These two quotes offer explanations for unequal relationships:

I think the monitoring and evaluation systems of governments themselves make contracting relationships unequal because governments monitor and evaluate social welfare centers, not the other way around. I heard that in the case of uncooperative relationships, workers in social welfare center got the feelings that monitoring and evaluation was used as a tool to watch and control workers in the center. Monitoring should not simply aim to find errors and mistakes instead of investigating the quality of delivered welfare services. Although a few things have recently changed, it seems to me that gab-eur relationships still remain in our contracting relationships, to some degree. 5SWC

I think there remains a certain aspect of gab-eur relationships in the contract management process. The government can impose administrative measures or take legal actions according to the results of monitoring, audits, and evaluation. Also, the government can assess all social welfare centers by ranking their scores and give rewards to the top-ranked centers, which are open to the public. 12SWC
Third, in discussing the character of gab-eur relationships in their contracting relationships, two nonprofit workers proposed more extensive scope for government’s authority and resources that affect the power balance of contracting relationships:

The government assigns different amounts of grants to respective social welfare centers, performs monitoring and evaluation activities, manages information system of personal data, and decides contracting parties and contract renewal. Especially, from the perspective of social welfare centers, the three-year term of a contract is too short to maintain the continuity of service provision and design a long-term management plan for the center. It makes social welfare centers depend heavily on decisions of the government. As you can see in a contract document, there is a sign of gab-eur relationships in contracting relationships.

The government sets the amount of grants, chooses a contracting party, reviews budget plans and business plans of social welfare centers, and conducts monitoring and evaluation. Social welfare centers can draw up budget plans and business plans with some degree of autonomy, but these plans can be revised by district government according to its policy orientation or political reasons. In light of government’s power, I can say that there is an indication of gab-eur relationships in our contracting relationships.

On the other hand, two workers in social welfare centers explained the transformational process from gab-eur relationships to more equal relationships, while others simply mentioned the presence of gab-eur relationships. The two respondents regarded gab-eur relationships as vertical relationships causing unequal relationships and partnerships as horizontal relationships to be desired for effective contracting. To them, the definition of equal relationships is contingent on whether government recognizes social welfare centers as partners, not just as the other contracting party who succeeded in funded contracts:

In the past, it was gab-eur relationships that social welfare centers unconditionally follow the orders from governments. But, the current situation can be described as somewhat equal relationships like a ratio of six to four (government to social welfare center), not up to a ratio of five to five yet since some welfare projects remain to be performed by top-down approach. Relationships can be determined by considering the financial aspect to some degree, but the more important factor in relationships is whether the government regards social welfare centers as experts and partners. In order to make equal relationships, it is difficult for an individual social welfare center to do something, so we make voices together through the Korea Association of Social Welfare Centers and the Seoul Association of Social Welfare Centers to exert political influence.

In the past, gab-eur relationships existed in contracting out welfare services. I cannot deny that
we feel a sense of gab-our relationships when district government excessively asks for data and paperwork and visits our center for monitoring. But, a long history of contracting makes the relationship change into more horizontal relationships between the two parties. We believe that our center plays roles in contract management as a partner to district government, but we are not sure whether the government recognizes us as partners. 22SWC

As a unique reason for unequal relationships and government’s predominant power, two respondents in social welfare centers addressed different source of government’s power such as demand for funds transferred from operating welfare organizations of social welfare centers. The following comment proves government’s position as a principal who can pressure social welfare centers for needed resources (Saidel, 1991).

When nongovernmental organizations want to contract with governments, they need to submit application forms with documents proving how much funding can be invested in social welfare centers for contracted services. Funds transferred from the welfare organizations are one of the contractor selection criteria, which indicate the relationships between the two contracting parties are not equal from the beginning. 6SWC

On the contrary, seven of twenty-two workers in social welfare centers disagreed with the interview statement (contracting relationship is unequal because government provides funding or government has more power than social welfare centers because of grants) presenting different reasons for disagreement. In particular, three respondents disapproved the possibility of unequal relationships for the reason that their welfare organizations had sufficient power and resources, so their organizations were not adversely affected by government grants and power.

The fact that district government decides a contracting party, contract renewal, and the terms of a contract is likely to empower the government. But, there is a very small pool of private organizations equipped with necessary resources and capacity for contract management and the operation of a social welfare center. In reality, it is widely known that our social welfare center has contracted with district government for a long time. It is highly likely that no other organizations apply for open bids in the case of a new contractor selection and it enables our center to get contract renewal again. 3SWC

The government assigns grants and has discretionary power to decide a number of issues related to contract management, which influence social welfare centers. But, some nongovernmental welfare organizations have sound financial and organizational structures, professional manpower, know-how, expertise, and long experience that can be survived without government grants through contracting, although contracts with governments can be of great benefits to the
As noted in the quotes above, in the case of operating welfare organizations of social welfare centers with healthy financial status, extensive organizational structure, professional manpower, and experience of contracting, the responses indicate a low level of dependence on government grants and full agreement with the statement that grants do not necessarily make unequal relationships. Interview respondents in favor of this argument tend to emphasize various resources that social welfare centers can utilize in contracting (e.g., experience, expertise, volunteers, sponsorships, familiarity with clients, close ties with local residents, support from local community, and networks with associations of social welfare centers), which are specific to social welfare centers. According to their arguments, these types of resources make it impossible to argue for government’s predominance over social welfare centers.

In the same vein, four respondents of social welfare centers disagreed with the description of unequal relationships in that government and social welfare centers need each other for contracting and power and dependence on resources between the two is mutual. They acknowledged that each contracting party has its own power and resources and put the same focus on power and resources of both parties in terms of importance. To social welfare centers, government’s power including grants, decision authority, monitoring, and evaluation makes it more imperative to secure more specific and various resources as their leverage in contracting relationships. The exemplary observation below represents the argument that mutual dependence on resources between contracting parties does not necessarily make unequal relationships:

The government and social welfare centers have different kinds of resources and power in the area of contracting. District government selects a contracting party, assigns the grants, monitor the contract management of the centers, requests data, and decide to terminate a contract. Social welfare centers are operated by nongovernmental organizations with resources and power such as long experience, expertise, manuals, close ties with local residents, and support from sponsors, volunteers, and district representatives. I think social welfare centers depend on resources and power of governments and vice versa. 14SWC
Summary

When the researcher asked about the general descriptions of relationships at the beginning of interviews, both contracting parties mostly described their relationships as official, work-related contracting ones based on legal contract documents. After asking questions about resources, power, and dependence on resources, the researcher found that, for the most part, relationships were depicted as more than official and legal contracting ones. Rather, more diverse dimensions were added to their descriptions of the relationships (e.g., power/dependence, authority, equality, dominance, advantageousness, or gab-eur relationships). This shows a set of factors determining the attributes of government-nonprofit relationships as many scholars and resource dependence theory identify.

Regarding the interview statement (contracting relationship is unequal because government provides funding or government has more power than social welfare centers because of grants), a majority of public officials (eight out of eleven) disagreed with the statements with partial agreement by three public officials whereas a majority of workers in social welfare centers (fifteen out of twenty-two) agreed with the statement. Most public officials denied unequal relationships for the reason that district governments recognized the value of resources and power of social welfare centers and relied on resources and power of the centers, which made interdependent contracting relationships. Several public officials considered government’s decision authority in contractor selection and contract renewal as a source of power, while others did not regard decision authority as a source of power and a factor influencing the power balance of contracting relationships.

In the contract management process, government and social welfare centers with varying degrees of resources and power have different levels of dependence in their contracting relationships. Larger welfare organizations with resources and expertise necessary to manage
social welfare centers indicate less dependence on resources of the government. However, smaller welfare organizations with short-term contracting experience tend to rely substantially on government’s resources and decisions about contractor selection and contract renewal. Interview respondents from both contracting parties show a tendency to assess the level of dependence on resources of the other party by considering the variation across types of resources, instead of making a generalization (e.g., one party depends on all resources of the other party).

Most workers in social welfare centers depicted unequal relationships and government’s dominant power as a result of government grants and other sources of power (e.g., decision authority, political resources, legal resources, monitoring, audits, evaluation, or national information system). More specifically, some respondents explained government’s dominant power over social welfare centers by the notion of gab-eur relationships in the area of contract decisions and administrative, management authority. By contrast, seven workers in the centers refuted a unilateral generalization about unequal relationships due to grants by placing more emphasis on: the value of specific, various resources and power of social welfare centers; mutually dependent contracting relationships based on specific resources of each contracting party without priority among resources; and the need for public-private partnerships in contracting relationships.

In short, responses to power and dependence on resources from both parties reveal: (1) what types of resources each contracting party has that the other party does not possess; (2) whether the dependence on resources of the other party is one-way or a two-way flow; and (3) whether each party regards dependence on resources (especially, a critical resource such as funding) as a basis of power, as resource dependence theory predicts.
Communication

Perspectives of district governments on communication

The researcher asked about (1) how public officials communicate with social welfare centers; (2) how often they communicate; (3) what subjects are discussed in communication; and (4) how easily and in how timely a manner they communicate. The responses of public officials to these four questions are very similar among all eleven public officials. The subjects for communication are all work-related issues without personal character. In general, all public officials communicate with workers in social welfare centers to ask questions, get answers to their questions, request and receive data, information, and reports, and schedule meetings or events. In terms of frequency of communication, almost all public officials tend to contact with workers in the centers on a frequent basis, whenever necessary. On average, most public officials contact social welfare centers on a daily basis and some of them contact twice a day.

The methods for communication used by public officials are telephone, email, and meetings. Six public officials mentioned all three methods used for their communication and all eleven public officials mentioned more than two methods used in communicating with social welfare centers. Several public officials made it clear that they did not personally meet workers of social welfare centers. A majority of public officials depicted regular meetings for contracted services such as case management, risk management, or a variety of welfare projects as a communication channel. Additionally, two public officials introduced the commemorative event for the Social Welfare Day aiming for boosting the morale of nonprofit workers and developing professionalism of contract management by holding workshops, open forums, and sports day.

One respondent revealed unique viewpoint on the features of this communication channel:

During the Social Welfare Week, our district government holds commemorative events to encourage workers of social welfare centers to do their job with pride. Although we meet workers of social welfare centers outside, it is not personal but the extension of work. 1DG
When the researcher asked about the quality of their communication with social welfare centers, all eleven public officials evaluated their communication as easy and timely without serious problems. The responses to the question about the possibility of contracting problems due to communication reveal that eight public officials put a special emphasis on the significance of communication, along with different arguments. The following four exemplary quotes describe critical roles of communication in contracting:

Communication occurs between person and person, so the problems in communication can obstruct what both contracting parties do. In order to avoid misunderstanding, I try to take time to discuss all issues on contracted services in detail, offering clear directives, and reaching mutual agreement. 2DG

Our department needs to identify the differences across social welfare centers in our district in terms of local welfare needs, clients’ characteristics, obstacles to contract management, and demands for welfare programs in order to coordinate the direction and focus of government’s welfare policy and assign different types and levels of resources to each social welfare center. This is why frequent and open communication is crucial for both contracting parties. 3DG

Contracting is one of the forms for public-private partnerships, so both parties need to understand the work reality of the other party through effective communication. 9DG

Communication is essential to keep public officials posted on the processes of welfare service delivery in social welfare centers and to remind social welfare centers of their roles and responsibilities. 10DG

Among eight respondents of district governments who focused on the importance of communication, one respondent narrated the experience of district government with a view to underlining the crucial roles of communication in contracting.

Judging from the experience of our district government, a lack of proper communication between contracting parties can cause misunderstanding and social problems involving lawsuits. Our district government experienced that the welfare organization of a social welfare center made a petition to the Seoul City Government and the Ministry of Health and Welfare by reason of fairness and equity in the contract renewal process after failing in contract renewal. In addition, the social welfare center filed lawsuits and appealed to the media. This example shows why communication is important for both contracting parties and how communication affects the formation and maintenance of trust between the two parties. 4DG

With respect to the question—whether contracting problems occur because of
communication– four public officials brought up the significance of cooperation and organic relations between cooperation and communication between contracting parties. They stated that contracting problems could occur in the event of a lack of coordination and cooperation between the two parties. The observation below summarizes the argument:

In the past, the provision of social welfare services was regarded as unilateral aid by the government, but cooperation between the government and the private sector is essential to meet a variety of welfare needs of local residents on the spot, considering the changing area of social welfare. In this regard, communication between the two contracting parties needs to be smooth, open, and limitless as far as contract management is concerned. 11DG

One of the interesting comments addressed by five public officials exhibits how they assess their communication with social welfare centers in terms of obstacles to communication and attitudes toward communication. Three respondents discussed obstacles to communication from the standpoint of social welfare centers; that is, most workers in the centers suffer from overwork and paperwork due to a number of requests for documents and reports from governments at all levels, national assembly, city council, and welfare foundations. In this regard, they all expressed “I get the feeling that they are not so happy about my requests.” Similarly, one public official commented on the lack of chances to meet workers of social welfare centers except for official meetings and then said that “I get a sense of distance from the other party and I guess it would be the same to social welfare centers” (11DG).

On the other hand, two respondents explained obstacles to communication from the position of district governments. Based on their personal experience, they argued that workers in social welfare centers did not have much understanding of how the public sector works and how differently government operates in comparison with social welfare centers. One respondent additionally stated the effects of length in contracting relationships on communication:

In the case of short-term working relationships between public officials and social workers, it is difficult to freely talk about troubles and restrictions on contract management that both parties
Perspectives of social welfare centers on communication

Like interview responses of district governments, the responses of social welfare centers to the question about communication in terms of subjects, methods, and frequency are very similar among all twenty-two workers. The subjects for communication are not personal, but, strictly work-related issues with a focus on welfare organizations of social welfare centers, operation of social welfare centers and affiliated facilities, and management of welfare services and programs. In general, they communicate with public officials to ask questions, get answers to their questions, request and receive data and guidelines, and schedule meetings or events.

The methods for communication used by workers in social welfare centers are telephone, email, and meetings. Nine workers mentioned all three methods used for communication and all twenty-two workers mentioned more than two methods used in communicating with district governments. Most workers responded that they usually communicate with public officials by phone on a frequent basis. They also introduced regular meetings for case management, case management system of public-private partnerships, risk management, or a variety of welfare projects. The frequency of meetings varies across the purposes of meetings and social welfare centers, but, on average, they have meetings once a month.

In terms of frequency of communication, most workers in social welfare centers contact public officials whenever it is necessary. One respondent observed that social workers tend to have frequent communication with public officials because they face a wide variety of cases in the field. The difference between responses of public officials and those of nonprofit workers lies in the direction of communication (i.e., who mostly contacts whom?). Six workers explicitly stated that in order to request data or reports, district governments tend to initiate contacting
social welfare centers on a frequent basis rather than the case where they initiate making phone calls to public officials.

When the researcher asked if it was easy to communicate with public officials, most workers in social welfare centers described their communication as easy and timely without serious problems, except for three respondents. The following three descriptions mirror their dissatisfaction about the quality of communication that results from the characteristics of human resources in district governments:

I sometimes found it difficult to receive feedback from public officials. It takes time to get information and answers from them. I have dealt with several public officials so far and I think their excessive workloads prevent them from offering feedback in a timely manner. 1SWC

From my experience, it takes time to accomplish the purpose of communication, especially when I deal with a public official who is new to the department of social welfare without educational background in social welfare. I guess it is because district government has to communicate with a large number of social welfare facilities in our district including several social welfare centers, while our center communicates with one district government. 4SWC

The degree of how easy and timely our communication with district government depends on who is a public official in terms of position type and communication style because I usually talk to several public officials. 6SWC

**Perspectives of social welfare centers on obstacles to communication**

The three responses above are closely related to the responses to the interview question about obstacles to communication between contracting parties. A majority of nonprofit workers described the factors influencing the quality and features of communication in light of governments’ human resources. As noted in the second quote above, they recognized substantial variation in the quality of communication across work history of public officials; that is, most public officials work for the department of social welfare for a short time because of government personnel policy, especially when comparing with workers in social welfare centers who have long-term experiences in social welfare or contracting. As most respondents of social welfare centers previously identified the attributes of human resources in district governments, another
variable accounting for the quality of communication is the position type of public officials:

I can tell difference in communicating with public officials in general position from public officials in social welfare position. We experienced obstacles to communication in the case where public officials in general position relatively had a low understanding of contracted services and public officials in the top position who have decision authority also belong in general position. I think public officials in social welfare position are better suitable for communication and monitoring. 21SWC

In assessing their communication with public officials, several workers in social welfare centers added another obstacle to communication, from the government side. It is interesting to find that several public officials brought up the same arguments when describing their communication with social welfare centers, which were a lack of understanding between the two parties, a wish for understanding of the other party, and a need for more effective communication.

When I communicate with public officials, I sometimes feel that they do not have a whole picture of how social welfare services are delivered to local residents on the spot. I wish they could have more chances for on-site visits to experience how contracting is actually played out in local community. 5SWC

On the other hand, there are several workers in the centers who explain the problems of communication from the relationship aspect. According to their arguments, the problems in communication are likely to occur under a certain character of contracting relationships such as gab-eur relationships rather than public-private partnerships and poor communication flows consequently give rise to contracting problems. For instance, two workers stated what types of contracting relationships are desirable for effective communication and especially, one worker (20SWC) revealed how he/she manages contracting relationships with the intention of avoiding the problems in communication:

As far as the contracting relationships are concerned, I try to inform public officials of realistic limitations that social workers face in the field and discuss how to deal with them in order to have mutual understanding and acquire all the help from district government. I sometimes make suggestions about case management in terms of procedure and methods since I have direct contacts with clients and frequently face unique cases. Depending on public officials, some of my suggestions were considered. 20SWC
I think the problems of communication can occur when the government does not recognize and treat social welfare centers as professional partners in contracted service management. If so, it can cause contracting problems ranging from contractor selection process, information sharing, monitoring, and audits to evaluation. 21SWC

Regarding the question—whether contracting problems could occur on account of communication—four workers underscored the importance of communication with district governments for different reasons. One worker provided a similar argument to the first quote below by providing an example of how communication influenced monitoring and evaluation; that is, when social workers communicated with public officials as to formats of case management and minutes for case assessment meetings in advance, they did not need to prepare new formats and reports in times of monitoring and evaluation that could save time and extra work. Other three workers said:

If there is misunderstanding or inconvenience in communication between the two parties, it could obstruct the process of contract management in terms of information sharing and administrative supports. This situation can cause damage to a social welfare center in the event of monitoring and evaluation of governments. 7SWC

I think proper communication is important in contracting relationships since both parties need to be on the same page in order to avoid misunderstanding and errors in contract management and problems of responsibility afterwards. 14SWC

I think contracting relationships require a high level of cooperation based on mutual understanding of what and why the other party is doing in the contract management process. If there are any problems in communication, it can adversely affect outcomes of contracting and both parties, especially social welfare centers in many ways. 18SWC

In assessing the quality of communication, two workers in social welfare centers gave an example of the National Information System of Social Welfare Facility. All social welfare facilities including social welfare centers are required to input comprehensive data on budget, expenditure, accounting and tax, sponsorships, receipts, service recipients, service performance, 67

67 In 2010, the National Information System of Social Welfare Facility was designed by the Ministry of Health and Welfare to standardize and streamline the systems of all social welfare facilities across the country (www.W4c.go.kr).
and personnel statistics, on a frequent basis. The data are open to central and local governments. Judging from personal experience in communicating with public officials, two respondents cast doubts about whether the National Information System of Social Welfare Facility is of any practical use:

We sometimes face the situations that public officials request data that can be found in the national information system, but we have to accept their requests if they still insist that they cannot find data in need. It makes me wonder why governments design the online information system in the first place and why we have to take time to access and input data on the system if governments do not use it. 9SWC

It seems that public officials do not want to take time to locate and organize data by accessing the National Information System of Social Welfare Facility, so they commonly request information to social welfare centers. They seem to prefer reports to data, statistics, and lots of documents because reports are organized into summary, tables, figures, and recommendations that can save time for public officials. But, think about how much time we have to spend on completing reports. 21SWC

When workers in social welfare centers were asked to answer the question about how trust was built in communication with public officials, most respondents simply indicated the presence of trust without additional reasons.68 For example, their common responses are “I believe that trust is built in our communication with public officials” or “There is no reason for us to distrust the government in communication and vice versa.” The two exemplary remarks below reveal simple explanations for the existence of trust in communication:

I think our communication with district government is based on trust because we always are ready to cooperate with public officials in the contract management process. In fact, we always respond to them in a timely manner. 17SWC

I think trust is built in our communication with district government because we have a willingness to accept all requests from them at any time. 21SWC

One worker in a social welfare center narrated a unique style of communication with district government as a way of problem solving:

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68 Their responses are very similar to the responses of public officials. Most public officials generally said “Yes, I think trust is built in communication” without additional comments.
The director of our social welfare center usually talks to public officials in the higher rank of district government, while middle managers and social workers in our center talk to public officials in charge of managing contracts below the seventh grade. When social workers fail to reach an agreement on contracting issues with public officials, the director of our center directly contacts public officials in the higher or lower rank to ask for coordination and cooperation.

Summary

In terms of subject, frequency, and methods for communication, both contracting parties presented very similar responses and the only difference could be found in the statement from the side of social welfare centers regarding the direction of communication; that is, public officials tend to initiate contacting workers in the centers to request information, not the other way around. The researcher could not find any evident indication of informal aspect of communication in light of subjects and methods for communication. Most public officials and most nonprofit workers turned out to be satisfied with the quality of communication with the other party in terms of easiness and timeliness in that they had no serious problem in communication.

However, several public officials and several workers in social welfare centers made the same arguments about obstacles to communication. Both contracting parties recognized a lack of sufficient understanding about the other party in terms of work environments, work styles, organizational characteristics, and differences between the public and private sectors. Especially, several nonprofit workers articulated their preference for more chances to meet face-to-face with public officials in order to discuss contract-related issues in more cooperative settings and to advance mutual understanding in more informal manners. These observations can be viewed within the basic assumption of agency theory that principals do not have sufficient information on agents in terms of intentions, interests, preferences, and operations. In addition, these show that agents also do not have sufficient information on principals. As serious obstacles to communication, they pointed out the limitations in human resources that each party faced in the contract management process. In particular, most workers in the centers pinpointed two obstacles
which hinder effective communication between contracting parties such as position types of public officials and short-term work history of public officials due to government personnel management policy (i.e., job rotation).

One of the noticeable responses is that one public official acknowledged contracting as a form of public-private partnerships and emphasized a need for both parties to understand the work reality of the other party through smooth communication flow. By contrast, most workers in social welfare centers claimed a need for building partnerships in contract decision making, communication, information sharing, and negotiation, beyond current management practices of district governments. Several nonprofit workers further stated that trust needs to be formed and maintained between contracting parties by creating open channels of communication and information exchange. This is for advancing mutual understanding and full cooperation in the contract management process, which serves to minimize contracting problems.

All public officials highlighted the crucial roles of communication from the perspective of how problems in communication (e.g., misunderstanding) influence contract management, contract outcomes, and contracting relationships. They also admitted the possibility that contracting problems occur because of problems in communication such as insufficient coordination and cooperation. In sum, both contracting parties agreed on the significance of communication, but workers in social welfare centers especially underscored the critical roles of communication in terms of how the impacts of communication on information exchange, government’s administrative support, contract monitoring, and contracting relationships.

**Information Sharing**

**Perspectives of district governments on information sharing**

The subjects, methods, and frequency for information sharing between district
governments and social welfare centers are very similar to those of communication since the main purpose of communication is to request and share information among contracting parties. The responses from all eleven public officials to the questions about subjects, methods, and frequency for information sharing exhibit similarities to a large extent. The subjects for information sharing cover the entire scope of contracted services ranging from the process of contractor selection to the processes of contract termination and contract renewal. In general, all public officials share information regarding contractor selection process, operation of social welfare centers and affiliated facilities, management of welfare services and programs, profit-making business, personnel management, welfare needs of local community, monitoring, audits, and evaluation. One public official mentioned that different dimensions of information sharing occurred on more than one level and in multiple arenas with variation across social welfare centers, depending on subjects and actors in information sharing. In other words, the respondent observed that when a chief of district government and a director of social welfare center have meetings in formal or informal ways, the subjects and degree of information sharing are different from the cases of information sharing between public officials at the lower rank and social workers.

Whenever it is necessary, almost all public officials contact social welfare centers to request information on a frequent basis by telephone, email, and meetings. Nine public officials mentioned all three methods used for information sharing and all eleven public officials mentioned more than two methods used in sharing information with social welfare centers. A few public officials made statements that they frequently requested information from social welfare centers, not the other way around, which corresponded to the responses from most workers in the centers. All eleven public officials introduced regular meetings for case management, risk management, or a variety of welfare projects as a means to share information in a formal way.
Additionally, one public official mentioned the community welfare council in the district that consists of public officials and workers in a variety of social welfare facilities within the district, as a vehicle to share information and to understand different conditions of social welfare facilities. Several public officials enumerated a set of formats for information sharing such as questions and answers, data, documents, official notes, reports, statistics, manuals, guidelines, legal certificates, minutes, research papers, and newsletters.

Table 21: Interview Responses of District Governments about Information sharing

<table>
<thead>
<tr>
<th>Question: What types of information do you have difficulty in obtaining from social welfare centers?</th>
<th>(N=11)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating welfare organizations of social welfare centers</td>
<td>4</td>
</tr>
<tr>
<td>Management of funds transferred from operating welfare organizations</td>
<td>3</td>
</tr>
<tr>
<td>Scope of all contracts in social welfare centers</td>
<td>2</td>
</tr>
<tr>
<td>Management of sponsorships</td>
<td>2</td>
</tr>
<tr>
<td>Supervision/evaluation conducted by social welfare centers</td>
<td>1</td>
</tr>
</tbody>
</table>

As shown in Table 21, nine public officials presented five types of information that they had difficulties in obtaining from social welfare centers. First, four public officials experienced difficulties in acquiring and handling information on the operating welfare organizations of social welfare centers in the course of contractor selection, contract renewal, and monitoring. Their observations indicate that it is difficult and takes a lot of time to gather and analyze information on the entire scope of operating welfare organizations of the centers. Most welfare organizations have large organizational structures across the country with a long history of welfare service delivery, so they generate a number of data, documents, and reports. As seen in the quote below, they also pinpointed the inherent limitations of evaluation indicators as a reason for difficulties in processing this type of information:

In the course of contractor selection, contract renewal and monitoring, we find it difficult to analyze full capacity and other qualifications of operating welfare organizations, which require a
lot of time and expertise to review extensive information and complex financial records. And, among criteria for contract selection and renewal, it is hard to gather and evaluate information on management capacity, moral integrity, and reputation, which require subjective judgment. 10DG

Second, three public officials presented difficulties in dealing with information on the management of funds which were transferred from operating welfare organizations of social welfare centers. From their experience, they found it tough and time-consuming to examine how operating welfare organizations of social welfare centers procured funds and whether they procured the funds within the legal limit, and to track how social welfare centers used the funds. One respondent of a social welfare center frankly expressed:

We have heard of corruption about management of funds that transferred from operating welfare organizations. In contracting laws, there is no provision regarding how the transferred funds are executed, so we cannot obtain and check information on this matter. We cannot know whether the funds are inappropriately used for miscellaneous expenses by directors of social welfare centers or the funds are appropriately used for covering operating costs or repairing facilities. It is not about whether we trust social welfare centers or not, but about the fact that we cannot confirm it because of flaws in the laws and realistic limitations. 9DG

Third, two public officials addressed that they found it difficult to obtain information on the entire scope of contracts with grants or funds in social welfare centers. As seen in the exemplary statement below, public officials had difficulties in monitoring because social welfare centers implemented additional welfare projects with funding secured from the public or private sectors. The interesting finding is that both parties have different opinions on this matter. While public officials regarded all contracts including contracts awarded by organizations other than governments as a subject for monitoring, workers in social welfare centers expected to limit the scope of monitoring to contracts awarded by the department of social welfare in district governments.

In addition to the Seoul City Government, the department of social welfare in district government provides grants to social welfare centers for contracting. And, several departments of central government, public corporations, welfare foundations of private firms, charity organizations, and other departments in district government (e.g., the department of welfare for the aged or the department of gender equality and family) contract out a series of welfare
programs with social welfare centers. This is why it is difficult for public officials in our
department to grasp the entire scope of services and programs with funding. When we ask
information on all contracts, we can feel that they are not happy about it and it takes time to
analyze data and documents submitted by social welfare centers. 3DG

Fourth, one public official, who stated the difficulties in processing information on the
funds transferred from operating welfare organizations of social welfare centers, added another
type of information—management of sponsorships (i.e., how the system of financial and in-kind
assistance from sponsors is managed in terms of scope, use, and accounting). The respondent
made a clear distinction between acquisition of necessary information and practical confirmation
of the genuineness of acquired information and emphasized that it had nothing to do with trust.
The response below shows a realistic description of how a public official perceives information
on sponsorship management:

Although social welfare centers submit reports on sponsorship management with evidentiary
documents, our district government cannot directly check facts about a list of sponsors, scope of
sponsors, use of sponsorships, and accounting of sponsorships. It does not necessarily mean that
we do not trust the management of sponsorships in social welfare centers, but it has realistic
limitations in monitoring their management of sponsorships. In fact, the news media often
announced a number of cases uncovered by government’s monitoring and audits such as misuse
of sponsorships, a lack of receipts issued, delay in the deposit of sponsorships, or a lack of
records for usage of sponsorships. 9DG

**Perspectives of district governments on information gaps**

When public officials were asked the question about potentially big information gaps
between contracting parties that caused contracting problems, most public officials asserted that
they shared all information with social welfare centers within the legal limit. This is consistent
with the responses of public officials to the question about a specific type of information that
district government did not want to share with social welfare centers. In particular, four
respondents (2DG, 7GD, 8GD, 10GD) assumed the presence of information gaps, while two
respondents (4DG, 5DG) denied the presence of information gaps between contracting parties. In
particular, the fifth observation clearly points to information asymmetry between district government (principal) and social welfare centers (agent) as well as strategies to deal with information asymmetry.

In order to reduce information gaps between the two parties, I think the exchanges of updated information are essential in a timely manner. 2DG

As long as social welfare centers have nothing to hide, the government does not need to have any problems with information sharing. 4DG

In the case of contracts with grants from more than two departments in district government and from the private sector, I get a sense that social welfare centers are not happy about the overlapping reporting and supervision by several public and private organizations. 5DG

We try not to have big information gaps between the two parties. This is why we frequently ask for updated information even though they are not happy about lots of requests from us. 7DG

I think it is natural that social welfare centers have more information regarding contract management and the operation of the centers than district governments. This is why we frequently request information, supervise their operation, conduct regular monitoring activities, and set the terms of contracts for reconsidering contract renewal. 8DG

I think big information gaps between contracting parties can do harm to contract management process and contract outcomes. 10DG

**Perspectives of social welfare centers on information sharing**

Like the case of public officials, the responses of workers in social welfare centers regarding subjects, methods, and frequency for information sharing are very similar to those about communication since the main purpose of communication is to ask for information among contracting parties. And, the responses to the question about subjects, methods, and frequency for information sharing indicate similarities, to a large extent, among all twenty-two respondents of social welfare centers.

The subjects for information sharing are extensive with an emphasis on the operation of social welfare centers and affiliated facilities, management of welfare services and programs, management of sponsorship, contractor selection process, local specific characteristics related to
social welfare, monitoring, audits, and evaluation. As one public official introduced the case of information sharing occurred differently depending on subjects and actors, one worker in a social welfare center narrated similar experience. When having a difficulty in obtaining information, the respondent asked for help from a director of social welfare center and the director contacted public officials in the higher rank to request cooperation. Another respondent of social welfare center mentioned an informal channel of information sharing which was information acquisition from public officials by means of “it is just between you and me.”

In terms of frequency of information sharing, almost all workers in social welfare centers contact public officials to obtain and share information, whenever it is necessary. A majority of respondents commented that, on many occasions, social workers receive requests for information from district governments because social workers faced various cases in the field that demanded updates. In line with the responses of several public officials, nine workers experienced that district governments usually request information from social welfare centers on a frequent basis, not the other way around. Among methods for information sharing—telephone, emails, and meetings—nine respondents mentioned all three methods used for information sharing and all twenty-two respondents mentioned more than two methods used in sharing information. Most workers responded that they usually shared information by phone on a frequent basis. They also regarded regular meetings for case management, case management system of public-private partnerships, risk management, or a variety of welfare projects as a means to share information between contracting parties.
Table 22: Interview Response of Social Welfare Centers about Information Sharing

<table>
<thead>
<tr>
<th>Question: What types of information do you have difficulty in obtaining from district government?</th>
<th>(N=22)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal data of local residents</td>
<td>6</td>
</tr>
<tr>
<td>Processes of contractor selection and contract renewal</td>
<td>3</td>
</tr>
<tr>
<td>Sources of external resources</td>
<td>2</td>
</tr>
<tr>
<td>Revisions of district ordinances</td>
<td>2</td>
</tr>
<tr>
<td>Management of sponsorships</td>
<td>1</td>
</tr>
</tbody>
</table>

When the researcher asked if workers in social welfare centers had difficulties in obtaining information from district governments, twelve respondents discussed five types of information (see Table 22). First, six respondents experienced difficulties in acquiring information on personal data of local residents in the district when performing case management and risk management. They put special emphasis on the necessity for personal data in order to identify needy clients and provide services that were essential for case management system of public-private partnerships. They understood legal constraints on personal data system of the governments and, at the same time, they expected district governments to actively attempt to do something for social welfare centers. The response typifies the arguments of other five respondents:

I have much difficulty in obtaining information on personal data of service clients from district government such as age, address, education, medical history, family history, welfare benefits, income, and property. In order to perform case management and risk management, it is essential to get private data on clients, but the government unconditionally refuses to provide data by the reason of the Privacy Act. It makes the case management system of public-private partnerships a mere formality and impossibility of realization. If the government declines to provide information on clients, we do not have any alternatives. I think that only for the purpose of case management, government should make an effort to restrictively open the data after obtaining clients’ consents. 21SWC

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69 Only one public official brought up this issue: “We get a lot of inquiries about the information system of personal data from a variety of social welfare facilities in the district. I guess that social welfare centers want to obtain a certain type of personal information after getting permission from local residents. But, we have to obey the Privacy Act and it is not easy to get consents from local residents although it is only for risk management and case management.” (6DG)
Second, three workers in social welfare centers stated that they found it difficult to obtain information on the processes of contractor selection and contract renewal. The first comment emphasizes a need for transparency in the contract decision making process through examples of negative cases. The second comment particularly points out the flaws in contracting laws and contract documents with respect to the provisions for contractor selection and contract renewal, with a focus on government discretion:

I wish the selection process of a contracting party could be more transparent on the basis of clear principles stipulated by contracting laws. I have read news articles about conflicts between governments and social welfare centers because of contract renewal. Also, I heard rumors that a specific nongovernmental welfare organization is already chosen to be a new contractor and a new director of social welfare center is nominated before the final decision of contractor selection deliberative commission is made. 4SWC

In the past, it is common that contract awards are made without bids. Recently, things have been changed into open bidding system. But, we still have limited information regarding the processes of both contractor selection and contract renewal, which fall within government discretion. Thus, we cannot argue whether these processes abide by the Social Welfare Services Act, the Seoul City Ordinance, district ordinance, or contract documents because these contracting laws only prescribe general guidelines, not details. 6SWC

Third, two workers in the centers identified difficulties in acquiring information on the sources of external resources that could be used in expanding the scope of services and programs. According to their arguments, one of the critical roles of social welfare centers is to secure external funds from the public or private sectors in order to implement additional welfare projects. They asserted that the development of external resources is not only for social welfare centers, but also for the sake of governments in that additional welfare services and programs contribute to achieve the basic goal of contracting− improvement in the social welfare of local residents.

I think district government has more easy and speedy channels to know about opportunities for external resources, especially funding of other governments. It is not a duty of district government to inform social welfare centers of the availability of public funds, but our center wishes to share this type of information with us. It is evident that this is not for our own interests but for local clients. 11SWC
Fourth, two respondents added another type of information that social welfare centers had a hard time in obtaining from district government such as information on the revision of district ordinance:

When district government amends its regulation related to contracting, it is obligatory to notify all social welfare centers in the district about the amended provisions. Our center experienced that district government failed to notify the revised rules as to member selection of contractor selection deliberative commission and decision processes of the commission. I wondered why. 11SWC

Another respondent echoed this sentiment:

When district government revised the provisions on the contractor selection process, I had no idea what the revisions for and even, I found it out several months later. What can we do about government discretionary power? 6SWC

Lastly, one worker in a social welfare center pointed to information on sponsorships as a type of information that was not easy to acquire from district government:

District government can obtain valuable information about sponsorships that social welfare centers can use in expanding the scope of services. For sure, monetary and nonmonetary assistances from sponsors and donors are critical resources to the center. Our center wishes that district government passes these kinds of information on to us, though it is not a duty of government. 15SWC

**Perspectives of social welfare centers on information gaps**

Most workers in social welfare centers tend to deny big information gaps between contracting parties for the reason that they report not to have any type of information that they are unwilling to share with district governments. The following four responses represent how they perceive information gaps:

I think governments possess extensive and detailed information about service clients, process of contract decisions, and social welfare policy and our center has sufficient information for doing our job without serious problems. 3SWC

I think all information on contracted services needs to be shared between contracting parties as long as it does not violate laws from both sides. 6SWC
I do not think there are big information gaps between district government and social welfare centers that can adversely influence contract management or contract outcomes, judging from the perspectives of both sides. 7SWC

Our center has cooperative relationships with district government and we are willing to share information. This is why I do not think that we have big information gaps. I know the case where several social welfare centers have adversarial relationships with district governments and these centers tend to have problems in sharing information. 21SWC

Almost all workers in social welfare centers explicitly claimed that they share all information with district governments. Only one respondent described the exceptional case of personal data collected in the course of case management. In this case, social welfare centers can obtain personal information such as religion, social relations, and types of welfare services in need that are not included in government’s information system. However, social welfare centers recognized their legal obligations to keep personal data confidential by the regulation of social welfare centers and the Privacy Act. For instance:

When government asks us to offer personal information regarding service clients in our center, we always try to get permission from clients in advance and then get back to public officials. 21SWC

When asked about potentially big information gaps which caused contracting problems, all workers highlighted how social welfare centers made full efforts to advance transparency in financial management. For example, financial information on social welfare centers is open to governments at all levels and to the public through their official websites with regular updates. They began their arguments by mentioning news articles on corruption scandals involving financial management and sponsorship management. The following two descriptions show how social welfare centers manage information against corruption:

For transparency, we even release information on miscellaneous expenses used by a director of our center on a monthly basis through the center’s website. 13SWC

Our center has a thorough system for sponsorship management. We issue receipts for donation, establish a register for receipts, release the expense details on our website, and report the result of audits with evidentiary documents. 14SWC
In addition to information management of social welfare centers, two respondents especially discussed another means to share information on social welfare centers in order to prevent contracting problems caused by information gaps. The exemplary comment exhibits how governments’ monitoring and evaluation serve as a vehicle to prevent information gaps:

Governments have a lot of chances to obtain information on everything about social welfare centers and contracted service management. Monitoring, audits, and evaluation are one of the sources. The entire range of information is presented in the course of monitoring and evaluation. Except for this, I cannot think of any other types of information that government cannot find or we do not share with them. I do not think that there are big information gaps between us which can negatively affect what both parties should do. 8SWC

In relation to interview questions about communication and information sharing, almost all of the respondents in social welfare centers expressed complaints about a number of requests for data and documents from public officials as well as from district representatives and members of national assembly. They went on to say that public officials and politicians preferred a particular version of reports instead of data, which made social welfare centers suffer from paperwork and overwork. They added “I wish they actually know about this.” In this sense, they asserted that governments and politicians need to use the online National Information System of Social Welfare Facility instead of directly requesting reports from the centers. It indicates that workers in social welfare centers perceive the national information system as a means to share information. Additionally, eight workers introduced another source of information sharing— the official websites of social welfare centers.70 In short, nonprofit workers regard these channels of information sharing (government’s monitoring and evaluation, national information system, official websites) as a deterrent to big information gaps.

When the researcher asked about how trust was built to information sharing, eleven workers in social welfare centers responded. First, five workers emphasized that social welfare

70 See the section on descriptive data in Chapter 3 to find what types of information is provided by the websites.
centers were willing to cooperate with requests for information from district governments:

When public officials request information, I try to submit it as soon as possible, but depending on the scope or characteristics of information, it can take a couple of hours to a couple of days. I always let them know about deadlines. I think that there is no reason for government not to trust our center regarding information sharing. 2SWC

There is no wonder for government’s frequent requests for information rather than social welfare center’s requests for information in that governments conduct monitoring and evaluation. Our center has to and is willing to share all information with district government since government awarded a contract with grants to our organization. 3SWC

Second, when asked about connection between information sharing and trust, four workers in the centers began their arguments with the following quotes:

There is no type of information that our center does not want to share with district government because a whole range of information is open to governments and the public. 1SWC

Our center cannot and do not need to hide or twist information because government can verify information by means of monitoring and evaluation. 14SWC

Our center shares information with district government without exceptions because we operate a social welfare center in a transparent manner. 22SWC

Third, two respondents especially discussed trust in information sharing through experience and news articles:

When there are changes in our initial budget and business plans, we discuss the matters with public officials to have mutual understanding. I heard of the news articles about conflicts between district government and social welfare centers caused by the unilateral contract decision by a chief of district government before the final decision of contractor selection deliberative commission. These kinds of issues hinder social welfare centers from building trust in communicating and sharing information with governments. 4SWC

We experienced that district government failed to notify us of the revised rules regarding the contractor selection process. After this incident, our trust in district government is not the same. 11SWC

**Summary**

To sum up the discussion on information sharing from both parties, like the responses to communication, the responses to information sharing in terms of subjects, frequency, and
methods showed similarities between contracting parties and among public officials and workers in social welfare centers. The responses from both parties indicated a formal character of information sharing, to a large extent, with exceptional examples of informal information sharing addressed by two nonprofit workers. The main focus of the interview question about information sharing was to discover specific types of information that both parties found it difficult to obtain from the other party, respectively, which reflects information asymmetry. While almost all workers in the centers asserted that they shared all information with district governments, nine public officials enumerated five types of information that they had difficulty in obtaining from the centers. In the same manner, while almost all public officials stated that all necessary information on contracts were open to social welfare centers, eleven nonprofit workers listed five types of information that they had a hard time in acquiring from district governments.

Most public officials acknowledged the presence of information gaps, to some degree, whereas most workers in social welfare centers denied the presence of information gaps for the reason that there were a lot of ways to acquire information on social welfare centers (e.g., official websites of social welfare centers, National Information System of Social Welfare Facility, requests for information, monitoring, audits, and evaluation). Agency theory assumes that principal-agent relationships have an element of information asymmetry and information systems can verify agent behavior and curb agent opportunism. In fact, almost all workers in social welfare centers expressed their suffering from paperwork and overwork because of frequent, extensive requests for information from district governments. Also, district governments designed online national information systems in order to supervise contractors’ behavior and to restrain them from pursuing their own interests. The implication from agency theory is that organizations establish governance mechanisms such as formal information systems for monitoring and reporting to limit agents’ self-serving behavior and to minimize agency costs.
One of the notable findings is that both parties employed different strategies when having difficulty in obtaining information from the other party. Workers in the centers seek other sources of information (e.g., other social welfare centers, associations of both social welfare centers and social workers, resources of directors of the centers, personal connections with politicians), while public officials rely largely on monitoring, audits, and administrative measures. The responses from both parties conform to the resource dependence theory prediction that organizations will employ multiple tactics to reduce dependence on other organizations and to cope with environmental uncertainty.

Despite the contrasting perceptions of information gaps, both public officials and workers in social welfare centers revealed serious agreement on the effects of information sharing on trust in contracting relationships. In particular, workers in the centers took much time to explain their attitudes toward information sharing (“we have nothing to hide from district governments”) and transparent information management against corruption (particularly, financial management systems) as well as long-standing grievances about work environments associated with a lot of requests for information from governments, politicians, and other organizations.

**Past Experiences of Contracting**

**Perspectives of district governments on past experiences of contracting**

In the past, most district governments contracted with social welfare centers operated by the same welfare organizations for a long time. There are two different cases—contract renewal and open bidding for a new contractor selection after contract termination. District governments chose the former as a conventional method, but things have changed since 2010.

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71 As for the two cases, there is substantial variation in the contents of district ordinances and government discretion across district governments. Some district governments have different rules and methods for the two different cases while others do not.
Some district governments enacted or amended the provisions on contract renewal from unlimited number of renewal to one-time or two-time renewal in the District Ordinance on Establishment and Operation of Social Welfare Facility in each district, while others permitted unlimited number of contract renewal. Although the Social Welfare Services Act and its Enforcement Regulation prescribed ‘up to five years’ as the terms of a contract, most district ordinances guaranteed three-year term. But, in 2012, several district governments began to revise their ordinances from three-year to five-year term.\textsuperscript{72}

Regarding contract renewal, six public officials presented their preference for one-time renewal or open bidding without contract renewal, judging from recent trend of limiting the frequency of contract renewal. By contrast, one public official was favorable to repeated contract renewals in the event of social welfare centers that were operated by well-known large welfare organizations with good performance, appropriate resources, and no records of illegal acts. The respondent added “In this case, it can save time and paperwork for both district government and social welfare centers in the processes of contractor selection and contract management because district government already has information on social welfare centers and vice versa” (8DG).

A majority of public officials maintained two reasons for repeatedly renewed contracts. It is because they put a special value on increasing the stability in the operation of social welfare centers and the continuity of service provision, and there is a lack of contractors with sufficient resources and capacity. According to their argument, the unlimited number of contract renewals with longer terms (five-year term) does not necessarily mean that social welfare centers have

\textsuperscript{72} As of now, twenty of twenty-five district governments in Seoul City have the District Ordinance on Establishment and Operation of Social Welfare Facility. Among them, five district governments have no provision on contract length and eleven district governments stipulate five-year term while four district governments stipulate three-year term. With regard to the frequency of contract renewal, two district governments have no provision and two district governments permit two-time renewal. While nine district governments permit the unlimited number of renewal, seven district governments limit it to one time.
produced good performance in service provision. By contrast, one public official expressed different opinion stating “The long-term contracts indicate positive character of past experience in the contract management process for both parties. District government has no reason to approve contract renewal for a social welfare center with poor performance” (9DG).

In a discussion of past experiences of contracting, most public officials addressed variables influencing past experiences which led to variation across social welfare centers. The basic premise for the variation is that each social welfare center is different in terms of size of facilities, budget, history, operating welfare organizations, geographical location, local welfare needs, types and scope of welfare services and programs, external resource development, organizational and human resources (e.g., personnel, volunteers, sponsorships, relations with local residents, local welfare networks, networks among associations of social welfare centers, or political connections), and resource capacity (e.g., experience, expertise, know-how, or skills). They added that these variables shaped different character of day-to-day working relationships, communication, information sharing, processes of monitoring and evaluation, frequency and processes of contract renewal, and contract length, which consequently determine the characteristics of past experiences with district governments.

In terms of the connection between past experiences and contract management relationships, several public officials discussed the impacts of past experiences on contract decisions, management processes, and management methods, based on learning from the past. For instance, they observed that past experiences affected government decisions on the focus of monitoring and monitoring procedures; that is, in monitoring performance of social welfare centers, public officials paid more attention to the areas where they adopted corrective measures in the past and employed more professional methods. Public officials take previous processes and results of monitoring into account in managing contracts, especially in times of monitoring
and contract renewal. The following comment shows the link between past experiences and contract management relationships:

I think past experiences of contracting can provide both parties with predictability and consistency in contracted service management. Both parties have information on how the other party performed tasks and what the other party expected to (or not to) do. Especially, cooperative and comfortable character of past experiences between contracting parties can make the contract management process work well without time delay through open communication and information sharing. 11DG

In particular, two public officials explained past experiences of contracting from the perspectives of information that collected and stored in district governments during contract terms and of the roles of past experiences play in managing contracts.

Due to past experiences of contracting, a great deal of information on everything about social welfare centers can be stored in district governments, especially in case of long-term contracts. It can enhance predictability in work styles, management procedures, and management methods for both parties. Our district government stores information on past performance of social welfare centers such as monitoring reports, evaluation reports, and documents for bids or contract renewals that can be of great help to public officials who begin to work for the department of social welfare. 7DG

With regard to the question about past experiences, public officials frequently discussed two issues— work periods of public officials and recent trend in contracting. They addressed the contrasting fact that most district governments have long-term contracts, while most public officials work for the department of social welfare for less than two to three years. This is why they do not have sufficient past experiences of contracting to identify how past experiences influence the current contractual relationships. Instead, as several public officials mentioned, their departments store information on social welfare centers including performance reports, monitoring reports, records of corrective measures, results of evaluation, and application documents for open bids or contract renewals. These serve as useful reference materials to public officials in charge of contract management. Another issue for discussion among public officials is an increased focus on partnerships. They observed that as compared to the past, more public
officials sympathized with a need for public-private partnerships for the maximum benefits of contracting. They regarded their acknowledgement of partnerships as one of the lessons learned from past experiences of contracting.

**Perspectives of social welfare centers on past experiences of contracting**

When asked about past experiences of contracting, most workers in the centers stated that social welfare centers had contracted with district governments for more than ten years. In general, they described their long-term contracting experiences as positive, cooperative relationships for four reasons: (1) their contracting relationships were not gab-eur relationships; (2) they conducted service delivery according to the directions and guidelines of district governments without problems or discord; (3) they always responded to requests for information from governments in a timely manner; and (4) they had no serious problems with governments’ monitoring and evaluation. The exemplary description below represents how most workers perceive their past experiences with district governments:

> Our center has kept good working relationships with district government for a long time since long-term contracts enables our organization to make a long-term welfare plan, to make investments in facilities and affiliated centers, and to maintain close ties with local residents and community. This is why our center won an excellence award and signed contracts for additional funded welfare projects with other governments and private firms. We have kept in full cooperation with management procedures of government, which make our relationships positive and stable. 11SWC

On the other hand, three respondents added demanding character of past experience to good, cooperative relationships. As previously mentioned, all respondents of social welfare centers strongly expressed their work environments by enumerating their daily tasks, tasks for specific cases, and a number of persons for communication. In addition to requests for information from diverse organizations, social welfare centers mainly deal with district governments on a daily basis and especially, in times of monitoring, audits, and contract
renewals. These make nonprofit workers assess their past experiences as demanding ones:

In addition to daily tasks, monitoring once a year, evaluation every three years, and preparation of contract renewal every three years lead to overwork and exhaustion of our center. 19SWC

Overall, almost all of the workers in social welfare centers took much time in asserting the advantages of both repeated contract renewals and longer terms of contracts (five-year rather than three-year term). The underpinning reason for their contention lies in the attributes of social welfare services:

Think about the characteristics of social welfare services. You cannot make big differences when providing social welfare services for a short time. It takes time to evaluate performance and to see how service provision improves the social welfare of local clients. For these reasons, long-term contracts with the same welfare organizations of social welfare centers are inevitable. Governments need to know and accept this fact. 15SWC

Their strong support for contract renewals and longer terms of contracts are based on four key reasons: first, social welfare centers sufficiently proved capacity, performance, and trustworthiness during long contract periods, so they deserve it. Second, as long as social welfare centers effectively deliver services, gain high grades in monitoring and evaluation, and maintain good reputation, contract renewals for a five-year term are more reasonable than open biddings for a new contractor selection in that it can save time, costs, paperwork, and overwork for both parties. Third, long-term contracts enable social welfare centers to operate the centers with stability and deliver services without great fluctuations in the continuity by using secured local resources. By contrast, it takes time for new contractors to organize local resources, build relations with local residents and communities, and get to know management styles of district governments. Lastly, contract renewals with a five-year term enable social welfare centers to make investments in the centers, design a long-term service delivery plan, and evaluate performance, which consequently make social welfare centers focus on service delivery rather
than contract renewals.

In opposition to the responses of most public officials, six workers in social welfare centers attributed total contract length and frequency of contract renewals to characteristics of past experiences with district governments. They began their arguments with detailed explanations of performance including awards, prize money, and records of external resource development. They concluded that repeated contract renewals are a token of government’s satisfaction with management styles and performance of social welfare centers. They went on to claim that district governments had no other reason for approvals to contract renewal than performance, resources, and capacity of social welfare centers. The exemplary quote sums up the viewpoints of six respondents:

Our center contracted with district governments for a long time with repeatedly renewed contracts. We have had good, cooperative working relationships and our center has proved good performance using our resources and capacity, as the repeated contract renewals speak itself. It is obvious that district government terminates contracts in the case of social welfare centers with poor performance. What are the key criteria for government decision to renew contracts? Except for performance, can you think of any other criterion? 8SWC

Regarding the question– how past experiences with district governments affected contract management relationships– a majority of workers in social welfare centers focused on four issues. First, through long-term contracts, both contracting parties can have sufficient information on the other party, which makes current contract management relationships maintain stability and predictability:

Long-term contracting relationships have many merits. As compared to the past, we do not need to ask basic questions or discuss small details because we already know. Although public officials do not stay in the department of social welfare longer, they can learn how their departments have managed contracts and then follow guidelines of the departments. Considering uncertain service environments, I prefer stable and predictable management relationships with district government. I can do my job better in stable relationships. 10SWC

Second, social welfare centers can provide services in more professional, effective, and
timely manners on the basis of manuals, guidelines, and know-how that developed by past experiences of contracting. For instance, through past experiences of monitoring and evaluation processes, nonprofit workers can learn what they need to keep in mind on a daily basis and in times of monitoring and evaluation and how to deal with monitors and evaluators. As another example, through past experiences of contract renewals, social welfare centers can obtain information on how to prepare contract renewals, what issues are up for discussion, and where to put focus in preparing renewals to succeed in renewing contracts. The observation below shows the effect of past experiences on contracting relationships from the management angle:

In addition to our center, I find that other social welfare centers with long-term contracts have more management skills and know-how required in the contract management process. It makes social welfare centers have more smooth communication, obtain more information in a timely manner, and keep more cooperation with governments. In the result, both parties can save a lot of time and efforts since we can get ideas and cues from past experiences 12SWC

Third, cooperative character of past experiences enable both parties to trust each other and to maintain positive, cooperative working relationships by correcting errors and red tape and by improving service management procedures, as a result of learning from mistakes in the past. Several respondents gave examples of a new contractor with no past experience of contracting:

Think about the case of a new welfare organization in a social welfare center. In this case, both district government and social welfare center have to do everything from the beginning. They need to know and understand each other. Especially, it consumes a lot of time and paperwork for both sides to conduct/prepare monitoring and audits, as compared to long-term contracts. 6SWC

Fourth, through past experiences, social welfare centers are able to recognize a need for aligning the operation of the centers and service delivery with social welfare policy of district governments. More specifically, past experiences offer social welfare centers with cues about what governments expect the centers to do, thus social welfare centers include urgent social problems and core policy of chiefs of district governments when planning and implementing welfare programs. This leads to more cooperative relationships between the two parties:
I think most social welfare centers experienced government’s corrective actions or recommendations. These experiences signal us to seek the same goals of contracting with government and to differentiate between to-do and not-to-do. When we plan a series of welfare projects, we actively attempt to reflect what district government wants us to do for local community. 2SWC

Summary

In Seoul City, district governments manage contracts with one to ten social welfare centers. This substantial variation supports the responses of public officials that past experiences of contracting depend on diverse variables identifying the characteristics of social welfare centers (e.g., resources, capacity, local attributes, or service scope). They stated that working relationships, communication, information sharing, monitoring, contract renewal, and total contract terms determine the features of past experiences and the variation across social welfare centers. A majority of public officials asserted that district governments repeatedly renewed contracts because there were few qualified service contractors and governments put special focus on the stability in the operation of social welfare centers and the continuity of service provision. They made it clear that repeatedly renewed long-term contracts are not a token of good performance while most workers in social welfare centers linked long-term contracts to good performance and positive relationships with district governments.

Both contracting parties understood their past experiences of contracting in different ways. Most public officials described their past experiences from the viewpoint of information collected and stored in district governments in the form of data, documents, and reports during contract periods. While they discussed past experiences from the formal, objective angle (e.g., based on monitoring reports, evaluation results, and records of corrective measures), most workers in social welfare centers depicted past experiences on the basis of their subjective judgment. A majority of nonprofit workers assessed their past experiences with district governments as positive, cooperative ones by describing past contract management processes
including day-to-day working relationships, information sharing, communication, interactions and monitoring.

To social welfare centers, the main focus of past experiences of contracting is contract renewal and contract length. They highlighted various advantages of contract renewals and longer terms of contracts in light of time, costs, paperwork, features of social welfare centers (resources, capacity, performance), information, contract management (methods, procedures, formats), and relationships (predictability, stability, cooperation). One of the notable responses is: “contract renewals with a five-year term enable us to focus on our main job—service delivery—rather than preparation for contract renewals” (5SWC). The underlying reasons for their preference for repeatedly renewed long-term contracts are: (1) attributes of social welfare services (e.g., difficulty in measuring outcomes or difficulty in measuring outcomes within a short time) like the hypothesis of agency theory—outcome uncertainty; (2) complex and contingent service-contracting environment surrounding social welfare centers like the core dimension of resource dependence theory—environmental uncertainty; and (3) impacts of past experiences on current contracting relationships (i.e., informal long-term relationships forged by formal long-term contracts help promote predictability and stability in current relationships).

To sum up the discussion of past experiences, workers in social welfare centers concentrated on contract renewal and contract length whereas public officials paid more attention to the issues related to short-term work periods of public officials and sources for information on past experiences of contracting. In conclusion, almost all workers in social welfare centers claimed a need for building public-private partnerships in their contracting management relationships and some public officials also began to sympathize with a necessity for facilitating cooperation between contracting parties. This is one of the lessons learned from past experiences of contracting.
CHAPTER FIVE: FINDINGS on Contract Management Process

This chapter discusses an analysis of the contract management process (in terms of negotiation, monitoring, and evaluation) based on interview data collected from in-depth interviews with 11 public officials in district governments and 22 workers in social welfare centers in Korea. Research findings on how similarly or differently public officials and workers in the centers observed contract negotiation, monitoring, and evaluation are presented in sequence, displayed in Table 23.

Table 23: Presentation of Findings on Contract Management Process

<table>
<thead>
<tr>
<th>Negotiation</th>
<th>Monitoring and evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perspectives of district governments on negotiation</td>
<td>Perspectives of district governments on monitoring and evaluation</td>
</tr>
<tr>
<td>Perspectives of social welfare centers on negotiation</td>
<td>Perspectives of district governments on obstacles to monitoring</td>
</tr>
<tr>
<td></td>
<td>Perspectives of social welfare centers on monitoring by district government</td>
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<td></td>
<td>Perspectives of social welfare centers on evaluation by central government</td>
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</tbody>
</table>

**Negotiation**

**Perspectives of district governments on negotiation**

During the contract management process, all eleven public officials had occasions to negotiate with social welfare centers regarding six issues (see Table 24).

Table 24: Interview Responses of District Governments about Negotiation

<table>
<thead>
<tr>
<th>Question: what are the subjects for negotiation?</th>
<th>(N=11)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Observance of religious practices</td>
<td>4</td>
</tr>
<tr>
<td>Physical changes in buildings of social welfare centers</td>
<td>3</td>
</tr>
<tr>
<td>Profit-making business</td>
<td>3</td>
</tr>
<tr>
<td>Planning of new events or projects</td>
<td>2</td>
</tr>
<tr>
<td>Affiliated facilities of social welfare centers</td>
<td>2</td>
</tr>
<tr>
<td>Funds transferred from operating welfare organizations of social welfare centers</td>
<td>1</td>
</tr>
</tbody>
</table>
First, four public officials presented the cases where social welfare centers were operated by nongovernmental welfare organizations with religious roots. Government expects social welfare centers to deliver services without propagation of a specific religion, even though the centers are operated by faith-based organizations. Four public officials made definitive statements that the priority of district governments consists in minimizing the number of civil complaints about the operation of social welfare centers and the management of welfare programs, especially about the issue related to religion. The following response below typifies why public officials discuss this issue with social welfare centers, how the negotiation proceeds, and what kinds of administrative measures are taken to make social welfare centers exclude an indication of religion. In particular, they underlined that district governments prefer informal discussion to adversarial control measures in restraining social welfare centers from proselytizing while delivering services.

We need to prevent contracting of social welfare centers from serving as a tool for propagation of a specific religion. In reality, some local residents with different religions are reluctant to go to social welfare centers or participate in programs and events containing religious elements because they feel awkward to contact directors or workers in social welfare centers who are nuns, priests, or Buddhist monks with distinctive outfits and appearance. When we receive civil complaints, we contact them to discuss this matter and send a memo for making them consider different opinions of local residents. We do not take enforceable control measures since they usually understand what we want. 7DG

Second, three public officials stated that they had occasions to discuss physical changes in the buildings and spaces of social welfare centers. According to contracting laws or contract documents, social welfare centers are required to ask for permission from a chief of district government in advance when the centers plan to construct new facilities, build new additions, or remodel the centers. The two descriptions represent how the negotiation process works including obligations of social welfare centers and administrative measures of district governments:

For permission from a chief of district government about physical changes in social welfare
centers, they need to prepare information on construction in terms of costs, contractors, blueprints, construction period, and operating plans and then consult with us. Also, we have to make sure that social welfare centers must do land donation to governments after construction is completed. 3DG

In order to get permission from a chief of district government, social welfare centers have to inform us of costs, blueprints, construction contractors, construction period, and cost sharing in detail. If social welfare centers alter the structures or facilities without permission from district government, a chief of district government can order them return to the original condition and put in a claim for damages according to contracting laws. 9DG

Third, three public officials addressed the cases of profit-making business in social welfare centers as a subject for negotiation since contracting laws empowered social welfare centers to charge for a series of welfare programs implemented in the centers. In fact, social welfare centers receive only a partial amount of grants to cover operating costs of the centers, in marked contrast to senior welfare centers (centers serving seniors) whose operating costs are fully covered by grants. Furthermore, government grants are uniformly assigned by the physical size of social welfare centers, irrespective of the scope of welfare services and programs provided. This is why social welfare centers need to engage in profit-making business and governments prefer to choose as contracting parties operating welfare organizations with financial strength and willingness to invest a substantial amount of funds in social welfare centers. Social welfare centers deliver services to the disadvantaged free of charge, but governments permit social welfare centers to manage profit-making businesses such as welfare programs for cultural or therapeutic purposes. From government’s perspective, these demand serious consultation and monitoring of district governments. The two responses below exhibit the negotiation process with a focus on government’s roles:

I have experience of discussing the user charge for facilities and commission for the sale charged to users of social welfare centers. I provide legal application to the cases and information on the management procedures of profit-making business including accounting through continuous monitoring. 2DG

Several social welfare centers excessively develop welfare programs for user charge such as hobby and recreation classes for the middle class in order to secure more operating costs. It is
contrary to the basic goal of contracting. So, we bring up this issue for discussion, ask for all information on profit-making business, and supervise rigorously how the charged welfare programs are planned and implemented. 8DG

Fourth, two public officials presented the case of planning and implementing new events, festivals, bazaar, or new projects as a topic for negotiation. The purposes of negotiation for new events or festivals is to request government permission to use public spaces, to confirm the details of events in terms of legal or management standards, and to request government support in the financial and administrative aspects.

Fifth, two public officials maintained that social welfare centers with affiliated welfare facilities or sports facilities require more supervision, more operating costs, and more discussion. There is considerable variation in the number and types of affiliated facilities across social welfare centers in Seoul City, so district governments tend to have more occasions for negotiation with social welfare centers that are equipped with affiliated facilities in terms of budget, audits, management process, personnel management, safety management, and legal issues. The following quote describes the negotiation process, top priorities of contracting parties, and differences in the viewpoints of both parties:

In the case of social welfare centers with other facilities such as a fitness club or a pool, it costs a lot for the operation and maintenance of facilities and is difficult to monitor how social welfare centers manage affiliated facilities. From the stance of public officials, our top priority is to minimize the number of civil complaints, which is not a top priority of social welfare centers. I think there is a difference in the concept of kindness between public officials and social workers, so social welfare centers may have dissatisfaction with our top priority. We talk about this issue at regular meetings and try to make them understand our concerns and follow our guidelines. 1DG

Lastly, one public official focused on the management of funds that were transferred from operating welfare organizations of social welfare centers as a subject for negotiation. According to the respondent, district government tends to pay closer attention to the usage and audits of the transferred funds because there is much room for corruption. With the intention of supervising
the management of transferred funds, public officials frequently request information on transferred funds, discuss the details, and remind social welfare centers of the legal limit.

Other than these six subjects for negotiation, half of public officials brought up unique arguments on the subjects for negotiation on the basis of their experiences. These revealed obvious gaps in the standpoints between district governments and social welfare centers. Most public officials experienced the cases where social welfare centers tried to discuss and coordinate the details of contract renewals, but they did not think the issues associated with contract renewals were a topic for negotiation in that contract renewals are determined by contracting laws, district ordinances, and guidelines of district governments. They made it clear that there was no room for changes even though negotiation began.

Regarding the question—how negotiation was concluded when there were disagreements—almost all public officials distinctly stated that there was no room for disagreement between contracting parties because of legal mechanisms for contracting. Namely, for the six subjects for negotiation mentioned by public officials (physical changes in social welfare centers, affiliated facilities, profit-making business, observance of religious practices, new events or projects, and management of transferred funds), negotiation proceeds on the basis of the Social Welfare Act, the District Ordinance on Establishment and Operation of Social Welfare Facility, and contract documents. Several public officials went on to add that there was no room for disagreement in the negotiation process since social welfare centers are the properties of governments and governments need to assume neutral positions about religion. In addition to the statement that there was no room for negotiation, most public officials believed that they made social welfare centers fully understand and follow the directives of district governments through sufficient discussion and proper administrative measures.
Perspectives of social welfare centers on negotiation

In the contract management process, fifteen of twenty-two workers in social welfare centers had occasions to negotiate with public officials regarding nine issues (see Table 25). Seven workers in the centers did not recall any specific cases required for negotiation. Among seven workers, four respondents commented that social welfare centers performed their day-to-day contracted service management according to contracting laws, district ordinances, and guidelines of district governments and their long experiences of contracting enabled them to handle service delivery using manuals, know-how, and SOPs. For instance, one respondent said “Most contracted services are conducted by the way our center has done business for a long time, so there are not many issues for negotiation” (22SWC). By contrast, the other three workers in the centers made substantially different arguments about the reason why they had no experience in negotiating with district governments and why there was no cause for disagreement in negotiation. All three respondents focused on the relationship aspect, particularly resources and power:

First of all, I do not think negotiation can occur between government and social welfare centers. What I mean by negotiation here is ‘real’ negotiation, which is different from government directives or guidelines. Even, I am wondering if the term—negotiation— is suitable for the reality of contracting in Korea. Who has decision authority in contracting? 2SWC

I am not sure whether district government and our center have the same definition of negotiation. I cannot think of any case where negotiation concludes in disagreement between both contracting parties because I think that the indication of gab-eur relationships, to some degree, still exist in our contracting relationships. I know government wants us to do exactly what they say. It is hard to say no to them. 12SWC

Basically, I think negotiation can occur in the case of equal relationships. District government has more valuable, influential resources and power than us in the area of contracting, so social welfare centers are not in the position for negotiation. In fact, I am wondering if negotiation can really occur between us. Even though we sit on the negotiation table, the results of negotiation are contingent on government discretion. 17SWC

Whereas the three quotes above focus on power and resources of district government, one
worker in a social welfare center put special emphasis on the characteristics of a director of social welfare center. The worker asserted that the outcomes of negotiation are contingent on a director of social welfare center in terms of resources and capacity such as experience, expertise, leadership, vision, and personal networks with both associations of social welfare centers and politicians. The respondent added “There is much variation in everything across social welfare centers, depending on who is a director of social welfare center” (9SWC). In terms of variables influencing negotiation, another nonprofit worker identified the presence of political power exercised by district representatives, members of city council, and elected officials.

Table 25: Interview Responses of Social Welfare Centers about Negotiation

<table>
<thead>
<tr>
<th>Question: what are the subjects for negotiation?</th>
<th>(N=22)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning of new events including use of public spaces</td>
<td>6</td>
</tr>
<tr>
<td>Physical changes in buildings of social welfare centers</td>
<td>5</td>
</tr>
<tr>
<td>Planning of new welfare projects</td>
<td>3</td>
</tr>
<tr>
<td>Changes in space use of social welfare centers</td>
<td>2</td>
</tr>
<tr>
<td>Purchase of equipment</td>
<td>2</td>
</tr>
<tr>
<td>Observance of religious practices</td>
<td>1</td>
</tr>
<tr>
<td>Contract renewal</td>
<td>1</td>
</tr>
<tr>
<td>Application of contracting laws to cases</td>
<td>1</td>
</tr>
<tr>
<td>Coordination of schedules for reports</td>
<td>1</td>
</tr>
</tbody>
</table>

As shown in Table 25, fifteen workers in social welfare centers negotiated with governments regarding nine issues. First, six respondents introduced their experiences in discussing planning and implementation of new events, festivals, or bazaars. In order to secure administrative and financial supports from district governments, they provide all information and consult with public officials in advance. They put emphasis on their provision of all information for the purpose of inducing full cooperation without misunderstanding and time delay:

When our center plans to hold an event, we always contact public officials to notify the event and to discuss budget, purposes of the event, costs, manpower, and scope of the event. If the event requires using public spaces in local community beyond the facilities of our center, we ask for their approval in advance. And, we ask public officials to post a notice on our event in their
website and consult if they can financially support us. 16SWC

Second, five workers in social welfare centers noted that they needed to ask for permission from a chief of district government when they planned to construct new facilities, build new additions, or remodel the centers. Social welfare centers provide all information on physical changes in the centers and discuss all details with district governments because they fully recognize that social welfare centers are properties of governments.

Third, three workers in the centers consulted with district governments on new welfare projects in order to receive feedback and put welfare projects into practice in accordance with the direction of welfare policy of district government. The following observation demonstrates the process of negotiation:

When our center tries to carry out new welfare projects, we need to obtain approval from district government by offering all information on new programs including purpose, content, fee, period, and manpower. After reviewing our business plan and budget plan on new projects, district government offers their opinions if something needs to be changed and then permit us to implement new projects. 9SWC

Fourth, two workers in social welfare centers consulted with public officials about alternation of the purpose of use in social welfare centers. One of the respondents gave an example of transformation from a bathroom for the handicapped to a conference room by describing the negotiation process containing a provision of information on the alternation and government approval. Fifth, two workers mentioned the case where social welfare centers asked for permission from district governments in purchasing expensive equipment such as electronic goods.

Sixth, as previously mentioned, one public official made an explicit statement that the matters related to contract renewals were not open to negotiation since contract renewals were entirely determined by contracting laws. On the contrary, one worker in a social welfare center
exhibited a different standpoint:

Public officials generally think that it is reasonable to set up the environment for open competition after permitting social welfare centers to renew their contracts one time, but no social welfare center wants only one-time renewal. Public officials may think that this matter is not open to negotiation, but I completely disagree. Considering the huge effects of contract renewal on social welfare centers, there is a need for both contracting parties to have same information and understanding on all details of contract renewal. 5SWC

Seventh, while four public officials regarded the observance of religious practices in social welfare centers as a subject for negotiation, only one worker mentioned it as a topic for negotiation, with a different viewpoint from public officials:

Our center did not receive any civil complaints for the reason that our operating organization is a faith-based organization. Our mission is based on good quality of a religion such as community love, so there is no problem with delivering services in the center. When public officials talked about this issue, I did not have a chance to explain why this issue has no negative impacts on doing our job. Frankly speaking, I do not understand why government takes issues with our religion. Regarding this issue, our center just got guidelines from district government by phone. 8SWC

Lastly, one worker in a social welfare center addressed two subjects for negotiation. The worker usually responded to requests for information from district government in a timely manner, but in extremely busy time, the respondent tried to adjust the deadline for reports. For another subject, the respondent consulted with public officials about how specific cases are applicable to contracting laws or district ordinances in the event of ambiguous issues on contracted services (e.g., financial accounting or service categories).

When the researcher asked about how negotiations were concluded in the case of disagreement, most workers in social welfare centers clearly stated that they had no experience of negotiation that concluded in disagreement. The exemplary opinions are:

District government usually understands and cooperates what our center is trying to do. 1SWC

Our center had no problem in negotiating with district government since we can enjoy additional support or improved physical spaces in managing the center. 10SWC
It is necessary to consult with public officials in advance, so we always do and there is no harm to go through negotiation. 11SWC

District government usually indicates favorable views on our events that intended to improve the social welfare of local residents. 16SWC

Most workers in social welfare centers discussed communication and information sharing in the course of explaining the subjects and processes of negotiation; that is, social welfare centers provide all information on the subjects for negotiation and have sufficient chances for discussion. In particular, one nonprofit worker made a clear argument over the impacts of communication and information sharing on negotiation and factors influencing negotiation:

For negotiation to work, communication is very important to make both parties understand the other party since misunderstanding can obstruct coordination between the two. I guess the party with more quality information and more influential power can have more bargaining power than the other party. Also, the results of negotiation can vary across the subjects for negotiation, but I do not think of many cases where we persistently make an assertion against district government. 20SWC

Summary

All eleven public officials had experiences of negotiation regarding six issues, while fifteen of twenty-two workers in social welfare centers had occasions to negotiate with governments regarding nine issues. Both parties’ conception of negotiation indicates an absence of political- and power-oriented notion of negotiation. By contrast, seven workers in the centers who had no experience of negotiation perceived negotiation as specific, hostile circumstances with conflicting arguments and discord. This explains their responses that there were no cases for negotiation because social welfare centers managed contracted services according to contracting laws, government guidelines and discretion, and manuals based on long experiences of contracting. Especially, several nonprofit workers connected negotiation to a kind of power game through the notions of resource gaps, bargaining power, decision authority, and power balance in contracting relationships (e.g., equal/unequal, gab-eur relationships), when discussing cases that
required negotiation and outcomes of negotiation. In this regard, several respondents pointed to
the presence of political influence from governments, politicians, or directors of social welfare
centers as a factor affecting the negotiation process.

With respect to the question– how negotiations were concluded when there were
disagreements– the majority of the responses from public officials and workers in social welfare
centers revealed somewhat different viewpoints about negotiation. The response of most public
officials was “There was no room for disagreement in negotiation” while the response of most
workers in the centers was “We had no experience of negotiation that concluded in disagreement.”
Most public officials took it for granted that social welfare centers need to perform their service
delivery according to contracting laws, contract documents, and directions of district
governments including guidelines, directives, and permission. These offered no room for
disagreement in negotiation. Their response is congruent with agency theory’s predictions that
principals employ sanctions, reporting, monitoring, audits, and evaluation in order to attain goal
alignment and ensure social welfare centers’ compliance with the terms of contracts.

On the contrary, most workers in the centers believed that both parties had full
understanding and cooperation regarding the subjects for negotiation through information
exchange and discussion. These resulted in no cases of negotiation that concluded in
disagreement. However, several workers attributed no experience of negotiation and no cause for
negotiation that concluded in disagreement to their poor bargaining positions, as compared to
governments’ advantageous conditions for negotiation (e.g., decision and administrative
authority and financial, political, and legal resources). This is consistent with the resource
dependence theory assumption. In short, the underlying reasons for these contrasting attitudes
toward negotiation point to the gaps in resources and power between contracting parties and the
differences in the degree of dependence on resources of the other party.
In like manner, the different perspectives on negotiation between the two parties can result from different features of the subjects for negotiation identified by both parties. All five subjects for negotiation from the government side inherently require social welfare centers to follow contracting laws and guidelines of district governments because all five subjects are directly related to the operation of the centers and contract outcomes, which belong in the scope of monitoring, audits, and evaluation. This accounts for the common remark of public officials (“there was no room for disagreement in negotiations”).

On the other hand, seven out of nine subjects for negotiation addressed by social welfare centers have no negative effects on social welfare centers when abiding by contracting laws and guidelines of governments (i.e., there is no harm to go through negotiation) and, rather, offer benefits to the centers (e.g., improvement in physical spaces, financial or administrative supports for events). By contrast, two subjects for negotiation raised by two workers—observance of religious practices and contract renewals—bring about dissatisfaction and disagreement from the two respondents; that is, one respondent had no understanding of why government regarded the issue related to religion as a subject for negotiation and the other respondent considered contract renewal as a topic for negotiation unlike public officials. These explain the statement from most workers in the centers (“we had no experience of negotiations that concluded in disagreement”).

In sum, public officials focus on legal mechanisms as a basis for negotiation while workers in social welfare centers pointed to the scope and influences of government discretion as a key factor determining the negotiation process beyond the legal mechanisms. Although they present somewhat different viewpoints about negotiation, both parties mostly prefer to resolve disputes through informal discussions (phone conversation, memo, suggestions) and administrative directions (e.g., verbal warnings, guidelines) rather than enforceable control-oriented measures (e.g., written warning documents, financial penalty, and legal actions).
Monitoring and Evaluation

Perspectives of district governments on monitoring and evaluation

All interview respondents of district governments stated that evaluation of all social welfare centers across the country had been conducted by the Ministry of Health and Welfare, not by district governments. When district governments decide on contract renewals every three or five years, the decision process relies on these evaluations. In the Social Welfare Services Act, contract documents, and ordinances in each district, there are no detailed accounts regarding the scope of monitoring, but there are provisions as to the frequency of monitoring, special monitoring, corrective measures, and obligations of social welfare centers to cooperate with governments’ monitoring and evaluation.

In terms of frequency and methods of monitoring, all eleven public officials responded similarly since the basic conditions for government’s monitoring are prescribed in the Social Welfare Services Act and ordinances in each district. According to these contracting laws, each district government conducts monitoring of all social welfare centers within the district at least once a year. In general, several public officials visit social welfare centers to inspect the facilities of social welfare centers and examine contracted service management of the centers for one to three days.

In addition to this regular monitoring, two public officials mentioned that their district governments did special monitoring when necessary based on the judgment of a chief of district government. One public official gave a detailed explanation of special monitoring and audits that were conducted in the event of scandal initiated by news media, petitions, or anonymous letters. Two public officials introduced the occasional cases where district governments brought auditors and/or contracting professionals to social welfare centers for on-site visits in order to perform monitoring and audits in a more professional manner.
In terms of subjects for monitoring, all public officials said “everything about contracting.” There was some variation in the responses of the officials as to the scope of monitoring, but the common characteristics of monitoring lie in the emphasis on audits. The scope of monitoring identified by public officials is summarized in Table 26. More specifically, two public officials commented that monitoring was based on violations frequently uncovered by inspection and audits such as management of grants (use of corporation cards, duplicity in execution of grants, system of receipts), management of sponsorships (computerized system, system of receipts), management of welfare programs (list of clients, user fee, certificates of instructors), and organizational management (safety management, personnel management, file system, receipts for gas). Overall, government’s monitoring of social welfare centers covers the entire range of contracted service provision with reviews of evidentiary documents in the forms of receipts, contracts, bank statements, minutes, manuals, signing sheets, official notices, certificates, and reports.

Table 26: Interview Responses of District Governments about Scope of Monitoring

| Inspection of physical spaces, facilities, affiliated facilities, and equipment |
| Management of budget, expenditure, funds transferred from operating welfare organizations, grants, sponsorships, and fees for welfare programs |
| Management of welfare services, programs, and clients’ satisfaction |
| Examination of supervision and evaluation by social welfare centers |

All eleven public officials responded that they did not utilize incentives, but had penalty systems applied to organizations using the results of monitoring. When they find errors and mistakes in the course of monitoring, they can take corrective measures such as correction orders, warnings, recommendations, administrative measures, and financial measures. Two of eleven district governments offer social welfare centers chances to make a statement of opinions before
enforcing corrective measures. One public official added that district government confirmed afterwards to see if social welfare centers followed the government’s corrective measures. Four public officials addressed other ways to penalize failure to the results of monitoring such as cancellation of contracts and criminal charges in the case of a breach of contract, a violation of contracting laws, or acts of illegality. In short, with minimal variation across district governments, they can adopt corrective measures, cancel contracts, and hold social welfare centers criminally accountable on the grounds of contracting laws and ordinances in each district. The following observation shows the case of district government with regard to contract cancellation:

If a social welfare center ignores the monitoring and audits of our district government and commit embezzlement, we can cancel its contract. As a result of monitoring and audits, if we find misuse of funds, dereliction of duty, and group civil petitions, we can cancel contracts after warning twice. 10DG

When the researcher asked if monitors in district governments had adequate information, resources, and power to monitor performance on the contract, all eleven public officials agreed that district governments had sufficient power such as legal, financial, and administrative power and information for monitoring. For example, one public official stated “Public officials are legally entitled to conduct monitoring including requests for information and cooperation of social welfare centers without restrictions” (3DG). Most public officials typified the ways to obtain information required for monitoring, which were continuous requests for information on a regular basis and requests for data, documents, and reports in time of monitoring.

**Perspectives of district governments on obstacles to monitoring**

Although most public officials have appropriate power and information, they tend to appeal to the department of social welfare for additional human resources to manage contracts with several social welfare centers on ordinary days and especially, in time of monitoring. Most
responses to the question about monitoring began with this statement “We do not have enough time for thorough monitoring, considering the number of social welfare facilities including social welfare centers in our district.” Most officials thought:

We can ask social welfare centers to submit a lot of documents and reports that are necessary for monitoring. But, the problem is that we do not have enough time for reviewing them thoroughly and checking information in reports that are essential to fulfill effective and accurate monitoring. It is because of limited human resources in our department. 11DG

In line with this statement, another public official cast doubt on the documents and reports submitted by social welfare centers in time of monitoring for the reason that public officials could not verify information included in the reports because of time restraints. The respondent argued “The limitation in the reports of social welfare centers lies in difficulties in identifying whether the contents of reports are facts, overstatements, or distortion of facts” (8DG). In this sense, most public officials asserted a need for additional human resources in the department of social welfare for effective contract management and professional monitoring.

In addition to human resources, several public officials acknowledged a lack of specific resources such as expertise and experience in managing contracts, conducting monitoring, and dealing with social welfare centers. The following quote reflects constrained resource capacity of district governments and resource gaps between the two parties:

The work period of public officials in the department of social welfare is not long enough to perform management of social welfare centers. Because the work period of public officials is much shorter than workers in social welfare centers, there are gaps in resources such as expertise, know-how, and experience between contracting parties. 9DG

They stated that a lack of expertise and experience necessary for monitoring of the contracts as well as a lack of human resources obstructed government’s effective monitoring. In this respect, several public officials proposed a need for more opportunities for education and training related to the management of social welfare centers and contracting. In particular, two
respondents frankly described their experiences of contract management:

Especially, there is a need for education and training for public officials who work first-time in the department of social welfare. It is not sufficient to get information, advice, and help from their superiors because they cannot ask questions all the time. In reality, there is little chance of education for public officials in charge of managing contracts with social welfare centers. 6DG

When I first began to work in this department, I was not familiar with the area of social welfare. This area even uses different terminology (e.g., clients, intervention, and supervision) and contracting tasks are complicated for me to understand in a short time. So, I searched for education through Korea Human Resources Development Institute for Health and Welfare and only found basic courses such as theory of social welfare, leadership in social welfare, and case study. I cannot find any lecture on what I need like management of contracting out welfare services. 7DG

As for serious obstacles to monitoring, while most public officials focused on a lack of resources, two public officials suggested a different dimension of monitoring that can put restraints on effectiveness of monitoring activities. They asserted that district governments need to set definitions of performance, develop performance indicators, and determine the different levels of performance, depending on characteristics of the centers. This would enable district governments to take proper actions to social welfare centers on the basis of performance.

I think the most serious problem is monitoring without performance evaluation. There is no point of monitoring which lacks in performance measurement and methods of performance evaluation. Although I admit the difficulty in performance evaluation, I have my own doubt on effectiveness in the systems of monitoring and evaluation of social welfare centers. 10DG

When the researcher asked about monitoring and evaluations by social welfare centers in terms of capacity and resources, some public officials agreed that social welfare centers had sufficient knowledge, information, and resources to conduct their own monitoring and evaluations because of long-term experience of delivering services. On the other hand, several public officials observed wide variation across social welfare centers in the same district in light of different types and levels of resources required:

A few social welfare centers lack in resources required to perform own supervision and evaluation. In particular, they seem to have troubles with arranging and categorizing different
kinds of cases and with making a distinction between case management and management of civil complaints. 4DG

Some social welfare centers establish a set of objective indicators for supervision and evaluation with a clear vision of directors of social welfare centers, while others do not. 8DG

Two public officials addressed one problem related to the length of contracting found in the course of monitoring. In Seoul City, most social welfare centers, continuously operated by the same well-known welfare corporations, have contracted with district governments for a long time. Given the common trend, district governments recognize this problem, especially when implementing monitoring:

Some social welfare centers automatically got contract renewals for a long time. It can cause a problem of laxity in terms of organizational structure and financial management because social welfare centers with long-term contracts are easily deluded into the thinking that social welfare centers belong to their own possession, not the properties of governments. This is why we deal with social welfare centers on a daily basis and try to conduct rigid monitoring with audits. 3DG

**Perspectives of social welfare centers on monitoring by district government**

Like public officials’ accounts of frequency, methods, and scope of monitoring, responses of all twenty-two workers in social welfare centers showed considerable similarity. They observed that public officials conduct monitoring by visiting social welfare centers and investigating a large amount of data, documents, and reports with audits every year. In addition to regular monitoring, several workers experienced special monitoring for exceptional cases. Like most public officials, with respect to the question about subjects for monitoring, most workers in the centers identically said “everything about contracting.” The common scope of monitoring in each district consists in the management of social welfare centers and contracted services in terms of finance, manpower, facilities, procedures, formats, documentation, and legal issues (see Table 27). Most workers in the centers regarded audits as the core of government’s monitoring. To them, monitoring by district governments is to inspect the use of grants and
sponsorships, to examine a series of welfare services and programs, and to check supervision and evaluation conducted by social welfare centers. Parallel to how most public officials described corrective measures for results of monitoring, some workers also mentioned government’s corrective measures imposed in cases of a breach of contracts, contracting laws, and regulations.

Table 27: Interview Responses of Social Welfare Centers about Scope of Monitoring

<table>
<thead>
<tr>
<th>Operation of social welfare centers (organizational, personnel, and facility management)</th>
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<tbody>
<tr>
<td>Inspection of budget, expenditure, funds transferred from operating welfare organizations, grants, sponsorships, and fees for welfare programs</td>
</tr>
<tr>
<td>Management of welfare services, programs, and profit-making business</td>
</tr>
<tr>
<td>Examination of supervision and evaluation by social welfare centers</td>
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In terms of the scope of monitoring, as one public official pinpointed, two workers in social welfare centers also addressed a gray area of contracted service management across government offices; that is, they found it “very overlapping and burdensome” when the department of social welfare requested reports on welfare programs with grants awarded by other departments in district government or central government, although the department of social welfare primarily takes charge of managing contracts. In the same vein, several workers in the centers discussed flaws in contracting laws and contract documents in light of the scope of monitoring and contract renewal:

In contracting laws and contract document, there is no clause for the level of services, the scope of monitoring, and the conditions for contract renewal. This is problematic. I think the competition in the contract renewal process seems to be unrealistic. It can adversely influence social welfare centers if district government changes a contractor after nongovernmental welfare organizations make investments in social welfare centers. If our organization gets a three-year contract only one time, I am not sure how much investment and efforts our organization is willing to make for the improvement of organizational capacity and service quality. SSWC

Look at the district ordinance and contract document. The provisions are just mere formality. Most provisions are brief, incomplete, and ambiguous that is subject to interpretation. It leaves much room for government discretion and less room for center’s guarantee in contract status. For instance, the laws do not have detailed provisions on the scope and conditions of penalties for
results of monitoring. Governments always say that they do according to the related laws, but who decide the applications of the laws? To me, government discretionary power is like a black box. 6SWC

There is much variation in the perspectives of how workers in social welfare centers assess government’s monitoring. Most workers believe that district governments have sufficient information for monitoring based on legal resources, which are empowered by contracting laws, district ordinances, and contract documents. The exemplary quote below outlines what a nonprofit worker experienced in the course of government’s monitoring:

I think public officials can conduct thorough monitoring activities because they can ask for any information in need, submit requests for reports and evidentiary documents without limits, investigate anything whatever they want, and bring an auditor to the center for verifying financial accounts. 1SWC

By contrast, several workers assessed government’s monitoring negatively in terms of resources and usefulness. They observed that district governments obtained all information from social welfare centers with legal power, but they took issue with government’s expertise in contracting, main focus of monitoring, and purposes of monitoring:

I am not quite satisfied with government’s monitoring because public officials conduct monitoring without adequate expertise regarding contracting. Their main focus of monitoring simply lies in auditing and comparing our own evaluation reports with their findings. 4SWC

I am not sure whether and how the results of monitoring affect district government’s decision on contract renewal or contract termination. 5SWC

Monitoring by district government focuses mainly on audits and quarterly reports. It is simply an inspection of documents which takes a lot of time for public officials to review and for us to prepare. 14SWC

Monitoring by district government is done by paperwork based on a pile of documents we submitted. When I watch the monitoring process, I feel that public officials do not know how contracting actually works in local settings and what issues social welfare centers struggle most. They need to know the differences between desk work and field work. I think the purpose of monitoring is to identify a set of realistic limitations on effective service delivery and propose solutions, not to detect errors or mistakes of social welfare centers. 22SWC

Similarly, two workers evaluated government’s monitoring negatively from the
perspective of relationships, particularly the features of contracting relationships:

From my experience, uncomfortable relationships between the two are likely to affect the way monitoring proceeds. In the case of uncooperative relationships, the main purpose of monitoring is to find errors, wrongdoing, and a violation of contracting laws and a contract document in hostile ways. 

I think the relationships can affect governments’ monitoring or evaluation. In our case, cooperative relationships make us to regard monitoring as a chance to find weakness and risks in our contracted service provision and to consider countermeasures. When I worked for another social welfare center in the past, we had uncooperative relationships and I felt monitoring was used as a chance to detect mistakes and problems for the purpose of imposing corrective measures.

With regard to the question about monitoring, almost all of the workers in social welfare centers took much time to explain their own monitoring and evaluation systems rather than monitoring by district governments. Their responses demonstrate that they are proud and satisfied with their own supervision and evaluation systems based on sufficient resources (e.g., knowledge, skills, experience, manuals, guidelines), although there is some variation across social welfare centers in the degree of resources and resource capacity.

Most social welfare centers regularly conduct supervision of workers and evaluate workers’ performance and organizations in accordance with their own evaluation indicators. According to their responses, supervision of workers is to give a chance to check how they perform their tasks and evaluation of workers is to assess their performance, capacity, and work attitudes. The objective of evaluation of social welfare centers is to examine human resource management (e.g., workload, education, training) and organizational management (e.g., organizational structure, communication, decision-making). Some workers introduced their systemized supervision mechanisms submitted to governments, which consist of individual, group, and expert supervision and their reporting systems on results of supervision and

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73 In fact, social welfare centers prefer to use the term ‘supervision’ instead of monitoring.
evaluation.

In particular, half of respondents believed that district government trusts their supervision and evaluation systems. The following comments reveal the reasons for their belief:

Our center tries to develop more objective evaluation indicators and consult with other social welfare centers on their guidelines. I think the director of our center has a clear vision of supervision and evaluation systems and all workers are willing to involve themselves in supervision and evaluation, which make district government trust our supervision and evaluation. 17SWC

Our evaluation indicators and format for supervision are superior enough to be requested by other social welfare centers to use for their evaluation. For more effective evaluation of contract management, our operating welfare organization sends an auditor to our center. I think our center has sufficient capacity and resources for performing supervision and evaluation and this is why district government trusts our own supervision and evaluation. 21SWC

Five workers exemplified incentives offered by social welfare centers as a result of supervision and evaluation with varying degrees of incentive types across social welfare centers. Incentives involve welfare allowances, chances to go to developed countries for research and training, education expenses, prize money, official commendation, vacations, and a rally to strengthen the unity. This contrasts with responses of public officials (see Table 28). Only one worker in a social welfare center mentioned the case of restriction on promotion of workers who had the lowest evaluation grades for three consecutive years, but the respondent made it clear that it was not penalty.

**Perspectives of Social Welfare Centers on Evaluation by Central Government**

As most respondents of social welfare centers concentrated on explaining their own supervision and evaluation, they also took much time in discussing government’s evaluation. As previously mentioned, evaluation of all social welfare centers across the country is conducted by the Ministry of Health and Welfare, not by district governments. The main focus of the interview lies in the relationships between district governments and social welfare centers. However, as far
as evaluation is concerned, all interview respondents of social welfare centers recognized the Ministry of Health and Welfare and district governments as the same government unit. Therefore, this research discusses evaluation by the central government through interview responses from social welfare centers.\(^74\)

Since 2006, the Ministry of Health and Welfare has conducted a national evaluation of all social welfare centers across the country every three years. The evaluation is based on five indicators—organization and management, finance, human resource management, programs, and relations with local community—and is performed by an evaluation team that consists of public officials, evaluators of the Korea National Council on Social Welfare, and professors in social welfare (Evaluation Indicators of Social Welfare Center, the Ministry of Health and Welfare, 2012). According to the results of evaluation, incentives are conferred on social welfare centers which belong in the category of the very best, the top 10%.

Most workers in social welfare centers identified the problems in government’s evaluation in terms of objectivity, validity, and reliability of evaluation indicators and variation across evaluators, which raised a question about the usefulness of evaluation system. Although the Ministry of Health and Welfare has a comprehensive list of evaluation indicators, evaluation results are likely to vary by evaluators, depending on educational and professional backgrounds. One respondent further questioned the trustworthiness in evaluation results by illustrating the case: “We witnessed the case that a social welfare center won an excellence award and at the same time, a director of the center was fired for a violation of contracting laws. What are the criteria for a superior social welfare center and where is the validity of evaluation?” (8SWC).

The first response below exemplifies views of several respondents on the problems of evaluation

\(^74\) This research introduces the descriptions of central government’s evaluation based on interview responses, but does not discuss the effects of relationships on evaluation because of the relationships studied in this research target district governments while evaluation targets central government.
indicators and variation across evaluators and the second quote illustrates standpoint of several respondents on the problems of evaluation in terms of validity and reliability:

Some evaluation indicators have much room for subjective judgment of evaluators. For example, how could it be objective in assessing professionalism in welfare program planning, cleanliness of facilities, effectiveness in program evaluation, and concreteness in sponsorship management? I have doubts about whether the evaluation indicators can measure performance of social welfare centers focusing on the quality of welfare services and clients’ satisfaction. 10SWC

The fact that evaluation indicators are designed for assessing all social welfare centers across the country can place restrictions on validity and reliability of evaluation. Each social welfare center has different conditions in terms of size, type, budget, operating welfare organizations, facilities, manpower, locality, terms of a contract, frequency of contract renewals, and scope of services and programs. In spite of these different conditions, government applies the same evaluation indicators to all social welfare centers, which can be problematic. 11SWC

More specifically, several workers in social welfare centers raised a question about whether current evaluation system serves its original purpose in an effective and proper manner. They made a point that evaluation was simply designed to investigate quantitative performance, not qualitative performance in that most evaluation indicators failed to measure the quality of services and to propose reasonable directions for contract management.

What are the key roles of evaluation? I think evaluation is to improve services and to guide governments to better allocate resources to social welfare centers. Apparently, the current evaluation system cannot function to identify what is working, what is not, and why. 15SWC

Governments need to develop evaluation indicators in order to assess the quality of services provided, not just to assess the number of service recipients, the number of welfare programs, or the conditions of facilities. There is no point of relying on a lot of box checking in evaluation forms. 14SWC

Furthermore, a majority of workers expressed a need for considering the usefulness of evaluation as compared to its impacts on social welfare centers in terms of time, costs, paperwork, and overwork. They all agreed that it took too much time to prepare a series of reports with evidentiary documents on three-year performance according to a number of evaluation indicators. At the same time, they questioned if the benefits of evaluation are more
important than the negative effects. The two exemplary remarks outline the argument:

What can we earn from the results of evaluation by central government? Monitoring by district government and evaluation by central government in the same year is overlapping, ineffective, and time-consuming. I do not think that evaluation system is the only mechanism to identify a set of practical restraints on contracted service management and to improve the quality of services. Why not consider other options for it? 9SWC

Through the processes of monitoring and evaluation by governments, I wonder if my job is not to provide welfare services but to prepare for monitoring and evaluation because it takes a lot of time and burden. Does it make sense that I cannot focus on doing my job because of preparation of reports submitted to governments? 19SWC

Parallel to the two comments above, most respondents of social welfare centers spent much time in explaining the reasons why they had to respond to requests with excessive paperwork from governments in times of monitoring and evaluation. They went on to appeal that they need to handle their own supervision and evaluations, monitoring by district governments, evaluation by central government, and preparation of contract renewal in addition to contracted service management on a daily basis. One worker described the worst case where a social welfare center had to deal with monitoring by district government, evaluation by central government, and preparation of contract renewal in the same year.

The official results of evaluation of 412 social welfare centers in 2012 show a score of 88.1 points on the average. Two hundred sixty-three (64%) social welfare centers belong in the A grade over 90 points and one hundred eleven (27%) social welfare centers belong in the B grade over 80 points (Korea National Council on Social Welfare, 2013). In line with these statistics, one worker asserted that “I think the current evaluation system lacks in its assessment function” (16SWC) and another worker cast doubt on government’s evaluation noting that “Our center does not worry about the results of evaluation because the average evaluation grade is generally high and there are no big grade gaps among social welfare centers” (17SWC).

Regarding the question about how the results of evaluation were used, nonprofit workers
reported that based on the evaluation grades, central government gives awards and prize money to the top 10% of social welfare centers. In addition, several workers claimed that the results of evaluation did not reflect in monitoring by district government and district government’s decisions on contract termination or contract renewal, although it would be reasonable for governments to make a connection between monitoring and evaluation. Some respondents pointedly argued that the results of evaluation need to be utilized as more than awards, prize money, and publishing the rankings of social welfare centers. One worker frankly commented “To me, incentive is a pledge from district government that our contract will be renewed next time” (13SWC). The following observation summarizes the argument about the necessity of evaluation:

I like to ask whether national evaluation is necessary and if so, why evaluation is necessary. I do not think that government keeps implementing evaluation solely for the reason that the Social Welfare Services Act prescribes evaluation as government’s duty. But, I cannot think of any valid reasons for evaluation in light of the practical use of evaluation results.15 SWC

Two workers in social welfare centers made interesting remarks about monitoring and evaluation. While other workers took it for granted that monitoring is district government’s job and evaluation is central government’s job, the two respondents raised a basic question about a division of work between the two governments in contracting:

When district government conducts monitoring, they can conduct evaluation by adding more evaluation indicators to monitoring on behalf of evaluation by central government. It is more reasonable for district government to conduct evaluation since we normally interact with district government and they can evaluate contracted services in time of monitoring every year instead of every three years. To reduce overwork and a waste of important resources of social welfare centers, it would be a reasonable option to be considered. 9SWC

In my personal opinion, the yearly monitoring by district government is sufficient enough to supervise and assess performance of a social welfare center. The scope of monitoring is everything about contracting, so it can serve as evaluation. Also, when deciding contract renewal every three years, district government implements evaluation of the center. 15SWC
Summary

The responses to the questions about frequency, methods, and subjects for government’s monitoring show considerable similarities among both district governments and social welfare centers. Both parties agreed that the focus of monitoring was audits of financial records in social welfare centers. Most public officials thought that district governments had sufficient power in conducting monitoring from legal, financial, and administrative aspects except for a lack of human resources and resource capacity (e.g., expertise, knowledge, experience). In this respect, they acknowledged a need for education and training for public officials. In addition to this obstacle to monitoring, several public officials pointed out the problems of monitoring without performance evaluation, definitions of performance, and performance indicators.

Some workers in social welfare centers recognized that government implemented monitoring with sufficient power and information obtained by legal resources, while other workers assessed government’s monitoring negatively in terms of its main focus, constrained human resources, and utilization of monitoring results. It is interesting to note that both parties took contrasting approaches to the results of monitoring; that is, whereas district governments utilized the results of monitoring in employing penalties, social welfare centers designed positive incentives (rewards) based on the results of their own supervision and evaluations (see Table 28). Almost all workers in the centers believed that they performed their own systematic supervision and evaluations with sufficient resources, which led to government’s trust in their supervision and evaluation systems. Unlike public officials, most respondents of social welfare centers pinpointed the problems in contracting laws and contract documents. For example, the incomplete and ambiguous provisions in contracting laws leave much room for government discretion and negatively influence social welfare centers in the contract management process, especially in time of monitoring, evaluation, and contract renewal.
Table 28: Utilization of Results of Monitoring and Evaluation

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<thead>
<tr>
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<th>Incentives</th>
<th>Penalties</th>
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<tbody>
<tr>
<td>Monitoring by district government</td>
<td>None</td>
<td>Corrective orders, criminal charges, warnings, contract cancellation, financial/administrative penalties</td>
</tr>
<tr>
<td>Evaluation by central government</td>
<td>Awards, prize money, publication of the rankings</td>
<td>None</td>
</tr>
<tr>
<td>Supervision and evaluation by social welfare centers</td>
<td>Welfare allowances, vacation, official commendation, prize money, education expenses, chances to go to developed countries for research/training, a rally to strengthen the unity</td>
<td>Restriction on promotion\textsuperscript{75}</td>
</tr>
</tbody>
</table>

Note: Central government refers to the Ministry of Health and Welfare.

Some public officials questioned the genuineness of documents and reports submitted by social welfare centers in times of monitoring, audits, new contractor selection, and contract renewal. They noted that their skepticism results from government’s limited human resources necessary to review extensive information and it has nothing to do with trust. Their statement implies the primary assumption of agency theory; that is, contracting relationships between governments and social welfare centers have room for adverse selection (misrepresentation of ability by agents) that arises from realistic limitations in verifying information as well as information asymmetry. In this case, district governments choose to rely on external resources (auditors or experts in contracting), as resource dependence theory predicts and on penalty systems through government’s decision authority (contract cancellation or termination) and administrative authority (corrective measures, legal actions), as agency theory suggests.

In particular, a majority of workers in social welfare centers made definitive arguments on evaluation by central government in terms of evaluation indicators, evaluators, purpose of

\textsuperscript{75} The respondent highlighted that the restriction on promotion of workers who had the lowest evaluation grades for three consecutive years was not penalty.
evaluation, positive and negative effects, standardization of evaluation grades, and utilization of evaluation results. They raised doubts about the validity, reliability, and objectivity of evaluation indicators, variation across evaluators, validity and reliability of the uniform application of evaluation indicators to all social welfare centers across the country, assessment function, and usefulness of evaluation as compared to negative effects. In consequence, they all asserted that the current evaluation systems need to be developed by solving the problems they identified.
CHAPTER SIX: FINDINGS on Effects of Relationships on Contract Management Process

As previously presented in the introduction section, the main research question is how the formal and informal character of government-nonprofit relationships affects the contract management process. The formal government-nonprofit relationships are discussed by four variables (power, resources, communication, information sharing) and informal government-nonprofit relationships are described by three variables (communication, information sharing, past experiences of contracting). Among diverse elements of the contract management process, this research focuses on negotiation, monitoring, and evaluation.

Regarding interview questions about description of relationships, communication, and information sharing, almost all of the respondents from both parties made it clear that there were no personal, outside-of-work character of relationships, communication, and information sharing. The exemplary responses are: “we do not contact or meet them personally”; “we only talk about work-related subjects for communication”; and “whenever necessary, we submit requests for information at work.” One public official described commemorative events for the Social Welfare Day as an extension of work, not as an opportunity for personal contacts. Only a few respondents mentioned the cases where information sharing occurred in an informal manner. For example, information sharing occurred as “it is between you and me” or a director of social welfare center contacted public officials in the lower or higher ranks to request information when nonprofit workers had difficulty in acquiring information. Therefore, this research discusses informal relationships in the context of the variable—past experiences of contracting. Research findings on connections between government-nonprofit relationships and the contract management process are presented in sequence, displayed in Table 29.
Table 29: Presentation of Findings on Effects of Relationships on Contract Management Process

| Effects of resource and power on negotiation |
| Effects of resources and power on monitoring |
| Effects of communication and information sharing on negotiation |
| Effects of communication and information sharing on monitoring |
| Effects of past experiences on negotiation and monitoring |

**Effects of Resources and Power on Negotiation**

The interview question—what would you do if the other party has different goals for contracting?—is to verify goal congruence between contracting parties and explore dimensions of negotiation when there is goal divergence. All respondents of social welfare centers believed that they shared the same basic goal with district governments although some workers mentioned other goals of contracting. Most public officials made definitive statements that there is no room for goal divergence because: first, district governments have legal authority to set and align social welfare centers and the goals of governments. Second, in the case of goal divergence, district governments cannot award contracts in the first place or maintain contracts after contract awards because district governments have decision authority related to contract management (e.g., contract cancellation). Third, social welfare centers have obligations to share the same goal with governments as prescribed in contracting laws, district ordinance, and contract documents. Fourth, there is no possibility of goal divergence under governments’ monitoring, audits, and evaluation. Their arguments indicate governments’ predominant resources and power in terms of legal, administrative, and decision authority and legitimacy. In short, on the basis of government’s resources and power, the issue associated with goals of contracting is not open to negotiation from the perspective of governments.

When the researcher asked the question—what would you do if the other party does not invest all the appropriate resources in the contract management?—all respondents of social welfare centers expressed their wishes for more grants from governments. Additionally, some
respondents preferred that governments provided more information and human resources taking charge of contract management. By contrast, most public officials thought that social welfare centers invested all the appropriate resources for the reason that (1) service provision for the disadvantaged is their mission and basic goal of contracting; (2) it can increase the chances for contract renewals and long-term contracts; (3) they like to be nominated as the centers for the best services or to be awarded prizes for the top-rank centers as a result of evaluation; and (4) it can advance and maintain organizations’ reputation and recognition from governments, welfare foundations, politicians, and local community. For these reasons, most public officials refuted a possibility for negotiation concerning whether or not social welfare centers are fully committed to providing resources in contracting.

In a discussion of resources and power, both public officials and workers in social welfare centers focused on seven issues: government’s decision authority (contractor selection, contract termination, contract renewal, funds transferred from operating welfare organizations, contract length); government’s administrative authority (corrective measures, administrative or legal support); financial resources; political resources; legal resources; management strategies (monitoring, audits, evaluation); and national information system. Both contracting parties recognized the value of organizational and human resources and resource capacity of social welfare centers as compared to governments. However, most nonprofit workers claimed that governments had more appropriate resources and power that put governments in more favorable positions for negotiation. It indicates the gaps in resources and power between the two parties and the impacts of the gaps in resources and power on negotiation.

In particular, government’s decision authority, which is guaranteed by legal mechanisms, makes it impossible for social welfare centers to initiate negotiations on contractor selection, contract termination, and contract renewal for the reason that contract-related issues are
determined by contracting laws, district ordinances, contract documents, and discretion of district
governments. Several public officials made it clear that contract-related issues were not open to
negotiation. One respondent of a social welfare center mentioned that in the case of
government’s decision on contract termination, social welfare centers have no resources or legal
power to dispute the decision. This shows no room for negotiation. Some respondents of social
welfare centers attributed unequal relationships between the two parties to the flaws in
contracting laws and district ordinances that offer much room for government’s decision
authority and discretion, especially for contractor selection and contract renewal. They
emphasized that these kinds of resources affect negotiation in terms of possibility, frequency,
methods, or quality.

Another reason for the statement that there is no room for disagreement in negotiation
consists in government’s administrative authority. District governments can take corrective
measures in financial, administrative, and legal ways according to results of monitoring (e.g.,
correction orders, warnings, recommendations, or claw back). For instance, governments can
cancel contracts and impose criminal charges in the event of a breach of contracts, a violation of
contracting laws, or acts of illegality. It makes social welfare centers respond to requests for
information and follow governments’ directives and guidelines. Judging from the subjects for
negotiation identified by both parties, interview responses prove that negotiation in terms of
possibility, frequency, and methods is influenced by government’s administrative authority.

In addition to government’s decision and administrative authority, a majority of
respondents in social welfare centers considered government grants as a source of power that
affect the negotiation process. They agreed that government funding makes unequal relationships
and governments has more power than social welfare centers due to grants. Some nonprofit
workers maintained that negotiation can occur only in the case of equal relationships, thus social
welfare centers are not in the position for negotiation, given that governments have powerful financial resources (i.e., decision authority to allocate grants). They further presented that there is no chance for negotiation that concludes in disagreement in the case of gab-eur relationships.

Another factor influencing negotiation was raised by several respondents of social welfare centers—political resources of governments. They described the cases where contracting was used to serve political purposes by political actors and where government’s political resources affected both governments’ contract decisions and contracted service management of social welfare centers. Several interview responses indicating the effects of government’s political resources on negotiation are displayed in Table 30.

Table 30: Interview Responses to Political Influence on Negotiation

| Political and personal motives intervene in government decisions about contractor selection, contract termination, contract renewals, and the terms of a contract. |
| Elections influence the direction and details of contracted service management of social welfare centers according to policy orientations of a mayor of Seoul City or a chief of district government. |
| On the average, 50-60 directors of social welfare centers across the country are replaced every year because of political purposes, especially right after the election. |
| There were actual cases of sudden, unreasonable replacements of contractors in social welfare centers and directors of the centers as a result of political pressure. |
| Politicians, high-ranking officials, elected officials, and donors influence decisions on appointment of directors, board of directors, or workers in social welfare centers. |
| There was actual case of contract cancellation by a chief of district government with manufactured reasons for cancellation by setting new criteria for contract renewal, regrouping deliberative commission for contract renewal, and filing lawsuits. |
| Both budget plans and business plans of social welfare centers were revised by district government according to its policy orientation or political reasons. |
| Some welfare projects are performed by top-down approach without input from social welfare centers. |

On the other hand, several respondents of both parties addressed political resources of social welfare centers as a variable influencing negotiation. They stated that political resources from directors of social welfare centers and networks among the associations of both social
welfare centers and social workers made differences in the negotiation process. For instance, they commented that the outcomes of negotiation were contingent on a director of social welfare center in terms of resources and capacity (e.g., experience, expertise, leaderships, and personal networks with the associations of social welfare centers/social workers and with politicians). In particular, they highlighted the critical roles of the networks among the two associations in light of communication, information, advocacy for public policy, and contacts with politicians, which render bargaining power to social welfare centers in negotiating with governments. The networks have two different, contrasting impacts on governments; that is, governments recognize the networks as valuable resources for social welfare centers and for governments because they contribute to achieve the basic goal of contracting. On the contrary, governments are subject to political influences from the networks when the associations aim to make changes in contracting systems by organizing their political resources. In light of advocacy capacity, the presence and function of the networks is like a double-edged sword to governments.

There are several interview responses representing the roles the associations play in the negotiation process: first, in 2012, the Seoul City Ordinance on the Establishment and Operation of Social Welfare Facility was revised from three-year to five-year terms as a result of lobbying from the two associations to the members of national assembly and city council through policy debate, workshops, task force, and policy recommendations, which put pressure on Seoul City. Second, the associations offer both education for volunteers and training for social workers, publish educational materials, and propose a variety of guidelines for contracted service management. Third, the associations provide regular mailing services to all social welfare centers across the country and hold regular meetings at all different levels and locations for information exchange and advocacy for welfare policy. These enable social welfare centers to have informational power, collective voices, and political influence that can be used in the negotiation
process.

With regard to the question—how negotiations were concluded when there were disagreements—the response of most public officials was “There was no room for disagreement in negotiations” while that of most workers in social welfare centers was “We had no experience of negotiations that concluded in disagreement.” The underpinning reasons for somewhat contrasting perspectives on negotiation were discussed by several nonprofit workers. They maintained that governments have more appropriate, influential resources and power than social welfare centers, thus governments can take favorable positions at the negotiation table. In this regard, they concluded that the possibility, frequency, methods, or quality of negotiation are determined by government’s power and resources including: decision authority, administrative authority, financial resources, political resources, legal resources, management strategies (monitoring, audits, and evaluation), and national information system.

Effects of Resources and Power on Monitoring

Most public officials gave special emphasis to organizational resources, human resources, and resource capacity (e.g., experience, expertise, skills, know-how) of social welfare centers. At the same time, they acknowledged a lack of human resources (i.e., number of public officials as compared to workload) and resource capacity (due to position types and short-term work periods of public officials) in district governments. In comparison, most nonprofit workers recognized that social welfare centers have human resources with service delivery capacity, but unfavorable environments for continuity in personnel. Also, they place a higher value on government’s resources such as financial resources, legal resources, decision authority, administrative authority, and discretionary power which lack in social welfare centers. Interview responses from both parties indicate that the gaps in resources and resource capacity between the two parties
characterize contracting relationships and government’s monitoring.

For example, several interview responses from both parties reveal the effects of resources and power on methods, frequency, process, and quality of monitoring activities. First, from the perspective of social welfare centers, district governments occupy advantageous positions for rigid, thorough monitoring by unlimitedly requesting information, reports, and evidentiary documents, extending the scope of monitoring, conducting special monitoring and audits, and imposing penalties according to the results of monitoring. These are based on government’s legal resources, discretion, decision authority, financial resources, and administrative authority. This explains why most respondents of social welfare centers spent much time to describe how much they suffer from paperwork and overwork in the monitoring process.

Second, most respondents of social welfare centers agreed that district governments have sufficient information necessary for monitoring based on their legal resources and administrative authority. But, they pinpointed that some public officials do not have sufficient experience and expertise in handing acquired information, which cause negative opinions on government’s monitoring. In this context, some district governments hired auditors or external consultants with in-depth knowledge of the workings of service delivery in time for on-site visits and/or for desk reviews in order to perform professional monitoring and audits. These cases reflect how resources, resource capacity, and administrative authority of governments greatly impact methods and quality of monitoring activities.

Third, most public officials mentioned a lack of human resources in the departments of social welfare, particularly in time of monitoring; that is, given the number of social welfare facilities including social welfare centers in the district, the limited manpower makes it difficult to review extensive information for monitoring and to verify information present in reports and documents submitted by social welfare centers. This is why government’s monitoring depends
primarily on audits and reports of social welfare centers, which exhibits the effects of limited resources on methods, frequency, and quality of monitoring activities.

Fourth, both contracting parties regarded audits of financial records as a main focus of government’s monitoring. The audits serve to evaluate quantitative performance, not qualitative performance, so government’s monitoring fails to measure the basic goal of contracting (i.e., improvement in the social welfare of local residents) because of constrained human and organizational resources. Some public officials pointed to the problems of monitoring without performance evaluation. Namely, district governments lack in appropriate resources and resource capacity related to monitoring systems such as a lack of definition of performance, evaluation indicators of performance, and methods of performance evaluation. In addition, the contracting laws, district ordinances, and contract documents do not have provisions on the level of services and the scope of monitoring. As a result, a lack of resources in district governments determines quality and focus of monitoring activities and casts doubt on the usefulness and purposes of monitoring activities.

**Effects of Communication and Information Sharing on Negotiation**

Both contracting parties agreed with the two statements: open communication and full disclosure of information are important to reach an agreement between contracting parties in the negotiation process; and open communication and information exchange are preconditions for negotiation because misunderstanding can obstruct coordination between the two parties. In particular, all workers in social welfare centers noted that it is necessary to consult with public officials about contracted service management in advance through provision of all information and sufficient discussion in order to avoid misunderstanding and seek cooperative relationships. It explains the statement of most nonprofit workers that they had no experience of negotiations
that concluded in disagreement.

Most public officials recognized, to some degree, the presence of information gaps between the two parties. By contrast, most workers in social welfare centers denied the presence of information gaps for the reason that there are lots of ways for governments to acquire information on social welfare centers (e.g., websites, National Information System of Social Welfare Facility, monitoring, or audits). Also, each contracting party takes different approaches to dealing with difficulty in obtaining information from the other party and information gaps; i.e., district governments depend mainly on formal management strategies (e.g., monitoring, audits, requests for updated information, computerized file system, or corrective measures). In comparison, social welfare centers rely on other social welfare centers, the associations of both social welfare centers and social workers, and resources of directors of social welfare centers. As previously noted, these resources enable social welfare centers to have informational power and collective voices in negotiating with governments. In a discussion of information sharing and negotiation, some respondents of both parties asserted that the party with more quality information (or power to access quality information) can have more bargaining power than the other party. Additionally, several interview responses mirroring the effects of communication and information sharing on negotiation are displayed in Table 31 on the following page.
Table 31: Interview Responses to Link between Communication/Information Sharing and Negotiation

In order to avoid misunderstanding in communication, district government tries to take time to discuss contracting issues in detail, offer clear directives, and reach an agreement with social welfare centers.

Through frequent, open communication, district government identifies the differences across social welfare centers in the district in terms of local welfare needs, clients’ characteristics, and obstacles to contract management in order to coordinate the direction of government’s welfare policy and assign different types and levels of resources to each social welfare center.

Through effective communication, both contracting parties need to understand organizational environments of the other party and the differences between the public and private sector for cooperative contract management.

When both parties frequently exchange updated information, there is not much room for serious negotiation.

Communication for information sharing is essential to keep public officials posted on processes of service delivery in social welfare centers and to remind social welfare centers of their roles and responsibilities, which can minimize the number of negotiations and facilitate the negotiation process.

**Effects of Communication and Information Sharing on Monitoring**

As previously discussed, resource gaps between governments and social welfare centers have impacts on frequency, methods, and quality of monitoring. For both contracting parties, one of the key resources is information that makes differences in the monitoring process. While almost all of the workers in social welfare centers maintained that they shared all information with district governments, public officials presented five types of information that they had difficulties in obtaining from social welfare centers. In the same manner, while almost all public officials stated that all information necessary for contract management were open to social welfare centers, nonprofit workers enumerated five types of information that they had a hard time in acquiring from district governments.

Interview responses exhibit that information gaps between the two parties make district governments depend primarily on formal management strategies (e.g., monitoring, audits, requests for updated information and computerized file system, or corrective measures). It is
congruent with the statement of several respondents of social welfare centers that monitoring is one of the means to share information on contracted service delivery. Also, several public officials addressed that in order to deal with information gaps, district governments additionally implemented special monitoring and audits, hired auditors and contracting professionals who fulfilled professional, rigid monitoring activities, requested additional reports and documents, and extended the scope of inspection in time of monitoring. Other interview responses indicating the effects of communication and information sharing on monitoring are presented in Table 32.

Table 32: Interview Responses to Link between Communication/Information Sharing and Monitoring

| If there is misunderstanding in communication between contracting parties, it can obstruct information exchange and government’s administrative support to contractors. In this case, social welfare centers can be negatively influenced by problems in communication, particularly in time of monitoring. |
| The proper communication is important in contracting relationships to avoid misunderstanding and errors in contract management and to determine the problems of responsibility afterwards in the monitoring process. |
| The problems in communication for information sharing can adversely affect contract outcomes and both contracting parties, especially social welfare centers in many ways, which can be uncovered by monitoring and audits. |
| The problems in communication can occur if public officials regard their relationships with social welfare centers as gab-eur relationships, not as public-private partnerships that can cause contracting problems throughout the processes of contractor selection, information sharing, monitoring, audits, and contract renewal. |
| When social workers communicated with public officials to obtain information on formats of case management and minutes, they did not need to prepare new formats and reports in time of monitoring. This enabled them to save time and extra paperwork. |

Effects of Past Experiences of Contracting on Negotiation and Monitoring

Regarding interview question about past experiences of contracting, most public officials focus their discussion on information as to past experiences of contracting with social welfare centers, which is stored in district governments’ database. It is because most public officials have short-term contract management experience in the departments of social welfare at the individual
level. So, they described past experiences from the aspect of information that district governments kept at the organizational level. By contrast, most workers in social welfare centers connect past experiences to the issues related to contract renewal and contract length. According to the arguments from both parties, during long-term contracts, extensive information on social welfare centers is collected and stored in district governments in the form of performance reports, monitoring reports, results of evaluation, records of government’s corrective measures, and application documents for contract renewals. These can affect negotiation and monitoring in terms of possibility, frequency, methods, or quality. Interview responses depicting the effects of past experience of contracting on negotiation and monitoring are displayed in Table 33.

Table 33: Interview Responses to Link between Past Experiences of Contracting and Negotiation and Monitoring

<table>
<thead>
<tr>
<th>Past experiences can enhance predictability in management styles and procedures for both parties based on information regarding past contract management such as prior monitoring and negotiation records or documents.</th>
</tr>
</thead>
<tbody>
<tr>
<td>In the case of long-term contracts, past experiences help save time, costs, and paperwork for both parties in the processes of contract renewals, information sharing, negotiation, monitoring, and audits.</td>
</tr>
<tr>
<td>Information shared between contracting parties through past experiences can make contract management relationships maintain stability and predictability, which make negotiation and monitoring processes work smoothly.</td>
</tr>
<tr>
<td>Social welfare centers can manage contracted services in more professional, effective, and timely manners based on manuals, guidelines, and know-how that are developed by learning from past experiences. These affect frequency and results of negotiation and scope and results of monitoring.</td>
</tr>
<tr>
<td>Some contracting parties emphasized the importance of public-private partnerships in the contract management process as a result of learning from past experiences of contracting.</td>
</tr>
<tr>
<td>Long-term past experiences make social welfare centers learn about what governments expect the centers to do, so they include local problems and core policy of chiefs of district governments in their welfare programs. These lead to more cooperative relationships and more favorable conditions for negotiation and monitoring.</td>
</tr>
<tr>
<td>Social welfare centers with long-term contracts have more management skills that enable them to have more open communication, share more information, and keep more cooperative relationships with governments, which are preconditions for negotiation.</td>
</tr>
<tr>
<td>Monitoring was conducted based on violations uncovered by previous monitoring and audits.</td>
</tr>
</tbody>
</table>
In a discussion of past experiences with district governments, several workers in social welfare centers brought up three dimensions of relationships influencing monitoring and negotiation—characteristics of past relationships, communication and information sharing, and length of relationships. First, they experienced that the purposes of monitoring varied by the characteristics of past contracting relationships; that is, in the case of cooperative relationships, the objective of monitoring was to identify a set of realistic limitations that hindered effective contract management and to recommend management strategies to resolve the identified problems. By contrast, in the case of uncooperative relationships, some nonprofit workers observed that monitoring was used as a means to watch and control workers and detect errors with a view to imposing penalties. Especially, one respondent commented from personal experience that monitoring was to catch mistakes, identify culprits, and punish wrong doers.

Second, they added another dimension of relationships affecting negotiation and monitoring. In the case of uncooperative relationships between contracting parties, there is more room for problems occurred in communication and information sharing such as poor communication flows and big information gaps. These problems giver rise to negative impacts on processes of negotiation and monitoring. Third, in contrast to most public officials, most nonprofit workers claimed the direct connection between relationship length, trust, and partnerships. In this regard, they stated that the length of relationships between contracting parties made differences in negotiation and monitoring. When having short-term relationships, they had difficulty in discussing problems and restrictions on contract management that both parties experienced and in understanding the other party in terms of different working environments and organizational culture. They went on to note that in this case, a lack of smooth communication and information sharing adversely influenced negotiation and monitoring in terms of processes, methods, and quality.
Summary

Overall, interview data show the impacts of relationships between district governments and social welfare centers on contract negotiation and monitoring. The possibility, frequency, methods, or quality of negotiation and monitoring are influenced by five key dimensions of the contracting relationships between district governments and social welfare centers: (1) power (dependence on resources of the other party, goal congruence); (2) resources (gaps in resources and power); (3) communication (quality of communication); (4) information sharing (information gaps, strategies to cope with information asymmetry); and (5) past experiences of contracting (features of past experiences, length of a contract, frequency of contract renewal). These research findings call attention to the management of contracting relationships between government and nonprofit organizations, with a focus on five crucial dimensions of the relationships, especially communication and information sharing as intermediaries that offer foundations for developing contracting relationships and ensure accountability in the contract management process.
CHAPTER SEVEN: CONCLUSION

This dissertation examined how the formal and informal aspects of government-nonprofit relationships play roles in the contract management process. It aimed to provide valuable insights about: what important issues must be managed within a contracting relationship; how each party forms, corrects, develops, ends, and remakes contracting relationships; and how government and nonprofit actors design and implement the contract management process in light of contracting relationships. The research questions included:

How do formal and informal government-nonprofit relationships affect decisions related to the contract negotiation process?

How do formal and informal government-nonprofit relationships influence contract monitoring and evaluation?

To what extent do each of the government and nonprofit actors differently perceive their contracting relationships and the contract management process in terms of contract negotiation, monitoring, and evaluation? How similar or different are their perspectives of how government-nonprofit relationships influence the contract negotiation process and contract monitoring and evaluation?

The previous chapter presented an analysis based on interview data to answer the questions. This chapter discusses a set of key research findings from the perspective of different theories. It also addresses limitations, contributions, and implications derived from the research findings.

Theoretical Framework and Key Research Findings: An Overview

This chapter uses resource dependence theory and agency theory to explain the government-nonprofit relationship, the contract management process, and the connection
between the relationship and the contract management process. Like many of the findings from the literature on contracting and inter-organizational relationships, the interview data collected for this study demonstrate that government-nonprofit relationships and the contract management process in Korea correspond to and are illuminated by the fundamental assumptions and tenets of resource dependence theory and agency theory.

One theoretical framework which offers the underlying rationale for the key research findings on relationships between district governments and social welfare centers in Korea is resource dependence theory. This theory basically assumes that organizations need to acquire resources from external sources to survive (Pfeffer & Salancik, 1978). The acquisition of resources creates dependence and interdependence between organizations and as a consequence, organizations need to employ a variety of resource strategies to reduce dependent relationships and environmental uncertainty (Aldrich, 1976; Grønbjerg, 1993, Pfeffer & Salancik, 1978; Pfeffer, 1987; Saidel, 1989, 1994).

Agency theory has also been applied to describe contracting relationships and behaviors of principals and agents with a focus on ensuring accountability. The main tenets of agency theory are information asymmetry and two agency problems that result from information asymmetry—adverse selection (or pre-contractual opportunism) and moral hazard (or post-contractual opportunism) (Alchian & Demsetz, 1972; Arrow, 1985; Eisenhardt, 1989; Moe, 1984). Interview responses to questions about the relationship and the contract management process in Korea can be viewed within the context of agency theory in light of its main tenets and assumptions (goal conflict and agents having more information than principals).

**Similarities and differences in perspectives of contracting parties**

Interview data show that there are similarities in the perspectives of most public officials
and workers in social welfare centers about the general descriptions of relationships (official, work-related, and legal contracting relationships) and the basic goal of contracting (improvement in the social welfare of local residents). Other similarities in the perspectives of most contracting parties are summarized in Table 34 on the following page.

Also, with variations in the degree of agreement/disagreement, there are notable differences in the viewpoints of the two parties on: (1) descriptions of the relationship through the lens of power and dependence on resources; (2) perspectives on and attitudes toward goal divergence; (3) resource investments of the other party in contracting; (4) perspectives on and strategies for information gaps; (5) subjects for and attitudes toward negotiation; (6) impacts of the gaps in resources and power between the two parties on negotiation and monitoring; (7) contract renewal and length of a contract; and (8) flaws in contracting laws, district ordinances, or contract documents (see Table 35).

The reason for focusing on similarities and differences in the perspectives of both parties on different dimensions of the relationship and the contract management process as key research findings conforms with Brown, Potoski, and Van Slyke’s (2015) definitive statement that “win-win outcomes are more likely when the buyer and the seller understand the contract rules and the relationship in the same way” (p. 2).
Table 34: Similarities in Perspectives of District Governments and Social Welfare Centers

<table>
<thead>
<tr>
<th>Subjects</th>
<th>Responses from Most Public Officials and Workers in Social Welfare Centers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationships</td>
<td>Official, work-related, and legal contracting relationships</td>
</tr>
<tr>
<td>Basic goal of contracting</td>
<td>Improvement in social welfare of local residents</td>
</tr>
<tr>
<td>Reason for government decision to contract</td>
<td>Service improvement, resources/community organizing provided by social welfare centers</td>
</tr>
<tr>
<td>Social welfare center’s goal of contracting</td>
<td>Fulfillment of mission</td>
</tr>
<tr>
<td>Government-provided resources</td>
<td>Government grants</td>
</tr>
<tr>
<td>Social welfare center-provided resources</td>
<td>Service delivery capacity, human/organizational resources</td>
</tr>
<tr>
<td>Communication</td>
<td>Subjects (work-related, no personal character)</td>
</tr>
<tr>
<td></td>
<td>Methods (telephone, email, meetings; formal channels)</td>
</tr>
<tr>
<td></td>
<td>Frequency (frequently, whenever necessary)</td>
</tr>
<tr>
<td></td>
<td>Obstacle (lack of understanding about the other party)</td>
</tr>
<tr>
<td>Information sharing</td>
<td>Subjects (work-related, no personal character)</td>
</tr>
<tr>
<td></td>
<td>Methods (telephone, email, meetings; formal channels)</td>
</tr>
<tr>
<td></td>
<td>Frequency (frequently, whenever necessary)</td>
</tr>
<tr>
<td></td>
<td>Attitude (“we share all information with the other party”)</td>
</tr>
<tr>
<td>Negotiation</td>
<td>Method for dispute resolution (informal discussions rather than formal enforceable control measures)</td>
</tr>
<tr>
<td>Monitoring</td>
<td>Scope (operation of social welfare centers, management of services/programs, audits, supervision/evaluation by social welfare centers)</td>
</tr>
<tr>
<td></td>
<td>Methods (on-site visits, reviews of documents/reports, audits)</td>
</tr>
<tr>
<td></td>
<td>Frequency (once or twice a year)</td>
</tr>
<tr>
<td></td>
<td>Focus (audits)</td>
</tr>
<tr>
<td></td>
<td>Obstacle (monitors’ limited capacity in terms of time, personnel, or expertise)</td>
</tr>
</tbody>
</table>
Table 35: Differences in Perspectives of District Governments and Social Welfare Centers

<table>
<thead>
<tr>
<th>Subjects</th>
<th>Public Officials</th>
<th>Workers in Social Welfare Centers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationships</td>
<td>Government funding does not make unequal relationships and give government more power</td>
<td>Government funding makes unequal relationships and gives government more power</td>
</tr>
<tr>
<td>Goal divergence</td>
<td>Presence of goal divergence</td>
<td>No goal divergence</td>
</tr>
<tr>
<td>Resource investments</td>
<td>Both parties provide all available resources in contracting</td>
<td>Governments do not invest all available resources while social welfare centers do</td>
</tr>
<tr>
<td>Information gaps</td>
<td>Presence of information gaps</td>
<td>No information gaps</td>
</tr>
<tr>
<td></td>
<td>Strategies (monitoring, audits, administrative measures)</td>
<td>Strategies (associations of social welfare centers/social workers, local resources/networks)</td>
</tr>
<tr>
<td>Negotiation</td>
<td>“There was no room for disagreement in negotiation”</td>
<td>“We had no experience of negotiation that concluded in disagreement”</td>
</tr>
<tr>
<td>Influence of gaps in power/resources on negotiation and monitoring</td>
<td>No influence</td>
<td>Presence of influence</td>
</tr>
<tr>
<td>Contract renewal/Contract length</td>
<td>Lack of service contractors and focus on service continuity</td>
<td>Good contract performance and good contracting relationships</td>
</tr>
<tr>
<td>Flaws in contracting legal systems</td>
<td>No flaws “Everything we do is in accordance with contracting laws”</td>
<td>Presence of flaws “It is all about their discretionary power”</td>
</tr>
</tbody>
</table>

This section discusses significant findings from this research (Tables 34, 35) mainly by resource dependence theory and agency theory. Additionally, some findings can be explained by the classical, conventional approach to contracting, relational contracting, and stewardship theory. This is supported by Eisenhardt’s (1989) remark that agency theory is “an empirically valid perspective, particularly when coupled with complementary perspectives” (p. 57). Namely, with varying degrees of their own focus and unique independent variables, each of the theoretical

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76 Stewardship theory rooted in sociology and psychology examines motivations and behaviors of principals and stewards and their relationships putting a higher value on goal convergence and assumes that long-term contractual relationships are developed on trust, cooperation, collective goals, and reciprocity (Davis, Schoorman, & Donaldson, 1997a, pp. 24-25).
perspectives referenced above has explanatory power for describing and understanding the characteristics of contracting relationships and the contract management process in Korea.

**Contributions of Resource Dependence Theory**

When I asked about the general descriptions of relationships at the beginning of interviews, both contracting parties mostly described their relationships as official, work-related contracting ones based on legal contract documents. After asking questions about resources, power, and power and dependence with respect to resources, I found that, for the most part, relationships were depicted as more than official and legal contracting ones. Rather, more various dimensions were added to their descriptions of the relationships (e.g., power/dependence, authority, equality, dominance, advantageousness, or gab-eur relationships). This shows a set of factors determining the attributes of government-nonprofit relationships as many scholars and resource dependence theory identified.

In particular, most public officials disagreed with the interview statement (contracting relationship is unequal because government provides funding or government has more power than social welfare centers because of grants), whereas most workers in social welfare centers agreed with the statements. Responses from both parties reveal: what types of resources each contracting party has that the other party does not possess; whether the dependence on resources of the other party is one-way or a two-way flow; and whether each party regards dependence on resources (especially, a critical resource such as funding) as a basis of power, as resource dependence theory predicts. Each contracting party recognized the value of resources that specifically belong to the other party. Their recognition acknowledges dependence or interdependence and the patterns of dependence create inter-organizational power, where such power has impacts on organizational behavior (Pfeffer, 1987, p. 27).
As resource dependence theory assumes, district governments and social welfare centers pursue diverse strategies to mitigate being constrained by the other party and influence each other to make favorable conditions for pursuing their own interest. Interview responses to questions about power and resources indicate what advantageous resources and resource capacity each party uses for these purposes and how the gaps in resources affects the balance of power, the level of dependence, and the level of reciprocity between the two parties. Both parties are willing to make the best use of resources and resource capacity that belong to the other party with a view to achieving other organizational (or personal) goals as well as the basic goal of contracting (improvement in the social welfare of local residents). For example, district governments are interested in cost saving, resources and community-organizing functions of social welfare centers, alternatives to the lack of government capacity in service provision, or the political priorities of chiefs of district governments. Social welfare centers, on the other hand, are interested in organizational size, mission, finance, legitimacy, reputation, recognition, or propagation of religion.

As most scholars agree, resource dependence theory offers fundamental reasons why district governments decide to contract out welfare services with the other sector and why social welfare centers are willing to engage in the contracting business. That is, contracting relationships are formed by resource exchange between the two parties, particularly government funding for service delivery capacity of social welfare centers. In addition to these central resources, both parties responded that they depend on additional resources of the other party and vice versa. For instance, governments rely on human resources and organizational resources of social welfare centers and social welfare centers rely on public space, facilities, and legal/administrative supports of governments. Their contracting relationships can be translated as a product of strategic responses to environmental uncertainty and contingencies.
One of the goals pursued by social welfare centers—expansion of welfare program’s scope and of organizational size—was identified by several respondents from both parties. Namely, social welfare centers use government contracting as a tool for advertising what their nonprofit operating welfare organizations do (or have the capacity to do) to prospective funders and other stakeholders. Along with government contracting, some workers in social welfare centers addressed their continuous efforts to procure additional funding from external sources, both the public and private sectors, and to expand the scope of sponsorships and volunteering. Judging from the high priority assigned to contracting by nonprofit service organizations, the decisions to contract with governments are strategic choices necessary for organizational survival. This is in line with the basic tenet of resource dependence theory that organizations take actions to reduce environmental dependence and uncertainty, although such actions are often not successful and create new patterns of dependence and interdependence. That is, social welfare centers enter into transactions with district governments to obtain necessary resources such as government funding. However, they need to continue seeking other external funding sources for organizational survival. This leads to produce more dependent and interdependent relationships with other organizations.

In terms of resource investments in contracting, there are two noticeable contrasting opinions between contracting parties. First, most public officials reported that both district governments and social welfare centers provided all the appropriate resources in contracting. In comparison, workers in social welfare centers thought that they engaged in delivering services investing all usable resources, but district governments did not invest all resources; i.e., they expected district governments to provide more grants, more public officials in charge of contract management, and more information. Unlike the agency theory assumption of moral hazard, public officials observed that social welfare centers did not use information or act
opportunistically in their own interests in light of their resource investments. The assessment is based on their observations that social welfare centers focus on achieving good performance using all resources in order to: receive awards and prize money as a result of evaluation; increase the chances of contract renewals; keep long-term contracts; and maintain reputation and recognition from external organizations. These findings indicate strategic behavior of social welfare centers aiming for organizational survival as resource dependence theory holds. The other contrasting standpoints are related to the ownership of resources in contracting relationships. Most workers in the centers regarded the facilities of social welfare centers and affiliated facilities as centers’ resources while no public official thought the same way. This can be understood by the inherent nature of principal-agent relationships in that principals mostly pay for the facilities.

**Contributions of Agency Theory**

Both parties share the same basic goal of contracting although social welfare centers pursue other goals (e.g., religion, expansion of service scope and organizational size). This demonstrates the presence of goal incongruence between contracting parties and conforms to the primary hypothesis of agency theory. For this reason, the features of Korea’s contracting relationships in this research are more likely to be explained by agency theory. This is supported by Eisenhardt’s (1989, p.71) statement that “agency theory is most relevant in situations in which contracting problems are difficult” in terms of goal conflict, outcome uncertainty, and observability of agents’ behaviors.

Most public officials recognized goal divergence and took a firm stand against negative influences of centers’ divergent goals on the basic goal of contracting and its outcomes. They made it clear that, for the public interest, district governments have responsibilities and legal,
administrative authority to prohibit contractors from pursuing divergent goals (e.g., restraints on proselytizing while faith-based organizations deliver services). Consistent with agency theory’s prescriptions, they employ governance mechanisms (e.g., monitoring, audits, reporting procedures) and penalty systems based on the results of monitoring to ensure goal alignment. By contrast, most workers in the centers did not recognize goal incongruence noting that their other goals are directly related to the basic goal (no negative influences on contract outcomes) and are pursued within the legal limit.

**Information Gaps**

Most public officials and workers in social welfare centers view and interpret information gaps in different ways. Each party presented five different types of information, respectively, that they had difficulties in acquiring from the other party, although both parties claimed they shared all necessary information. Most public officials recognized, to some degree, the presence of information gaps. By contrast, most workers in the centers denied the presence of information gaps for the reason that district governments have a lot of means to obtain information on the management of social welfare centers and contracted services.

Agency theory presumes that principal-agent relationships have an element of information asymmetry (i.e., agents have more information than principals, which agents can exploit for self-interest) and information systems can verify agent behavior and curb agent opportunism. In fact, almost all workers in social welfare centers expressed how much they suffer from paperwork and overwork because of frequent, extensive requests for information from district governments. Also, several nonprofit workers brought up the National Information System of Social Welfare Facility into which they need to regularly input information on the operation of social welfare centers and contracted services. They questioned why governments
established the online information system if they did not utilize it. As most respondents from both parties noted, the reason can be explained by government’s constrained human resources; i.e., public officials do not have time or expertise to process and utilize information in a proper manner. This is a source of information gaps between contracting parties. Also, these findings show that governments design information systems in order to supervise what contractors are actually doing and to restrain them from acting in their own interests. The implication from agency theory is that organizations can invest in governance mechanisms such as formal information systems for monitoring and reporting procedures to limit agents’ self-serving behavior and to correct inefficiencies that result from agent opportunism.

Furthermore, each contracting party takes different approaches to dealing with difficulties in obtaining information from the other party and information gaps. Resource dependence theory predicts that organizations will employ multiple tactics to resist being controlled by other organizations and to reduce uncertainty in the service-contracting environment. Public officials rely largely on monitoring, audits, and administrative measures (e.g., reporting requirements, hire auditors or external consultants with expertise in contracting). Because district governments recognize the high value of resource capacity and information on contracted services that social welfare centers have, governments intentionally submit requests for information on a frequent basis and depend on external professionals for rigid monitoring and audits. By contrast, workers in the centers tend to seek other sources of information (e.g., other social welfare centers, the associations of both social welfare centers and social workers, local resources like district representatives or local welfare networks).

In particular, the associations of social welfare centers play critical roles: advance professionalism (by education, training, information sharing) and self-regulation (by group norms); participate in the welfare policy-making process; and support advertising and promotion
of social welfare centers. As a notable example, in 2012, the Seoul City Ordinance on the Establishment and Operation of Social Welfare Facility was revised from three-year to five-year terms as a result of lobbying from the associations of both social welfare centers and social workers. This is consistent with Pfeffer and Salancik’s (1978) strategy for managing dependence relationships that organizations seek to create a new, more favorable environment via political action such as establishing, altering, or nullifying government regulations (p. 190). In addition, directors of social welfare centers deliberately build relationships with other social welfare centers (other directors of the centers), local welfare networks, and local politicians to secure resources and decrease uncertainty in the environment. In short, these different tactics employed to reduce information asymmetry reflect what kinds of important resources each contracting party uses and acquires from external sources for organizational survival, as resource dependence theory suggests.

In sum, with regard to goal conflict and information asymmetry in contracting relationships, agency theory prescribes various strategies to reduce principal-agent problems (e.g., moral hazard) and minimize agency costs. Agency theorists generally suggest two strategies— incentive systems and governance mechanisms such as reporting, monitoring, audits, and evaluation. Consistent with the theory, in managing contracts with social welfare centers, district governments in Korea structure control-oriented management devices such as penalty systems utilizing the results of monitoring and audits without offering positive incentives (e.g., rewards). Also, district governments consistently delivered a strong message on the need for social welfare centers to align their goals and interests with those of governments and on no tolerance toward goal divergence. In the same way, to cope with information gaps, district governments implement vigilant, professional monitoring and audits (e.g., hire auditors or contracting experts, mandate client surveys as an evaluation tool for performance) and enforce a
variety of administrative measures (directives, official memo, recommendations, corrective measures) as well as frequent requests for information and reporting requirements (periodic reports, national information system).

**Communication and Information Sharing**

One of the chief findings from this research, which is indicated in the majority of the responses of both parties, is special emphasis on the importance of open communication\(^{77}\) and information sharing in the contract management process. Both parties made it clear that their communication and information sharing were strictly official and work-related without personal, informal features. Also, both parties identically pointed to a lack of understanding about the other party in terms of work environments, organizational culture, mindsets, and differences between the public and private sectors as a major obstacle to communication, information exchange, and the negotiation process. Especially, several workers in social welfare centers articulated their desires for more chances to meet face-to-face with public officials in order to discuss contract-related issues in more cooperative settings and to advance mutual understanding in more informal manners. These observations can be viewed within the basic assumption of agency theory that principals do not have sufficient information on agents in terms of intentions, preferences, and operations. In addition, these show that agents also do not have sufficient information on principals. Parallel to this point, Cairns and Harris (2011) argue that the failure to understand the unique cultures and environmental constraints of organizations in different sectors significantly hinders trust building and effective cross-sector collaboration (p. 316).

In a discussion of communication and information sharing, most nonprofit workers

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\(^{77}\) Communication is the common element in Pfeffer and Salancik’s (1978) consideration of strategies for developing “a negotiated environment” (i.e., stabilizing the transactions of organizations through inter-organizational linkages) (p. 183).
claimed the way they think the relationships should work: partnerships in contract decision making, communication, information sharing, and negotiation, beyond current management practices of district governments. Several workers in the centers further stated that trust needs to be formed and maintained between contracting parties by creating open channels of communication and information exchange. This is for advancing mutual understanding and full cooperation in the contract management process, which serves to minimize contracting problems. They believed that long-term contracting relationships that have produced favorable contract outcomes make the ties of trust between the two parties deeper and, consequently, a solid foundation for partnerships.

By contrast, most public officials did not acknowledge the direct connection between relationship length, trust, and partnerships in the same way that most workers in social welfare centers asserted. They did not regard long-term contracts and frequency of contract renewals as a token of good performance and, rather, expressed concerns for a lack of competition among prospective contractors which led to repeated renewals. They were concerned about the reality of limited service provider markets for government contracting and the fact that nationwide, established nonprofits with appropriate mechanisms to obtain and renew contracts make it impossible for newcomers or smaller community-based organizations to engage in the contracting business.

When it comes to communication and information sharing, the opinions of public officials mirror certain elements of the classical contracting approach (i.e., competition and discrete, arm’s-length transactions). By contrast, the opinions of most workers in social welfare centers about how contracting should be managed conform to the tenets of relational contracting (i.e., long-term relationships based on trust and informal communication, connection between relationship length and contract outcomes) and to the assumptions of stewardship theory (i.e.,
long-term relations based on trust, collective goals, reciprocity, discretion, and autonomy). For instance, the scholarly literature on relational contracting holds that a long-term contract can signal credible commitment by each party to deliver values to the other (Amirkhanyan, Kim, & Lambright, 2010; Bertelli & Smith, 2010; Girth, Hefetz, Johnston, & Warner, 2012). The contrasting perspectives of both contracting parties based on the conventional contracting approach and relational contracting explain why both parties pointed out the lack of understanding between them.

Another noticeable finding from interview responses consists in the different viewpoints on whether contracting laws, district ordinances, or contract documents involve problems or flaws that negatively impact one of the contracting parties. This reveals how differently each party perceives the problems in legal mechanisms,78 which call attention to the importance of mutual understanding in communication, as most interviewees emphasize. Public officials did not take this issue seriously and noted that there were no specific, serious problems in contracting laws. However, most workers in social welfare centers enumerated a set of flaws in contracting laws and/or contract documents and then addressed how the flaws affected social welfare centers.

For example, in terms of contract specification, they pinpointed that the incomplete, brief, and ambiguous provisions in district ordinances or contract documents adversely influence social welfare centers in myriad ways throughout the contract management process (e.g., much room for government discretion and control, a lack of predictability and consistency, no legal

78 Both parties have contrasting understanding about this issue. Public officials mostly responded “Everything we do is in accordance with the related contracting laws” whereas most workers in social welfare centers responded “It is not the point. It is all about their discretionary power.” I observed that these responses from each contracting party were consistently repeated throughout the interviews in the case of questions about power, resources, information sharing, negotiation, monitoring, penalty systems, contract renewal, and contract length.
guarantee for social welfare centers about contract status, or difficulty in building mutual understanding). The standpoints of most workers in social welfare centers are congruent with the conventional contracting approach that regards detailed contract specification as a contributing factor in contract success, rather than relational contracting that highlights negative effects of a high level of contract specification on inter-sectoral collaborative relationships. In the same vein, Amirkhanyan, Kim, and Lambright (2011) report that contract specification provides a foundation for collaborative contracting relationships (p. 356).

From the resource dependence theory perspective, organizations exercise authority through legislative mandates to increase their dominance or reduce their dependence in an inter-organizational field. Aldrich (1976) uses the term—"mandated relationship" (p. 432) to describe how legal systems shape the features of inter-organizational relationships in light of the intensity of interaction, degree of standardization of transactions, and degree of perceived cooperation (p. 422). Given the roles that legal systems play in characterizing inter-organizational relationships, the conflicting assessments of Korea’s contracting law systems by public officials and workers in social welfare centers reflect a lack of understanding about the other party (as seen in footnote 78) and different views on the factors defining contracting relationships (e.g., whether laws affect relationships).

**Past Experiences of Contracting**

Before beginning the interviews, I speculated that the relationship factor might play some roles, especially in communication or information sharing. The speculation was based on particular functions of the relationship factor in Korean social and political environments and significant cultural norms with respect to the relationship factor in Korea (see the section on research site in Chapter 3). The interview results (mostly formal character of relationships) were,
therefore, a bit surprising. However, during the interviews, I observed that some respondents seemed to be sensitive to the term “informal,” to a considerable degree. That is, they tended to perceive and translate the term “informal” as implying a plot, occurring behind the scenes, or going beyond the legal limit. Thus, they were unwilling to give opinions about the informal character of relationships with the other party.

Also, I got the impression that questions about informal aspects of communication and information sharing were unfamiliar and uncommon to public officials since they generally view contracting and contracting relationships as transactions based on legal contract documents. In comparison, most workers in social welfare centers tended to interpret informal aspects of contracting relationships by referring to notions of coordination, cooperation, understanding, support, and open communication. Throughout the interviews, I continuously observed that the sectors use different languages (i.e., bureaucratic language versus social workers’ language) and understand the same terminology differently (e.g., terms like contracting, relationships, power balance, government discretion, goal congruence, negotiation, information gaps, and long-term contracts). The critical role of mutual understanding between contracting actors is emphasized by Brown, Potoski, and Van Slyke (2015) noting that: “finally, contract success is contingent on mutual understanding between the two parties.” (p. 1).

A few respondents mentioned informal aspects of relationships such as information sharing as “between you and me;” requests for information from a director of social welfare center to public officials at the lower or higher ranks; and the possibility of unofficial relationships that formed in the course of communication and contacts. However, these informal, personal modes of interactions and contacts appeared to be a one-time thing or a rare occurrence that did not rise to the level of relational contracting, judging from a set of defining elements of relational contracting (e.g., mutual planning, joint decision making and problem solving,
bargaining). To be exact, there are important distinctions between a government-nonprofit relationship that has informal qualities and a contracting relationship that can be characterized as “relational,” although, at first glance, these two look similar and may seem indistinguishable.

Almost all of the respondents from both contracting parties observed that there were no personal, informal, and outside-of-work character of relationships, communication, and information sharing. Therefore, this research discusses informal relationships in the context of the variable—past experiences of contracting. Both contracting parties understood their past experiences of contracting relationships in different ways. Most public officials described their past experiences from the viewpoint of information collected and stored in district governments in the form of data, documents, and reports during contract periods. Despite the descriptions of past experiences that inherently involve personal perception and judgment, they discussed past experiences from the formal, objective angle (e.g., based on monitoring reports, evaluation results, and records of corrective measures). By contrast, most workers in social welfare centers depicted past experiences on the basis of their subjective assessment and connected past experiences to contract renewal and contract length (argument over three-year or five-year terms) by underlining the diverse advantages of repeatedly renewed long-term contracts.

One of the reasons for their assertion about long-term contracts is the attributes of social welfare services (e.g., difficulty in measuring outcomes or difficulty in measuring outcomes within a short time). Some workers in social welfare centers cast doubt on how much investment nonprofit service organizations are willing to make for the centers and contracted service delivery in the case of short-term contracts with no guarantee of contract renewal. By contrast, some public officials expressed concern for the problems stemming from repeatedly renewed long-term contracts such as laxity in organizational structure and financial management. Also, social welfare centers highlighted their full efforts to secure external resources such as welfare
projects funded by alternative sources and to develop sponsorships and volunteering as a means to mitigate environmental uncertainty about future funding. These organizational behaviors are congruent with the hypotheses of agency theory that, under a contract, there is “outcome uncertainty” and “agent risk aversion” (Eisenhardt, 1989, p. 64).

Another underlying reason for social welfare centers’ strong support for long-term contracts with guarantees in renewal is illuminated by a key dimension of resource dependence theory—uncertainty. Aldrich (1976) argues that organizations aim to “keep uncertainty to tolerable levels and thus seek to routinize and standardize their transactions and relations” with other external organizations (p. 421). In view of this, workers in social welfare centers wish to maintain long-term contracts with a longer term (five-year instead of three-year term). This enables them to acquire scarce resources (or not to lose in competition for resources among organizations) and to maintain reliable patterns of resource flow, particularly when considering the complex and contingent service-contracting environment surrounding their centers.

Parallel to the resource dependence theory assumption of uncertainty, the other reason why most nonprofit workers favor long-term contracts is that informal long-term relationships forged by formal long-term contracts help promote predictability and stability in contracting relationships. Several nonprofit workers reported that the cooperative nature of past relationships is answered with cooperation and stability in current relationships. Their perception about the link between past experiences and present contracting relationships closely resembles Axelrod’s (1984, p. 20) “Tit For Tat” strategy that cooperation in previous interactions signals positive, cooperative present-day interactions. When actors interact repeatedly over time in a contracting

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79 “Tit-for-tat” strategy in a computer tournament is that a player cooperates in the first round and then proceeds to cooperate each time the other player has cooperated and to revenge each time the other player seeks to exploit him. So, both players take rewards for cooperation and punishment for defection (Axelrod, 1984, pp. 8-9).
relationship, what Axelrod called “repeated play” determines their choices of future interactions based on the norms of reciprocity that produce win-win outcomes for participants in a relationship; that is, long-term interactions give rise to the development and stability of cooperation (p. 60). In this respect, most nonprofit workers lay stress on the merits of repeatedly renewed long-term contracts with a longer term.

With regard to contract renewal, there are notable interview responses that can be interpreted by agency theory. Some public officials questioned the genuineness of documents and reports submitted by social welfare centers in times of monitoring, audits, new contractor selection, and contract renewal. They noted that their skepticism is attributed to government’s limited human resources necessary to review extensive information and it has nothing to do with trust. Their statement implies that contracting relationships between governments and social welfare centers have room for adverse selection (misrepresentation of ability by agents) that arises from realistic limitations in verifying information as well as information asymmetry. In this case, district governments choose to rely on external resources (auditors or experts in contracting), as resource dependence theory predicts and on penalty systems through government’s decision authority (contract cancellation or termination) and administrative authority (corrective measures, legal actions), as agency theory suggests.

**Negotiation**

The majority of the responses from public officials and workers in social welfare centers indicate somewhat different perspectives on contract negotiation: “There was no room for disagreement in negotiations” from the government side and “We had no experience of negotiation that concluded in disagreement” from the nonprofit side. Most public officials asserted that contracts should be managed by contracting laws and contract documents. These
offered no room for disagreement in negotiation. In comparison, most nonprofit workers believed that both parties had full cooperation through information exchange and discussion. These resulted in no cases of negotiation that concluded in disagreement.

Each contracting party’s conception of negotiation indicates an absence of political- and power-oriented notion of negotiation. During the interviews, I observed that question about negotiation were uncommon and unfamiliar to most public officials and nonprofit workers, given that they used the terms—coordination, consultation, inquiry, request, discussion, and approval—instead of the terms—negotiation or bargaining. By contrast, seven workers in social welfare centers seemed to perceive negotiation as specific, hostile circumstances with conflicting arguments and discord. This explains why they had no experience in negotiation and no cause for negotiation that concluded in disagreement. In particular, three workers asserted that negotiation cannot occur in unequal or gab-eur relationships. They were skeptical about the likelihood of ‘real’ negotiation in the Korean contracting context and regarded government discretion as a determining factor of negotiation outcomes. Overall, I got the impression that all nonprofit workers recognized negotiation as compliance with contracting laws and government directives and discretion and behaved accordingly.

The underlying reasons for these contrasting attitudes toward negotiation point to the gaps in resources and power between contracting parties and the differences in the degree of dependence on resources of the other party. Pfeffer and Salancik (1978) note government as a key source of dependence for companies in that government plays large roles in mapping external environments through laws, subsidies, tax policy, and other forms of regulation. They state that, in addition to control over financial and legal resources, governments confer legitimacy to organizations. Reflecting this, most workers in social welfare centers observed

80 Throughout the interviews, some workers in social welfare centers addressed news articles regarding
that governments have resources and power (e.g., decision authority, administrative authority, financial resources, political resources, legal resources, and management oversight) that put governments in more favorable positions for negotiation. Comparing with social welfare centers occupying poor bargaining positions, nonprofit workers described governments’ advantageous conditions in ways that are consistent with resource dependence theory; i.e., resource dependence theory treats authority as a resource pursued by organizations with a view to achieving control over other organizations. As resource dependence theory holds, government’s authority is exercised through “legislative mandates or bureaucratic directives” (Aldrich, 1976, p. 446) in the social service sector, which applies to district governments in Korea. In fact, most public officials took it for granted that social welfare centers need to deliver services according to contracting laws, contract documents, and directives of district governments. These offered no room for disagreement in negotiation. The response of most public officials is congruent with agency theory’s predictions that principals employ sanctions, reporting, monitoring, audits, and evaluation in order to attain goal alignment and ensure social welfare centers’ compliance with the terms of contracts.

In short, public officials focus on legal mechanisms as a basis for negotiation whereas workers in social welfare centers underscore the scope and influence of government discretion as a key factor determining the negotiation process beyond the legal mechanisms. Although public officials and workers in the centers present somewhat different viewpoints about negotiation, both parties mostly prefer to resolve disputes through informal discussions (phone conversation, memo, suggestions) and administrative directions (e.g., verbal warnings, guidelines) rather than corruption scandals of other social welfare centers and emphasized their performance based on awards and prize money as a result of evaluation by central government. This is viewed within the resource dependency theory approach to legitimacy that organizations are affected by assessments of their legitimacy through media coverage or local communities.
enforceable control measures (e.g., written warning documents, financial penalty, legal actions). This is identical to one of the features of relational contracting—methods for dispute resolution. However, the perspectives of most public officials on negotiation are at odds with other defining elements of relational contracting, in contrast to the views of most workers in social welfare centers who expressed preferences for more cooperation and joint decision making through open communication.

**Summary**

As discussed in the preceding chapters, interview responses regarding relationships, power, and resources illustrate that the resources and power of each contracting party and gaps in resources and power between the two parties affect contract negotiation and monitoring in terms of possibility, frequency, methods, or quality. In a similar vein, interview responses show that information and resource gaps between contracting parties in both communication and information sharing explain variation in negotiation and monitoring in terms of possibility, frequency, methods, or quality. Also, past experiences of contracting substantially influence contract management procedures, methods, and skills, which result in differences in negotiation and monitoring processes.

Overall, interview data reveal the impacts of relationships between district governments and social welfare centers on contract negotiation and monitoring. The possibility, frequency, methods, or quality of negotiation and monitoring are illuminated by five key dimensions of the relationship: power (dependence on resources of the other party, goal congruence); resources (gaps in resources and power); communication (quality of communication); information sharing (information gaps); and past experiences of contracting (features of past experiences, length of a contract, frequency of contract renewal). Accordingly, findings from this research call attention
to the management of contracting relationships, with a focus on five critical dimensions of the relationship, particularly communication and information sharing as intermediaries that offer foundations for developing contracting relationships and ensure accountability in the contract management process.

Interview data demonstrate distinctive characteristics in the government-nonprofit relationships and the contract management process in Korea that can be explained by agency theory, resource dependence theory, stewardship theory, and relational contracting. Most public officials tend to view contracting in a more traditional, transactional, legal, and principal-agent frame (agency theory). Most workers in social welfare centers described a similar reality of contracting as transactional, legal, and falling within a principal-agent frame. At the same time, they expressed strong expectations that contracts and relationships should be managed in accordance with defining components of relational contracting (agency theory and stewardship theory). One of the important findings is that both parties acknowledge the limited capacity of government and the essential capacities of nonprofits; i.e., they view their contracting relationships as resource exchange—government funding for the service delivery capacity of social welfare centers (resource dependence theory).

In general, the contrasting perspectives and attitudes of most public officials and workers in social welfare centers about contracting and contracting relationships may be understood in terms of, on the one hand, “government by proxy” (Kettl, 1988) and, on the other hand, the “partnership paradigm” (Salamon, 1987), respectively. Saidel’s (2011) “proxy-partnership governance continuum” indicates that government-nonprofit relationships are dynamic and change over time. In addition to most workers in social welfare centers who articulated their desire for collaborative service delivery relationships, several public officials also presented their recognition of the need for more cooperation and partnerships with social welfare centers for the
maximum benefits of contracting. These interview responses from both parties imply considerable room for fluctuating contracting relationships along the “proxy-partnership governance continuum.”

Limitations

In this research, there are limitations of data collection and analysis consistent with the nature of qualitative research. Scholars have pointed to reliability and validity as potential weaknesses of qualitative research (Bryman, 2004; Miles & Huberman, 1994). In order to cope with the problem of validity, I used the process of “triangulation” of data strongly advocated by early discussions about mixed methods research (Campbell & Fisk, 1959; Denzin, 1978; Smith, 1975; Webb, Donald, Richard, & Lee, 1966) through interviews, field memos, and public documents from contracting parties, legislative data, and descriptive data from the websites of both sectors. Triangulation can be a tool for “cross validation allowing greater accuracy” by minimizing bias in data sources, investigators, and methods (Creswell, 1994, p. 174). In fact, most of the early and recent social science research textbooks discuss the usefulness of triangulation, given the weaknesses and strengths of quantitative and qualitative research.

I chose to conduct personal, in-depth interviews with public officials in district governments and workers in social welfare centers with a view to gathering more detailed, descriptive, and rich data. However, this strength of qualitative research simultaneously involves limitations in data analysis in that it is inevitable to completely exclude the researcher’s subjective interpretation in coding and analyzing interview data. In particular, interview data collected for this research consisted of opinions, descriptions, assessment, preferences, and feelings in addition to the tone and nonverbal cues of respondents during interviews. To deal with this issue, NVivo 10 was used to code interview data according to central themes, relevant
categories, and basic descriptive units for the purpose of organizing data by reducing meanings to a simpler format for data analysis, as proposed by Miles and Huberman (1994).

Another limitation of this research is related to interview sample size and characteristics of selected interviewees. Among the population of 25 district governments and 96 social welfare centers in Seoul City, this research targeted 11 district governments and 22 social welfare centers, a sample size that is not large due to realistic restraints in time and the difficulty of gaining permission from potential respondents. This may limit the generalizability of the findings because of the diverse factors across the country in Korea. Also, in terms of the features of interviewees, public officials work for the departments of social welfare in district governments for a relatively short time on account of government personnel policy in Korea (e.g., job rotation). In comparison, workers in social welfare centers have relatively long work experience in social welfare centers or other social welfare facilities and have social welfare certificates. For this reason, there were limitations in obtaining detailed responses to some interview questions, especially the question about past experiences of contracting relationships. In addition, several interviewees were reluctant to offer answers to questions about power, power and dependence on resources, contracting problems, informal relationships, negotiation, or trust because these research questions contain sensitive elements.

Lastly, this research was conducted in Korea with interview questions in the Korean language. In the course of translating interview responses into English, I adopted the translation and back-translation procedure with help from a Korean PhD in English language and literature, aiming at the best possible interpretation. Nevertheless, given the attributes of interview responses and research questions including the specific administrative culture regarding government and its relation to the nonprofit sector, it is difficult to confirm perfect interpretation. This is particularly true for the cases where some specific words or phrases are used in Korea.
For instance, among interview responses, the term—gab-eur relationships—which was frequently mentioned, is one of the significant descriptions of the relationship, but it cannot be sure of how this term is understood in the American context. In spite of these limitations, qualitative methods are the most reasonable research strategy for this dissertation that examines the government-nonprofit relationship and its effects on contract management process since the relationship cannot be measured or defined into numeric form.

**Contributions and Implications of Research Findings**

The principal contribution of this research lies in raising the question of whether and how the relationship actually matters in the contract management process in the context of welfare service contracting in Korea. This is evidenced by some interview respondents who questioned the reason why the researcher asked about goal congruence, power, resource investments of the other party, power and dependence on resources, information gaps, problems in communication, past experiences, and negotiation instead of typical questions about contract management that they anticipated. Several interviewees from both parties mentioned that they had participated in a few interviews with other researchers and the interviews were not about the relationship but about contract management such as services, programs, finance, clients’ satisfaction, and work environments for social workers, monitoring, evaluation, or performance. Given the dearth of empirical studies focusing on a variety of dimensions of the relationship in Korea, especially contracting relationships between local governments and social welfare centers, this dissertation contributes to several concrete areas in public administration and policy, nonprofit management, and inter-organizational relations research.

In particular, by conducting interviews with both sides of the dyadic contractual relationships, this research generated realistic, detailed descriptions of how both contracting
parties perceived and dealt with their contracting relationships, resources and power, dependence on resources, goals of contracting, communication, information gaps, past experiences of contracting relationships, negotiation, monitoring, and evaluation. Research findings indicate that there are significant and meaningful differences in the perspectives and attitudes toward the variables of both the relationship and the contract management process. These render crucial insights on how governments and nonprofits engage in contract management relationships, especially practical implications for public officials in charge of contract management, chiefs of district governments, nonprofit workers, directors of social welfare centers, welfare policy makers, evaluators in central government, and funders.

In consequence, a set of notable findings produced from this research suggests several promising avenues for future research. For example, this research is limited to Seoul City, so future research should cover larger samples of local governments and social welfare centers in other cities across the country. Also, as this research found, the use of more than one theoretical lens will be most helpful in investigating and understanding the complex, multi-dimensional character of the contracting relationship. Although there has been substantial progress in the contracting area considering the relationship perspective, more developed empirical research is necessary to answer the following: how public officials build, develop, and end (or remake) contracting relationships with nonprofits; what roles nonprofits play in structuring contracting relationships with governments; what environmental factors influence the relational aspects of contracting; how governments plan and implement the budget for relationship management and how to decrease relationship maintenance costs; how trust affects contract negotiation and monitoring; and how the primary components of relational contracting fit into and play out in the context of social welfare service contracting.
Conclusion

The traditional approach to government contracting with nonprofits focuses mainly on the rationale for contracting and the management of contracts to identify variables influencing contract management and contract performance. Recent studies on government contracting take a closer look at the relationship aspect to examine factors in the contract management process and contract outcomes, particularly in the social service contracting arena that could lead to more successful outcomes. In this sense, this dissertation aimed to investigate the contract management process concentrating on negotiation, monitoring, and evaluation from the perspective of the relationship between contracting parties, which is described by resources, power, communication, information sharing, and past experiences of contracting relationships.

In Korea, it is irrefutable that social welfare centers operated by nonprofit, nongovernmental welfare organizations remain central to the public provision of social welfare services to local residents, especially the disadvantaged on a community basis. The relationship between government and social welfare centers has evolved dramatically in recent years. As several respondents from both parties discussed, interactions between the two sectors began and will continue, with contracts as a main vehicle for this relationship. In light of recent demand for public-private partnerships in contracting, the roles of social welfare centers need to be more than just service suppliers as substitutes for governments. Rather, social welfare centers seek to maximize their long-term relationships by securing a variety of specific resources and shared goals and to work in cooperation with district governments for the improvement of service contracting systems, acting as policy advocates. As seen in several interview responses, it would be premature to expect district governments to acknowledge and treat social welfare centers as their equal partners. However, this continuously increasing interest in partnerships (from interviewees and scholars) is worthy of serious deliberation by welfare policy makers and
practitioners in the area of government-nonprofit contracting. In particular, a major question is raised: Most nonprofit workers fervently desired that contracts should be managed according to a set of defining elements of relational contracting. Can this happen? Considering the Korean contracting context, it is not likely to happen in the near future. The issue becomes what factors can make it happen.

In conclusion, it is important to ascertain whether the rapid expansion of government contracting out social welfare service with social welfare centers in Korea has proceeded without proper groundwork and due consideration to the characteristics of both social welfare services and social welfare centers. In this respect, the findings from this research place special emphasis on the need for a shift in the focus of researchers, practitioners, and welfare policy makers, from the management of contracts to the management of contracting relationships. There is no single perfect answer to ensure contract accountability and win-win exchanges between governments and nonprofits. There are, however, some conditions that can improve the likelihood of win-win contract outcomes as identified by the public officials and workers in social welfare centers in this research study. Thus, these research findings shed additional, useful light on the continuing development of contracting relationships and their management.
BIBLIOGRAPHY


Oh, Jae-il. (2000). A Study on Relationships between Local Governments and NGOs in Local Community. Paper Presented to the Korea Association for Public Administration.


Appendix A: Interview Protocol for District Government

Thank you for your participation in the interview today. The purpose of the interview is to understand how the management process of social welfare service contracting operates in real contract settings. I will ask about contracting relationships and the contract management process. The interview consists of eleven questions and takes approximately one hour.

1. I am interested in your contracting relationship with ____Social Welfare Center. Some contracting parties have cooperative relationships while others do not; and some contracting parties have a steady, predictable relationship while others have relationships that frequently change. How would you describe your current relationship with ____Social Welfare Center?
   【Probe】
   A. Could you give me some examples of what you have described?

2. In contracting with ____Social Welfare Center, what do you hope to accomplish?
   【Probes】
   A. Can you prioritize these goals?
   B. Do you think that ____Social Welfare Center has the same goals and priorities? (If no, what would you do?)

3. In your relationship with ____Social Welfare Center, what resources do you bring to the contract management process?
   【Probes】
   A. Do you think that ____Social Welfare Center invests all the appropriate resources in the contract management process? (If no, what would you do?)
   B. What resources do you think are important for effective social welfare service contracting?

4. A common opinion is that the contracting relationship between the government and nonprofits is unequal because the government provides the funding. Some people assume that your department has more power than ____Social Welfare Center because the District Government provides the majority of funding to ____Social Welfare Center. What do you think about this?
   【Probes】
   A. How much does your department depend on ____Social Welfare Center for resources and power?
   B. Have you ever thought about strategies to make equal relationships?
5. When you communicate with ___name___ Social Welfare Center, what are the subjects of your communication?
   
   **[Probes]**
   A. How do you communicate with ___name___ Social Welfare Center? Is there any protocol for communication? What is the most effective method for your communication?
   B. How often do you communicate with ___name___ Social Welfare Center?
      (Is it on a regular or occasional basis?)
   C. How easy and timely is your communication with ___name___ Social Welfare Center?
   D. Some people say that contracting problems can occur because of the communication between the two parties. What do you think about this?
   E. How is trust built in your communication with ___name___ Social Welfare Center?

6. Let’s talk about information sharing. What types of information do you share with ___name___ Social Welfare Center?
   
   **[Probes]**
   A. How is information shared between your department and ___name___ Social Welfare Center? Is there any protocol for information sharing? What is the most effective method for sharing information?
   B. How often do you share information with ___name___ Social Welfare Center?
      (Is it on a regular or occasional basis?)
   C. What types of information do you have difficulty in obtaining from ___name___ Social Welfare Center? In this case, how do you get accurate information in a timely manner? Are there any specific types of information that you do not want to share with ___name___ Social Welfare Center? Why?
   D. Some scholars argue that there are big information gaps between contracting parties which causes contracting problems. What do you think about this?
   E. How is trust built in your information sharing with ___name___ Social Welfare Center?

7. During the contract management process, have you ever had occasion to negotiate with ___name___ Social Welfare Center? What are the subjects for negotiations and how often?
   
   **[Probes]**
   A. How does the negotiation process work? How are negotiations concluded when there are disagreements?
   B. In the negotiation process, how does communication and information sharing affect your negotiation with ___name___ Social Welfare Center?

8. What criteria does your department use to monitor and evaluate the contract with ___name___ Social Welfare Center?
Welfare Center?

【Probes】
A. How often do you conduct monitoring and evaluation activities and what methods are used? What factors make you decide the frequency, methods, and scope of monitoring and evaluation activities?
B. How do you utilize the results of monitoring and evaluation? (What kinds of incentives and penalties does your department employ?)
C. Do you think that the person in your department who monitors and evaluates the contract with name Social Welfare Center has adequate information, resources, and power to do the job? Do you think that name Social Welfare Center has adequate information, resources, and power to evaluate and monitor performance on the contract?
D. What are the obstacles to monitoring and evaluation? For example, what additional resources do you think that your department needs to conduct effective monitoring and evaluation? What have you done to improve monitoring and evaluation?
E. How is trust built between both parties in monitoring and evaluation?
F. How do you think that your contracting relationship with name Social Welfare Center influences monitoring and evaluation?

9. Have you had any past experience contracting with name Social Welfare Center?

【Probes】
A. For how many years has your department contracted with name Social Welfare Center? How many times?
B. How would you characterize your past experience with name Social Welfare Center?
C. How does your past experience with name Social Welfare Center affect your current contract management relationship? For example, did you change any management procedures or methods in light of past experience?

Date: ____________
Interview Code: ____________
Permission Granted for Recording: Yes ________ No ________

Individual Characteristics
Position Type: _______________
Position Title of Respondent: _______________
Number of years in Social Welfare Department: ____________

Organizational Characteristics
Name and Location of District Government: _______________
Appendix B: Interview Protocol for Social Welfare Center

Thank you for your participation in the interview today. The purpose of the interview is to understand how the management process of social welfare service contracting operates in real contract settings. I will ask about the contracting relationships and the contract management process. The interview consists of eleven questions and takes approximately one hour.

1. I am interested in your contracting relationship with [insert name] District Government. Some contracting parties have cooperative relationships while others do not; and, some contracting parties have a steady, predictable relationship while others have relationships that frequently change. How would you describe your current relationship with [insert name] District Government?
   【Probe】
   A. Could you give me some examples of what you have described?

2. In contracting with [insert name] District Government, what do you hope to accomplish?
   【Probes】
   A. Can you prioritize these goals?
   B. Do you think that [insert name] District Government has the same goals and priorities?
      (If no, what would you do?)

3. In your relationship with [insert name] District Government, what resources does your center bring to the contract management process?
   【Probes】
   A. Do you think that [insert name] District Government invests all the appropriate resources in the contract management? (If no, what would you do?)
   B. What resources do you think are important for effective social welfare service contracting?

4. A common opinion is that the contracting relationship between government and nonprofits is unequal because the government provides the funding. Some people assume that District Government has more power than [insert name] Social Welfare Center because District Government provides the majority of funding to [insert name] Social Welfare Center. What do you think about this?
   【Probes】
   A. How much does your center depend on [insert name] District Government for resources and power?
   B. Have you ever thought about strategies to make equal relationships?

5. When you communicate with [insert name] District Government, what are the subjects of your
communication?

【Probes】
A. How do you communicate with ___name_District Government? Is there any protocol for communication? What is the most effective method for your communication?
B. How often do you communicate with ___name_District Government? (Is it on a regular or occasional basis?)
C. How easy and timely is your communication with ___name_District Government?
D. Some people say that contracting problems can occur because of the communication between the two parties. What do you think about this?
E. How is trust built in your communication with ___name_District Government?

6. Let’s talk about information sharing. What types of information do you share with ___name_District Government?

【Probes】
A. How is information shared between your center and ___name_District Government? Is there any protocol for information sharing? What is the most effective method for sharing information?
B. How often do you share information with ___name_District Government? (Is it on a regular or occasional basis?)
C. What types of information do you have difficulty in obtaining from ___name_District Government? In this case, how do you get accurate information in a timely manner? Are there any specific types of information that you do not want to share with ___name_District Government? Why?
D. Some scholars argue that there are big information gaps between contracting parties which causes contracting problems. What do you think about this?
E. How is trust built in your information sharing with ___name_District Government?

7. During the contract management process, have you ever had occasion to negotiate with ___name_District Government? What are the subjects for negotiations and how often?

【Probes】
A. How does the negotiation process work? How are negotiations concluded when there are disagreements?
B. In the negotiation process, how does your communication and information sharing affect your negotiation with ___name_District Government?

8. What criteria does your center use to monitor and evaluate your contract with ___name_District Government?
【Probes】
A. How often do you conduct monitoring and evaluation and what methods are used? What factors make you decide the frequency, methods, and scope of monitoring and evaluation activities?
B. How do you utilize the results of monitoring and evaluation? (What kinds of incentives and penalties does your center employ?)
C. Do you think that the person in your center who monitors and evaluates the contract with name District Government has adequate information, resources, and power? Do you think that name District Government has adequate information, resources, and power to evaluate and monitor performance on the contract?
D. What are the obstacles to monitoring and evaluation? For example, what additional resources do you think that your center needs to conduct effective monitoring and evaluation? What have you done to improve monitoring and evaluation?
E. How is trust built between both parties in monitoring and evaluation of the contract?
F. How do you think that your relationship with name District Government influences monitoring and evaluation?

9. Have you had any past experience contracting with name District Government?

【Probes】
A. For how many years has your center contracted with name District Government? How many times?
B. How would you characterize your past experience with name District Government?
C. How does your past experience with name District Government affect your current contract management relationship? For example, did you change any management procedures or methods in light of past experience?

Date: ______________
Interview Code: ______________
Permission Granted for Recording: Yes ________  No ________

Individual Characteristics
Position Title of Respondent: ____________________
Major Area of Study in University or Graduate School: ____________________

Organizational Characteristics
Name and Location of Social Welfare Center: ____________________
Type: ______________
Appendix C: The Social Welfare Services Act in Korea

The Social Welfare Services Act

**Article 34** (Establishment of Social Welfare Centers): ⑤ Social welfare facilities constructed by central or local governments can be contracted out with social welfare corporations or nonprofit corporations.

**Article 34(5)** (Establishment of Social Welfare Centers and others): ① Social welfare center can perform welfare service provision on a local basis by considering characteristics of local community and welfare needs of local residents. ② Social welfare centers perform service delivery for all local residents, but the priority lies in the following local residents: 1. Persons on welfare 2. The handicapped, the old, single parents, and family with interracial marriage 3. Persons in need for jobs and training 4. Infants, youth, and juvenile who need protection and education 5. Persons in immediate need for services provided by social welfare centers.

**Article 43** (Evaluation of Social Welfare Facility): ① A minister of the Department of Health and Welfare, mayors, and governors regularly evaluate social welfare facilities, officially announce the results of evaluation, apply evaluation results to monitoring and facility management, and take administrative measures.

**Article 45** (Management of Sponsorships): ① A chief of social welfare organization and a director of social welfare facility shall maintain transparent management of sponsorships with no strings attached.

**Article 51** (Monitoring): ① A minister of the Ministry of Health and Welfare, mayors and governors or mayors, county governors, and chiefs of district governments shall conduct monitoring in their jurisdiction, request reporting and documents, and make public officials in the jurisdiction visit social welfare facilities for inspection and inquiry.

**Enforcement Regulation of the Social Welfare Services Act**

**Article 22(2)** (Criteria and Methods for Contracting out Facilities): ① In the case of contracting out welfare facilities constructed by central or local governments according to the Article 34(5) of the Social Welfare Services Act, contractor shall be selected through open bids based on selection criteria such as financial capacity, reputation, service delivery capacity, equal distribution across districts, and results of evaluation (applicable to the case where evaluation is
done) ② In order to select a contractor, central or local governments shall form the contractor selection deliberative commission. ③ In selecting a contractor, central or local governments shall go through the contractor selection deliberative commission. ④ Contractor selection deliberative commission shall be made up of nine members including a chair of commission and a chief of government concerned shall nominate a chair of the commission. Members shall be appointed by a chief of the government concerned among the following categories. 1. Public officials in charge of social welfare; 2. Persons with expertise and experience in social welfare; 3. Persons recommended by public organizations; 4. Professional in the area of laws or others approved by a chief of government concerned ⑤ Contractor selection deliberative commission shall begin its session with a majority of attendance and decide by a majority of those present ⑥ Other matters related to the operation of contractor selection deliberative commission shall be decided by a chief of government concerned.

Article 23 (Contracting out facility): ① A contract award shall be made including the following contents in the case of contract award according to the Article 34(5) of the Social Welfare Services Act: 1. Name and address of a contractor 2. Term of a contract 3. Facility and service scope 4. Responsibility of a contractor 5. Safety management of facility 5.2. Employment buyout of workers in facility 6. Contract cancellation 7. Other issues needed for operation of facility ② The term of a contract shall be up to five years. But, the term of a contract can be extended through contractor selection deliberative commission if necessary.

Article 27 (Evaluation of Facility): ① A minister of the Department of Health and Welfare, mayors, and governors shall evaluate social welfare facilities more than once every three years according to Article 43 of the Social Welfare Services Act. ② Evaluation criteria are as follows: 1. Pertinence in quota of admittance to facility 2. Expertise of workers 3. Condition of facility 4. Clients’ satisfaction 5. Other issues for improvement of the operation of facility
Appendix D: Sample Recruitment Letter/Call

Dear Sir or Madam,

Hello. My name is Ji Sun Kang. I am a PhD Student in the Department of Public Administration at the State University of New York in the United States. I am currently conducting research for my doctoral dissertation on the government contracting for social welfare services with Social Welfare Centers in Korea.

As part of my research, I am conducting interviews with public officials in the departments of social welfare in district governments in Seoul City, Korea. Your department director recommended you as the most knowledgeable official for the interview, so I was wondering if there would be any possibility of me visiting your office to interview with you if you are available. My interview questions ask about your contracting relationship with _name_ social welfare centers and the contract management process and practices. The interview will take approximately one hour. If you prefer to see interview questions in advance, I would be happy to send you a copy of questions.

You were selected to participate in the interview because of your position at _name of organization_ and your expertise and experience in managing contracts. Your participation in this research project would be completely voluntary, and your responses as well as your identity and the name of your organization, would be kept in confidential.

Your participation in my interview would be an important input to my research and to the area of government contracting for social welfare service with nonprofits from the academic and practical perspectives. I hope you will be willing to participate in the interview. I will contact you within a week, with the hope that we might be able to arrange an interview. If you have any questions, you may contact me via email at _jk942495@albany.edu_.

Thank you for your time and consideration of my request.
Sincerely,

Ji Sun Kang
PhD Student
Department of Public Administration and Policy
Rockefeller College of Public Affairs and Policy
University at Albany, State University of New York, USA
Appendix E: Consent Form

Research Protocol Number: 12-162

Research Title
Government-Nonprofit Relationships and the Management of Social Welfare Service Contracting in Korea

Investigator
Ji Sun Kang
PhD Student in Public Administration and Policy
Rockefeller College of Public Affairs and Policy
University at Albany, State University of New York, USA

This dissertation research is designed to understand how the management process of social welfare service contracting operates in real contracting settings in Korea. It explores the nature of government-nonprofit contracting relationship and the management process of service contracting with a focus on the negotiation process, monitoring, and evaluation.

You were selected to participate in the interview because of your position at (name of organization) and your expertise and experience managing the contracts. Your participation in my interview would be of value to the academic area of government contracting for social welfare services with nonprofits as well as the area of practitioners. In this study, you will be asked a series of open-ended questions about your contracting relationship with (name of organization) and contract management practices. This interview should take no more than one hour of your time.

Please note that your answers to my questions will be kept confidential, and your participation in my research is completely voluntary. I do not anticipate any risk in your participation other than you may become uncomfortable answering some questions. If you do, you may choose not to answer any question(s). Also, you may discontinue your participation in the interview at any time during the interview. I will retain and analyze your responses you have provided up until the point you have left the interview unless you request for exclusion of your data from any analysis.

If you have any questions regarding your rights as an interview participant, you may
contact at (518) 442- 9050 or via email at orrc@albany.edu.

I have read and understood the information provided above. The investigator, Ji Sun Kang, has answered your questions and has given a copy of this form. In signing below, I consent to participate in a personal interview.

_________________________________________________________  ____________________________
Participant’s Signature                                      Date

_________________________________________________________  ____________________________
Ji Sun Kang, Investigator                                     Date

In conducting the interview, I would like to record the interview session by using a digital voice recorder for only transcription purpose, with your permission. After I transcribe the interview, I will destroy the contents of interview. All interview data will be stored and secured in my password-protected laptop.

In signing below, I grant permission and consent for the interview to be audio-recorded.

_________________________________________________________  ____________________________
Participant’s Signature                                      Date

**Contact Information**
If you have any questions about this research project, please contact either the investigator, Ji Sun Kang via email at jk942495@albany.edu or the faculty advisor, Judith R. Saidel at (518) 442-5297 or via email at saidel@albany.edu
# Appendix F: Coding Scheme

<table>
<thead>
<tr>
<th>Basic Nodes</th>
<th>Examples of Parent/Child Nodes</th>
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| Relationships | **Positive**: cooperative, partner, interdependent, good  
                **Negative**: gab-eur relationship, demanding, vertical (hierarchical)  
                **Neutral**: official, unofficial, work-related, legal, contracting, not personal, substitutes, intermediary, no variation across centers |
| Goals of contracting | **Basic goal**: improvement in social welfare (quality of life)  
                        **Governments**: cost saving, service improvement, contracting laws, limited government capacity, resources/community organizing provided by social welfare centers  
                        **Social welfare centers**: mission, religion, legitimization of service delivery, expansion of service scope/organizational size |
| Goal congruence | **Goal congruence**: yes, no  
                  **Strategies for goal divergence**  
                  - Legal authority  
                  - Decision authority  
                  - Monitoring/audits/evaluation  
                  - Contracting laws/district ordinances/contract documents |
| Resources | **Governments**: grants, human resources, information, public space/property, buildings/affiliated facilities, administrative/legal supports, equipment, monitoring/audits/evaluation, expense support, repair work  
            **Social welfare center**: volunteers, sponsorships, human resources, relations with local residents, buildings/affiliated facilities, support from NGOs, ties with local community, profit-making business, activists, equipment, political resources, capacity (experience/knowledge/skills/know-how), networks with association of social welfare centers/social workers |
| Resource gaps | **Government advantages**: grants, legal authority, discretion, decision authority, monitoring/audits/evaluation, administrative authority  
                  **Government disadvantages**: work period, position type, lack of personnel, little chances for education/training  
                  **Social welfare center advantages**: human resources, organizational resources (networks with associations of social welfare centers/social workers, local/political resources), capacity (experience/expertise/know-how/skills)  
                  **Social welfare center disadvantages**: budget, legal authority, discretion, number of personnel, low wage, little promotion, frequent turnover in workers, overwork, paperwork |
| Resource investment | **Reasons for social welfare center’s resource investment**  
                       - Good performance  
                       - Mission, goals of contracting  
                       - Contract renewals/long-term contracts  
                       - Awards or prize money  
                       - Reputation/recognition  
                  **Strategies for lack of resource investment**  
                  - Legal authority  
                  - Decision authority  
                  - Monitoring/audits/evaluation  
                  - Contracting laws/district ordinances/contract documents |
| Power and dependence on resources | **Equal relationship**  
                                   - Dependence on resources of social welfare centers  
                                   - Interdependence (mutual needs) |
| Partnerships                                      | \- Repeated contract renewals or long-term contracts  
|                                                  | \- Lack of prospective contractors                   
|                                                  | \- Political resources of social welfare centers      
| **Unequal relationship**                        | \- Legal authority                                    
|                                                  | \- Decision authority,                                
|                                                  | \- Administrative authority                           
|                                                  | \- Political resources                                 
|                                                  | \- National information system                         
|                                                  | \- Monitoring/audits/evaluation                        
|                                                  | \- Flaws in contracting laws/district ordinances/contract documents  
|                                                  | \- Gab-eur relationships                                

| **Communication**                               | **Methods**: meetings, telephone, email, events       
|                                                  | **Frequency**: frequently, whenever necessary, once/twice a day  
|                                                  | **Subjects**: work-related, no personal issues, operation of social welfare centers, services/programs, case/risk management, local welfare needs, personnel management, legal issues, forms  
|                                                  | **Scope**: consultation, Q & A, notice, permission, schedule meetings, request for data/document/reports  
|                                                  | **Quality**: easy, difficult, take time, timely, open, smooth, steady  
|                                                  | **Obstacles**: busy schedule, lack of personnel, position type/work period of public official, lack of understanding of the other party, unnecessary requests for information  

| **Contracting problems due to communication**   | **Reasons**: misunderstanding, no mutual agreement, obstruct information sharing, harm to administrative/financial supports, harm to cooperation, damage to monitoring/evaluation, overwork/paperwork for monitoring/evaluation  

| **Information sharing**                         | **Methods**: meetings, telephone, email, events, local welfare networks, official websites, National Information System of Social Welfare Facility, reports/data/documents, official notes, statistic, legal certificate, forms, minutes, guidelines, manuals, Q & A  
|                                                  | **Frequency**: frequently, whenever necessary, once/twice a day  
|                                                  | **Subjects**: work-related, no personal issues, operation of social welfare centers, services/programs, case/risk management, legal issues, local welfare needs, financial/personnel/facility/safety management, affiliated facilities, events, monitoring/audits/evaluation, contract cancellation/ renewal, operating welfare organizations  
|                                                  | **Quality**: easy, difficult, take time, timely, open, smooth, steady, with/without limits  
|                                                  | **Obstacles**: busy schedule, lack of personnel, position type/work period of public official, lack of understanding of the other party, unnecessary requests  

| **Information that is difficult to obtain and process from the other party** | **Governments**:  
|                                                  | \- Operating welfare organizations of social welfare centers  
|                                                  | \- Transferred fund management                         
|                                                  | \- Scope of all contracts in social welfare centers    
|                                                  | \- Sponsorship management                              
|                                                  | \- Supervision/audits by social welfare centers        
| **Social welfare centers**                      | \- Personal data of local residents from national information system  
|                                                  | \- Processes of contractor selection and contract renewal  

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<table>
<thead>
<tr>
<th>Information gaps</th>
<th><strong>Sources of external resources</strong></th>
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<tr>
<td></td>
<td>Sources of sponsorships</td>
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<td></td>
<td>Revision of district ordinances</td>
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**Information gaps:** yes, no

**Government’s strategies for information gaps**
- Monitoring/audits/evaluation
- Requests for updated information
- Reporting procedures
- Administrative measures
- Penalty systems

**Social welfare center’s strategies for information gaps**
- Associations of social welfare centers/social workers
- Personal contacts with politicians/public officials
- Local resources/welfare networks

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<thead>
<tr>
<th>Contract negotiation</th>
<th><strong>Possibility:</strong> yes, no, depending</th>
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<tbody>
<tr>
<td><strong>Subjects for negotiation</strong></td>
<td>Governments</td>
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<tr>
<td></td>
<td>- Observance of religious practices</td>
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<tr>
<td></td>
<td>- Physical changes in buildings of social welfare centers</td>
</tr>
<tr>
<td></td>
<td>- Profit-making business</td>
</tr>
<tr>
<td></td>
<td>- Planning of new events or projects</td>
</tr>
<tr>
<td></td>
<td>- Affiliated facilities of social welfare centers</td>
</tr>
<tr>
<td></td>
<td>- Funds from operating welfare organizations</td>
</tr>
</tbody>
</table>

**Social welfare centers**
- Planning of new events including use of public spaces
- Physical changes in buildings of social welfare centers
- Planning of new projects
- Changes in space use of social welfare centers
- Purchase of equipment
- Observance of religious practices
- Contract renewal
- Application of contracting laws to cases
- Coordination of schedules for reports

<table>
<thead>
<tr>
<th>Contract monitoring</th>
<th><strong>Frequency:</strong> regular monitoring (once a year), special monitoring</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Methods:</strong></td>
<td>inspection, reviews of documents/data/reports, on-site visit, audits, bring auditors/contracting experts, check evidentiary documents, ask questions on the spot</td>
</tr>
<tr>
<td><strong>Subjects for monitoring</strong></td>
<td>Inspection of physical spaces, facilities, and equipment</td>
</tr>
<tr>
<td></td>
<td>Management of budget, grants, funds from operating welfare organizations, sponsorships, user fees</td>
</tr>
<tr>
<td></td>
<td>Management of services/programs, clients’ survey</td>
</tr>
<tr>
<td></td>
<td>Operation of social welfare centers (personnel/organizational)</td>
</tr>
<tr>
<td></td>
<td>Supervision and evaluation by social welfare centers</td>
</tr>
</tbody>
</table>

**Utilization of results of monitoring**
Penalty systems (correction orders, warnings, administrative measures, recommendations, or financial measures)

**Monitor’s attributes**
- Legal resources
- Financial resources
- Administrative authority
- Information
## Contract Evaluation

<table>
<thead>
<tr>
<th><strong>Frequency</strong></th>
<th>every three years</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Methods</strong></td>
<td>inspection, reviews of documents/data/reports, on-site visits, audits, check evidentiary documents, ask questions on the spot</td>
</tr>
<tr>
<td><strong>Subjects</strong></td>
<td>Organization and management, Finance, Human resource management, Programs, Relations with local community</td>
</tr>
<tr>
<td><strong>Obstacles to evaluation</strong></td>
<td>Validity/reliability/objectivity of evaluation indicators, Variation across evaluators, Validity/reliability of uniform application of evaluation indicators to all social welfare centers across the country, Assessment function, Usefulness versus negative effects of evaluation</td>
</tr>
</tbody>
</table>

## Past Experiences of Contracting

<table>
<thead>
<tr>
<th><strong>Term of a contract</strong></th>
<th>three-year, four-year, five-year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Descriptions of past experiences</strong></td>
<td>Positive: good, positive, cooperative, partnerships, Neutral: official, work-related, Negative: demanding</td>
</tr>
<tr>
<td><strong>Reasons for repeated contract renewals</strong></td>
<td>Lack of contractors with resources and capacity, Stability in the operation of social welfare centers, Continuity of service provision, Good performance/relationships, resources/capacity of social welfare centers</td>
</tr>
<tr>
<td><strong>Effects of past experiences on contract management relationships</strong></td>
<td>Stability/predictability in contracting management relationships, Professional/effective management capacity/skills, Improvement in management procedures and work cooperation, Development of welfare programs in line with government welfare policy</td>
</tr>
</tbody>
</table>