

**Eight Effective Practices of Successful Human Service  
Contract Managers**

by

Vincent E. Gooden

A Dissertation submitted to the Faculty of the Virginia

Polytechnic Institute and State University

in partial fulfillment of the requirements for the

degree of

Doctor of Philosophy

in

Public Administration and Public Affairs

APPROVED

James F. Wolf, Chairman

Larkin Dudley

John H. Little

William H. Smith

Orion F. White, Jr.

February 8, 1996  
Blacksburg, VA.

# Eight Effective Practices of Successful Human Service Contract Managers

by

Vincent E. Gooden

Committee Chairman: Dr. James F. Wolf, Center for Public Administration and Policy

## ABSTRACT

Modern governments often rely on private, non-profit, and other non-governmental entities for delivery of services. Specifically, state and local governments increasingly contract for social services. This dissertation identifies eight effective practices that successful human service contract managers use in the negotiating and contracting process. It compares practices of successful contract managers with those of less successful contract managers in the Massachusetts' Department of Social Services. Success was based on informed judgment of how managers conducted the contracting process. Another measure was the number of debriefing sessions that did or did not lead to appeals.

Interviews were held with managers. Questions were both open-ended and loosely structured. Data from interviews was processed and formatted for use in a computer-assisted analysis program. Interpretation and analysis of the interviews identified eight effective practices that successful managers use in the contracting process.

Hence, contemporary government demands that public managers understand and master both technical and relationship aspects of the negotiating and contracting process in order to be successful. Managers emphasize pre-bid planning activities and multiple needs assessment methods to accurately reflect service needs for the area. They monitor waiting lists and utilization of services regularly to determine who use and need services.

Managers rely on a large number of participants to review proposals and they use a standard tool to rate them to insure fairness and competitiveness in the proposal evaluation step. They conduct debriefings as mediation sessions and encourage bidders to become more capable to participate in future bidding. They negotiate rates based on pricing ranges not line-item details, and they assist providers with budget and program support. Also, they rely on experience and technical competence to be successful.

Within the eight effective practices, managers confirm that contracting is more successful when they have early, ongoing interaction and cooperative working relationships as well as providing competent technical services. Cooperative relationships and interaction especially are important as new and diverse service providers enter the contracting arena.

## ACKNOWLEDGEMENTS

From the beginning of my experience at the Center for Public Administration and Policy, Dr. James F. Wolf emphasized that I stay focused and I especially thank "Jim" for that advice and I thank him for chairing this dissertation effort. I also thank the other members of my dissertation committee including Larkin Dudley, John Little, William Smith, and Orion White. They have each contributed to my educational and general learning experience in their own way, which has been extremely helpful to me in getting to completion of the dissertation.

## TABLE OF CONTENTS

ABSTRACT.....	ii
ACKNOWLEDGEMENTS.....	iv
LIST OF TABLES.....	vi
CHAPTER I - INTRODUCTORY SECTION.....	1
Introduction.....	1
Dissertation Importance.....	2
Contribution To Literature.....	6
Dissertation Research.....	8
Dissertation Organization.....	20
CHAPTER II - LITERATURE REVIEW.....	21
Introduction.....	21
Increased Contracting For Social Services.....	23
Alternative Contracting Models.....	26
Barriers To State and Local Contracting.....	30
Changing Role of Contract Manager.....	34
Chapter Summary.....	48
CHAPTER III - THE CONTRACTING CONTEXT .....	50
Introduction.....	50
Contracting Context.....	50
CHAPTER IV - EFFECTIVE PRACTICES OF CONTRACT MANAGERS	61
Introduction.....	61
Eight Effective Practices Of Contract Managers..	62
Additional Factors That Support Contract	
Effectiveness.....	91
Summary Of The Data.....	94
CHAPTER V - SUMMARY AND IMPLICATIONS.....	97
Introduction.....	97
Dissertation Summary.....	97
Major Finding: Technical Assistance and	
Cooperative Contracting Relationships.....	101
Concluding Comments.....	103
WORKS REFERENCED.....	108
APPENDIX I	
Current Trends in Contracting in Massachusetts..	114
VITA.....	124

## LIST OF TABLES

Table	1.1	Description and Rating of Informants	12
Table	1.2	Number of Debriefings and Appeals	13
Table	2.1	Barriers to Local Government Reliance on Private Sector.....	31
Table	2.2	Contracting Arrangement.....	36
Table	2.3	Elements of Principled Negotiation...	41
Table	2.4	Qualities for Unconditionally Constructive Relationships.....	44
Table	3.1	Massachusetts' Contracting Process...	52
Table	3.2	Competitive Bidding Process.....	53
Table	4.1	Technical and Relationship Aspects of Pre-Bid Planning and Needs Assessment	65
Table	4.2	Technical and Relationship Aspects of Monitoring and Utilization.....	67
Table	4.3	Technical and Relationship Aspects of Proposal Evaluation.....	74
Table	4.4	Technical and Relationship Aspects of Proposal Rating.....	76
Table	4.5	Technical and Relationship Aspects of Debriefings.....	81
Table	4.6	Technical and Relationship Aspects of Negotiation.....	85
Table	4.7	Technical and Relationship Aspects of Provider Assistance.....	88
Table	4.8	Technical and Relationship Aspects of Experience and Technical Expertise...	91
Table	4.9	Effective Practices of Successful Managers.....	96

## CHAPTER I--INTRODUCTORY SECTION

### INTRODUCTION

The dissertation examines effective contracting practices of human service contract managers. It identifies practices common to successful managers and presents a comprehensive set of practices, including technical management and relationship building practices, that contribute to successful human service contract management. In addition, it identifies what factors would help contract managers be more effective.

The dissertation compares the practices of successful contract managers with those of less successful contract managers. Selection for the sample of managers is based on informed judgment or choice (O'Sullivan and Rassel 1989) about the managers performance in conducting the contracting process only; not as a measure of their overall competency.

To add to the validity of the measure, the number of debriefing sessions following proposal rejection that led or did not lead to appeals, is also considered. The inference is that successful managers were more likely to resolve issues at the debriefing step than less successful managers, thus averting appeals or other state intervention as a contract remedy. Generally, fewer appeals were filed against successful managers than less successful managers.

## DISSERTATION IMPORTANCE

Governments increasingly must rely on private, non-profit, and other non-governmental entities for delivery of services, and contemporary government demands that managers understand the negotiating and contracting process (Kettl 1988; Salamon 1989; Dudley 1994). Many writers refer to this service delivery method as indirect government, third-party government, indirect administration, or government by proxy.

These terms generally apply to federal purchase of services. However, Kettl (1988) notes that state and local governments increasingly have been contracting for service delivery, including social services, where negotiation and contracting are central to their provision. Models for contracting these services vary depending on the number of suppliers, availability of resources, and level of funding certainty.

These variations dictate that contract managers be skillful practitioners and negotiators in order to build effective relationships and reach agreement with providers. Hence, this research focuses on management and relationship practices that lead to successful negotiation and contracting. Describing managers' practices provides useful information about their approach and how it contributes to successful negotiation and contracting.



## Contracting at State and Local Level

Recent trends show an increasing emphasis on contracting for social services at state and local levels. State and local spending on services from private sources, including social services, tripled from \$27 billion in 1975 to \$81 billion in 1982 (Chi 1986). Chi says this spending primarily was for economic development, transportation, social services, and welfare. Government reports also show that purchase of goods and services at the state and local levels have steadily increased in the 1990s, especially in service areas.

This dissertation focuses on child care contracting in the Massachusetts Department of Social Services (DSS). Massachusetts reports that in 1993, 29 state agencies procured nearly \$1.5 billion of social and rehabilitative services from over 1,400 predominantly non-profit providers. Purchase of service budgets accounted for 50 percent of the Commonwealth's Department of Social Services spending.

Many issues surround the general increase in contracting, including procurement changes, uncertain resources and costs, quality of care, responsibility and accountability. For example, more women working and requirements for public assistance are major contributing factors for increased child care contracting. DeHoog (1990) found these "soft," more complex human services increasingly

of interest for examination. She contends that public managers and policy analysts should move beyond theory and address implementation and management practices in service areas.

This is important because reports and studies by Touche Ross (1987), International City Management Association (ICMA 1988), MacManus (1992), and Chi (1986 1994), reveal barriers to successful contracting and to building effective relationships at state and local levels. A lack of understanding of contract management and adversarial provider relationships are among the many barriers. For instance, following the Fiscal Year 1993 bidding process for child care in Massachusetts, a number of providers requested debriefings and some subsequently filed appeals. Many providers based appeals on problems with the competitive bidding practice and scoring procedures used by the Department of Social Services.

In many of the appeals, the managers' approach to the contracting process came under close scrutiny. Providers claimed that the managers' actions, in reviewing and rating proposals, were not consistent with an open and competitive bid. They said that evaluation scores were arbitrary and subjective. Points were assigned based on knowledge of the formula for allocation and purchasing, rather than on true merit. Further, an article in Moving Forward (Spring 1995),

a Massachusetts' Department of Social Services in-house organ, reported that some area contract managers create inconsistencies with regard to definition, service utilization, and monitoring adherence to contract terms and performance levels of private agency services.

### Manager's Role in Contracting for Services

Public managers, who negotiate and contract, need to add to their skills of how to bring third parties into the basic operations of public programs (Salamon and Lund 1989; Dudley 1990; Perry 1993). To bring in third parties, managers increasingly arrange service provision and negotiate contracts. Further, they have to comply with complex contracting rules and regulations, procurement guidelines, multiple policy levels, and political pressure.

As agencies purchase more services from independent providers, public managers increasingly arrange services between the larger government (state and federal) and providers (Savas 1987). Direct service provision has been the generally accepted method of service delivery, however in recent years arranging has been gaining popularity. Therefore, managers need effective practices when they face this ever-increasing task of arranging services and building effective relationships.

A successful manager is a strong, often subtle negotiator, constantly shaping agreement and informal understanding throughout the complex web of relationships in an organization (Lax and Sebenius 1986). This role of manager as negotiator dramatically increased as outside organizations increasingly carried out programs. Lax and Sebenius attribute this contemporary situation to a rise in complexity and interdependence, increasing professionalization, heavier emphasis on the role of information, and new organization forms.

However, not all managers have the level of expertise to manage the complex and complicated negotiation and contracting process successfully. Many managers in organizations oppose contracting because they fear loss of control, authority, power, and resources. Hence, these managers resist change, avoid conflict, compromise too quickly, and negotiate from an adversarial position (Kettl 1988).

#### CONTRIBUTION TO LITERATURE

This dissertation identifies those practices that appear to differentiate successful managers from less successful managers in human service contract management. It identifies those practices that successful contract managers use more than less successful managers use or use

less frequently. Hence, it broadens understanding by emphasizing the importance of both technical management and relationship building practices of the negotiation and contracting process. It presents how human service contract managers say they actually approach the process.

Behn (1993) suggests that researchers observe managers at work, question them about their jobs, and report the findings. He notes that occasionally researchers set out to determine what managers generally do, but there is little effort to screen the behavior of successful and less successful managers. This dissertation research does compare the differences between managers.

It examines how managers approach a multiple-step contract process from pre-bid activities to appeals. By doing so, the research provides a comprehensive set of effective practices that extends management thinking beyond contract negotiation, monitoring, and evaluation and integrates cooperative behavior into the contract process.

Bernstein (1991) found that although contracting is the primary method for financing and social service delivery, little is known about managing contracted services. Bernstein's research presents the local providers' perspective of managing contracted services, which is the other side of the coin from this project.

Also, by describing how successful contract managers approach the process, the dissertation contributes to the providers understanding of the requirements, complexities, and constraints that contract managers face. This understanding enables providers to more effectively and strategically respond to request for proposals. Thus, by both sides understanding the process, reaching agreement and building relationships may be more successful.

#### DISSERTATION RESEARCH

The research centered on the Massachusetts' contracting process because of the Commonwealth's commitment to child care and family services, the amount of contracting the Commonwealth does for these services, and the problems associated with the contracting. According to the Children's Defense Fund, in 1990 Massachusetts was first in the nation in the amount of funds per child committed to care and education funds, excluding K-12 school expenditures. More recently, the Commonwealth reports that the Department of Social Services, the agency that contracts for child care, spends about 50 percent of its budget on purchase of services. However, as stated earlier, some managers do have problems with the contracting process.

## Research Site

In Massachusetts, the Governor designated the Executive Office of Health and Human Services (EOHHS) as the lead agency responsible for developing and implementing a plan for expending Child Care Development Block Grant funds in conjunction with the total funding for child care services. Within the plan, child care is a service of comprehensive and coordinated developmental child care activities. Child care is purchased from center-based child care providers and family day care systems.

Contracted child care services are purchased by the Department of Social Services (DSS). Providers compete in a Request for Proposal (RFP) bid process. Those that are awarded contracts negotiate a daily rate for their services and hold contracts with the Department of Social Services (DSS). DSS provides funding for the following types of contracted child care: basic child care; family preservation child care; and services for teen parents and their children.

The Department of Social Service's delivery system operates a full array of services through 26 Area Offices, wherein an Area Administrative Manager has the most responsibility for child care. These managers are involved in negotiating contracts with child care providers, as well as other contracted vendors, and provide technical

assistance on contractual issues. DSS estimates that managers spend twenty to forty percent of their time on child care related work.

### Research Design

The researcher relies on qualitative research methods prescribed by Kirk and Miller (1986); O'Sullivan and Rassel (1989); Wolcott (1990, 1994); and Miles and Huberman (1994). Miles and Huberman provide several approaches to qualitative data analysis. One approach is interpretation of observations or interviews to get a practical understanding of meanings and actions. Some of the common features of this approach are data collection, coding, sorting and sifting, isolating patterns, generalizing consistencies, and confronting generalizations with a body of knowledge. Additional features of this approach include completing a contact summary sheet for each participant and reaching agreement about what to expect from the project.

They also find additional analysis software more practical to use along with a word processor. One of the software programs is The Ethnograph, which uses line-by-line coding to permit nesting and overlapping codes. Also, the program helps the researcher divide text into segments or chunks, attach codes to the chunks, and find and display all instances of coded chunks (Miles and Huberman).



## Selection and Interviews

Selection of informants was based on informed judgment or choice and in-depth interviews were conducted with twelve managers who contract for social services. Prior to interviews, a key informant (a high level administrator in the Commonwealth) identified managers that were in the system and participated in the 1993 Open Bid process. The informant rated the managers performance in that process using a scale of 1 to 10, with 10 being the highest. Along with the rating, the informant added key words to differentiate successful from less successful managers. Key words included true negotiator, good negotiator, great relationships, good relationships, good rapport, methodical, matter-of-fact, by-the-book, fair to poor relationships, etc.

Table 1.1 shows the characterizations and ratings for the managers that were interviewed. Again, the characterizations and ratings are based on the managers performance in the contracting process. It is not an assessment of their overall performance as a manager. In the characterizations below, all participants are referred to as manager to maintain their anonymity. Managers 1 through 7 are rated as successful and Managers 8 through 12 are less successful.

**Table 1.1 Characterization and Rating of Informants**

<b>Manager</b>	<b>Characterization of Informants</b>	<b>Rating</b>
1	Great relations, fair, real negotiator	8.5
2	Good relations, fair, good negotiator	7.5
3	Great, true negotiator	9.5
4	Good relations, works hard to negotiate with providers	7.0
5	Good, much experience, good negotiator	7.5
6	Good relations, very fair, good negotiator	7.0
7	Great, analytic, negotiates well	8.5
8	By-the-book, matter-of-fact, fair negotiator	5.5
9	Fair relations, lacks fiscal strength	5.0
10	By-the-book, well-versed, limited face-to-face contact	5.5
11	Methodical, by-the-book, weak negotiator	4.5
12	Community-oriented, lacks fiscal strength	5.5

Of the twelve managers interviewed, seven are male and five are female; ten are white and two are black. Eleven managers have multiple years experience in contracting and one has limited experience. All managers experienced the Open Bid and subsequent Rollover year's cycle. All of them, inside and outside Boston, experienced proposal rejection debriefings and all but one had some part in appeals that were filed.

Participants agreed to be interviewed voluntarily. The researcher contacted them by letter and by phone. Also, the researcher assured them that the interviews would be confidential and their anonymity would be maintained.

The researcher then examined the number of debriefings in each area office that led or did not lead to appeals. The rationale was that the more issues that could be resolved successfully at that level, the more likely that relationships could be preserved.

**Table 1.2 Number of Debriefings and Appeals**

Managers	Debriefings	Appeals
1-7	24	6
8-12	20	11

Table 1.2 shows the number of debriefings held and those that went to appeal from successful and less successful managers. The numbers are grouped to protect the anonymity of the informants. Successful managers had one appeal each or, in one case, no appeals.

Less successful managers had greater than two appeals each. However, numbers were not the only consideration for this measure. A major consideration was the way managers

conducted the sessions. Some examples of the way less successful managers conducted debriefing sessions include:

1. A manager raised a technical issue (choice of diet) in the midst of a tension-filled session concerning slot reduction. (Slots, referred to throughout the paper, equates to the number of children that a child care provider is licensed to serve at any one time). The provider was not only angry, but embarrassed. The technical issue was not relevant to the issue at hand.
2. Another manager sent out what appeared to be form letters to providers informing them of significant slot reductions with little or no consideration for individual concerns. The problem with this is that providers get together and discuss contracts. On general contract issues, they may come together as a coalition and exert political pressure on the area offices. However, when providers have their individual agency interest to protect, and from debriefings it appears there is no logic to a reduction other than an across-the-board cut, relationships tend to deteriorate and providers may pursue the matter further.
3. A third example is when a manager presents a "take it or leave it" choice to the provider during the

sessions. The manager claims to follow the Department's rules and instructions, therefore the matter is out of his/her hands. The provider seeks relief from the Department, but is told to work it out with the agency. The provider now feels angry and disenfranchised. The providers choices are (1) stay in the system and take a slot reduction that may be drastic and not worth the time and effort or (2) drop out of the system. The problem with dropping out is the difficulty of getting back in when slots or funds are available.

As stated, these examples illustrate the way that less successful managers conduct debriefings. The way successful managers conduct this step is presented later in the dissertation. The key point is that both the number of debriefings requested and held and how they were conducted are important considerations in distinguishing successful and less successful managers.

In addition, not all unresolved issues from debriefings are formally appealed. In some instances, the Department "intervenes" and remands the case back to the area office for further consideration (similarly as Example #3 above). This action is not generally reflected in the record. This is important because not all less successful practices or actions are officially counted, however, intervention

indicates that the debriefing was less than successful and some action beyond the debriefing is necessary.

### Approach to Research

The research distinguishes between successful and less successful managers who negotiate contracts by describing how they approach the contracting process. The researcher interviewed managers to learn how they go through the contracting process in detail. He examined activity, steps, material, processes, and whatever else they used on a day-to-day, weekly, monthly basis.

The researcher began interviews with three items with informants that introduced and clarified the purpose of the interview. He asked if there were any questions about the interview. He then discussed confidentiality issues with them and specified that the data would be public but their identity could be kept anonymous. Finally, the researcher reached agreement on how the notes would be handled following interviews.

Following this introduction, the researcher asked managers to describe the major process/steps of the contracting process and then discussed each step in detail (See detailed steps in Table 3.2). In each, the researcher asked such questions as what they do, how they do it, when, and with whom. For additional information, the researcher

asked managers to identify what helped them be as effective as they were and what kept them from being more effective. Researcher also requested any material that would be helpful in understanding the process.

#### Data Collection and Coding

After the interviews were held, contact summary sheets were completed. Notes, data from contact summary sheets, and tapes were transcribed. This information was processed and formatted for use in The Ethnograph.

The Ethnograph is a computer-assisted analysis program, to number, code, sort, sift through the data, and interpret and analyze the data. The program allows text review, marking segments of data, sorting, and printing segments in any order. The researcher then compares and interprets segments or chunks of data for patterns or trends. From there, researcher can make some general findings.

Thus, formatted interviews were numbered by line in preparation for hand-coding. The researcher applied one or more keywords to each line of data. The computer program produced a coded interview based on the keywords. Researcher mapped the codes into code sets that matched the steps in the contracting process. The program provided frequency of keywords and segments of data within each of the code sets.

## Interpretation and Analysis

The Ethnograph processes isolate patterns and consistencies in the data that the researcher interprets and analyzes. For example, three or more similar responses from the seven managers that experience successful negotiation and contracting are considered a pattern or trend. Based on the interpretation and analysis, the researcher generalizes the patterns and consistencies. The message from analysis provides useful information for our understanding of how managers act in the contracting process.

Example #1. In the question about Intent to Bid letters all but one manager responded that they did not use them or did not use them in the way the Commonwealth intended. The interpretation in this case is that because successful and less successful managers responded similarly, there was no difference between them, hence this was not considered one of the effective practices.

Example #2. In contrast, in the question about Evaluation Review and Rating Proposals, an important consideration is who makes the decisions about proposals; who are the participants (members of advisory boards and citizens councils, other community professionals, and members of other external groups) and what is their expertise. In this case the



interpretation is that there was a difference in the managers approach. Successful managers used more participants and worked with them to insure that this step in the process was fair and objective. Less successful managers used more administrative staff and less outsiders because of the lack of time and lack of outsider expertise. This finding also is important because many appeals were filed on the basis of questionable review and rating practices.

#### Other Interviews

Several discussions and information gathering sessions were held with child care professionals from the Massachusetts Executive Office of Health and Human Services and Department of Social Services.

#### Documentary Sources

Source material was reviewed including that pertaining to contracting for child care in Massachusetts, the Commonwealth's privatization efforts, their administrative procedures, their debriefing and appeals documents, and numerous other documents, guidance memos, letters, and articles.

## DISSERTATION ORGANIZATION

The organization of the rest of the dissertation is as follows. Chapter II reviews the literature with an emphasis on increased state and local contracting, barriers to contracting, an appropriate negotiation process for this contracting, and the importance of manager as arranger and negotiator of services.

Chapter III presents the contracting context for the child care contracting process in the Massachusetts Department of Social Services. The sources for data are contract managers' description of themselves, the area, billing cycle, and purchase of service method.

Chapter IV presents eight effective practices of successful managers. Sources for the data are interviews held with contract managers in Massachusetts. The data were coded, interpreted, and analyzed using The Ethnograph, a computer assisted program.

Chapter V presents a summary of the study, a section on technical assistance and cooperative contracting relationships, and concluding comments.

## CHAPTER II--LITERATURE REVIEW

### INTRODUCTION

This chapter presents the literature that emphasizes recent trends in contracting for social services. It summarizes different contract models ranging from cooperation to competition, describes a negotiation process for this contracting, and explains the changing role of manager as arranger of services and negotiator in the contracting process. The literature selected for review is derived from the assumptions that (1) there has been an increase in human and social service contracting at the state and local level, (2) one contracting model may be more appropriate than other models for this type of contracting, and (3) roles and functions of managers have changed with the increase in contracting.

Rehfuss (1989), Chi (1986, 1994), MacManus (1992), Savas (1987), DeHoog (1990), Whitcomb (1984) and others indicate that contracting for social services has been increasing for the past several years. Generally, this increase in contracting is for pragmatic (cutting costs) as well as ideological (alternative delivery, competition) reasons. Also, many of the authors emphasize administrative functions, e.g., pre-bid activities (feasibility studies), monitoring, and evaluation that are concomitant with the increase in contracting.

Although contracting for social services has been increasing, there are barriers to this method of service delivery. MacManus (1992), Chi (1994) and others describe the numerous barriers that affect contracting. In spite of these barriers, they forecast that social service contracting will continue to increase.

Dudley (1990) illustrates various contracting models—cooperative, negotiation, and competitive—that may be appropriate for social service contracting depending on resources, funding, and suppliers. DeHoog (1990) says the negotiation model may be most appropriate for social service contracting. However, Savas (1987) argues that while negotiation has been the preferred model for social services, states are starting to competitively bid social service contracts. Also, whereas contracting has been the arrangement of choice, the use of vouchers is increasing (Savas).

Within the negotiation model frame, DeHoog (1990), Cleary (1989), Henry (1989) and others serve as linchpins to connect the technical aspects of contracting to relationship building aspects. They suggest that "principled negotiation" developed by Fisher and Ury (1981) of the Harvard Negotiation Project should be applied in contracting. This Fisher and Ury thinking and later, Fisher and Brown's (1988) "unconditionally constructive" method of

building relationships provide a theoretical framework for effective negotiation and building cooperative relationships for managers who arrange services and negotiate contracts.

Further, cooperative relationships, including providing technical assistance, infers that managers should have ongoing interaction with service providers. This contracting function suggests a Deming-like management style. Deming (Aguayo 1990) and others suggest that cooperative, win-win relationships are a key aspect in quality (hence, successful) management.

In essence, human service contract management is a complex, interactive process. It consists of technical as well as relationship building aspects. Integrating more than one body of literature helps describe these aspects more adequately.

#### INCREASED CONTRACTING FOR SOCIAL SERVICES

There is an increasing emphasis in contracting for social services at state and local levels (Rehfuss 1989, 1993; DeHoog 1991; MacManus 1992; Chi 1986, 1994). State and local spending on services from private sources, including social services, tripled from 1975 to 1982 (Chi 1986). Primarily, this spending has been for economic development, transportation, social services, and welfare. Government reports also show that purchases of goods and

services at the state and local level have steadily increased in the early 1990s, especially in the service areas.

In Doing Business with Government (1992), MacManus argues that the most significant changes in public procurement patterns have occurred in services areas. Nearly eighty percent of all cities and counties use some sort of private sector service delivery. While some governments totally divest themselves of services, many more choose partial divestiture and contract with the private sector to provide services.

MacManus believes that the trend to privatize and contract for services will continue as long as the public sector saves costs for these services. Local fiscal stress and the fiscal pinch in state governments are major contributing factors for continued reliance on the private sector. Also, local surveys show that constituents demand more services without tax increases.

States have a similar problem, along with budget and bond limits and taxpayer revolts. Among the states, contracting for social services, health care, highways and transportation, police and corrections, and education have been the dominant forms of privatization. MacManus concludes that governments' decision to divest and business'

decision to invest have not always been an easy one for either party.

Chi (1994) found similar privatization trends and options based on a survey of state governments. While states were not as quick to privatize as other government levels, in the past few years state agency projects have rapidly increased. He found that nearly every state agency that dealt with constituent-oriented programs (health, mental health, social services, etc.) have increased their privatization activities in recent years and are likely to increase their reliance on private providers in the future. Chi reports that mental health and retardation ranks first and health and social services also have a higher percentage of privatization.

State government survey respondents indicate that nearly eighty percent of the state social service agencies have increased privatization; almost fifty percent of the agencies privatized more than fifteen percent of their programs; and contracting was the privatization choice seventy percent of the time. Chief reasons for privatization were cost savings and lack of agency personnel. Chi concludes that social service agencies will expand privatization activities in the next five years for the same reasons as the past.

State and local, as well as federal government, pragmatically contract for services to reduce costs. Ideologically, privatization and contracting enabled government to loadshed (abandon functions), expand competition, and provide alternative delivery systems (Rehfuss 1989). DeHoog (1984) considers contracting out for social services positive, especially with nonprofit agencies. However, Whitcomb (1984) cautions that government may have to provide an infusion of funds into programs, monitor programs heavily, and shift clients frequently. These administrative matters about how to contract are more important than policy questions of whether to contract, when contracting is not particularly controversial--daycare versus prisons (Rehfuss 1989). Thus, it is useful to contract for services when government can cut costs, contracts can be monitored, technical expertise is needed, to avoid policy and management constraints, and to achieve other goals.

#### ALTERNATIVE CONTRACTING MODELS

Generally, contract models range from cooperative to negotiation to competitive (MacNeil 1980; Kettner and Martin 1986; Savas 1987; Dudley 1990; DeHoog 1990). Dudley summarizes the differences between models using the work of MacNeil (discreet and relational contracting), Kettner and



Martin (market and partnership), and DeHoog (cooperation, negotiation, and competition). First, competitive contracting is discreet, market-oriented, and low in uncertainty. Secondly, cooperative contracting is relational and high in uncertainty. Thirdly, negotiated contracting is flexible, multiyear, and moderate in uncertainty. The negotiation model has been used widely for social service contracting.

Savas (1987) explains that a negotiation model rather than a competition model has been used for contracting social services because of a traditional bias toward religious and charitable organizations that provided social services. He says the bias has been that these organizations should not have to compete for contracts like those for-profit firms. Although traditional bias may be toward a negotiation model, Savas notes that states have increasingly legislated competitive bidding as the choice of procurement for social services. He also notes that vouchers are increasingly being used as an arrangement for services.

DeHoog (1990) maintains that the "soft," more complex human services, such as social services and child care services, are increasingly being examined in the literature. She presents three models for service contracting-- competition, negotiation, and cooperation. In the

competition model, the government has a choice among several bids and then selects the firm to provide the service at the lowest cost, which is the contracting ideal.

This model assumes that there are many suppliers, high resources, and low uncertainty (future funding, client needs, and technology). In service contracting, however, sufficient suppliers, adequate resources, and certainty may not be available. Hence, other models to service contracting may be more appropriate.

To understand how contracting really works, we must look beyond simply the stated preferences and rational choices of the organization and recognize that individuals and their relationships across organization boundaries also help to explain the success or failure of public purchasing (DeHoog 1990).

DeHoog (1990) supports negotiation and cooperation models to counter the limitations of the competition model. The premise for these models is that cooperative behavior is likely to be produced in cooperative settings. In the negotiation model, cooperation is necessary to build effective relationships. Accordingly, DeHoog calls this model "relational contracting," wherein consensual and incremental decision making are the norm.

The central negotiating matters are contract price and type and extent of programs or services to be undertaken. Other negotiating items include service limitations, control procedures, and unit costs. The negotiation model works

best in situations where there are few suppliers, medium resources, and moderate uncertainty (DeHoog 1990).

Also, this model tends to balance relationships between parties. That is, the government needs the service and the supplier needs the funding. Thus, DeHoog (1990) contends that "principled negotiation" (Fisher and Ury 1981) captures the ideal relationship between parties and their efforts to reach agreement. Although goals and interests may differ between the parties, DeHoog says the process based on fairness, truthfulness, and reason yields agreement beneficial to both.

The cooperation model, also based on building effective relationships, generally is appropriate in contracting situations where there is one supplier (sole source), limited resources, and high uncertainty (DeHoog 1990). The process is dynamic, decentralized, flexible, and personal. DeHoog adds that parties view themselves as equal partners and contractors seek to preserve cooperative relationships because it is in their long-term interest.

In essence, cooperation was the model for social service contracting in earlier years because of limited suppliers and high uncertainty (DeHoog 1990)). More recently, competitive bidding has been gaining interest according to Savas (1987). However, DeHoog contends the negotiation model may be more appropriate for social service

contracting because of limited suppliers, medium resources and moderate uncertainty. Also, the negotiation contracting model demands a "principled negotiation" (Fisher and Ury 1981) process. This negotiation thinking has been continually developing, and along with Getting Together (1988) by Fisher and Brown present a theoretical frame for managers to effectively negotiate and build relationships in the contracting process.

#### BARRIERS TO STATE AND LOCAL CONTRACTING

Several reports and studies show how barriers deter successful contracting at state and local levels and building effective relationships as well (MacManus (1992); Chi (1994); Touche Ross (1987); and the International City Management Association (ICMA) (1988). Table 2.1 displays two reports that list common barriers to contracting.

**Table 2.1 Barriers to Local Government  
Reliance on Private Sector**

<b>Touche Ross, ICMA, Privatization Council 1987</b>
Bureaucratic Inertia
Lack of Awareness
Lack of Belief
Loss of control
No confidence in private sector
No interest in private sector
Politics
Public Opinion
Need for Legislation
Union/employee resistance

<b>ICMA 1988</b>
Opposition from citizens
Opposition from elected officials
Opposition from line employees
Opposition from department heads
Restrictive labor contracts and agreements
Insufficient supply of competent private deliverers
<b>Lack of contract management expertise among staff</b>
Lack of evidence on effectiveness of private alternatives
Institutional rigidities or lack of precedent
Legal constraints

MacManus reports that many of the barriers in Table 2.1 reflect political obstacles to privatization and contracting, rather than economic ones. For instance, in the 1987 study there was major concern for loss of control and union and employee resistance. There was a lack of belief in, and awareness of, benefits of privatization, and there was concern about bureaucratic inertia.

There were similar opinions expressed in the 1988 ICMA survey. Barriers include opposition from public employees and elected officials. Respondents said there was lack of competent private service producers and lack of evidence that private producers were any more effective than public. Also, there was lack of contract management expertise and bureaucratic and legal constraints.

Further, MacManus argues that privatization is a barrier to contracting. She says that there are concerns about cost savings, citizen participation, and whether privatization and contracting actually increase competition. She also states that privatization contributes little progress toward economic and social objectives, mainly in generating business for minority-owned and women-owned companies.

Although many of the barriers above were based on studies done in the late 1980s, Chi (1994) found similar themes in his study of the states. Accordingly, states that

resisted privatization and contracting attempted innovative in-house management techniques. These states do not believe that privatization results in cost savings and are limited in their actions by constitutional and legal barriers. Several states have decreased their privatization and contracting efforts because of the lack of cost savings, deterioration in quality of service, service interruption, and philosophical differences. Chi adds that in recent years, the strongest and most persistent opposition to privatization and contracting has come from public employee unions.

Considering the opposition to privatization, many states enacted measures to find ways to increase cost efficiency and productivity of existing services. These measures include efficiency commissions, strategic planning, total quality management, and civil service reforms. When states form commissions, they usually are bipartisan, public-private partnerships, and jointly funded by government and the private sector.

In sum, evidence exists that state and local social service contracting is increasing. Yet, many state and local governments continue to face opposition and barriers to contracting for services. Lack of contract management expertise is among these barriers. Cleary, et al., in Managing Public Programs (1989), suggest that successful

managers need effective negotiating skills because they are constantly involved in negotiating. They, like DeHoog, agree that negotiation skills that focus on mutual gain and benefit are usually more successful than those that focus on one side winning and the other losing.

#### CHANGING ROLE OF CONTRACT MANAGER

The manager's role as arranger of services and contract negotiator increases as contracting increases. To accomplish these roles, Salamon, Lund, Perry and Kraemer, Perry and others point out that managers need additional skills to bring third parties into the basic operations of their agencies. Effective communication (Perry 1993), bargaining and persuasion (Salamon and Lund 1989), and technical expertise (Perry and Kraemer 1993) are among these skills.

#### Manager as Arranger

The public sector directly provides services or arranges for services to be provided by producers, usually private or non-profit. Direct provision has been the generally accepted method of service delivery, however, in recent years arranging has been gaining popularity. There has been controversy about the government's responsibility, accountability, and discretion in arranging for some

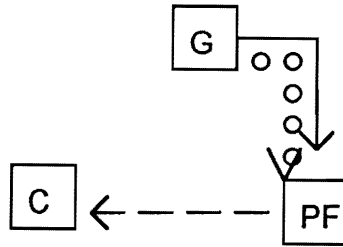


services (Savas 1987; Rehfuss 1989; Dudley 1994), but there has been little concern for the act of arranging for child care services (Rehfuss).

Arranging is different from the narrow view of privatizing, which is to change from public to private control or ownership (Savas 1987). Savas maintains that a broader view of privatization symbolizes a new way of looking at society's needs and the role of government in fulfilling them. He adds that when we consider alternative delivery of social services, the service may be a collective good and may be provided as a government responsibility, but it need not be produced by a government agency or government employees.

Savas describes the three basic participants in the delivery of a service as consumer, producer, and provider or arranger. The consumer receives the service, producer performs the service, and provider or arranger assigns producer to consumer. In social services, the government is primary provider and arranger when services are contracted out to private or non-profit firms. This arrangement, as pictured in Table 2.2, shows that the private organization is producer and government is the arranger, which pays the producer.

Table 2.2 Contracting Arrangement



Source: E.S. Savas description of contracting, where government authorizes and pays private firm to deliver client services.

Providers or arrangers have significant responsibility that is not always understood, according to Savas. The arranger assigns a producer, and is responsible for who gets the service that is produced, how much of the service that gets produced, and how to pay for the service. As such, these items are negotiable and demand a cooperative process so that all parties mutually benefit.

Wise (1990), contends that privatization opened up debate of government organizational arrangements and management effectiveness implied by them. He says debate is healthy at this time considering public resources are limited and public and private organization's contribution to societal interests are under close scrutiny. Wise maintains that the issue is not who should provide a function, rather what arrangements between public and private sectors provide effective relationships to perform needed functions. Accordingly, the issue is how will

incentives be supplied to the existing array of state and local governments, non-profit, and private contractor organizations to encourage cooperative shifts of resources; how should the parties reconfigure, redesign, or refocus organizational and management processes to meet these needs.

### Manager As Negotiator

As the number of arrangements increased, the role of manager as negotiator also increased. In The Manager As Negotiator (1986), Lax and Sebenius view a successful manager as a strong, often subtle negotiator, constantly shaping agreement and informal understanding throughout the complex web of relationships in an organization. This role of manager as negotiator dramatically increased as outside organizations increasingly carried out programs. They attribute this contemporary situation to a rise in complexity and interdependence, increasing professionalization, heavier emphasis on the role of information, and new organization forms.

Lax and Sebenius argue that direct control (efficiency resting on effective supervision and direction of its own operation) has been superseded by a situation of shared authority and resources but concentrated accountability. Response to this issue is that managers need skills beyond those of traditional administration. They add that

management jobs are defined more by the required network of agreements than by organization boundaries. Thus, accountability will not go away even as shared authority and resources increase. Belief in control and certainty is widespread in the public sector and essential to political promising, according to the authors.

Lax and Sebenius contend that conventional wisdom places a strict standard of accountability on public managers. This standard is not realistic in a world of complexity, interdependence, and linked agreements. Accordingly, because managers do not have direct control in many cases, they have to be more successful negotiating, monitoring, and evaluating agreements to avoid the risks of non-performance or not meeting expectations. In essence, the authors argue that all parties should be held to account and share in risk as shared authority and resources increase.

Their first prescription is that managers should seek a better match of authority and accountability by renegotiating purposes, realigning expectations and accountability, and/or increasing authority and resources. Accountability is still a chief concern, however. Lax and Sebenius emphasize that managers attempt to sidestep the issue by spreading risks, shifting blame, and not cooperating.

Thus, the authors second prescription is that managers should simply seek to be more effective by acknowledging that they face networks of linked agreements that require extensive negotiation. They maintain that the negotiation process starts with specifying desired results, specifying networks of linked agreements, and obtaining desired agreements and influencing decisions (Lax and Sebenius 1986).

These factors indicate the need for negotiators to control their own behavior and create a favorable climate for negotiations to be effective (Ury 1991, 1993). Ury adds that negotiators should direct the attention of negotiations to meeting both sides interests. Also, negotiators should direct the other side and make it hard for them to say no.

Ury argues that a manager's goal is not to win over the other party but to win them over. This is breakthrough negotiation, which is hard work. He argues that successful negotiators should be patient and persistent because progress comes gradually. "Small breakthroughs can add up to a major breakthrough." Ury concludes that seemingly impossible negotiations can often yield mutually satisfactory agreement.

Lax, Sebenius and Ury are contributors to a growing body of literature on negotiation referred to as the "getting to" literature. Much of this work provides that

the negotiation process should be based on cooperative human interaction in order to build relationships as parties negotiate. Accordingly, whenever people exchange ideas with the intention of changing relationships, whenever they confer for agreement, they are negotiating (Nierenburg 1973). Getting to, or the way we process negotiation, is a key factor for reaching mutually beneficial agreement and for building effective relationships.

The Harvard Negotiation Project has been a major contributor in development of this literature (Fisher and Ury 1981, 1991; Lax and Sebenius 1986; Fisher and Brown 1988; Ury 1991; Hall 1993; Fisher, Kopelman, and Schneider 1994). Others that share similar views include Anderson (1993, 1994); Brooks and Odiorne (1984); Jandt and Gillette (1985); Skopec and Kiely (1994); and Sparks (1986). Getting To Yes (Fisher and Ury 1981) and Getting Together (Fisher and Brown 1988) provide a frame for negotiating and building relationships that apply to contracting for social services.

These works provide strategies for (1) principled negotiation, which focuses on the problem, interests, options, and objective criteria and (2) building relationships that rely on reasoning, understanding, communication, reliability, persuasion, and acceptance. Principled negotiation prescribes a way to decide issues on their merits, seek mutual gains, rely on fair standards and

obtain what you are entitled to while still being decent. Table 2.3 describes the four basic elements that comprise Fisher and Ury's "principled negotiation."

**Table 2.3 Elements of Principled Negotiation**

Elements	Description
People	Separate people from the problem
Interests	Focus on interests, not positions
Options	Generate a variety of possibilities before deciding what to do
Criteria	Insist result be on objective standard

When participants rely on this model for negotiating, they should see themselves as working side by side, attacking the problem, not each other. The authors say that people draw unfounded inferences, which they then treat as facts about another person's intentions and attitudes toward them. In negotiation, people should discuss each others perceptions, look for opportunity to act consistent with their perceptions, and make proposals consistent with their values. Accordingly, when people understand each other, they can then think of themselves as partners in a hardheaded, side-by-side search for a fair agreement advantageous to each.

Secondly, when negotiators rely on this model, they should focus on interests (needs, desires, concerns, fears) and not get locked into positions that can be time consuming and endanger ongoing relationships. The authors suggest that parties set aside designated time within which to think up a wide range of possible solutions that advance shared interest and creatively reconcile differing interests. In complex situations, creative inventing is an absolute necessity and parties should not make premature judgments because it hinders imagination.

Thirdly, parties to negotiation should generate a variety of possibilities before deciding what to do. Inventing options for mutual gain is the most useful thing a negotiator can do. Fisher and Ury present four basic steps for inventing options; defining the problem, analyzing the problem, generating approaches to a solution, and developing action ideas that might be taken to deal with the problem.

Lastly, the authors insist that negotiators should have objective and fair standards and use fair procedures, even if the other party seems more powerful, they will not play fair, or they attempt to use dirty tricks. At times a negotiator may be faced with deliberate deception, phony facts, personal attacks, extreme demands, and numerous other tactics. When faced with these situations, negotiators should protect themselves by questioning the tactics,



possibly rejecting a deal, and most importantly, knowing their BATNA (Best Alternative To a Negotiated Agreement).

Getting Together, a later work out of the Harvard Negotiation Project, expands on the principles of Getting To Yes by providing an approach to build long-term relationships during negotiation. This work provides practical advice for developing a working relationship between parties. Accordingly, change in relationships is possible and people can improve the way they deal with others. If people want a relationship that can deal with serious differences, the process itself must improve, independent of the particular substantive problems involved. While each relationship is unique, there are some qualities that make it possible for any relationship to deal well with differences. Table 2.4 shows Fisher and Brown's six qualities for "unconditionally constructive" relationships.

**Table 2.4 Qualities for Unconditionally  
Constructive Relationships**

Quality	Description
<b>Rationality</b>	Balance emotion with reason
<b>Understanding</b>	Learn how others see things
<b>Communication</b>	Always consult before deciding. . .and listen
<b>Reliability</b>	Be wholly trustworthy, but not wholly trusting
<b>Persuasion, not coercion</b>	Negotiate side by side
<b>Acceptance</b>	Deal seriously with those with whom you differ

These six qualities comprise the process of interaction necessary for effective working relationships to achieve substantive goals. Fisher and Brown point out that sometime people fail to think about the pattern of their interaction and how it might be improved. Hence, to build effective relationships, people should think ahead about the effect that a transaction may have on the next transaction and the one after that.

The idea of "unconditionally constructive" means that a negotiator follows guidelines that will be good for the relationship and good for him- or herself, whether or not the other party follows the same guidelines. They conclude that this strategy should be independent of disagreement, concessions, partisan perceptions, reciprocity, or permanent sides. They explain this strategy further by saying that:

1. Rationality. Even if the other party is acting emotionally, the effective negotiator should balance emotions with reason.
2. Understanding. Even if the other party misunderstands the negotiator, he or she should try to understand them.
3. Communication. Even if the other party is not listening, the negotiator should consult them before deciding on matters that affect them.
4. Reliability. Even if the other party is trying to deceive the negotiator, neither trust them nor deceive them; the negotiator should be reliable.
5. Noncoercive modes of influence. Even if the other party is trying to coerce the negotiator, he or she should neither yield to that coercion nor try to coerce them; the negotiator should be open to persuasion and try to persuade the other party.
6. Acceptance. Even if the other party rejects the negotiator and his or her concerns as unworthy of their consideration, the negotiator should accept the other party as worthy of consideration, care about them, and be open to learning from them (Fisher and Brown).

In essence, if both parties enter a situation on a cooperative basis there is a strong likelihood that they

will strive for goals that can be shared equally (Nierenburg 1973). Also, if managers negotiate and contract on a cooperative, mutual gain basis, it is likely they would increase their effectiveness and responsiveness. Dehoog (1990) suggests that negotiation and cooperation models can be efficient, equitable, and responsive in contracting situations. When used appropriately, they can produce services and projects that meet public needs at reasonable costs. These models are adaptations to real environmental, organizational, and service constraints.

Further, when managers work cooperatively and have early, ongoing interaction with providers, negotiation and contracting is more likely to be successful. Allman (1994) suggests that honest, cooperative behavior has long term benefits. He says a person who is viewed publicly as cooperative is likely to form cooperative relationships and increase interaction and form more cooperative relationships. Also, benefits may be slow to come, but eventually there are high payoffs for cooperation. A primary objective of being cooperative is that all parties to the process wins or mutually gains--managers (agency), providers (suppliers), and clients (customers).

A leading proponent of the cooperative management style was W. E. Deming. Deming said cooperation is a source of strength for company-supplier relations. Parties have a

win-win relationship when they work together,. . . "if one wins, the other wins, and so do the ultimate customers" (Aguayo 1990).

Deming contends that an organization's focus is (or should be) on meeting, even exceeding, customers' needs and expectations (Little 1994a, 1994b). Little's interpretation of Deming's views and theory of management has application for manager-provider-client relations. He says,

The only structure worth considering in an organization is the flow from supplies through processes that transform, or add value, to customers. Suppliers may provide materials for a production line, knowledge, ideas, paperwork, personnel actions, decisions, plans or anything else that is acted on within the organization. Every process in the organization involves this flow, and is a subsystem of the system of the organization. An essential element of each process is the need for two-way communication between the process customer and those responsible for the process, and between those responsible for the process (in their role as customers) and the process' suppliers. Every process depends on these relationships with suppliers and with customers, despite whether suppliers and customers are external or internal to the organization. Since every process is composed of subprocesses, or subsystems, everyone is both supplier and customer (Little 1994b).

Deming maintains that management's job is to control and improve the processes. Managers can do this with active help from experts and those that have knowledge about the process. These process managers cannot be bounded. Boundaries lead process managers to maximize output with little regard for the effects on other processes. This

leads to a win-lose situation which is antithetical to cooperative, win-win, mutually beneficial processes.

In addition, Emmert, Crow and Shangraw (1993) forecast increased cooperation between all parties in the future. Their findings indicate that government resources and growth will be limited, organizational and social processes will become increasingly complex, and public-private interaction will increase. They maintain that public managers will need to find more effective ways to deliver services.

Managers also need increased skills to meet the demands for services. Lastly, the authors state that organizations should be client-centered. Clients, whether individuals, agencies, private sector organizations, or any combination of these in the quality management tradition, should be included in any redesign or program delivery of the organization.

#### CHAPTER SUMMARY

Public managers increasingly arrange and negotiate for services between the larger government (state and federal) and providers. Arrangements, necessary to accomplish public policy objectives, require multiple, generally complex relationships and ongoing interaction. There is no one best way to accomplish policy objectives (DeHoog 1990; Rainey 1993). Over-generalization, about how to get the job done

or what works, does not add to our understanding of the role of the arranger and negotiator (Perry 1993).

In addition to competence in arranging and negotiating, contract managers should be responsive and accountable (Dudley 1994). They should understand group process and dynamics (Perry 1993). Also, Shafritz (1987) suggests public managers increasingly should rely on communication and interpersonal skills.

Perry says we should develop useful and practical generalizations about how public managers should behave in varying situations. He suggests that public managers should search for patterns in situations, identify appropriate interventions, and implement them. Also, in legislatively authorized negotiations, public managers should understand interest group dynamics, obtain agreement from the parties or coalitions, make irrevocable commitments and apply appropriate interventions, look for windows of opportunity, and communicate skillfully.

## CHAPTER III--THE CONTRACTING CONTEXT

### INTRODUCTION

This chapter presents the contracting context for the child care contracting process in the Massachusetts Department of Social Services. The sources for data are contract managers' descriptive information presented during interviews. In this chapter, "manager" refers to the contract manager, business manager, or Area Administrative Manager, who are all the same person; "provider" refers to service providers, usually private agencies; and "Central Office" refers to the Department of Social Services, or DSS.

### CONTRACTING CONTEXT

Contracting for child care in Massachusetts is a multiple step process set forth in guidelines from the Commonwealth. Table 3.1 displays the contracting process that has been subdivided into a Proposal Phase and Response Phase. Table 3.2 shows the multiple steps in the process in more detail.

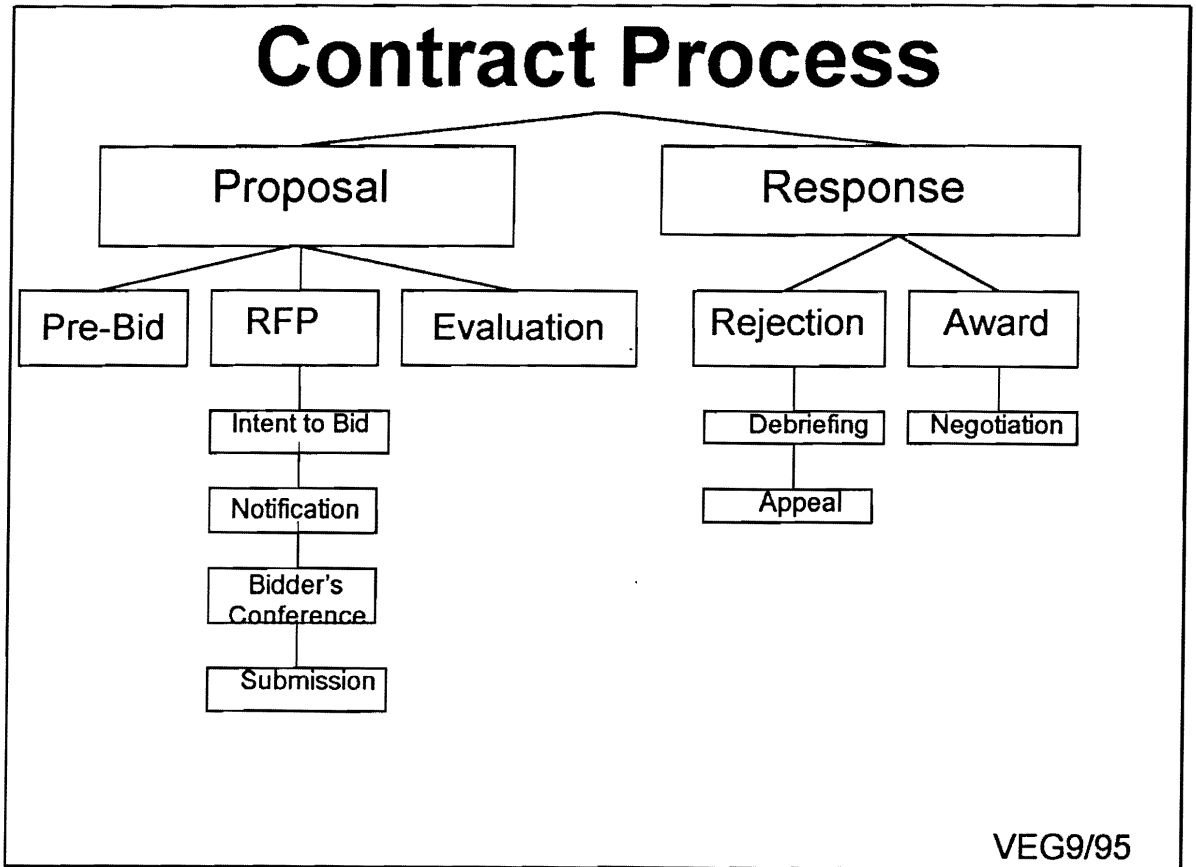
In the Proposal Phase, managers first determine what services to purchase prior to putting proposals out for bid. They use various methods of needs assessment to make this determination for their particular area of responsibility. Subsequently, Central office develops a Request For



Proposals and makes it available for interested parties to respond. Once bids are submitted, managers and other participants review and rate the proposals.

In the Response Phase following evaluation, proposals are either rejected or awarded. When a proposal is rejected, bidders have the opportunity for a debriefing session. If the bidder is not satisfied with the debriefing, they may appeal to the Commonwealth. When proposals are awarded, the parties negotiate final terms and rates and enter into agreement for delivery of services.

Table 3.1 Massachusetts' Contracting Process



**Table 3.2 Competitive Bidding Process**

<b>Process Steps</b>	<b>Required and/or Optional Standards</b>
<b>Public Notice of Procurement</b>	Required: Notice in "Goods and Services Bulletin" Optional: Posting Notice in public locations, newspaper notices, mailings, etc.
<b>Intent to Bid</b>	Optional: To assist Purchasing Agency in planning and management of RFP and evaluation process and therefore bidders are encouraged to participate.
<b>Release of RFP</b>	Required: Purchasing Agency shall make a copy of RFP available upon request. Optional: Purchasing Agency may amend RFP anytime prior to deadline for submitting proposals. -Notify all recipients of RFP -Publish revised notices if change is significant
<b>Bidders Conference</b>	Required: Purchasing Agency must hold a bidders conference within five working days after release of RFP. -Access to client specific information
<b>Submission of Proposals</b>	Required: Purchasing Agency record date and time of receipt of proposals.
<b>Evaluation Process</b>	Required: RFP to include evaluation criteria, evaluation process, and nature and extent of participation of advisory boards, citizen councils or other external groups. -Qualified Proposals -Qualified Bidders -Proposal Evaluation Committee -Proposal Evaluation Process
<b>Rejection of Proposals</b>	Required: Written notice to all Bidders Optional: Purchasing Agency may reject all proposals
<b>Competitive Negotiation</b>	Optional: Purchasing Agency may choose to negotiate with all Bidders. Bidders must be notified.
<b>Award</b>	Required: A prioritized list of Proposals -Responsible qualified bidder -Advantageous, responsive proposal -Next prioritized Bidder
<b>Debriefing</b>	Required: Purchasing Agency shall develop and implement a procedure for handling debriefing appeals in a timely, objective and equitable manner.
<b>Appeal</b>	Required: Agency shall schedule appeal hearing within two weeks.

At the beginning of the interviews, many managers described themselves, the area, bidding cycle, and purchase of service method. They said the description would provide a better understanding of their approach to the contracting process. Descriptive information includes their experience and involvement in contracting, difference between how the Boston area and outlying areas approach the process, Open Bid and Rollover year's cycle, and how managers determined what services to purchase.

### Historical Context

Several managers rely on many years of experience and involvement with providers to build a history that is useful in current and future contracting. A majority of managers have participated in contracting since the late 1970s and early 1980s. They describe the 1990s process as different, changed, and evolved from earlier times.

In 1980, the Department of Social Services was established with six regional offices and forty area offices. Regional offices were closed in 1990 and forty area offices became twenty-six. One manager contends that the contracting process "differs wildly and widely" in each of these time frames, and the way it works now may not be the way it should work. The difference between then and now is that contracting changed from a needs-based process to a

formula-based process. The needs-based process primarily was provider-driven, whereas the formula-based process was state-driven. A manager who likes the old way better says,

In FY 1993, we had an Open Bid for daycare. It was unlike the prior process, which was needs-based, geographically-based. Central office basically said to us, you have this much money, and you have to buy this many slots. Well, that was a major problem. Using this formula did not allow us to buy what we needed.

Other managers vary on whether the old way or new way is better. One manager points out that in the past, providers came in and explained their budget, their dollar amount, their per slot basis, and many times the rate they requested was given to them. Two other managers said that in the past, providers got a "big thick package" that included all the forms. This package was confusing to the providers. Also, there was more negotiation of individual line items. These managers conclude that child care providers, compared to social service providers, are much less sophisticated; much less adept at responding to and constructing budgets; and need a lot more budgeting assistance and program support.

#### Boston vs. Outlying Areas

Managers generally describe the Boston process as centralized, a group effort, a team effort, and a cooperative venture. This is different from outlying areas. A Boston manager points out that:

There is a different perspective in areas outside of Boston than from Boston. In the Boston area, the process is a cooperative venture. It was that way even when we did not have regional offices. All five offices in Boston would always get together and discuss contracts because we never looked at services being for just one area. If one of the other Boston area offices needed something, they felt there was access, especially for daycare services.

Outlying areas are different than Boston because they are more spread out geographically and some lack public transportation. One manager, providing a regional perspective, has a network of contracts, the majority being very small compared to what might be found in the Boston region. This region might have \$1.5M worth of contracts; Boston may have \$10M to \$12M. The manager adds,

We farm most of our services out to the area level because that is where the consumers are and that is where most of the activity occurs. Five of the six regions do that. Boston is unique because of the geographic location; streets, and everything else touch each other, so they found it better to contract as a regional process.

An outlying area level manager presents a local perspective. The manager insists that the contracting process is a tough job because there are ten cities and towns, which are very spread out, and run a gamut from low income to very, very high income. Also, for the most part, the area lacks public transportation between towns.

This manager contends that to geographically cover the area with substantial services is difficult because the area needs a larger allocation. Also, the manager contends that there was a controversy over the amount of money that the

Boston areas received. There was a feeling that the Boston offices received more money proportionately than the outlying areas.

In effect, in the outlying areas, each area office contracts with providers in its own area. In Boston, this is not always the case and the process is more complicated. There are some providers in Boston that multiple areas could purchase services from and some providers from whom individual areas could buy services.

For instance, in an area in Boston where most of the provider's child care centers are geographically located, that area office would serve as host. Thus, they would negotiate the contract that could service all five areas. Managers ironed out other variations and combinations, assigned slots and hosts, and juggled numbers to satisfy requirements of the Commonwealth.

#### Open Bid and Rollover Cycle

Managers describe the Open Bid and Rollover years cycle similarly, but some of them differ about the bidding effectiveness. One manager describes the cycle as:

Here [in Massachusetts] we have what is called an Open Bid year, then after that, Rollover years. It is a five year cycle. In the Open Bid year, the Commonwealth lets out packages for bidders to respond. I think it's a true open process because any interested party can submit a bid. And we look for new or interested parties. Rollover years are essentially

continuation years. Last fiscal year we had rollover without changes.

Other managers contend that the Open Bid may not be completely open and fair. One said that although there was open negotiation, the area office tried to hold the line as much as possible to maximize the number of slots it could purchase from the dollars available. However, this process did not sit well with a lot of providers.

Another manager explains that according to regulations, providers are responsible for intake and eligibility for basic child care slots. Thus, the area office does not have an accountability trail for these slots. They do not have the capacity to assess what is needed versus what is ultimately purchased.

Two managers contend the five year cycle is too long and unresponsive to their needs. One of them explains that the process is going into the fourth year, and the office is finding that child care centers have gone through a number of changes. Directors they originally dealt with are gone, and new people have been hired. Needs and populations change, and the cycle does not always accommodate those changes. A manager can always amend contracts, but it is a difficult process.

The other manager points out that new ideas conceived at the beginning or in the middle of a five year cycle may have to wait. A manager may try to "force things up the



ladder" but often the response is not the one that is desired or sought.

A few managers acknowledge that since the first year of this five year cycle, several issues have been addressed. Central office developed a contractor's manual, streamlined several forms, and computerized portions of the paperwork.

### Purchases of Services

Deciding what services to buy is a complex matching process of buying X slots for Y dollars. Area offices receive a bottom line amount of money from Central office. Managers decide what they were going to purchase in terms of family preservation child care needed for the protective children in their caseload. Also, they decide how many categories they would designate as basic child care.

Basic child care slots are available to the community at large for families who are eligible as determined by the centers. Area staff allocates the categories for both family preservation and basic child care into infant-toddler, preschool, family day care, and school age slots. They also determine how many slots of each category to purchase.

Some view the way they have to determine what services to purchase as positive, while to others, it is a "painful thing to see." One manager states there is latitude and

flexibility to target, within the gross allocations, what the area purchases within basic child care and protective child care. Another manager views the process differently. This manager contends that you have to back into slots. The result is that the manager purchases more school age slots because they are less expensive, and the allocation target is met. Conversely, fewer preschool and infant-toddler slots are purchased because they are too expensive.

Other managers refer to their slot allocation approach as a pretty good juggling act. One manager explains that:

Infant-toddler and preschool slots are more expensive than after school slots. For example, we could have purchased all the after school slots we wanted and really boosted up the number of slot availability--the clients that we could serve so to speak--and stayed within the dollar limitations but that would not have served the client need. We did a little juggling act and tried to base our purchase plan on the client need and backed off numbers of slots that we should have purchased; tried to satisfy the number of slots that we needed by client need and still stay within the finite dollars. This is a pretty good balancing act.

Also, one manager used an innovative balancing approach to offset slot loss. The manager purchased an increased number of family daycare slots because state licensing allows family daycare providers to be licensed for a certain number of infants. Infant slots are placed in individual homes where the cost is more constant and lower, no matter what the age of the child served. In effect, the manager was able to balance the service need and offset slot loss.

## CHAPTER IV—EFFECTIVE PRACTICES OF CONTRACT MANAGERS

### INTRODUCTION

This chapter presents eight effective practices of successful managers. The source for the data is the contract managers' approach to the contracting process as presented during interviews. Hence, interpreted and analyzed data identify effective practices of successful managers and add to our understanding of the contract managers' approach in the negotiating and contracting process.

First, successful managers emphasize pre-bid planning and multiple needs assessment methods. This allows them to reflect service needs for the area and to more equitably distribute services for various populations. Second, they monitor client waiting lists and utilization of services regularly.

Third, the managers work with a large number of participants when reviewing proposals and, fourth, they use a standard tool to rate them to insure fairness and competitiveness in the proposal evaluation step. Fifth, they conduct debriefings as training and mediation sessions and encourage bidders to become more capable to participate successfully in future bidding. Sixth, they negotiate rates on the basis of pricing ranges not line-item details and,

seventh, they assist providers with budget and program support to increase their opportunity for proposal acceptance and award.

Eighth, they rely on experience and technical competence to be successful. Within each practice, there are technical and relationship aspects that contribute to their effectiveness. Managers confirm that contracting is more successful when they have early, ongoing interaction and cooperative working relationships with providers as well as technical competence.

#### EIGHT EFFECTIVE PRACTICES OF CONTRACT MANAGERS

1. Successful managers emphasize the importance of pre-bid activities, particularly planning and multiple methods to assess needs for their area.

In the contracting process, each area office in Massachusetts is responsible for identifying local service needs and negotiating rates and contracts with service providers. Needs assessment is a primary pre-bid step and many managers shared their assessment approach during the opening segment of the interviews. Pre-bid planning to determine what services to purchase and needs assessment is

an important and demanding step prior to issuing Request For Proposals.

Needs assessment is ongoing and constant because service needs, populations, and providers change. Until recently, area offices had Program Development Specialists whose primary responsibility was to know the community and its needs. Contract (administrative) managers now have that responsibility, and several of them express that it is a problem because they are mostly fiscally-oriented, not program-oriented. However, successful managers continue to advocate pre-bid planning and needs assessment.

For example, in the Open Bid year, one manager started the assessment step early and spent several days with other staff. The manager drew a table-size map of the area and, with the staff, determined what services were needed section by section hoping to ultimately service the entire geographic area. This manager characterizes the discussions about what the needs were in various sections as in-depth and wide ranging. In addition, when new providers express interest in bidding, the manager makes a formal visit to their agency to assess the program and survey who the agency serves.

Other managers conducted informal as well as formal assessments. One manager explains that the initial planning approach determines what services the area office needs to

purchase. From this standpoint, the manager has an opportunity, at the area office level, to say how child care needs have changed, aside from the growing demand for the service. Factors include needs of the families served and characteristics of the caseloads that require subsidized child care as a family support service. One manager says,

What we have to do is determine what we need based on the informal needs assessment that occurs each day, each month, each year, along with the more formal needs assessment to survey our service area. We need to make preliminary determinations as to the categories of child care that we need and whether we are talking about a center-based child care program versus a family daycare system--where kids are taken care of in individual homes.

This manager contends that the better the plan going into the process, the less haggling there is at the other end of the process. This step should account for most, if not all, contingencies.

Another manager explains that the area office staff started about a year and a half before the Open Bid, going out into the community and doing their own informal needs assessment. At that point they did not have any kind of standardized needs assessment. They talked to many of their social workers in the office about how they saw community needs.

The staff sought the workers' views to better understand the community and clients that the managers and other office staff do not see on a regular basis. Also, the

office staff formally survey their social workers. They ask them a number of questions about child care centers they use or have used in the past.

Table 4.1 shows the technical and relationship aspects of pre-bid planning and needs assessment. Successful managers use multiple methods to gather adequate information about their area of responsibility. They interact with newly interested providers as well as current providers to better insure that the total area needs are met.

**Table 4.1 Technical and Relationship Aspects of Pre-Bid Planning and Needs Assessment**

Technical Aspects	Relationship Aspects
Feasibility studies, needs determination, surveys, interviews	Early interaction with providers and potential providers

\* \* \*

2. Successful managers monitor waiting lists and utilization of service to determine who actually use the service and to detect trends about who may need the service.

One manager monitors waiting lists for protective child care to determine trends that reveal who seeks services and the types of service they need. The manager also surveys staff to rate how vendors deliver services. This manager

relies on these techniques to build a history that can be used at the next contracting process.

Two other managers stress that actively monitoring utilization of service is their best practice. The first manager requests providers to send their invoices directly to the area office monthly in addition to sending them to Central office, where they are processed for reimbursement. If the area office had to rely on receiving invoices directly from Central office, there would be a time lag, and utilization could not be effectively monitored. Also, the manager contends that,

When you monitor utilization and find no wait lists for a period of time, and you constantly have request for waivers from providers, and you have other kids that need these services in other areas, and we don't have the money to provide these services, there needs to be a mechanism for redistribution.

The second manager briefly adds that service utilization is monitored to learn what services are being underutilized and which are over utilized. The manager says that not all area offices monitor utilization of services. The manager emphasizes this point saying,

I think the monitoring part of it has gone by the wayside. That really gives you a lot more knowledge about what is actually going on, what the records really look like, and what the agencies are really doing. The Commonwealth used to have Program Development Specialists. Eliminating that position put a crimp in dealing with agencies.

Table 4.2 illustrates technical and relationship



aspects of monitoring waiting lists and service utilization. Successful managers maintain up-to-date records, generate timely reports, and examine billing patterns to keep informed of how services are used or not used. They have daily, weekly, monthly, etc. interaction with providers to assess service flow and trends. By doing this, the manager secures solid information and builds a history of service use to redistribute service slots when necessary, which brings about better distributional equity.

**Table 4.2 Technical and Relationship Aspects of Monitoring and Utilization**

Technical Aspects	Relationship Aspects
Managing spreadsheets, databases, and monitoring waiting lists	Ongoing interaction with providers for better service distribution equity, redistribution to where services are needed

\* \* \*

Subsequent to pre-bid activities, Central office prepares Request For Proposals (RFP). Request For Proposals is a standard, generally well-known step in contracting. Instructions for this step are in the Commonwealth's Competitive Procurement Guidelines Fiscal Year 1993. According to the document, guideline standards are minimum requirements and purchasing agencies are encouraged to use additional means to further promote competition.

Essentially, an agency notifies the public that it is interested in purchasing goods or services. Interested parties secure a copy of the Request For Proposal and respond to it by the deadline for submission. This process seems straightforward but under the surface there are implications for effective contract management practice.

For instance, does notification extend beyond publication in a goods and services bulletin to reach interested parties? Is there knowledge about who is interested in bidding? Are there questions about the proposal? How can questions be resolved? Many of these questions can be answered if contract managers go beyond minimum procurement guidelines and use optional procedures to reach the public.

The only required form of public notice is that the RFP appear in the state's "Goods & Services Bulletin" five days prior to the RFP release date. A "Guideline" option is that agencies may notify parties by posting in public locations, newspaper notices, mailings, etc. All managers acknowledge that Central office meets the notification requirement.

Central office also sends the notice to local newspapers throughout the state for publication in the respective areas. Beyond the Central office efforts, managers' procedures vary with little or no difference between successful and less successful practices. A few

managers publish a notice in their area's minority and foreign language newspapers. Others send notification to their current providers.

Only a few managers use optional Intent to Bid letters to assist in planning and management of the Request For Proposal and evaluation process. One manager, who does use intent letters, states that the letters help the office plan more appropriately and know who is in the community. Letters are particularly helpful during the Open Bid process.

Many providers, who had not been doing business with DSS previously, became interested during this Open Bid process. Other managers use logging in and tracking procedures, phone calls, and staff letters to interested parties to determine who might be bidding. The majority of managers do not request letters.

Bidders conferences afford all interested parties the opportunity to ask questions about the procurement. Central office conducts the "Information Meetings," usually seven or eight throughout the Commonwealth. Most managers said the conferences are helpful. The presenters clarify areas of confusion and provide consistent information.

One manager adds that Conferences are helpful because bidders are able to see the actual players involved and can assign a name to a face. They are also helpful because they

save a lot of time usually spent on the phone, and because many general issues are discussed at the conference.

Everybody is in one place at the same time, and many of the participants have the same general questions.

Also, information can be disseminated to more people at the same time during these conferences. It is also possible to clear up any confusion that the packages usually create. The proposals must be written and submitted according to the regulations with certain specifications.

If providers had not contracted with the Commonwealth before, the package can be very confusing. Conferences also help because they give providers a sense that bidding is a fair process. The manager emphasizes that fairness is more important than the relationships that bidders have. It is a feeling that this is a fair process and all are being treated in the same way.

Submission of proposals is the last action in the RFP step. Managers note that bids have to be in on time, logged, have correct number of copies, etc. One manager had to accept a proposal although there was evidence that it was late.

On the submission deadline date, the manager took pictures of the bids in boxes to record their receipt. A bidder called the office after the deadline and asked whether the bid was received. The office responded that the

bid had not been received and was not in any of the photos. Somehow the bidder was able to access the office at night and left their proposal.

3. Successful managers include other staff expertise and a large number of outside participants in reviewing and rating proposals.

Getting qualified bidders and qualified proposals demands expertise, fairness, and objectivity in the evaluation step. At this step, managers and usually outside participants review and rate proposals. Once evaluations are complete, area offices either reject proposals or make awards for further negotiation and contracting.

Request For Proposals explain the evaluation step and the nature and extent of participation of advisory boards, citizen councils, or other external groups. Request For Proposals also include an evaluation tool that specifies scoring and relative importance assigned to various components of the proposal. Thus, participants have specifications and an evaluation tool to review and rate proposals. Lastly, the area office is required to take affirmative measures to identify, develop, and procure services from minority and women-owned enterprises.

One manager's best practice is proposal review and rating. The manager uses a larger composition of outside participation in the proposal evaluation step. The manager says,

We actually had and still do have an active Area Board in the office. We had a committee of Area Board members setup to review proposals. I was the staff liaison person. We had six or seven board members to review those proposals and they were very good. Of course, we could not have the providers, some of whom were on the Area Board, review proposals. But we do have social service providers, a couple of local special education directors, and people who were very knowledgeable about the process. We reviewed all the proposals, had discussions, and ranked the proposals.

This area office reviews proposals somewhat differently than other offices. The manager's clinical training, working in the community, and starting up programs influences the review procedure. Also, the manager makes a special effort to have outside community and Area Board members with good credentials participate in reviews. The manager adds:

It is a lot of work to keep them happy and interested. You have to make them feel like they are making a difference. My review process takes a lot of time and a lot of effort. I thought it was a really fair one and if anybody challenged the process, they would not find anything out of line. By using this process, I think we had a much wider range of participation. I think the outside people as opposed to staff, bring up excellent issues that I just might not pay attention to. They say I am a little bit concerned about this provider. You get a much wider perspective and you tend to have less problems at the other end.

Another manager explains that the six participants on the review team had to review every proposal and turn in an evaluation sheet. The manager reviewed the six evaluation

sheets and tallied up all the positive and negative comments. The comments were posted to a final consolidated evaluation sheet along with the average review award from all the reviewers.

This manager, who is finance-oriented, says the reviews are useful programmatically. At times, the manager misses key program items or has questions about program aspects of the proposal. Positive and negative points raised by the reviewers answer questions that the manager had about the proposal. The manager says further that:

One result of the Open Bid was that we saw substantial increases in some of the rates that came in on some of the bids. This was different from the previous contract period. Also, for the first time in awhile, we had a fairly sizable increase in the number of interested bidders, not necessarily new to DSS, but new to submitting proposals. It was probably do to some number of providers realizing that the pool of dollars out there was shrinking--shrinking more to cost increases--and the dollar level staying somewhat stationary.

Another manager has a proposal review team that consists of staff and others interested in learning about proposals and/or the review step. The area office involves Area Board members and members of the general community in the review step. The office sends letters to various community agencies letting them know about the child care reviews and solicits their participation in reviewing Request For Proposals.

Everyone involved signs a conflict of interest statement. Also, they commit to reviewing all proposals in a particular category so they would review all the competing proposals. This manager notes that:

Everyone reviews and does an individual rating sheet. Then we meet as a group and come up with a group rating sheet. Using these we rank all the proposals. We rank to determine who will receive funding, and funding is based on needs in individual communities that we serve. We went down to a certain point total but that had to do with what our needs were in the communities we serve--areas where there were transportation considerations.

Table 4.3 displays technical and relationship aspects of proposal evaluation and review. Managers rely on technical competence to cost out budgets and connect programs to budgets in order to get qualified proposals. They use a teamwork approach to evaluation by having a large number of participants review proposals.

**Table 4.3 Technical and Relationship Aspects of Proposal Evaluation**

Technical Aspects	Relationship Aspects
Costing out and qualifying proposals	Networking and teamwork

\* \* \*



4. Successful managers use the standard rating form as a tool to rate proposals.

The Proposal Review Evaluation Rating Sheet is a Commonwealth-generated standard form. The form specifies scoring and relative importance assigned to various components of the proposal. For example, under the major heading of Program Description, the section on goals and objectives is worth twenty four points. Other major headings include Program Budget, Proposal Submission and Preparation, Contractual Considerations, and Prioritized Bidder Categories. The last category provides points for minority business enterprises, publicly appointed or elected boards, and consumer controlled bidders.

One manager claims that the form is helpful as far as standard forms go. The manager points out that managers in the field did not have input in the form development; they would have suggested several changes in the form that would have made the rating easier.

Another manager says the form is good. It streamlines the rating process and gives the manager an answer. Also, when proposals are rated, the form provides backup. The importance for this manager is that the answers are there when providers come in with questions.

Two managers state the form is basically objective and not too difficult to use. One of these managers compiled all the various comments and ratings from the form, assigned a numerical point spread, and tried to consolidate them in some meaningful way that was a fair representation of the proposals submitted.

Table 4.4 shows the technical and relationship aspects of proposal rating. Technically, managers use a standard form that was developed by the Commonwealth to rate and score proposals for qualification. Fair and objective rating and scoring builds trust and understanding between parties. This tends to lessen challenges by providers.

**Table 4.4 Technical and Relationship Aspects of Proposal Rating**

Technical Aspects	Relationship Aspects
Standard form for rating and measurement	Fairness and objectivity builds trust and understanding

\* \* \*

5. Successful managers conduct responsive debriefing sessions with bidders that substantially reduce the number of appeals.

Upon completion of the review and evaluation steps, the area office responds to bids by rejecting a proposal or making an award. Bidders must be notified in writing of the reasons for rejection when an area office refuses its offer. Bidders are also informed that they are entitled to a debriefing session about the rejection.

According to the guidelines, the debriefing step provides the bidder the opportunity to discuss the basis for award decisions with the office management. Further, the bidder can examine proposals, list of awards, evaluation and rating materials, and ratings from the review committee. If dissatisfied with the debriefing, a bidder may file a formal appeal with the Commonwealth.

Area directors and contract managers generally conduct debriefing sessions with bidders. Proceedings tend to be less formal than an appeal, however, the area office is responsible for reporting outcomes of the sessions to Central office. The sessions resolve oversights and clear up misinterpretations or misunderstandings about rates or program issues. Parties learn to understand each other better and relationships can be preserved. Conversely, when

a debriefing fails, an appeal may follow. When this happens, parties become adversarial, politicians exert pressure, and demands on staff increase.

Several managers reflect that they had from three to five debriefing sessions, but only had one appeal or no appeals in each of their areas during the 1993 Open Bid process. A manager that had five debriefings and one appeal during that bid process used an innovative approach to respond to four providers who were unhappy with the slot reduction they received. The manager held the debriefing with all of them at the same time and convinced them that it was better to be in the system with less slots than to have no slots at all. These providers performed well, therefore all parties, including the families served, benefited by them continuing to contract with the Commonwealth. The managers strategy worked. Additional funds were allocated and the providers slot allocation increased.

Another manager notes that three debriefing sessions were held with providers during the 1993 Open Bid and the only appeal involved multiple areas. Both the manager and the Area Director participated in debriefing sessions. The office used a general format for consistency in the sessions. However, providers unique problems were handled individually. The manager recalls that at the beginning of the sessions a couple of providers came in very angry. The

manager had to rely on social work skills to calm down the providers. The manager adds,

For example, when one angry provider came in, I immediately thought that I better treat this party like a client. I decided to let the party talk and get the anger out of his system. So, I let the party express the anger and I listened. I let the party vent his anger. Once the anger was vented, the party was more ready to listen to why the bid was not awarded. The provider was given reasons why the proposal was not accepted--the minuses in the program. I think having interpersonal skills helped and the provider left the session willing to bid in the future.

A second manager also participated in sessions along with the Area Director. The purpose of the sessions was to let bidders review the rating sheets for their proposal. Also, they could review other competitive proposals to help explain why they were not awarded funding, and how they might improve or adjust for the next open bid cycle.

This office focused on what was different in the content of the bidders unsuccessful proposal by comparing it to a successful proposal. The manager states that it was self-evident when you looked at a top rated proposal against one that was rejected. The lengthy committee discussions permitted the manager to be very specific about where a section of the proposal was inadequate.

This office held three debriefings during the Open Bid and only had one appeal. The manager says that the meetings were informal and the debriefings went well. After the sessions, a formal report was prepared to summarize what

happened during the debriefings. The manager concludes that:

Generally, I think from the results of the debriefings that providers would likely bid at their next opportunity. In some of our contract awards, the provider received funding for one service but not for another. They were funded for preschool, not infant toddler or for basic not for family preservation. With what they received, they were not left out of the system completely.

Another office held three debriefings during the Open Bid and was included in a multiple party appeal. The manager's success with debriefings was to keep everything above board. This manager relied on ongoing monitoring of the utilization of services to explain and justify why a certain number of slots and dollars were allocated or how the office arrived at a negotiated rate.

Lastly, a manager who handled debriefings with the Area Director, emphasizes that they are mediation sessions with the bidders. This manager says,

I think debriefings, following rejection of proposals, are mediation sessions with the bidders. They are handled by the Area Director and Administrative Manager. The more we can work out at this level, the better the relationships in the long run. Plus if things cannot be resolved then the bidder has the option to appeal the decision.

This office held three debriefings during the Open Bid and had no appeals. In one example, the provider was able to look at other proposals to see the difference in the quality.

In this case, quality in the content of the service was at issue. It was a question of what the program was going to offer developmentally for children, as opposed to "we will have books for reading." The provider was not able to articulate the agency mission or vision for children or knowledge of children served. The point was that the provider had to more clearly define the population served, present the information, and develop a more accurate cost of service. The manager expresses that the more the office can work out at this level, the better the relationships will be in the long run.

Table 4.5 illustrates technical and relationship aspects of debriefings. Technically, debriefings are administrative sessions, less formal than appeals, to resolve contract process issues. They afford managers and providers an opportunity for face-to-face interaction to mediate issues. Also, the manager has an opportunity to provide assistance and encouragement to the bidder.

**Table 4.5 Technical and Relationship Aspects of Debriefings**

Technical Aspects	Relationship Aspects
Administrative sessions to resolve issues	Mediation and provider assistance, face-to-face interaction

\* \* \*

6. Successful managers rely on and use the Commonwealth's Component Pricing Catalog to negotiate and allocate cost within an established range.

"Responsible Qualified Bidders," as described in the competitive procurement guidelines, are notified in writing when they receive an award. The award notification is a preliminary step to negotiation, and bidders are informed that a final contract is dependent upon successful final negotiation. During this award step, the area office may choose to provide an estimated number of slots and an approximate allocation for the bidder, or they may choose to only announce an award.

The area office and bidder enter into negotiation wherein rates are finalized, program issues resolved, and terms of the contract completed. A Component Pricing Catalog provides guidance for rate setting. According to DSS Guidance Memo #1, price ranges within the catalog are useful benchmarks and tests of reasonableness for contract managers to use.

One manager explains that during negotiations, having the Component Pricing Catalog made a tremendous difference. In the last Open Bid, negotiations around rates and cost issues were not held as they had been in prior Open Bids. The office did not have to deal with nearly the level of



detail that it had to deal with in past negotiations. The office instructed providers to use the information contained in the catalog relevant to position titles, experience, and training levels for various categories.

For example, a Program Director might have a certain specific background as far as experience and education level. The catalog states that based on this criteria, the person should receive X amount of dollars. Therefore, if a provider proposed a service that included a Program Director, that position would be identified in the budget. Their cost allocation for that person should be somewhere in the range identified in the pricing catalog.

A second manager explains that during the negotiation step terms and conditions are discussed. The manager uses Component Pricing from the Commonwealth as a guideline to costing out services. To the manager, back and forth dialogue is important in this step. Also, negotiation is competitive because the office has some choices of providers. This manager maintains that competition helps avoid monopoly and reduces a provider's dependence on the public share of funds.

Thirdly, a manager contends that with Component Pricing, the office does not put that much emphasis on negotiating individual categories because of the whole notion of fitting costs within the guidelines. However, the

office does ask for more specific information. When the child care proposals were submitted by providers, budgets were consolidated so the office asked for more detail. There are negotiable items in the budget despite Component Pricing. Ten years ago there was more latitude for disparity in costing out proposals and more negotiation of individual line item details without Component Pricing guidelines.

Another manager agrees that with Component Pricing, negotiation of details was reduced. However, this manager contends there still is room for negotiation. Providers essentially show dollar figures for teachers, supplies, administration, overhead, etc. and the office negotiates a rate. The manager, who has negotiated contracts for a long time says,

My strength is definitely on the fiscal side. I have been doing this since the 1970s when we were at the Welfare department. We obviously negotiated contracts back then. We are getting more sophisticated as the years go along. Your experience, your knowledge of what goes on and how it works obviously helps you get it done properly. A person that walks in off the street and has never done it, and does not know the state way of negotiation, is going to be behind the eight ball for a long time.

This manager emphasizes that negotiation is not an exact science. Rates are generally known as a result of the proposal review and award, but they could change depending on your negotiations. Negotiation is the last step of the process that gives providers their final rate. Usually an

office can negotiate ten percent up or down because a provider may have changed some minor items since their proposal submission.

Table 4.6 displays technical and relationship aspects of contract negotiation. Technically, the Commonwealth developed pricing ranges as a guide for managers and to provide some equity when costing out similar services. By having pricing ranges and putting less emphasis on details, managers increase their confidence in and reliance on the providers' capability to adequately set their rates.

**Table 4.6 Technical and Relationship Aspects of Negotiation**

Technical Aspects	Relationship Aspects
Standard pricing ranges for guidance in setting costs	Less emphasis on details, more confidence in provider capability

\* \* \*

7. Successful managers assist providers with budget and program support to increase their opportunity for proposal acceptance and award.

Several managers point out that they provide technical assistance to keep providers from failing; to secure services in a particular area; to build trust; and to make

contracting an easier process. Even with assistance and their expertise, managers acknowledge that they cannot save some programs. One manager argues that child care providers, compared to social service providers, are much less sophisticated and much less adept at responding to proposals and constructing budgets.

They need a lot of technical assistance with budgeting. There were budgets that the manager negotiated where providers underestimated or understated items. It took substantial assistance to make sure their budgets were realistic.

Another manager states that providers did not understand many of the forms that had to be filled out and, that they became confused. Other child care providers do not have a fiscal orientation. In most cases, they have a program or social work background and at times it is difficult for them to complete financial forms.

The manager believes that the area office cannot send interested parties a blank package and expect them to fill it out completely or correctly. It is also important to provide perspective bidders ample advance notice about timelines and requirements. The manager suggests that this increased information may help providers submit packages correctly the first time.

A third manager needs more time to do a better job of assisting providers. If the office has more time to spend with providers, some changes could be made to enhance their bidding opportunities or to save their programs.

As a practical example, a manager concedes that a program may not be salvaged even when a team provides significant provider assistance. The team, including the manager, spent almost six months renegotiating the provider's contract and monitoring the child care program. The team was called in because the agency challenged the area office's action to the Commonwealth and federal government. The team's findings show that the agency is in deep financial and programmatic trouble. Ineligible children have been enrolled and charged to the state, and staff competency is not very high. Even with expert assistance, this program may not survive without major changes.

Table 4.7 shows the technical and relationship aspects of provider assistance and support. Managers provide technical support to providers by helping them follow the Commonwealth's contracting process and assisting them with forms, rules, and procedures. They have early and ongoing interaction with new and current providers to encourage them to be more capable and reliable.

**Table 4.7 Technical and Relationship Aspects of Provider Assistance**

Technical Aspects	Relationship Aspects
Assist with forms, rules, regulations	Early and ongoing interaction to have more capable providers, more diverse providers

\* \* \*

8. Successful managers learn from experience, build on knowledge, and constantly improve technical expertise to build effective relationships and reach agreement.

Many managers attribute experience-based knowledge and involvement in the process to their effectiveness. They have been negotiating contracts for many years and under different circumstances. Their knowledge of the process increases with their longevity, and their technique and skill improves as the process evolves. Also, these managers actively participate in the process from pre-bid planning to completion of the contract. They view providers as partners and do not want to see them fail. Also, they can more

easily discern a qualified proposal from one that isn't as their involvement in the process increases.

One manager's approach to contracting is to build a history with the providers. The manager has been contracting for many years. Experience and building a history should help in future contracting. The manager says that contracting is not an us/them sort of thing. The manager adds:

We are in this together to make a difference in these kids lives and their parents lives.

The Commonwealth affords children an opportunity to attend daycare while their parents are getting an education or work skills. Also, if there is some sort of situation of a protective nature, the office gets a place for the kids to stay while parents are being seen. This manager concludes:

I think that is pretty much where all our vendors are coming from also. I view it more as a partnership dealing with them as peers. I just happen to be the guy with the money. They are the ones that help me spend it as best we can.

A second manager's strength is on the fiscal side.

This manager has been contracting since social services were at the welfare department. Contract managers are getting more sophisticated as the years go along. Experience and your knowledge of what goes on and how it works helps you contract properly. This manager thinks that a person who walks in off the street and has never done it, and does not

know the state way of negotiation, is going to be behind the eight ball for a long time.

Another manager says many years of history, experience and involvement in the process makes it easier to recognize an acceptable proposal from one that is not acceptable. When providers say they are going to have a particular type intake social worker, that can be traced. On occasion, the manager finds some unsuccessful bidders put one thing in the program part of the proposal and they clearly hope that nobody tracks that information into the budget to see if they carried forth.

A few managers state more briefly how experience and expertise help them be effective. They say,

I think what helps me be effective is energy, openness, experience, and being a hands-on manager. The more you plan out the process, the better it should go.

I think Central office issued really clear instructions to the field. We have to have really good and experienced people doing the contracting. It is my favorite thing, I like it, I have been doing it for years.

Long time history with agencies, willing to work with them to try to keep them from failing. Expertise with the process helps even when process is rushed.

Table 4.8 illustrates technical and relationship aspects of experience and technical expertise. Managers increasingly use databases, spreadsheets, computer-generated forms, etc. to have adequate information and, in some instances, reduce redundant work. They share information,



pre-filled forms, new rules, etc. with providers. This helps them be more capable and provide more timely and effective services.

**Table 4.8 Technical and Relationship Aspects of Experience and Technical Expertise**

Technical Aspects	Relationship Aspects
Increased use of information and technology	Share with providers for more timely and effective services

\* \* \*

**ADDITIONAL FACTORS THAT SUPPORT CONTRACT EFFECTIVENESS**

In addition to managers saying what helps them be effective in the contracting process, during interviews they were asked what factors would help them be more effective. Several managers said the two main factors that would help them be more effective are less bureaucracy and an increased capacity to monitor providers. The importance is that successful managers effectively negotiate and contract for services in spite of constraints and barriers they face.

Some managers characterize the bureaucracy as inflexible, constraining, unresponsive, large and slow. One manager states that creative, flexible bureaucrats would be helpful in the contracting process. Also, Central Office needs to get things to them on time so they do not have to rush through the process.

A second manager points out that it would be helpful if there were less constraints from the bureaucracy. It is difficult if a manager has new ideas and it is at the beginning or in the middle of a five year cycle. The manager notes that:

You may have to wait or you could try to force things up the ladder to see if you can get a response.

This manager states that often the response is not the one that is sought. Also, there is frustration that enough slots are not available to meet the needs. The manager concludes that cases that workers deal with get worse each year.

Another manager explains that more time to do the process would be helpful. This manager states that Central office says in the beginning of the process that area offices will have ample time to get the contracting done. They claim that the offices will have six weeks to do negotiation, do paperwork, and get everything into Central office. Inevitably, Central office reports that this has not been approved, this has not been signed off on, and the area office has three weeks to complete the process.

Other managers state that adequate monitoring and needs determination suffer because of the lack of staff and resources. An increased capacity to monitor provider waiting lists and manage service utilization helps insure proper client eligibility, more accurate service

distribution and more adequate service determination. One manager states that,

Monitoring and evaluation is always needed to know what you are buying. Questions and answers that result from monitoring and evaluation should be helpful in future contracting.

Another manager thinks the monitoring part of the process has gone by the wayside. Monitoring gives the manager a lot more knowledge about what is actually going on; what the records really look like; and what the agencies are really doing. This manager says that in the past, the Commonwealth had Program Development Specialists to assist in monitoring and evaluation. The Commonwealth eliminated those positions, which limited the offices capacity to deal with agencies.

Lastly, a manager states that basic daycare children, are not Department of Social Service consumers for the most part. Area offices know how many slots they are paying for but they really do not get information from providers as to what their waiting list is like; whether the people on the waiting list would be Department of Social Service or Department of Public Welfare eligible. So, when an office says it wants to buy 150 daycare slots for preschool, that number is more or less pulled out of the air or those slots are currently under contract. Monitoring and reviewing what the service needs really are, prior to the development of

the Open Bid package, has not been a well-defined methodology.

#### SUMMARY OF THE DATA

Table 4.9 presents eight effective practices of successful human service contract managers based on the interview data for the child care contracting process in the Massachusetts' Department of Social Services. Effective practices reflect patterns and general consistencies of successful managers that were interpreted from the data. In addition to the findings, the data reflects the essence of the interview experience with the managers.

All participants cordially received the interviewer and extended a willingness to be interviewed. They seemed to be at ease with the inquiry and expressed their views openly. This comfort level and openness enabled the interviewer to probe more deeply in some areas and in many instances managers candidly responded.

In addition, managers rely on their many years of involvement in contracting and knowledge gained from this experience to effectively negotiate and reach agreement with providers. They acknowledge bureaucratic constraints and other barriers, yet they continue to build effective relationships and partnerships with the provider community. By monitoring waiting lists and service utilization,

managers more accurately reflect needs for service in their particular areas and can more equitably distribute the availability to meet those needs.

The most significant finding that underlies each of these eight practices is the significance of both technical and relationship capacities. This point is highlighted in the text by showing how the technical and relationship aspects of the practices parallel each other. This connectivity or integration will be shown further in the concluding chapter of the dissertation and in Appendix I, which describes current contracting trends in the Commonwealth and other states as well.

**Table 4.9 Effective Practices of Successful Managers**

**Successful Managers:**

- **Emphasize the importance of pre-bid activities, particularly planning and multiple methods to assess needs for their area.**
- **Monitor waiting lists and utilization of service to determine who actually use the service and to detect trends about who may need the service.**
- **Rely on other staff expertise and a large number of outside participants in reviewing and rating proposals.**
- **Use the standard rating form as a tool to rate proposals.**
- **Conduct responsive debriefing sessions with bidders that substantially reduce the number of appeals.**
- **Use the Commonwealth's Component Pricing Catalog to negotiate and allocate cost within an established range.**
- **Assist providers with budget and program support to increase their opportunity for proposal acceptance and award.**
- **Learn from experience, build on knowledge, and constantly improve technical expertise to build effective relationships and reach agreement.**

## CHAPTER V---SUMMARY AND IMPLICATIONS

### INTRODUCTION

Success equals practice plus opportunity. This dissertation focuses on practice--effective practices of human service contract managers. Increased contracting demands that managers have effective practices and negotiating skills to build relationships and reach agreement with service providers.

As contracting increases, a manager's role as arranger and negotiator for services increases. Hence, managers have to strengthen their practices and negotiating skills to accomplish public policy objectives. Also, as privatizing increases, states and local governments use various arrangements to meet the public's needs, e.g., vouchers, managed care, benchmarking. The implication is that managers should strengthen and add to their technical and relationship building skills in accordance with these arrangements.

### DISSERTATION SUMMARY

The purpose of the dissertation is to identify effective practices of successful human service contract managers. Contemporary government demands that managers understand the negotiating and contracting process because

governments increasingly must rely on private, non-profit, and other non-governmental entities for delivery of services. Further, recent trends show an increasing emphasis on contracting for social services at state and local levels. When sufficient suppliers, adequate resources, and funding certainty are not available, state and local governments generally contract on a negotiated rate basis.

However, evidence reveals that there are barriers at the state and local level to successful contracting and building effective relationships. Lack of contract management expertise is among the barriers. Following the Fiscal Year 1993 bidding process for child care in Massachusetts, the manager's approach in the contracting process came under close scrutiny. A number of providers requested debriefings and some subsequently filed appeals citing problems with the competitive bidding practice and scoring procedures used by contract managers and the Department of Social Services.

With the increased contracting, the role of the manager is changing from direct provider of services to an arranger and negotiator for the services. Hence, the focus on technical and relationship aspects of the negotiation and contracting process in this dissertation is on the need for managers to enhance their skills to bring third parties into



the operations of their programs. Managers need effective practices when they face this ever-increasing task of negotiating, arranging services, and building effective relationships.

Interviews were held with managers that contract for child care services in Massachusetts to understand how successful managers approach the negotiation and contracting process. The measures for success were informed judgment or choice (O'Sullivan and Rassel 1989) about the managers' performance in conducting the contracting process and the number of debriefing sessions following proposal rejection that led or did not lead to appeals.

Interviews generally lasted an hour or more and were both open-ended and loosely structured. Each interview began with an open-ended question to get the manager to fully discuss how they conduct the contracting process. Managers were then asked several questions about steps in the process that they did not cover in their presentation. Lastly, they were asked to respond to open-ended questions about their effectiveness and what would help them be more effective.

Contact summary sheets were completed after the interviews were held. Notes, data from contact summary sheets, and tapes were transcribed. This information was processed and formatted for use in a computer assisted

analysis program. The program allows the researcher to number, code, sort, and sift through the data for interpretation and analysis.

Analysis of the interviews identifies eight effective practices that have technical and relationship aspects, which successful managers use in the contracting process. Seven practices fall into the four contracting steps of pre-bid planning and needs assessment, proposal evaluation review and rating, proposal rejection and debriefing, and proposal award and negotiation. The eighth practice is what managers say makes them effective in general.

Managers emphasize pre-bid planning activities and multiple needs assessment methods to accurately reflect service needs for the area and to more equitably distribute services for various populations. They monitor waiting lists and utilization of services regularly to determine who use and need services. The managers rely on a large number of participants to review proposals and they use a standard tool to rate them to insure fairness and competitiveness in the proposal evaluation step.

They conduct debriefings as training and mediation sessions and encourage bidders to become more capable to participate in future bidding. These managers negotiate rates based on pricing ranges not line-item details and they assist providers with program and budget support. Also,

they rely on experience and technical competence to be successful.

MAJOR FINDING: TECHNICAL ASSISTANCE AND COOPERATIVE  
CONTRACTING RELATIONSHIPS

In some instances providers require technical assistance to meet eligibility standards for bidding. Managers should phase-in new providers slowly making sure that they are capable and reliable. By assisting them, managers increase the opportunity to contract with multiple vendors to insure ongoing competition as well as build cooperative relationships.

In Strategies for Program Integration (1993), Ross and Kerachsky point out that availability of training and technical assistance for child care providers is different in cities with coordinated systems from cities with mixed systems. In coordinated systems (Denver, Seattle, Tulsa), providers become part of a network that receive regular support, assistance and training. In mixed systems (New York, Boston, Chicago), there are no regular linkages and training and assistance may be offered generally in the community.

In effect, many of the successful managers' practices involved working with, assisting, and interacting with providers to better ensure positive client outcomes. Successful managers emphasize early and active involvement

with providers to insure that their proposals will be acceptable to meet expected client needs. For example, one manager says that when new providers express interest in bidding, the manager makes a formal visit to their agency to assess the program and survey who the agency serves.

Another manager stresses pre-bid, up front planning with providers to avoid "hassles" at the other end of the contracting process. A third manager states that for contracting to be more effective, providers must be involved at the onset of the process. They must be aware of regulations and timelines in advance. This manager suggests that increased information up front may help providers submit packages correctly the first time.

The implication is that when managers work cooperatively and have early, ongoing interaction with providers, negotiation and contracting is more likely to be successful. Allman (1994) suggests that honest, cooperative behavior has long term benefits. He says a person who is viewed publicly as cooperative is likely to form cooperative relationships and increase interaction and form more cooperative relationships.

A leading proponent of the cooperative management style was W. E. Deming. Deming said cooperation is a source of strength for company-supplier relations. Parties have a win-win relationship when they work together, . . . "if one

wins, the other wins, and so do the ultimate customers" (Aguayo 1990).

Management's job is to control and improve the systems processes that affect relationships (Little 1994b). Managers can do this with active help from experts and those that have knowledge about the process. These process managers cannot be bounded. Little contends that boundaries lead process managers to maximize output with little regard for the effects on other processes. This leads to a win-lose situation which is antithetical to cooperative, win-win, mutually beneficial processes.

In addition, Emmert, Crow and Shangraw (1993) forecast increased cooperation between all parties in the future. Managers need increased skills to meet the demands for services. Also, they state that organizations should be client-centered. Clients, whether individuals, agencies, private sector organizations, or any combination of these in the quality management tradition, should be included in any redesign or program delivery of the organization.

#### CONCLUDING COMMENTS

The major findings about cooperative relationships and other implications from the data about negotiation, monitoring, evaluation, and technical expertise confirm the findings about contract management found in Rehfuss (1989,

1993), DeHoog (1984, 1990), MacManus (1992), Chi (1986, 1994), Dudley (1990, 1994) and others. It also supports the manager's role as arranger and negotiator expressed by Savas (1987), Lax and Sebenius (1986), Fisher and Ury (1981, 1991), Fisher and Brown (1988) among others.

Public managers have to reach agreement with a network of providers. The functions of contract negotiation, monitoring, evaluation, and correcting increasingly became more important than direct provision of services (Lax and Sebenius). Lax and Sebenius state that for managers to be more effective, they must acknowledge that they face networks of agreements that require extensive negotiation.

DeHoog adds that "principled negotiation" (Fisher and Ury) captures the ideal relationship between parties and their efforts to reach agreement. This factor is evident in contracting and customer choice arrangements—outcome-based, managed care, and benchmarking and vouchers—wherein each is negotiated differently. For example, in outcome-based contracting, both parties agree on what are measurable and reasonable outcomes. If the negotiated standards are too high, providers will not comply and if too low, the agency will not get the result desired.

In managed care, the chief negotiation point is the annual per capita cost that the state will pay. Negotiators have to rely on what is "usual and customary", a relational

aspect, to determine a fixed cost, which has discrete aspects. Who establishes quality standards and how they are determined is also an important negotiable item.

Benchmarking for outcomes after the contract ends requires complex and ongoing negotiation. Multiple parties including providers, levels of government, and other interested parties have to agree on how to obtain the best results in a cooperative manner and over a period of time. Negotiators have to build ongoing, effective working relationships in order to reach agreement about best practices to get desired outcomes.

The value of vouchers can be negotiated in two ways; (1) by negotiating a single market rate with all providers of the service, e.g., child care, and (2) negotiating different rates with individual providers, i.e., if the provider serves special needs consumers.

The common thread in these negotiation approaches is the "getting to" aspect. When negotiating, managers have to get beyond individuals, positions, and limited options. Successful managers negotiate and decide issues on merit, mutual gains, and a variety of options. Managers must improve their pattern of interaction to build effective relationships. They should think ahead about how one transaction affects a subsequent transaction especially in negotiating a benchmarking agreement.

Aside from negotiation, Rehfuss (1989) says that managers should conduct feasibility studies, set performance standards, make cost estimates and carefully define services. He adds that administrative details can make a difference between a successful and unsuccessful contract. Thus, effectively managing these technical issues will do much to eliminate hasty, badly written contracts.

Rehfuss, Dehoog, Whitcomb, Straussman and Fairie strongly urge that social service contracts be heavily monitored. Monitoring contracts generally assures that contract terms and performance standards are met by the provider. Effective monitoring generally requires feedback and reporting mechanisms in order to manage adherence to the contract.

In the area of proposal evaluation, Cooper and Hunt caution that negotiation sometimes fosters cozy relationships between managers and providers, producing a less objective consideration of the content of proposals (DeHoog 1990)). This should be avoided to get a better service fit for the community. DeHoog suggests that parties should adhere to fairness, truthfulness, and reason to negotiate contracts beneficial to all parties.

In essence, when the research data is confronted with the general body of knowledge the findings are consistent. The patterns and general consistencies found in the data



reflect contemporary thinking of successful managers.

Hence, the effective practices should be useful information for public managers who negotiate and contract for human and social services.

## WORKS REFERENCED

### PUBLIC MANAGEMENT

Behn, Robert D. 1993. Case-Analysis Research and Managerial Effectiveness: Learning How to Lead Organizations Up Sand Dunes, in *Public Management*. San Francisco and London: Jossey-Bass Publishers.

Bozeman, Barry. 1993. Public Management. San Francisco and London: Jossey-Bass Publishers.

Bozeman, Barry and Jeffrey Straussman. 1991. Public Management Strategies. San Francisco and Oxford: Jossey-Bass Publishers.

Cleary, Robert and Nicholas Henry and Assoc. 1989. Managing Public Programs. San Francisco and London: Jossey-Bass Publishers.

Dudley, Larkin. 1990. Managing Efficiency: Examples from Contract Administration. in *Public Administration Review*. July/August.

Emmert Mark A., Michael Crow and R.F. Shangraw Jr. 1993. Public Management in the Future: Post-Orthodoxy and Organization Design. In *Public Management*. San Francisco and London: Jossey-Bass Publishers.

Kelman, Steve. 1990. Procurement and Public Management: The Fear of Discretion and the Quality of Government Performance. Washington DC: American Enterprise Institute.

Rainey, Hal. 1991. Understanding and Managing Public Organizations. San Francisco: Jossey-Bass.

\_\_\_\_\_. 1993. Important Research Questions. in *Public Management*. San Francisco and London: Jossey-Bass Publishers.

Salamon, Lester. 1981. Rethinking Public Management. John Wiley and Sons.

Salamon, Lester M. and Michael S. Lund. 1989. The Tools Approach: Basic Analytics. in Lester M. Salamon, ed. *Beyond Privatization: The Tools of Government Action*. Washington: The Urban Institute Press.

## NEGOTIATION

Anderson, Kare. 1993. Getting What You Want: The 3-step Plan for Resolving Conflicts and Reaching Agreements. New York: Dutton.

Anderson, Kare. 1994. Getting What You Want: How to Reach Agreement and Resolve Conflicts Everytime. New York: Plume.

Brooks, Earl and George S. Odiorne. 1984. Managing by Negotiation. New York: Van Nostrand Reinhold Company.

Fisher, Roger and William Ury. 1981. Getting To Yes: Negotiating Agreement Without Giving In. New York: Penguin Books.

Fisher, Roger, William Ury and Bruce Patton. 1991. Getting to Yes: Negotiating Agreement Without Giving In. New York: Penguin Books.

Fisher, Roger and Scott Brown. 1988. Getting Together: Building Relationships as We Negotiate. New York: Penguin Books.

Fisher, Roger, Elizabeth Kopelman and Andrea Kupfer Schneider. 1994. Beyond Machiavelli. Cambridge, MA: Harvard University Press.

Hall, Lavinia, ed. 1993. Negotiation: Strategies for Mutual Gain. Newbury Park: Sage Publications.

Jandt, Fred and Paul Gillette. 1985. Win-Win Negotiating. New York: John Wiley and Sons.

Lax, David and James K. Sebenius. 1986. The Manager as Negotiator. New York: The Free Press.

Nierenburg, Gerard. 1973. Fundamentals of Negotiating. New York: Harper and Row.

Skopec, Eric Wm and Laree S. Kiely. 1994. Everythings Negotiable. . . When You Know How to Play the Game. New York: Amacom.

Sparks, Donald. 1986. The Dynamics of Effective Negotiation: A Win/Win Approach to Getting What You Want. Houston: Gulf Publishing Company.

Ury, William. 1991. Getting Past No. New York: Bantam Books.

## CONTRACTING

Bogan, Christopher and Michael J. English. 1994. Benchmarking for Best Practice. New York: McGraw-Hill.

Carroll, Barry, Thomas Easton, and Ralph Conant. 1987. Private Means Public Ends: Private Business in Social Service Delivery. New York: Praeger.

Chi, Keon. 1986. Public-Private Alliances Grow. State Government News.

\_\_\_\_\_. 1994. Privatization in State Government: Trends and Issues. A paper presented at the American Society for Public Administration's 55th National Training Conference. Kansas City, MO. July 23-27.

Division of Purchased Services. 1992. Component Pricing Guidance Memo #1. Commonwealth of Massachusetts.

DeHoog, Ruth H. 1984. Contracting Out for Human Services: Economic, political, and organizational perspectives. Albany: SUNY.

\_\_\_\_\_. 1986. Evaluating Human Services Contracting: Managers, Professionals, and Politicos. State and Local Government Review. Vol. 18. Winter.

\_\_\_\_\_. 1990. Competition, Negotiation, or Cooperation. in *Administration and Society*. Vol.22. No.3. November. pp. 317-340.

Dudley, Larkin. 1994. Questions Unanswered: Comparing Federal and State Arguments Surrounding Inherently Governmental Functions. A paper presented at the American Society for Public Administration's 55th National Training Conference. Kansas City, MO. July 23-27.

Executive Office for Administration and Finance. 1993. Privatization in Massachusetts: Getting Results. Commonwealth of Massachusetts.

Executive Office for Administration and Finance and Executive Office of Health and Human Services. 1994. Strengthening the Commonwealths Purchase of Service System. Commonwealth of Massachusetts.

Executive Office of Health and Human Services. 1992. Competitive Procurement Guidelines Fiscal Year 1993. Commonwealth of Massachusetts.

Federal Procurement Data System. Federal Procurement Report. Washington DC: Federal Procurement Data Center. February 1994.

Federal Procurement Data System. Federal Procurement Report. Washington DC: Federal Procurement Data Center. 1995

Federal Register. Proposed Rules. Vol. 59, No. 99. Tuesday, May 24, 1994.

Galinsky, Ellen et al. 1994. The Study of Children in Family Child Care and Relative Care. New York: Families and Work Institute.

MacManus, Susan A. 1992. Doing Business with Government. New York: Paragon House.

Reh fuss, John. 1989. Contracting Out in Government. San Francisco: Jossey-Bass.

\_\_\_\_\_. 1993. Designing an Effective Bidding and Monitoring System to Minimize Problems in Competitive Contracting in *Policy Insight*. Los Angeles: Reason Foundation.

Report for Massachusetts Department of Social Services. The Current MADSS Child Care Delivery System: Description and Issues. New York: Collaborative Ventures, Inc. September 1993.

Savas, ES. 1987. Privatization: The Key to Better Government. Chatham, NJ: Chatham House Publishers.

Stein, Lana. 1993. The Other Side of Contracting and Procurement. in *Public Administration Review*. July/August.

Valente, C. and L. Manchester. 1984. Rethinking Social Service: Examining Alternative Delivery Systems. Washington DC: ICMA Special Report.

Whitcomb, C. 1984. Checklist for preparing RFPs Tailored to Human Service Programs. McLean VA: Community Services Manual.

## QUALITATIVE RESEARCH

Kirk, Jerome and Marc L. Miller. 1986. Reliability and Validity in Qualitative Research. Newbury Park: Sage Publications.

Miles, Matthew and A. Michael Huberman. 1994. Qualitative Data Analysis. Thousand Oaks and London: Sage Publications.

O'Sullivan, Elizabethann and Gary Rassel. 1989. Research Methods for Public Administrators. New York and London: Longman.

Seidel, John, et al. 1988. The Ethnograph. Amherst, MA: Qualis Research Associates.

Wolcott, Harry. 1990. Writing Up Qualitative Research. Newbury Park and London: Sage Publications.

## OTHER RELATED WORKS

Allman, William F. 1994. The Stone Age Present. New York: Simon and Schuster.

Aguayo, Rafael. 1990. Dr. Deming. New York and London: Simon and Schuster.

Dudley, Larkin Sims. 1990. Contractual Governance: Theory and Practice in Circular A-76. Blacksburg, VA.

Fesler, James and Don Kettl. 1991. The Politics of Administrative Process. New Jersey: Chatham House.

Fuller, Bruce and Xiaoyan Liang. 1994. Market Failure? Estimating Inequality in Preschool and Child Care Availability. Cambridge MA: Packard Foundation.

Kettl, Don. 1988. Government By Proxy. Washington DC: Congressional Quarterly Press.

Little, John H. 1994a. Reframing Public Administration. Ann Arbor Michigan: UMI.

Little, John H. 1994b. Administrative Man Faces the Quality Transformation: Comparing the Ideas of Herbert A. Simon and W. Edwards Deming. American Review of Public Administration. Vol. 24. No.1.

Nalbanian, John. 1991. Professionalism in Local Government. San Francisco: Jossey-Bass.

National Center for Children in Poverty. 1995. News and Issues. New York: Columbia University School of Public Health.

Office of Management Information Systems. 1995. Information Technology. Commonwealth of Massachusetts.

Office of Public Affairs. 1995. DSS Improves Evaluation of Private Agencies. Commonwealth of Massachusetts.

Report of the National Performance Review. Creating a Government That Works Better & Costs Less. September 1993.

Ross, Christine and Stuart Kerachsky. 1993. Strategies for Program Integration. New York: Mathematica Policy Research, Inc.

Shafritz, Jay and Albert C. Hyde. 1987. Classics of Public Administration. 2nd ed. Chicago: The Dorsey Press.

Wise, Charles. 1990. Public Service Configurations and Public Organizations: Public Organization Design in the Post-Privatization Era. in *Public Administration Review*. March/April.

Wynn, Joan R., Sheila M. Merry and Patricia G. Berg. 1995. Children, Families and Communities: Early Lessons from a New Approach to Social Services. Washington, DC: American Youth Policy Forum et al.

## APPENDIX I

### CURRENT TRENDS IN CONTRACTING IN MASSACHUSETTS

Massachusetts reports that its purchase of service system has grown dramatically over the last fifteen years. In 1993, 29 state agencies procured nearly \$1.5 billion of social and rehabilitative services from over 1,400 predominantly non-profit providers. Purchase of service budgets accounted for 50 percent of that Commonwealth's Department of Social Services spending. Also, in that year, the Commonwealth spent nearly \$137 million on subsidized child care. In Fiscal Year 1995, the Commonwealth allocated \$177 million for 33,000 child care slots and in Fiscal Year 1996, the projected amount for 39,000 child care slots is over \$200 million.

#### Contracting Trend

Traditionally, state and local contracting for human services has been done on a cooperative or negotiated basis, rather than by competitive bidding (DeHoog (1990), Savas (1987)). Cooperation evolved to negotiation as the number of service suppliers (providers) increased. More recently, many states competitively bid human services to save costs (Rehfuss 1989). Also, there is an increased number of providers and the traditional bias against for-profit firms



is decreasing. Massachusetts is no exception and is one of the states that hold open and competitive bidding for child care services.

Although the Commonwealth did hold an open and competitive bid, the actual contracting process more closely resembled a negotiated rate contracting model with Request For Proposals, multi-year contracts, and negotiated rates. However, Massachusetts is changing from negotiated unit rate contracting to performance-based contracting. For the last two years, major Health and Human Service agencies specified performance and outcome measures in all types of contracts, according to Strengthening The Commonwealth's Purchase of Service System (1994).

Reimbursement was not linked to outcomes in these contracts but that is in the process of change. Under the performance-based pricing model, agencies and providers agree on results, a chief negotiating point, and payment is directly linked to outcome achievement. The four performance-based approaches are outcome-based, managed care, and benchmarking contracting and consumer choice/voucher, a different type of arrangement (Savas).

Outcome-based Contracting: Extends contracting beyond cost-effectiveness and seeks to get the best results for the lowest cost. Outcomes should be clearly identified and measurable, i.e., improvement in a consumer's circumstances.

Thus, the contract pays for transformation or outcome, not for a child care slot or a staff's salary.

Managed Care: Managed care or capitated funding is useful when a specific medical or related service is not known in advance. Contracts are applicable for services such as counseling, therapy, substance abuse, etc. Spending for such services is predictable because the state sets a fixed amount for each consumer.

Benchmarking: Benchmarking is contracting for outcomes that extend beyond the period of the contract. It seeks out superior performance through systematic search for and use of best practices including innovative ideas, effective operating procedures, and successful strategies (Bogan and English 1994). Funding is provided for best practices and terminated for ineffective interventions. These contracts are applicable for services such as improvement in developmental disabilities. As such, actual improvement may be years down the road and require multiple providers to produce an outcome.

Consumer Choice/Vouchers: Several states provide (or are in the process of providing) vouchers so that consumers can choose their own provider of services. Vouchers are used for education, child care, residential homes, and mental retardation services. This model assumes that consumers are competent to evaluate and select a provider,

there is enough providers for adequate competition, and consumers value different outcomes.

Whether the Commonwealth's bidding process was truly open and competitive is subject to debate. Allocation of child care slots and child care rates was based on a formula, therefore negating a true open and competitive bid. Also, in some instances, the review and evaluation step did not lend itself to openness and fairness.

Reviewers assigned points based on knowledge of the formula for allocation and purchasing, rather than on true merit. A provider who had the highest score and capacity to provide the service did not receive all the slots. Finally, the dollar amount of the open and competitive bid was expanded after awards were made. This expansion was allocated by formula to areas for providers and was not issued as an open bid. The process was completed but not without a number of providers requesting debriefings with area offices and some of them appealed to the Commonwealth for relief.

#### Implications of Contracting in Massachusetts

As the contracting process evolves, Massachusetts is taking action in several areas to strengthen its purchase of service system. These actions have implications for providers and contract managers as well. Many of the

actions are consistent with successful managers' practices. Also, several actions infer that providers lack oversight and charge the Commonwealth for excessive or erroneous expenses.

### Provider Measures

The Commonwealth, therefore, has enacted measures to strengthen the role and responsibility of provider boards. Boards are required to show evidence that they oversee and control management action, conflict of interest, and finances. The Commonwealth also regulates related party transactions that exceed costs above fair market value and it has taken steps to improve provider audit quality. Along with these cost control measures, the Commonwealth is exploiting information technology to ease reporting requirements and reducing the regulatory burden on providers.

### Planning and Assessment

The impact of strengthening the purchase of service system on contract managers is increased emphasis on many of the effective practices that managers identified. In pre-bid planning for the bidding and contracting process, earlier and broader notice of upcoming opportunities should further increase participation by minority and women-owned

businesses who may need the additional time to prepare competitive proposals. When determining needs for the area, decisions should be based on accurate data rather than on anecdotal information.

### Monitoring and Utilization

Managers need to strengthen their capacity to monitor quality of the service as well as utilization. In the shift from output to outcomes, managers should develop reliable measures to assess whether the quality and quantity of service produced desired results. In some services, managers should rely on client surveys to assess the quality of service.

The need for quality improvement is highlighted further in a recent article by Fuller and Liang (1994). The object of their research was to estimate inequality in preschool and child care availability. They found localized pockets of inequality in availability, mainly in working class and middle class communities in Massachusetts. Thus, they recommend that the state carefully target efforts for distributional equity, while conserving resources for quality improvement in programs.

### Evaluation and Negotiation

Developing quality measures, arriving at per capita costs, setting benchmarks, etc., demand that managers nurture intimate provider relations and interact with them regularly. Managers and providers have to strike a balance to ensure that both parties mutually benefit from the relationship. If the parties cannot agree to terms initially, review and rating procedures should encourage providers to re-enter the bidding process when they are capable.

### Increased Technology

Increased use of technology provides managers and field staff a variety of information essential to more effectively deliver services to children and families. Up to now a Department of Social Services case involving a child in foster care can accumulate a stack of documents three feet high. In July, 1995, the Commonwealth approved funding for the Department to implement a computer system that will significantly reduce the amount of time that child protective workers spend on paperwork. By being able to spend more time with people, workers should more accurately reflect client needs. This information provides the basis for planning and future bidding.

### Summary of Contracting Trends

In sum, many of the improvements suggested in this section should strengthen the Commonwealth's purchase of service system. Many of the improvements are consistent with and supported by the dissertation findings. Also, the improvements and findings should be helpful to human service contract managers in general.

For instance, integration, cooperation, connectivity, and building relationships have not always been an approach to human service contracting or contracting in general. Various actors and stakeholders in the contracting process have distinct interests and role expectations. For example, DeHoog (1986) shows the varying interests of managers, professionals, and politicians in her evaluation of human service contracting.

Her research of social service and training programs in Michigan indicates that managers (contract and procurement specialists) emphasize efficiency, least cost, and contract accountability. They perceive their relationship with providers as legal, businesslike, contractual, and sometimes adversarial and conflictive. Professionals (generally trained in social or human service fields) stress cooperation, professional norms, and client service. They advocate partnerships and cooperative relationships with providers.

Also, professionals believe that participation in the contracting process from planning through evaluation contributes to successful performance. Finally, politicians (legislators, agency coalitions, and clients) are responsive to major political interests. Some of them use the contracting process for their personal political interests and others use it to advance broader human service policy interests. DeHoog concludes the evaluation by describing organizational, operational, and political problems produced by these distinct approaches.

The importance of this evaluation is that distinct interests and problems continue to exist in human service contracting. However, findings from this dissertation research suggests that managers who conduct the contracting process from a combined managerial and professional approach are more successful than those who do not. The implication is that managers who emphasize a distinct approach to contracting are less successful than those whose practices include building relationship aspects as well as technical ones. Less successful managers express concerns about taxpayers' money, obligations, "bang for the buck," cut-off points, etc.

Successful managers describe the process as a partnership, win-win situation, reliance on social work background, a fair one, we are in this together, etc. While



many of them acknowledge their fiscal strength, they express an understanding of programmatic needs and aspects of contracting. The essence is that successful managers overcome many of the organizational, operational, and political problems by combining managerial and professional approaches in the human service contracting process. This direction is evident from the interviews and will be needed more in the future based on implications of current contracting trends.

**The vita has been removed from  
the scanned document**