Monitoring across Sectors: Examining the Effect of Nonprofit and For-Profit Contractor Ownership on Performance Monitoring in State and Local Contracts

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What is the effect of contractors’ nonprofit and for-profit ownership on the scope and nature of performance measurement used by government agencies? Quantitative and qualitative data were generated through semistructured interviews administered to a sample of state and local public agencies and private contractors across five jurisdictions. The findings of this study suggest that monitoring officers working with nonprofit rather than for-profit contractors are more likely to rely on qualitative performance data and examine equitable access to services, contractors’ reputation, and compliance with industry rules and regulations. Although organizational ownership may not be well understood by practitioners, performance appears to be conceptualized differently across sectors. The author calls for a better understanding of the impact of the identified differences in performance measurement on the effectiveness of contract monitoring.

Although the prevalence of new contracting has declined recently (Hefetz and Warnér 2007), state and local governments continue to face complex decisions in managing their relationships with nonprofit and for-profit organizations (Brudney et al. 2005). One of the many critical tasks that agencies encounter involves designing appropriate performance monitoring systems tailored to specific organizations and their environments.

In the context of limited competition and principal–agent problems, the necessity of evaluating contractors’ compliance using professional expertise and strong management systems has been established in the literature as an important determinant of successful contracting (Bloomefield 2006; Bouckaert and Peters 2002; Brown and Potoski 2006; Johnston and Romzek 1999, 394; Lowery 1998; Prager 1994). Importantly, the search for the “optimal monitoring arrangement” (Prager 1994, 179) has only recently moved beyond prescriptive propositions toward empirical investigations of actual monitoring practices, as well as their determinants and the effects of their adoption (Brown and Potoski 2003a, 2003b; Frederickson and Frederickson 2006; Heinrich 1999; Radin 2006; Van Slyke 2003). Theorists of privatization specifically underscore the need to consider the benefits of contracting with nonprofit rather than for-profit organizations and urge examination of strategies and conditions that can improve effectiveness while working with each sector (Brown, Potoski, and Van Slyke 2006). To address this gap, this study explores the following question: what is the effect of contractors’ nonprofit and for-profit ownership on the process and the nature of government’s performance measurement efforts?

This study is motivated by two distinct bodies of literature. First, this research will inform the fundamental question about the differences between public and private organizations. Similar “in all unimportant respects,” public and private organizations are argued to be different in terms of their goal clarity, motivating factors, extent of red tape, time perspectives, and other key attributes (Allison 1997; Rainey and Chun 2005). More recently, this line of inquiry has been refined to differentiate between public, nonprofit, and for-profit organizations. While nonprofits have generally been viewed as the government’s “coproducers” (Smith and Lipsky 1993; Weisbrod 1997), the empirical literature reviewed in this paper provides little evidence.
to support this argument. This study helps reveal the distinctions between nonprofit and for-profit organizations as they are perceived by their contracting agencies. This research also deals with the managerial implications of such differences: rather than focusing on the prescriptive aspects of these perceptions (i.e., should different sectors be treated differently?), this study explores whether governments actually design and use different measurement systems across sectors.

In addition, the topic of this study cannot be considered separately from the broader performance measurement literature. A key attribute of the New Public Management movement, performance measurement was central to efforts aimed at encouraging more accountable, autonomous, and results-oriented management (Kettl 2005; Moynihan 2006). Currently, performance measurement is used widely, but with varying intensity and scope (Berman and Wang 2000). Over the past decade, numerous studies have identified challenges in performance measurement practices. Some authors reveal the difficulties of generating useful measures (Heinrich 2002; Kravchuk and Schack 1996; Nicholson-Crotty, Theobald, and Nicholson-Crotty 2006; Radin 2006); others question the managers’ capacity to interpret and use performance data while avoiding simplifications of complex problems, narrow-mindedness, and compliant attitudes (Frederick and Frederickson 2006; Kravchuk and Schack 1996; Moynihan 2005; Radin 2006). One of the recommendations of this literature involves integrating performance measurement into the institutional context, which includes organizational values, goals, and other factors (Behn 2003; Heckman, Smith, and Taber 1996; Radin 2006). This study contributes to this body of literature by evaluating managers’ propensity to tailor performance measurement to a specific element of their institutional context: contractor ownership.

Using a combination of quantitative and qualitative methods, this study examines the effect of organizational ownership on both individual perceptions and individual behavior. The findings of the perceptual and qualitative data analysis suggest that monitoring officers and contractors either disagree with the proposition that sector matters, or appear to be unaware of its impact. Meanwhile, the data pertaining to the actual monitoring strategies suggest that public managers use somewhat different approaches across sectors. Governments working with nonprofit providers are more likely to rely on performance data reported by contractors; they also frequently use qualitative data and examine contractors’ reputations, access to services, and compliance with the industry regulations. These differences may be determined by the ways in which governments conceptualize performance. Specifically, the multiple constituency model may explain the strategies used in public–nonprofit partnerships. This study urges practitioners to direct more attention to the phenomenon of ownership and to continuously question the rationale behind adopting a more or less collaborative style of monitoring. It also calls for more empirical research on the performance of nonprofit and for-profit contractors in various fields.

Literature Review: Contractor Ownership

Nonprofit contractors: The virtues. A theorist of organizational ownership, Burton Weisbrod, rightly argued that nonprofit organizations traditionally have been viewed in “sharply contrasting ways” (1997, 549). These entities have been presumed to be both altruistic and elitist, inefficient and commercialized, trustworthy and able to exploit their special privileges, mission-driven and prone to using generous compensation packages. These views translate into conflicting propositions on the role of ownership in the design of monitoring systems.

One of the central arguments in the discourse on contractor ownership pertains to trust. When competition is limited and consumers are unable to accurately assess service quality, for-profit producers can charge higher prices and pursue cost-cutting strategies that reduce client welfare (Englestone and Zeckhauser 2002; Hansmann 1986, 1996). In such industries, nonprofit organizations are perceived to be more trustworthy. Being prohibited from distributing profits and paying excessive salaries, nonprofits are, in theory, less likely to benefit from exacerbating informational asymmetry, cutting costs, and taking advantage of the client welfare (Cohen 2001; Heinrich and Fournier 2004; Weisbrod 1989). Tax benefits, private donations, and lower labor costs attributable to volunteering may help nonprofits further minimize the moral hazard and even surpass for-profits in terms of efficiency (Ferris and Graddy 1986; Smith and Smyth 1996).

Trust in nonprofits is reinforced by their presumed mission-driven and socially conscious nature. Nonprofit missions often involve promoting the welfare of vulnerable groups through uncompensated service (Ferris and Graddy 1986, 1991; Weisbrod 1997), and for-profit companies are commonly absent in such markets (Cohen 2001; Smith and Smyth 1996). Convergence of public and nonprofit goals creates fertile ground for contractors to behave as “stewards” rather than “agents” (Van Slyke 2007). The mission-driven nature of nonprofit activities may foster a perception that nonprofit contractors will approach problems with the clients’ best interests in mind and will openly share them with the government agency (Clarke and Estes 1992; Hansmann 1986). In contrast to nonprofits, for-profit firms may be more likely to use their influence to avoid the government’s oversight (Smith and Smyth 1996).3

In addition to mission-related considerations, the transaction costs of monitoring nonprofit contractors may be lower because of their own external and internal oversight systems (Ferris and Graddy 1986, 1991; O’Regan and Oster 2002). Nonprofit organizations respond to the demands of heterogeneous constituencies—donors, volunteers, boards, or professional associations—who ensure additional oversight (Ferris and Graddy 1986, 1991; Romzek and Johnston 1999). This may encourage governments to scale down their monitoring activities. As Ferris and Graddy note, “In effect, choice of the nonprofit organizational form is perceived as a method of reducing transaction costs that arise from the difficulties in monitoring performance” (1991, 545). This argument is supported by Brown and Potoski (2006, 327): while contracting governments conduct less monitoring than agencies delivering services in-house, governments and their contractors together perform more monitoring than direct service providers do on their own. Thus, governments adjust their monitoring activities to the external monitoring systems.

Finally, the nonprofits’ propensity to help write contracts through cooperative negotiation may affect the extent of monitoring (Ferris and Graddy 1986, 1991; Johnston and Romzek 1999). Nonprofits’ initial participation in contract development may introduce the
monitoring agency to the contractor’s practices, prompt them to
develop shared procedures, and seek adjustments to service delivery
that eventually would reduce the need for ongoing performance
measurement.

Nonprofit contractors: The pitfalls. Despite these attributes of
nonprofit provision that may lower the scope of government
monitoring, numerous other attributes may have the opposite effect.
First, concerns have been raised about the financial capacity of
nonprofit organizations. Efficiency gains are the primary expected
beneﬁts of privatization (Cohen 2001; Ferris and Graddy 1986),
and for-proﬁt contractors are generally able to turn economies of
scale and tighter labor practices into cost savings (Ferris and Graddy
1986). Meanwhile, the need to maintain service quality and the
absence of managerial incentives to “discipline” bad managers may
undermine the cost-effectiveness of small nonprofit organizations in
noncompetitive markets (Hansmann 1986; Prager 1994; Rose-
Ackerman 1996). Long-standing community relationships may also
allow some nonprofits to lobby the government for higher service
rates (Johnston and Romzek 1999; Smith and Smyth 1996).
Financial abuses may go hand in hand with the lack of capacity and
political pressures. Instances of unethical behavior have occurred
even in those organizations that embody the humanitarian ideal of
the sector: United Way, the American Red Cross, and the
Smithsonian Institution (Arenson 1995; Grimaldi and Trescott
2008; Reaves 2001). This evidence further undermines the
argument of nonprofit trustworthiness.

Second, some authors question the assumption that governments
and nonprofits are coproducers: while they respond to similar
norms, these norms may be prioritized differently (Smith and Lipsky
1993). Public agencies may prioritize even distribution of resources,
while nonprofits may prioritize responsiveness. The latter may affect
their commitment to serve the most vulnerable clients. In some
industries, nonprofits minimize their service to the poor in order
to sustain higher quality for select community groups (Amirkhanyan,
Kim, and Lambright 2008). Furthermore, diverse and shifting
accountability pressures might conflict with the objectives of the
contract and result in dysfunctional management (Johnston and
Romzek 1999). These factors may warrant a level of monitoring
comparable to that of for-profit contractors.

Finally, measurability of services commonly delivered by each sector
may influence the extent of monitoring. High levels of service com-
plexity and tangibility, and the long time frames for detecting the
outcomes, affect the ease of creating performance data (Ferris and
Graddy 1986; Johnston and Romzek 1999). In such cases, public
service provision is preferred (Eggleston and Zeckhauser 2002). If
services must be contracted, the more ambiguous and complex they
are, the stronger the case for choosing a nonprofit provider (Ferris
firms may be preferred when services can be monitored easily, which,
in turn, can explain a greater scope of performance measurement.

Empirical evidence. Some empirical support for the foregoing
explanations can be found in the literature on public–private
partnerships. Cross-sector and before-and-after studies of privatized
services confirm that for-profit organizations generally have lower
operating costs; however, the evidence on service quality or client
welfare is mixed (Dias and Maynard-Moody 2006; Donahue 1989;
Herzlinger and Krasker 1987; Hodge 2000; Rainey and Chun
2005; Savas 2000, 2005). Studies focusing on services to vulnerable
populations fail to find any evidence of nonprofit superiority when
compared to for-profit companies (Amirkhanyan, Kim, and
Lambright 2008; Gronbjerg 1990; Heinrich 2000; Herzlinger and
Krasker 1987). James and Rose-Ackerman (1986) also fail to find
evidence of nonprofits being perceived as more trustworthy; in fact,
their respondents could not accurately distinguish between
nonprofit and for-profit ownership.

Little comparative empirical evidence exists on performance
measurement practices across the sectors. Some studies evaluate
privatization outcomes across sectors and offer recommendations on
monitoring. Amirkhanyan (2008) examines the outcomes of public
nursing home divestments and finds a significant decline in the
quality of care in the privatized for-profit homes; no decline is iden-
tiﬁed in the nonprofit homes. She suggests that governments should
differentiate their quality assurance practices by sector, maintain
close oversight of for-profit homes, and offer subsidies to nonprofit
providers. Morley (2006) ﬁnds that nonprofit charter schools are
more likely to offer consumers protection and act as ﬁduciaries
on the government’s behalf, while for-proﬁts exploit their size and
economies of scale. Morley concludes that for-profit schools must
be regulated and monitored more tightly. Some authors, however,
question the appropriateness of differentiated policies: “Even if it
were clear, though, that nonprofits—church-owned or other—do
behave differently from for-profit ﬁrms, and even if the behavior of
nonproﬁts were judged to be socially preferred, it would not follow
that public policy should be “titled” in favor of the nonprofit form
of institution” (Weisbrod 1989, 544). This study explores whether
public ofﬁcials share this view: while prioritizing an even distribu-
tion of resources to the citizens, they may also choose to maintain
equal levels of oversight across sectors.

Empirical studies of monitoring are generally based on one sector.
Some accounts of nonprofit contract monitoring practices show that
despite claims of increasing levels of accountability, governments’
capacity and the extent of monitoring remain unsatisfactory
(Van Slyke 2003). Carman (2008) ﬁnds that more descriptive and
compliance-based evaluation is performed by nonprofit funders
compared to state and local governments. Another study focusing
on nonprofit substance abuse services determines that long-term
contracting relationships with nonprofits involve a substantial
amount of informal accountability (Smith and Smyth 1996).
Romzek and Johnston ﬁnd that contracts with nonprofits often
involve inputs, processes, and outputs, rather than outcomes; such con-
tracts also recognize the need for ﬂexibility and contractor discretion
(Johnston and Romzek 1999; Romzek and Johnston 2005). Finally,
some studies suggest that factors other than ownership may inﬂu-
ence monitoring, especially in ﬁelds in which all providers have the
same ownership (Ferris and Graddy 1991; Smith and Smyth 1996).

Research Question. Contemporary approaches to “publicness” go
beyond legal status and incorporate the extent to which an
organization is inﬂuenced by political authority or economic
markets (Bozeman and Bretschneider 1994). Employing these
characterizations, nonprofit organizations may possess a higher
degree of “publicness” than for-profit ﬁrms. Like governments,
nonprofits experience substantial scrutiny and have to be more transparent because of their tax-exempt status. They also rely more heavily on government funding than for-profit companies. Finally, like governments, nonprofit organizations generally provide benefits to communities that are broader than their owners. In light of these and other considerations detailed earlier, nonprofit organizations are more likely to act like government than for-profit organizations.

With this in mind, what can be concluded about the prevalence and type of performance measurement activities conducted across sectors? On the one hand, the level of trust ascribed to nonprofit organizations and higher goal convergence may reduce the scope of performance measurement. Nonprofit ownership may signal honesty and benevolence, which would prompt public managers to minimize monitoring in order to lower transaction costs. On the other hand, cooperation, openness, and a willingness of nonprofit providers to define reasonable performance expectations may increase the likelihood of these expectations being translated into formal performance measurement systems. It is also possible that the downsides of nonprofit service provision, along with fairness considerations, may prevent agencies from differentiating monitoring procedures across sectors. Finally, in some contexts, sector may be irrelevant because other factors, such as service type, ultimately determine the degree of monitoring. The nature of these rival propositions prevents us from formulating hypotheses. Instead, the objective of this research is exploratory: to examine the effect of the contractors’ nonprofit and for-profit status on the specific performance measurement and monitoring practices used by government agencies to oversee the contractors’ performance.

Methods

Data. Data were collected using semistructured interviews administered in five jurisdictions: Washington, D.C., three adjacent counties, and one adjacent state. Interviews were conducted with government contract managers and the managers of private organizations implementing those contracts. Each subject participated in one interview, and each interview focused on one contract. Some interview questions had ordinal or nominal response categories; others were open-ended and required an affirmative or a negative response along with some explanation. This produced data appropriate for both qualitative and quantitative analyses.

Additional documentation used in this study included requests for proposals, award notices, amendments, and other materials. In each jurisdiction, a purposive sample of monitoring officers and their contractors was selected from the online listings of all current service contracts. Monitoring officers were chosen to diversify service fields, contractor ownership, award amounts, and other factors. In addition, the contractors’ sample was drawn to (1) avoid a two-sided representation of a contract and (2) ensure that contractors and agencies were proportionally represented in all locations. The final sample contained 39 interviews with government agencies and 30 interviews with contractors. Service areas included in the sample are shown in table 1.

Table 2 shows the prevalence of nonprofit and for-profit contracts in the government and contractor samples. Many service fields, such as medical and nursing care or mental health, were provided by both nonprofit and for-profit organizations. Construction and maintenance, GPS monitoring, day camps, translation, lawn mowing, janitorial, plant control and other similar services were delivered by for-profit companies. Meanwhile, homeless shelters and social welfare case management services were uniquely nonprofit in this sample.

Analysis. First, this study examined the respondents’ perceptions of the role of ownership in the contracting decision and in the monitoring process. Three questions were used:

1. In your opinion, did the ownership status play a role in the process of selecting the contractor? In what way?
2. Does the ownership of your contractor have any implications for the way you evaluate their performance? Can you explain why?
3. In your opinion, does the ownership of your contractor influence the extent of collaboration in the performance evaluation process (in terms of information sharing, negotiation, deliberation, clarification and feedback)?

Next, I analyzed the procedures used by local governments to monitor their nonprofit and for-profit contractors. The following questions helped reveal these data:

4. Do you evaluate or monitor your contractor’s performance? If yes, ask: In what way?
5. In some cases government agencies collect and monitor all the information pertaining to a contractor’s performance directly. In other cases, governments use information...
collected and provided by the contractor (so-called self-reported measures). There are also agencies that use third parties to collect information and do the monitoring (for instance the clients or third-party inspectors). What strategy do you use?

Government programs have multiple outputs and outcomes, which explains the need for a variety of performance measures to determine contractors’ compliance with government’s expectations (Behn 2003; Berman and Wang 2000; Boyne et al. 2005; Edwards and Thomas 2005; Hodge 2000). In this study, respondents were asked to report on 15 aspects of performance evaluation, loosely referred to as performance measures.

6. Today I would like us to talk about performance evaluation and measurement; specifically, about any kind of information that you might use to make sure that your contractor is complying with your expectations and doing its job well. Some of these performance measures can be more formal and quantitative (e.g., reporting the number of service units produced every week). Other measures can be more informal (e.g., informally discussing service provision details). For the following questions please choose one of the following answers: (1) yes, (2) no, (3) don’t know/don’t recall/refuse to answer. In this contract, do you collect, monitor, or evaluate information on: (a) Costs or cost-effectiveness of contracted services? (b) Quality of services provided by the contractor? (c) Contractor’s workload (e.g., number of clients served, units of services provided, number of hours of work)? (d) The impact that services have on clients or service-recipients? (e) Customer satisfaction? (f) Contractor’s ability to provide equitable access to services without any discrimination (e.g., based on income, gender, or race)? (g) Compliance of service provision with the law? (h) Timeliness of service delivery? (i) Service continuity or any disruptions in service delivery? (j) Do you specify the detailed procedures for service delivery; in other words, precisely how services should be delivered, and by whom? (k) Do you use any quantitative measures (indicators) of performance (for instance number of clients served, number of services provided, quantifiable impact on the clients’ status)? (1) Do you use any qualitative (i.e., descriptive) information (e.g., narrative) on your contractor’s performance? (m) Do you use any informal ways of obtaining performance information, such as through an informal conversation with a client, contractor staff, or a third party? (n) Are the performance measures that you use tailored to this particular contractor (i.e., measures that were developed specifically for this contractor and that wouldn’t be used with another contractor)? (o) Do you collect information on the reputation of your contractor, formally or informally?

Based on the data obtained, three measures were created. Total number of performance measures is the sum of all positive responses to the 15 questions listed here and reflects the overall intensity of performance measurement. Number of generic measures is the sum of the measures used to observe the more general and commonly used aspects of performance: costs, service quality, contractor workload, client satisfaction, timeliness, service disruptions, use of quantitative measures/indicators, and detailed procedures for service delivery. Number of tailored measures is the sum of the more differentiated measurement techniques tailored to the setting and service characteristics. They include impact on clients, equitability, compliance with laws/regulations, use of any qualitative performance information, informal monitoring techniques, measures tailored to the contractor, and contractor’s reputation.

Several regression models were obtained to examine the effect of contractor ownership on the prevalence of “total” (model 1), “generic” (model 2), and “tailored” (model 3) measures. First, bivariate ordinary least squares regressions were conducted to examine the relationships between contractor ownership and each of these three dependent variables. As shown in the next section, model 3 revealed a significant association, and a multivariate ordinary least squares analysis was conducted by consecutively adding groups of covariates (groups A–G, as listed in the appendix). Such an approach allowed us to observe the changes in the magnitude and the strength of the association between ownership and the number of tailored measures as control variables were added to the model. This analysis also allowed us to identify the factors that explained cross-sector variation in the use of these performance measures.

Next, 15 bivariate logistic regressions were obtained to examine the relationship between ownership and each of the 15 performance measures listed in question 6. Each measure was used as a dichotomous nominal variable coded 1 for affirmative responses, indicating that information on that specific aspect of performance was collected and monitored. Negative responses and the “don’t know or recall” options were coded 0. Similar to model 3, multivariate analysis was conducted for regressions that revealed significant bivariate associations.

In addition to examining the monitoring procedures enforced by the government, one question helped explore the internal performance evaluation techniques used by contractors:

7. In addition to complying with the government agency’s performance evaluation requirements, do you use any internal strategies to evaluate your own performance? If yes, ask: How are your internal measures different from those enforced by the government agency?

Findings
Perceived role of contractor ownership. As table 3 indicates, most respondents were either unaware of the effect of their contractors’ ownership or did not think it plays a significant role in the contracting decision. The results pertaining to the effect of ownership on performance evaluation and the degree of collaboration are even more striking: most monitoring officers disagreed with the proposition that ownership plays a role, while the remaining respondents did not know whether ownership plays a role. Contractors, in turn, were almost equally divided across the “don’t know” and “ownership does not matter” categories. While explaining their responses, the subjects who chose these two categories pointed to other determinants of the privatization decision or contractor monitoring. Referring to the contractor’s sector, one respondent noted, “No, I don’t think this was a heavily weighted criteria. Cost was an important factor, equally important
were the firm’s qualifications and past references . . . Unique expertise.” Other monitoring officers and contractors corroborated this view:

“No. As long as the customers are taken care of. It’s more about their professional capacity, what they can bring to the clients.”

“Right now I am going to say no, it depends on the people. It’s not necessarily ownership. They have the same ownership, but a new person with this contract—he is much more forthcoming and open about what they are doing than his predecessor. He has come in and undone a lot of the things that they were doing and how they were charging us, even though they were nonprofit. It depends on individual people, not the ownership.”

“I don’t believe that. Nonprofits make a nice hefty profit. So, I don’t buy that. Maybe, public corporations versus private, but nonprofit versus for-profit—no.”

“No, they were only interested in the lowest bid. They also wanted to get a woman or a minority, but this is only to make them look good, it doesn’t do much to us. They still take the lowest bid.”

Of the 64 respondents who did not know whether sector mattered or contended that it did not matter, some explained that they rarely deal with “the other” sector:

“[We] are dealing mostly with for-profits. 99 percent are for-profit. So, there is no direct competition across sectors.”

“We just don’t have for-profit agencies providing these types of services.”

None of the respondents who argued that ownership mattered in the contracting decision (7.2 percent of the sample) brought up the issue of single-sector provider markets.12

Respondents pointed to some differences across sectors that, in most cases, did not affect the design of monitoring arrangements. While discussing the performance data provided by for-profit contractors, one respondent argued that they did not volunteer it as openly as nonprofits. Other respondents indicated that nonprofit contractors may be perceived as more mission rather than profit driven, more compliant and consistent with the public sector priorities:

“I don’t think it influences decision-making, but I do believe that nonprofits are perceived by us as more mission driven. Certainly, we think that our goals are more compatible. But that hasn’t influenced our behavior.”

“When it’s nonprofit, there is a different mentality . . . they seem to be more compliant. On the profit side, obviously, they are money seeking, they have to make a dollar and it is the nature of the beast—I expect that and if I don’t hear it—I am suspicious.”

“The [name of a nonprofit contractor], they are really mission driven and that is very much in keeping with the local government’s perspective in terms of providing service to individuals.”

Some respondents, however, pointed to the nonprofits’ propensity to be fiscally aggressive.

“When I try to get charity care out of a hospital, I consistently have more luck with for-profits than with the not-for-profits. When hospitals provide uncompensated care . . . it’s the for-profits that are less aggressive than not-for-profits in trying to get their claims. We owe a nonprofit hospital six dollars and 27 cents, and they will be on the phone with me every Thursday, three o’clock. And a for-profit hospital will write it off. I don’t know if it’s the IRS stuff, or the margins. There are always exceptions . . . Maybe they are so pressured to keep their endowments.”

In sum, while pointing out some differences influencing the design of monitoring arrangements, respondents viewed contractor ownership as relatively inconsequential and secondary to other characteristics. In the next section, I examine specific monitoring techniques used in the sample.

| Table 3 Perceived Importance of Ownership (reported by monitoring officers and contractors) |
|-----------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| Does ownership matter in the contracting decision? | Does ownership affect performance monitoring and measurement? | Does ownership matter in collaboration? |
| Government | Contractor | Government | Contractor | Government | Contractor |
| Yes | 10.30% | 3.30% | 0% | 0% | 0% | 0% |
| No | 61.50% | 43.30% | 69.20% | 43.30% | 71.80% | 46.70% |
| Don’t know | 28.20% | 53.30% | 30.80% | 56.70% | 28.20% | 53.30% |
| Total | 100% | 100% | 100% | 100% | 100% | 100% |

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<tr>
<th>Table 4 Source of Performance Data (self-reported, collected by the government agency, and the third party) Reported by Government and Contractors</th>
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<tbody>
<tr>
<td>Contractors</td>
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<tr>
<td>Self-reported (% “yes”)</td>
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<td>Collected by gov agency (% “yes”)</td>
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<td>Collected by a third party (% “yes”)</td>
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<th>Table 5 Comparison of Monitoring Techniques</th>
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<td>Contractor</td>
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<td>Nonprofit</td>
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<td>Chi-Square (prob)</td>
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Note: N = 69; * -significant at 0.1 level.
**Overview of monitoring practices.** Before exploring the effect of ownership on performance measurement, this section provides a descriptive overview of monitoring activities used in the sample. Respondents in this study employed a variety of monitoring activities and performance measures. Table 4 describes one specific aspect of monitoring: whether it involves (1) performance information reported by the contractors, (2) direct government monitoring conducted through inspections or interviews, or (3) third-party evaluation. 13 Self-reporting appears to be the most prevalent mode of data collection, while direct monitoring and third-party monitoring are less prevalent. Notably, monitoring officers were more likely to report using each approach than the contractors. Table 5 compares these approaches across sectors and shows that public–nonprofit contracts are significantly more likely to involve self-reported measures.

The subjects were also asked how they (or, in the case of contractors, their monitoring agencies) evaluated and monitored the contractors’ performance. Respondents discussing the contracts with nonprofit organizations reported using multiple strategies. Nonprofit contractors submit data reflecting the scope of delivered services, quantitative and qualitative information on client characteristics, expenditures, and other indicators specified by the contracting agency or other regulators. Frequency of reporting varies from a single to multiple (up to 20) reports annually. Some respondents discuss this information at formal meetings supplemented by informal communication. A small share of public respondents conduct periodic or constant direct observation of nonprofit contractors involving assessments of client status, meetings with the employees, or having a public officer on site. In some contracts, monitoring is performed by seeking clients’ input and through external interest groups, founding committees, and licensing organizations. Agencies examine several aspects of nonprofit operation, such as fund-raising capability, community service, investment in prevention, and partnerships. Some public officers hold memberships in the contractors’ advisory councils or attend board meetings to be aware of the issues affecting service delivery.

While all government officers claimed to perform some type of monitoring, some contractors reported that monitoring was negligible: “As long as things are going smoothly on their end—they are not getting complaints, they understand documents that we get to them, there are regular reports—there is not a formal monitoring process like we have with other contracts.” Others viewed reporting requirements as excessive and formalistic: “They do this so that they can check off their list and say: ‘We did it.’”

In for-profit contracts, some differences are notable: monitoring officers reported a wider variety of regular and frequent direct monitoring strategies involving site visits, observations of contractors’ work, use of the products maintained by contractors (e.g., equipment, vehicles, or information technology systems), and work with the contractors on-site. At the same time, several for-profit contractors reported insignificant performance measurement activities:

“Actually, for the performance of the task, no there is no formal evaluation that I am aware of.”

“No, as hard as it is to believe, they do nothing.”

Monitoring officers in the for-profit sample also frequently reported frustration because of the lack of capacity or redundancy. Several officers questioned the integrity of their contractors and private regulators, who get paid for certifying the providers. Others questioned the decision to contract out:

“It’s not Republican or Democrat, although, of course, I object to billions of dollars being sent somewhere for development and then you find out its all big corporations getting everything. That’s not what is going on. There are some principles that I object to. If you can contract out and maintain those principle values, good guardianship—it’s okay. But when it is a substitute and all you are doing is really layering … Now, I am not against contracting or outsourcing, but when it doesn’t make sense, it doesn’t make sense.”

Importantly, this sample includes a variety of contracts with different levels of monitoring. Some nonprofit and for-profit contractors deliver similar services and are characterized by the same scope of measurement. Moderate levels of monitoring (6–10 measures) were used in the contracts for nursing care of incarcerated juveniles delivered by nonprofit and for-profit providers. Low levels of measurement (1–5 measures) were used in various consulting and counseling services provided by both sectors. This illustrates the importance of service measurability for the scope of monitoring. At the same time, some traditionally nonprofit services (e.g., homeless shelters) and traditionally for-profit services (e.g., equipment maintenance companies) were also monitored with the same rigor (11–15 measures). This suggests that factors other than ownership and service type explain the variation in the scope of performance measurement. Regression analysis will help us investigate these relationships.

**The prevalence of performance measures.** Table 6 compares the proportion of contracts using each of the 15 performance measures listed in question 6. A large share of respondents reported monitoring service quality, timeliness and continuity, and contractors’ workload and relying on informal monitoring. Less frequent were evaluations of the impact of services on clients and client satisfaction, as well as the use of quantitative indicators and qualitative performance data. Few respondents collect information on cost-effectiveness, reputation, equitable access, specification of

<table>
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<tr>
<th>Table 6 The Prevalence of Performance Measurement Techniques</th>
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<tr>
<td>Do you collect, monitor, or evaluate information on/using:</td>
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<tr>
<td>Costs/cost-effectiveness</td>
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<tr>
<td>Quality</td>
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<td>Workload</td>
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<td>Impact on clients</td>
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<td>Client satisfaction</td>
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<td>Equitable delivery of services</td>
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<td>Compliance with laws/regulations</td>
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<td>Timeliness</td>
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<td>Disruptions</td>
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<td>Detailed process</td>
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<td>Quantitative measures</td>
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<td>Qualitative measures</td>
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<tr>
<td>Informal monitoring</td>
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<tr>
<td>Measures tailored to organizations</td>
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<td>Reputation</td>
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detailed service delivery procedures, or tailoring measurement to the setting. Governments are more likely to report the use of each measure. This may be explained by (1) the contractors' lack of awareness of some government measurement activities, (2) the governments’ overreporting of monitoring because of evaluation apprehension bias, or (3) the contractors’ perception of government monitoring as ineffective.\textsuperscript{15}

**Regression analysis.** Table 7 shows bivariate regressions examining the relationship between contractor ownership and the number of total, generic, and tailored measures. While the number of total and generic measures does not vary significantly across sectors, tailored measures are more likely to be used to monitor the nonprofits’ performance. In table 8, this relationship is explored by adding several groups of covariates. The coefficient of ownership is significant and positive in the first two models: nonprofit contractors are monitored with a higher number of tailored performance measures. The coefficient ceases to be significant after controlling for service measurability. Importantly, government respondents are likely to report a higher number of performance measures when compared to private respondents.

Next, bivariate logistic regressions examining the effect of sector on each of the 15 aspects of contractor performance were obtained. The nonprofit sector was found to have a positive significant effect on four measures: (1) a contractor’s ability to provide equitable access to services without any discrimination based on income, gender, or race; (2) compliance of service provision with the industry laws and regulations; (3) use of descriptive information while evaluating contractor performance; and (4) formal and informal assessment of the contractor’s reputation. Table 9 shows the effect of ownership on these four measures using bivariate and multivariate regressions (effects of covariates are not shown). The odds of collecting and monitoring data on these four measures with nonprofit contractors are three to eight times the odds of using them with for-profit contractors. Evaluating access and reputation, as well as the use of descriptive performance data remain significant after adding all covariates. The effect of evaluating contractors’ compliance with the regulatory requirements declines and eventually becomes insignificant on adding independent variables pertaining to the respondent’s experience, and openness to the contractor’s involvement in the evaluation process (group G).\textsuperscript{16}

**Contractors’ internal performance evaluation and measurement.** Most nonprofit contractors argued that their internal evaluation is similar to that imposed by the government. However, while government monitoring focuses on the contracted programs, contractors pursue broader assessments of all organizational operations guided by quality improvement committees and other administrative bodies and focusing on management, capacity, safety and other factors.

“I think they are looking at the performance of their contract, and we are looking at the agency as a whole. There is some overlap but not necessarily.”

“They [performance measurement activities] are far more ongoing and more elaborate. It is not a point in time sort of survey. It is discussed at weekly staff meetings, management meetings, meetings with the board. It is part of an ongoing design and evaluation to make sure we are staying true to our

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<th>Table 7 Effect of Contractor Ownership Status on the Prevalence of Performance Measurement (Models 1–3)</th>
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<td>Independent variables</td>
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<td>Intercept</td>
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Note: $p < 0.1$ (*), $p < 0.05$ (**), $p < 0.01$ (***), N=69.

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<th>Table 8 Effect of Contractor Ownership on the Number of “Tailored” Measures Used to Evaluate Contractor Performance</th>
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<td>Independent variables</td>
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<td>Nonprofit ownership</td>
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<td>Government respondent</td>
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<td>“Hard” services</td>
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<td>Contractor’s financial dependency</td>
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<td>Contractor’s internal measures</td>
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<td>Contractor has unique expertise</td>
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<td>Competitive bidding used</td>
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<td>Environment perceived as dynamic</td>
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<td>Relationship length</td>
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<td>Perceived trust</td>
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<td>Self-reporting in monitoring</td>
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<tr>
<td>Contractor performance publicized</td>
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<td>In-house professional capacity</td>
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<td>Contractor’s involvement in PM desirable</td>
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<td>Respondent’s work experience</td>
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<td>R’s contract management experience</td>
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<td>Adjusted R Square</td>
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Note: N=69; $p < 0.1$ (*), $p < 0.05$ (**), $p < 0.01$ (***).
In addition, several nonprofit contractors reported using regulatory standards. Similar to nonprofit contractors, nonprofits pointed out the standards not required by the government use a wider variety of quantitative indicators, including industry performance evaluation, while others focused on financial indicators.

“Some for-profit contractors reported conducting no internal performance evaluation, while others focused on financial indicators.”

“I would have to say, if there is a best way we monitor, it’s through our profit and loss statement every month.”

“What do I do to evaluate myself is—find out what everyone else did to see whether I am being competitive. My interest is: did I leave money on the table? Did I win big? It is about making money in the end.”

“I look at my contract requirements and we see the numbers—where we are supposed to be. If we are in the red, are we following the scope of work, has there been a complaint.”

### Discussion and Conclusion

#### When ownership is irrelevant. This study used a combination of quantitative and qualitative methods to examine the role of organizational ownership in contractual relationships by focusing on governments’ approaches to performance measurement. While sharing their perceptions, most respondents unequivocally rejected the proposition that ownership matters or appeared to be unaware of its impact. Several interpretations of these findings can be offered. First, by disregarding sector, government officers may be acting as “smart buyers” (Kettl 1993). Organizational ownership is admittedly a complex multidimensional concept, the effects of which are not well understood by both scholars and practitioners. Thus, government managers, who are well aware of the many pitfalls of privatization, may consciously avoid the sector-related stereotypes and instead search for objective and sensible justifications for their evaluation strategies. Supporting past findings suggesting that adoption of performance measurement is affected by rational and technocratic factors (De Lancer Julnes and Holzer 2001), respondents in this study questioned the virtues ascribed to nonprofit organizations. As “smart buyers,” they tailor their monitoring practices to the context, but choose to take into account factors that are better understood.

This study used a combination of quantitative and qualitative methods to examine the role of organizational ownership in contractual relationships by focusing on governments’ approaches to performance measurement. While sharing their perceptions, most respondents unequivocally rejected the proposition that ownership matters or appeared to be unaware of its impact.
and are clearly more important, such as the capacity and service measurability. Normative considerations may also explain the respondents’ views. Fairness is an important priority for those charged with the task of overseeing private organizations. As one respondent noted during his interview, treating for-profit and nonprofit contractors differently may be viewed as discrimination and may damage agencies’ relationships with some private vendors.

Finally, the fact that some monitoring officers operate in purely nonprofit or purely for-profit markets may explain their views. Services perceived as typically nonprofit may warrant evaluation approaches vastly different from those used for the traditional for-profit tasks. Nonetheless, while an officer overseeing the repairs of electric equipment uses techniques different from those used by a manager working with a homeless shelter, these respondents may not be aware of the existence or the nature of these differences. Such cases necessitate analysis incorporating diverse fields including those that are predominantly nonprofit or for-profit.

**When ownership matters.** The second part of this research dealt with the monitoring officers’ behavior. While no difference in the overall scope of performance measurement was found across sectors, regression results suggest that four measures are used differently. Monitors working with nonprofit contractors are more likely to rely on qualitative data and examine equitable access to services, contractors’ reputation, and service compliance with the regulations. Interestingly, the effect of sector on these measures remained significant even after controlling for service measurability. The identified differences may be determined by the way governments conceptualize performance of each sector.

In the literature, two leading models have been used to understand performance: the goal attainment model, which examines the degree to which organizations realize their goals (Etzioni 1964; Miles 1981; Price 1972) and the multiple constituency model, focusing on the extent of satisfying internal and external constituencies (Connolly, Conlon, and Deutsch 1980; Miles 1981). While not being at odds—after all, satisfying a constituency is a goal in and of itself—these models imply different priorities. The findings of this study may suggest that the multiple constituency model may underlie the public managers’ practices with the nonprofit sector.

The use of qualitative and descriptive data (e.g., success stories and other narratives) and examination of the contractor’s compliance with the laws and industry regulations suggest that government agencies may view nonprofits as lacking meaningful indicators of productivity and clear-cut, short-term milestones, the attainment of which could be tracked to verify compliance with the agency’s expectations. The goals pursued by nonprofit organizations may be perceived as harder to track, and hence the rational goal attainment model will have little application here. Instead, public officers may conceptualize performance in the nonprofit sector through constituency satisfaction. Serving vulnerable clients is central to what many nonprofit organizations do, and hence monitoring adequate access for these groups is necessary while working with this sector. For-profit providers, on the other hand, often have no clients; hence there is no need to use this measure. With the abundance of partners, community groups, and other stakeholders surrounding nonprofit organizations, and with the difficulty of tracking goal attainment, reputation reflects partners’ satisfaction with the organization and can be used as a proxy measure for organizational effectiveness.

**Additional considerations.** While examining the scope of “tailored” performance measures, sector ceases to be significant after controlling for service measurability. This suggests the importance of the latter in determining performance measurement practices. Examination of performance data sources points to a higher prevalence of self-reported data in the case of nonprofit contractors. This may also be attributable to measurability considerations. Nonprofit organizations are more likely to operate in service fields in which outputs and outcomes are difficult and expensive to observe. Meanwhile, outcomes of services traditionally delivered by for-profit providers—equipment maintenance, information technology, tree planting, or waste removal—are easier to inspect and verify. It appears that government agencies may attempt to minimize their transaction costs by investing in direct monitoring of services with verifiable outcomes, while letting the contractors report on services with virtually unobservable or delayed outcomes for which direct monitoring is less feasible. Interview data suggest that the lack of direct monitoring may be supplemented by government officers’ involvement in the governance of nonprofit organizations (through participation in board of trustees meetings or advisory councils).

The findings pertaining to the higher prevalence of self-reporting in the nonprofit sector also suggest that performance measurement may not be designed exclusively by the government, but may in fact result from a collaborative dialogue with the contractor. A higher prevalence of self-reported data may indicate that it was in fact volunteered by nonprofit contractors in the absence of more tangible outcomes. Nonprofit contractors may also be inclined to inform public agencies about their reputation or propensity to serve underprivileged clients by providing descriptive feedback in order to negotiate better terms of their contracts. An earlier study of collaboration conducted by the author and based on the same sample suggests that nonprofit contractors influence the process of evaluation by sharing data on their performance that are not captured by the government indicators (Amirkhanyan 2009).

**Implications and directions for future research.** The approach of this study is descriptive, and thus we cannot argue that more or less sector-related diversification of performance measurement is necessary. Based on this research, public managers already appear to tailor their performance measurement practices to various contextual factors, including, in some cases, organizational ownership. Nonetheless, respondents’ lack of knowledge about sector-related differences suggests that practitioners should probably think more about the phenomenon of ownership. Certainly, transaction costs could be minimized by investing in relationships rather than contract specification. However, monitoring officers should continuously question the rationale behind adopting a more collaborative style of monitoring with a particular sector. Clearly, more empirical research is needed to inform practitioners about the performance of nonprofit and for-profit contractors in various service fields. It
is also important to acknowledge that the perceptions of each sector may not be static. Specifically, the current economic crisis may have affected the public perceptions of the for-profit sector, and this could set the stage for further changes in the monitoring practices.

An important question raised by this study is whether the identified differences in the nuances of monitoring have implications for its effectiveness. Milward and Provan (2000) argue that a higher scope of performance measurement is associated with more clarity in the principal–agent relationships; clarity, in turn, improves the effectiveness of contract implementation. Does the higher prevalence of certain performance measures examined in this study improve the clarity of principal–agent relationships, or are these additional measures only used to address the complexities and the difficulties of nonprofit contracts? This line of inquiry should be pursued in the future research on government contract monitoring.

Furthermore, while this study focuses on the dyadic contracting relationships, several contractors alluded to having network-like monitoring arrangements. Examples of these arrangements included organizations contracted by several local jurisdictions and monitored more extensively by one agency and less by all others, as well as organizations monitored and governed by a council representing multiple public and private organizations. These relationships were associated with complex political and budgetary considerations. Being rare in the examined sample, this theme was not highlighted in the qualitative findings. However, such accounts are interesting and warrant further investigation.

**Acknowledgments**

I am grateful to my mother, Larisa Shahramanova, and my mother-in-law, Gohar Badalyan, for providing care to my newborn son, David, while I was working on this article. I would also like to thank the anonymous reviewers for their excellent suggestions.

**Notes**

1. In this study, contract monitoring and performance measurement involve the design, collection, and evaluation of data describing various aspects of the contractors’ activities.

2. Clearly, nonprofit organizations do not have owners, and the term “ownership” is intended as a shorthand reference to the legal status of the contracted organizations. In this study, nonprofit ownership pertains to the organizations incorporated under section 501(c)(3) of the Internal Revenue Code. These organizations reinvest their profits to advance a charitable mission that benefits individuals other than organizational “governors.”

**Appendix: Measurement of Independent Variables Used in the Regression Analysis**

- **Nonprofit ownership (dichotomous).** Coded 1 for nonprofit and 0 for for-profit contractors.

- **Controls, group A. Respondent (dichotomous).** Coded 1 for public and 0 for private respondents.

- **Controls, group B. Hard services (dichotomous).** Services categorized as “hard” (easily measurable): information technology, construction, maintenance, public works, planting and plant control, food supply and quality monitoring, animal care, janitorial, translation, and recreational (camps, dance lessons). “Soft” (hard-to-measure) services include: long-term care, medical, nursing care, health management, mental health, psychological consultation, arts therapy, programs for women and children, consulting, evaluation and training, criminal justice, substance abuse, and homelessness. Using Wilson’s classification, “hard” services corresponded to those provided by coping and procedural agencies, while “soft” ones corresponded to craft agencies. Question used: “We are here to discuss the contract with _________. Could you describe for me, very briefly, what kind of services does this contractor provide?”

- **Controls, group C. Contractor’s financial dependency on the contract (dichotomous).** Question used: “Some contractors’ financial health depends solely on the government contract. Other organizations are more fiscally independent, and rely on other sources of revenues. Is your contractor … (four-point scale from ‘very dependent’ to ‘very independent,’ and the ‘don’t know’ category).” Variable coded 1 for responses (a) financially very dependent on government funding and (b) somewhat dependent, and 0 for all other options. Contractor uses internal performance measure and 0 for all other questions. Question used: “Do you believe that your contractor has its own internal ways to evaluate its performance?” Variable was coded 1 for affirmative, and 0 for all other responses.

- **Controls, group D. Contractor has a unique expertise (dichotomous).** Question used: “Does your contractor have a unique expertise that is difficult to find elsewhere? (Probe: Are there any other organizations in this area that provide similar services? Is this market very competitive?).” Variable coded 1 for affirmative, and 0 for all other responses. Competitive bidding used (dichotomous). Question used: “Did you go through the process of competitive bidding for this contract?” Coded 1 for affirmative and 0 for all other responses. Dynamic versus stable environment (dichotomous). Question used: “Some contracts exist in the fields that undergo rapid changes in needs, technology, suppliers, or funding. Other contracts exist in more stable, less uncertain environments. Where would you place the environment on this continuum between very dynamic and very stable?” (four-point scale). Variable coded 1 for responses (a) very dynamic and (b) somewhat dynamic.

- **Controls, group E. Long-term versus short-term relationship (interval-ratio).** Question used: “When was this contract initiated? Have you been working with this contractor before? If yes, ask: In what capacity? For how long?” Measured in number of years. Median value assigned to eight missing cases. Perceived goal congruence or trust (dichotomous). Question used: “Some practitioners say that contractual relationships often begin as more rigid (more formal) and over time evolve into relationships that are based on trust. Has this been the case with this contract?” Variable coded 1 for responses confirming that the relationship was presently characterized by trust between the government agency and the contractor. Monitoring: Self-reported measures used (dichotomous). Question used: “In some cases government agencies collect and monitor all the information pertaining to contractor’s performance directly. In other cases, governments use information collected/provided by the contractor (so-called self-reported measures). There are also agencies that use third parties to collect information and do the monitoring (for instance the clients or third-party inspectors). Which strategy do you use?” Variable created based on respondents’ descriptive answers and coded 1 for contracts using self-reported measures. Contractor performance publicized (dichotomous). Question used: “Do you publicize the information pertaining to the performance of the contractor? If yes, ask: In what way?” Affirmative responses to the second question coded 1, all other responses 0.

- **Controls, group F. In-house capacity to deliver the service (dichotomous).** Question used: “Do you have professionals among your staff who can thoroughly understand the nature of the service delivered by your contractor (individuals with similar education, degrees, professional norms, etc.)?” Variable coded 1 for affirmative and 0 for all other responses.

- **Controls, group G. Contractor’s participation perceived as desirable.** Question used: “Do you think contractors should be engaged in the development of performance measures to oversee their own work? Can you explain, why?” Variable coded 1 for affirmative and 0 for all other responses. Respondent’s work experience and contract management experience (interval-ratio). Both variables reflect the number of years. Questions used: (1) “Do you currently serve as ________? How long have you been working in this position?” And (2) “How long have you been involved in managing contracts?” One case had a missing value; sample average was imputed.
3. A 2007 article in the *New York Times* cited examples of private investment groups running nursing home chains and using complex corporate structures to dissuade consumer lawsuits in cases of neglect (Duhigg 2007).

4. In health care research, both the public and nonprofit sectors are more patient driven and have higher incentives to seek quality improvements. For-profits more likely to implement cost-effective measures at the expense of quality enhancements (Eggleston and Zeckhauser 2002).

5. Population in these jurisdictions varied from 195,000 to 5,600,000, while the median household income was between $43,000 and $77,000. The limited number of jurisdictions included in this study reduces its generalizability, and the results of this research can be applied more readily to jurisdictions with higher median incomes located in large metropolitan areas. The reliability of data collection is ensured by using a common data collection protocol; however, follow-up research performed in other locations is needed to enhance its external validity.

6. In all, 92 percent of respondents were contacted based on the Internet listings, while 8 percent were found using snowball sampling or from a telephone book.

7. In 96 percent of interviews, respondents were “technical” or “program” officers, while in 4 percent of cases, subjects were procurement officers involved in the contract monitoring process. In addition to interview notes, short analytic memos were written after each interview to record contextual and other relevant factors.

8. With the exception of four contracts, the majority of monitoring officers and contractors in the sample are not associated with the same contract. While such an approach prevents us from examining both sides of joint contractual arrangements, the independence of the observations permits including them in a single regression model without biasing the result.

9. Most contractors in the sample operated either locally or across several neighboring jurisdictions. The exceptions were national companies that also provided local services locally.

10. Conceptually identical questions were used in contractor interviews, although wording has been changed (e.g., the question “Do you evaluate or monitor your contractor’s performance?” was modified to “Does the government agency evaluate or monitor the performance of your organization?”).

11. Measurement, data sources, and coding pertaining to all independent variables are described in the appendix.

12. Importantly, the interview guide did not consistently seek information about the composition of provider markets. The latter was elicited through inductive, exploratory analysis, and hence generalizations on the prevalence and the relative weight of this consideration compared to others (e.g., the contractor’s capacity) should be made with caution.

13. These categories are not mutually exclusive—for example, one contract could be monitored using all three approaches.

14. Low prevalence of cost monitoring may be a result of fixed-cost contracts for which officers reported obtaining the billing documentation, rather than continuously reevaluating the cost-effectiveness of service delivery.

15. While responding to the questions on an agency’s monitoring of quality, two contractors responded, “They think they do! But I really don’t think they do it” and “They do something to that end, but I don’t think they can actually evaluate quality.”

16. To investigate the possibility of multicollinearity, variance inflation factors (VIFs) were obtained for all models. All VIFs were below 3, failing to confirm the possibility of multicollinearity.

**References**


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