Contracting and Negotiation: Effective Practices of Successful Human Service Contract Managers

Vincent Gooden, Nterac, Inc.

This article identifies effective practices that successful human service contract managers use in the negotiating and contracting process. It is important to identify these practices because modern governments, specifically state and local governments, increasingly contract for social services. Yet, there continue to be barriers to contracting for services, including the manager's approach. Interviews were held with managers in the area offices of Massachusetts' Department of Social Services (DSS). Interview responses were processed and formatted for use in a computer-assisted analysis program. Practices of successful contract managers were compared with those of less successful managers. Analysis identified eight effective practices that successful managers use or use more than less successful managers in the contracting and negotiation process.

Governments increasingly need to rely on private, non-profit, and other non-governmental entities for delivery of services, and contemporary government demands that managers understand the negotiation and contracting process (Kettl, 1988; Salamon and Lund, 1989; Dudley, 1994). Many scholars 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 have also relied more and more on contracting for service delivery, including social services, where negotiation and contracting are central.

Whitcomb (1984), Chi (1986, 1994), Savas (1987), Rehfuss (1989), DeHoog (1990), MacManus (1992), and others indicate that contracting for social services has been increasing. State and local spending on services from private sources tripled from $27 billion in 1975 to $81 billion in 1982 (Chi, 1986). Chi observes that this spending was primarily for economic development, transportation, social services, and welfare.

Government reports also show that purchases of goods and services at the state and local levels have steadily increased in the 1990s, especially in service areas. Massachusetts, the focus of this article, 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.

Generally, this increase in contracting is for pragmatic (cutting costs) as well as ideological (alternative delivery, competition) reasons. Many 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.
Ross (1987), David (1988), MacManus (1992), and Chi (1994) describe numerous barriers that affect contracting at state and local levels. Inadequate knowledge of contract management, adversarial provider relationships, questionable cost savings, and service interruption are among the many barriers. In spite of these barriers, the scholars forecast that social service contracting will continue to grow.

Models for contracting these services vary, depending on the number of suppliers, availability of resources, and level of funding certainty. Dudley (1990) illustrates various contracting models, such as competition, cooperation, and negotiation. Which model may be more appropriate for a particular contracting situation depends on resources, funding, and suppliers. Competitive contracting is discreet, market-oriented, and low in uncertainty. Cooperative contracting is relational and high in uncertainty. Lastly, negotiated contracting is flexible, multi-year, and moderate in uncertainty.

DeHoog (1990) says the negotiation model may be the 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 bid social service contracts competitively. Also, whereas contracting has been the arrangement of choice, the use of vouchers, Savas notes, is increasing.

Other issues raised with increased contracting include 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.

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 manager's 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 (Office of Public Affairs, 1995), an in-house organ of Massachusetts' Department of Social Services, reported that some area contract managers created 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). To bring in third parties, managers need to 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 arrange more services between the larger governments (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. Managers need effective practices when they face this ever-increasing task of arranging services and building cooperative 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 managers as negotiators dramatically increased as outside organizations carried out more 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 negotiation and contracting process successfully. Many managers 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).

To address this problem, Cleary and Henry (1989) as well as DeHoog (1990) suggest that "principled negotiation", a model developed by Fisher and Ury (1981) of the Harvard Negotiation Project, should be applied in contracting. This negotiation model and later, Fisher and Brown's "unconditionally constructive" method (1988), which builds relationships based on reason, understanding, communication, reliability, persuasion, and acceptance, provide a theoretical framework for contract managers to achieve effective negotiation and build cooperative relationships.

The Harvard Negotiation Project has been a major contributor in the development of this literature (Fisher and Ury, 1981; Lax and Sebenius, 1986; Fisher and Brown, 1988; Fisher, Ury, and Patton, 1991; Ury, 1991; Hall, 1993; Fisher, Kopelman, and Schneider, 1994). Others that share similar views include Brooks and Odiorne (1984), Jandt and Gillette (1985), Sparks (1986), Anderson (1993, 1994), and Skopec and Kiely (1994). In general, these scholars argue that whenever people exchange ideas with the intention of changing relation-
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.

ships, whenever they confer for agreement, they are negotiating (Nienburg, 1973). The way we process negotiation is a key factor for reaching mutually beneficial agreement and for building cooperative relationships.

Cooperative relationships imply that managers should have ongoing interaction with service providers. This contracting function resembles Deming’s management style. Deming suggests that cooperative, win-win relationships are a key aspect in quality (hence, successful) management. As a leading proponent of the cooperative management style, Deming points out that 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).

The implication of the cooperative management style 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 also has long-term benefits. He says that a person who is viewed publicly as cooperative is likely to form cooperative relationships, increase interaction, and form more cooperative relationships.

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.

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.

Effective Practices of Contract Managers

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. In response to this critique, this article compares the differences between managers.

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 process. According to the Children’s Defense Fund, in 1990 Massachusetts ranked 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.

Selection for the sample of managers is based on informed judgment about the managers’ performance in conducting the contracting process only, not as a measure of their overall competency (O’Sullivan and Rassel, 1989). 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 one to ten, with ten 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,” and so on.

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. Seven managers were selected as successful and five as less successful.

Of the twelve managers interviewed, seven are male and five are female; ten are white and two are black. Eleven managers have many years of experience in contracting and one has limited experience. All managers experienced the Open Bid and the 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.

The research examines how managers approach a multiple-step contract process from pre-bid activities to appeals. By doing so, it 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.
1. Successful managers emphasize the importance of pre-bid activities, particularly planning and needs assessment.

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, which determines what services to purchase, and needs assessment constitute 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 financially 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 service the entire geographic area ultimately. 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 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 in 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.

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 the central office, where they are processed for reimbursement. If the area office had to rely on receiving invoices directly from the 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 waiting lists for a period of time, and you constantly have request[s] 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 overutilized. 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.

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, and monthly interaction with providers to assess service flow and trends. By doing so, the manager secures solid information and builds a history of service use to redistribute service slots when necessary, which brings about better distributional equity.

3. Successful managers include other staff's 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 set up 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 from other offices. That the manager is clinically trained, works in the community, and starts 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 that the reviews are useful programmatically. At times, the manager misses key program items or has questions about aspects of the proposal. Positive and negative points raised by the reviewers might answer questions that the manager has about the proposal.

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.

In sum, successful 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.

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

Two managers state that 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.

Technically, successful managers use the standard rating form developed by the Commonwealth to rate and score proposals for qualification. Fair and objective rating and scoring builds trust and understanding between parties. This process tends to lessen challenges by providers.

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 either rejecting a proposal or making an award. Bidders must be notified in writing of the bid 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 an opportunity to discuss the basis for award decisions with the office management. Further, the bidder can examine successful proposals for comparison, 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 the 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 had only one appeal or no appeals in each of their areas during the 1993 Open Bid process. A manager who 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 no slots at all. These providers performed well; therefore, all parties, including the families served, benefited by the fact that the providers continue to contract with the Commonwealth. The manager’s 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, the providers’ unique problems were handled individually. The manager recalls that at the beginning of the sessions a couple of providers came in very angrily. 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’d 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 and the minus- es 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 bidder’s unsuccessful proposal by comparing it to a successful proposal. The manager states that it was self-evident when one 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 secret of 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.

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

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 only to 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 Component Pricing Guidance Memo #1 of the Department of Social Sciences, price ranges within the catalog are useful benchmarks and tests of reasonableness for contract managers (Division of Purchased Services, 1992).

One manager explains that during negotiations, having the Component Pricing Catalog makes 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 of experience and education level. The catalog states that based on this criterion, the person should receive X amount of dollars. Therefore, if a provider proposes a service that includes 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 the Commonwealth’s Component Pricing as a guideline to costing out services. To the manager, having 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.

A third 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 the area without Component Pricing guidelines, and more negotiation of individual line items was possible.

Another manager agrees that with Component Pricing, negotiation of details was reduced. However, this
Providers essentially show dollar figures for teachers, supplies, administration, overhead, and so on, 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, never done it, and does not know the state’s 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 providers may have changed some minor items since their proposal submission.

In essence, the Commonwealth developed pricing ranges as a guide for managers and as an attempt 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 set their rates adequately.

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. These managers emphasize that some providers may have good programs worth saving, but they do not have the financial capacity to be competitive. The providers may be serving an area that others choose not to serve.

The managers know these things because they are generally in day-to-day contact with these providers and they monitor their service utilization regularly. Hence, by providing assistance, managers enable providers to be more eligible for allocation of resources. Capable providers do not have problems accepting managers’ advice and making appropriate changes because they have built the cost of having financial and programmatic capacity into their service cost.

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 that their budgets were realistic.

Another manager states that some 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 that background does not usually help them deal with 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 prospective 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 comments that managers need more time to do a better job in 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. A team, including the manager, spent almost six months renegotiating a provider’s contract and monitoring the child care program. The team was called in because the agency challenged the area office’s action and reported it to the Commonwealth and the 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.

Successful 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.

8. Successful managers share and process information based on experience, knowledge, involvement, and constantly improved technical expertise.

This section emphasizes the need for managers to have
higher level experience, practices, and competencies in the complex and complicated negotiation and contracting process. Many managers attribute their effectiveness to experience-based knowledge and involvement in the process. 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 is not 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 long-term relationships help with 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 day care while their parents are getting an education or work skills. Also, if there exists a 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, quoted above, has been contracting since social services were at the welfare department. He feels, contract managers are getting more sophisticated as the years go along and that experience and knowledge helps managers contract properly. This manager thinks that a person who walks in off the street, has never done it, and does not know the state's way of negotiation is going to have difficulties for a long time.

Another manager says that many years of history, experience, and involvement in the process make it easier for one to recognize an acceptable proposal from one that is not acceptable. When providers say they are going to do something, and they are doing it for years.

This manager says, “We are in this together to make a difference in these kids' lives and their parents' lives.”

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 the 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.

Successful managers increasingly use databases, spreadsheets, and computer-generated forms to obtain adequate information and, in some instances, reduce redundant work. They share information, pre-filled forms, and new rules with providers. This kind of assistance helps providers become more capable and provide more timely and effective services.

Table 1 presents eight effective practices of successful human service contract managers. The table is based on the interview data of the child care contracting process in the Massachusetts' Department of Social Services. Effective practices reflect patterns and general consistencies of successful managers. Managers rely on their long-term involvement in contracting and knowledge gained from this experience to negotiate and reach agreement with providers. They acknowledge bureaucratic constraints and other barriers, yet they continue to build cooperative 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 more equitably distribute the availability to meet those needs.

The significant finding that underlies each of these eight practices is the significance of both technical and relationship capacities. This point is highlighted in Table 1 by showing how the technical and relationship aspects of the practices parallel each other.

Table 1 Technical and Relationship Aspects of Contracting and Negotiation

<table>
<thead>
<tr>
<th>Contract Step</th>
<th>Relationship Aspect</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Pre-bid activities (planning and needs assessment)</td>
<td>Early interaction with current providers and potential providers</td>
</tr>
<tr>
<td>2. Managing spreadsheets, databases, and monitoring waiting lists</td>
<td>Ongoing interaction with providers for better service distribution</td>
</tr>
<tr>
<td>3. Costing out and qualifying proposals</td>
<td>Equity, redistribution to where services are needed</td>
</tr>
<tr>
<td>4. Standard form for rating and measurement</td>
<td>Networking and teamwork</td>
</tr>
<tr>
<td>5. Administrative sessions to resolve issues</td>
<td>Fairness and objectivity builds trust and understanding between the parties</td>
</tr>
<tr>
<td>6. Standard pricing ranges for guidance in setting costs</td>
<td>Mediation and provider assistance, face-to-face interaction</td>
</tr>
<tr>
<td>7. Assist with forms, rules, and regulations</td>
<td>Less emphasis on details, more confidence in provider capability</td>
</tr>
<tr>
<td>8. Increased use of information and technology</td>
<td>Early and ongoing interaction to have more capable providers, more diverse providers</td>
</tr>
</tbody>
</table>

Effective Practices of Successful Human Services Contract Managers
Implications for Public Management

Integration, cooperation, connectivity, and relationship building have not always been central to human service contracting or contracting in general. Various actors and stakeholders in the contracting process have distinct interests and role expectations. DeHoog (1986) explains the distinctions of managers, professionals, and politicos in her evaluation of human service contracting.

Her research on social service and training programs 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), on the other hand, stress cooperation, professional norms, and client service. They advocate partnerships and cooperative relationships with providers. Also, they believe that participation in the contracting process from planning through evaluation contributes to successful performance. Lastly, politicos (legislators, agency coalitions, 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 both distinctions and problems continue to exist in human service contracting. Findings from the present research suggests, however, that managers who conduct the contracting process from a "manager-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 take into account both the relationship and technical aspects. Less successful managers express concerns about taxpayers' money, obligations, bang for the buck, cut-off points, and so on.

Successful managers describe the process as a partnership, a win-win situation, rely heavily on their social work background. They state, "we are in this together." While many of them acknowledge their fiscal strength, they express an understanding of programmatic needs and aspects of contracting. In essence, successful managers overcome many of the organizational, operational, and political problems by combining managers' and professionals' approaches in the human service contracting process.

This direction is evident from the interviews and will be needed more in the future as current contracting trends seem to suggest. For instance, the importance of relationship building was highlighted recently in an article about contracting at the federal level (Behr, 1996). The gist of the article is that recent procurement changes make relationships between government and contractors more personal.

The contracting and negotiation process also have implications for governance and distributional equity that would apply outside of human service contracting. Briefly, in the area of governance, as public administration evolves, and managers increasingly arrange and negotiate for services, they should (1) do more tactical and strategic planning and management, (2) develop more alternatives for decision-making, and (3) manage diversity better to counterbalance the effects of short-term, self-interested political influence.

For distributional equity, using multiple methods of assessment to determine who needs services greatly increases the probability that appropriate groups will be served.

By doing more strategic planning, both short- and long-term needs can be met. Actively monitoring service flow and use enables managers to be more informed and thus to make better decisions about distribution and redistribution of services. Also, working with providers to make them more capable and reliable increases capacity to serve and reach more areas for better access.

Vincent Gooden has over twenty five years of management and administrative experience in the public and private sector. He received an MPA from Kent State and his Ph.D. from Virginia Tech.
References


