

**Is Competitive Contracting
Really Competitive?
A Case Study of Restructuring
Government-Nonprofit Relations in
Shanghai**

Yijia Jing, Fudan University and
Bin Chen, Baruch College, CUNY
Bin.chen@baruch.cuny.edu

Executive Summary

China has been involved in a new public management (NPM) reform of its public sector since the late 1970s . An ongoing marketization of the economy has created a strong demand, an available resource pool, and a remarkable benchmark for the government to reinvent itself. Alternative modes of service delivery, such as contracting out, grants, subsidies, and vouchers, have been adopted to retrench government, enlist external producers, and enhance value for public money. Jing estimated that from 2002 to 2004, roughly a third of government service expenditures in China were outsourced with an annual growth rate of 1 percent. A Chinese-style hollow-state is looming.

Government-nonprofit collaboration in social service delivery is a relatively new development in China. As reforms to publicly-funded service units (Tang and Lo 2009) have largely constrained their expansion and resulted in a shortage of social service suppliers, the government has to selectively relax its social regulation and encourage social service nonprofits to fill the vacuum (Jing and Savas 2009; Wang, Salamon, Simon, and Irish, 2010). In 2009, there were 431,000 registered nonprofits, an increase of 81

percent from 2000.¹ In 1998, governmental grants, subsidies, and service fees combined accounted for roughly 54 percent of total nonprofit revenues (Deng 2000). A complementary relationship between government and nonprofit---nonprofit produces social services largely financed by government---is taking shape in China.

With these ongoing economic and administrative reforms, the Chinese government has to relax its social regulation and encourage social service nonprofits to close the gap between increasing social service demands and limited government supply capacity. A complementary relationship between government and nonprofits — in which nonprofits produce social services largely financed by the government — is taking shape in China. This paper examines the experience of introducing competitive contracting in social service delivery in the City of Shanghai, China.

Competitive contracting was designed to replace informal partnerships and noncompetitive contracting in an effort to change the nature of the government-nonprofit relationship from stewardship to a principle-agent relationship.

This paper explores a ubiquitous feature of this new development—decoupling — that maintains a gap between symbolically adopted formal

¹ The data are from *the 2009 Statistical Report of the Development of Civil Affairs* issued by the Ministry of Civil Affairs of People's Republic of China on June 10, 2010.

policies and actual organizational practices. By integrating institutional theory, transaction costs and resource dependence theory, we discuss the macro institutional pressures of adopting a competitive contracting policy and the micro challenges of economizing transaction costs and mutual resource dependence in its implementation. Our empirical measurement showed that the competitive contracting program was not as competitive as it should be. While institutional pressures mandate a shift to formal and competitive contracting, public organizations may not be able to coordinate their work on the ground through competition and thus strategically adopt decoupling.

INTRODUCTION

China has been involved in a new public management (NPM) reform of its public sector since the late 1970s (Worthley and Tsao 1999; Christensen, Dong, and Painter 2008). An ongoing marketization of the economy has created a strong demand, an available resource pool, and a remarkable benchmark for the government to reinvent itself (Lan 2001; Ngok and Zhu 2007). Alternative modes of service delivery, such as contracting out, grants, subsidies, and vouchers, have been adopted to retrench government, enlist external producers, and enhance value for public money. Jing (2008) estimated that from 2002 to 2004, roughly a third of government service expenditures in China were outsourced with an annual growth rate of 1 percent. A Chinese-style hollow-state is looming (Milward and Provan 2000).

Government-nonprofit collaboration in social service delivery is a relatively new development in China. As reforms to publicly-funded service units (Tang and Lo 2009) have largely constrained their expansion and resulted in a shortage of social service suppliers, the government has to selectively relax its social regulation and encourage social service nonprofits to fill the vacuum (Jing and Savas 2009; Wang, Salamon, Simon, and Irish, 2010). In 2009, there were 431,000 registered nonprofits, an increase of 81 percent from 2000.² In 1998, governmental grants, subsidies, and service fees combined accounted for roughly 54 percent of total nonprofit revenues (Deng 2000). A complementary relationship between government and nonprofit---nonprofit produces social services largely financed by government---is taking shape in China.

These government-nonprofit collaborations are primarily informal, long-term relationships rather than formal contracts. They have been criticized by many due to excessive administrative intervention, lack of competition, and inferior quality of service delivery. Competitive bidding for social services only appeared in 2005 in China (Jing and Savas 2009). Since then, local governments in China's developed metropolitan areas like Shanghai and Shenzhen have experimented with introducing competitive contracting, with a belief that competition and formal contracts can restructure government-nonprofit relation and improve service performance.

Yet many would question if the competitive contracting in social service delivery is truly competitive in China because of a popular practice of decoupling: creation and maintenance of gaps between symbolically adopted formal policies and actual organizational practices (Meyer and Rowan 1977). Decoupling is ubiquitous in organizations and has been found pervasive in China's administrative reforms (Dong, Christensen, and Painter 2010).

In this paper, we intend to examine if decoupling occurs in adoption of competitive contracting in social service delivery and explore how the process that leads up to decoupling unfolds. In the following sections, we first revisit

² The data are from *the 2009 Statistical Report of the Development of Civil Affairs* issued by the Ministry of Civil Affairs of People's Republic of China on June 10, 2010.

the myth of social service competitive contracting and articulate a theoretical framework of decoupling by integrating institutional theory, transaction costs and resource dependence theories. We discuss the data sources we draw up for analysis and a mixed analytical method. We then present our findings guided by the theoretical framework we developed and finally conclude with some implications for restructuring government-nonprofit collaborations in transitional economies. This study enriches our knowledge of how public agencies respond to institutional pressures. As the transition from a centrally-planned economy to a market-oriented one produced dramatic institutional changes, it also created an opportunity to explore how public organizations resist new institutional pressures.

DECOUPLING AS AN ORGANIZATIONAL STRATEGY IN ADOPTING COMPETITIVE CONTRACTING: MACRO AND MICRO RATIONALES

Decoupling refers to the organizational practice of acquiring legitimacy without necessarily changing their practices by deploying formal policies that meet institutional pressures but are disconnected from actual practice. For example, British local governments' implementation of the European Foundation for Quality Management's Business Excellence Model was being decoupled from practice and still allowed them to achieve legitimacy from the central British government (Bowerman 2002). A number of theories, namely institutional theory, resource dependence and transaction cost theories provide insights for adopting competitive contracting in social services. We propose that three conditions must be met for the decoupling to occur: 1) increasing pressures to adopt a competitive contracting practice intensify in an organization's environment at the macro-level; 2) organizational decision-makers judge that the actual implementation of the competitive contracting to be undesirable at the micro-level but judge its formal adoption to be useful and necessary; 3) the organization adopts the institutionally prescribed competitive contracting but does not implement it in practice.

Institutional theory offers macro rationales of adopting competitive contracting. It suggests that government agencies adopt socially legitimated structural elements or practices and demonstrate a trend of homogenization (Meyer and Rowan 1977). Governments are increasingly contracting with for-profit organizations, nonprofits, and other governments to cope with diversified demands that overshadow in-house resources and capacities (Kettl 1993; Savas 2000). Governments are often driven by economic and managerial concerns (Hirsch 1995; Warner and Hebdon 2001; Brown and Potoski 2003; Hefetz 2004). Meanwhile, contracting is also an area where political and ideological factors easily penetrate (Chandler and Feuille 1991; Wallin 1997; Van Slyke 2003). The complex and intertwined motivations in contracting foretell its inconsistent performance and even abrupt failures (Hodge 2000; Sclar 2002; Weizsäcker, Young, and Finger 2005).

Among the many claimed advantages, competition has been singled out as the most important determinant of contracting success (Donahue 1989; Kettl

1993). Assuming that inefficient contractors can be timely and effectively replaced, contracting offers a hope to overcome bureaucratic pathologies such as the lack of bottom line, red tape, and irresponsiveness to customer needs. Yet public service markets are, in the best situations, quasi-markets. A reasonable level of contestability may be absent when qualified suppliers are few, entry barriers are high, and immunity to political manipulation is inadequate. It is important for governments to manage the markets as “smart buyers” (Enthoven 1988; Brown and Potoski 2004).

Competitive contracting is often driven by coercive, mimetic, and normative pressures (DiMaggio and Powell 1983). Legal mandates and intergovernmental grant requirements, recommendation of professional associations, and successful practice of adjacent or comparable local governments may all impose institutional pressures, pushing governments to ignore the imperfections at both demand and supply sides and rush into competitive contracting enthusiastically or reluctantly. Consequently, competitive contracting may happen in places where providers are few, services are highly complex, public managers are inexperienced, and resource commitment is insufficient. Institutional theory may also explain the inconsistency in institutional environment in which competitive contracting may be restricted by public law norms that may make governments hesitant in sharing information and offering assistance.

While facing institutional pressures to adopt competitive contracting, public agencies may find it undesirable to implement it at the micro level due to increasing transaction costs and mutual resource dependence. Governments are often discouraged by the transaction costs that occur in order to create and maintain competition. Savas (2002) generalized the requirements for effective contracting:

“Clear specifications and timetable, ample advertising, convenient and free access to the RFP, scheduled site visit, pre-proposal conference, available list of pre-proposal conference attendees, an adequate interval between the date the RFP was issued and the date responses were due, a suitable interval between the date of award and the starting date of the contract, and a clearly stated procedure and formula for evaluating proposals.”(p.89).

These new management tasks lead to typical transaction costs of searching, selection and negotiation. When contractors are replaced, governments face a loss of its specific investment on existing collaboration and a new adaptation process to establish collaboration, build trust, and control uncertainty. The temporary interruption to service delivery may force governments to take extra safeguard measures to prevent serious aftereffects. Governments may feel reluctant to replace partners when minimum expectations on performance are met. New suppliers that are short of intrinsic knowledge, connections and trust may face much higher preparation costs and poorer service performance at least in the short run.

In social service delivery, governments and nonprofits have a mutual

resource dependence on each other (Saidel 1991). Although organizations are inclined to maintain their autonomy and organizational identity by diversifying their resource bases, lack of alternative resource exchange opportunities will drive the organization to seek deeper commitment from its resource suppliers by taking more constraining strategies like alliance, co-optation, and even merger and integration (Pfeffer and Salancik 1978; Scott 2003). As social service and clients are often location-specific, building stable alliances with local governments has been a common strategy for nonprofits to maximize their chance of survival. Nonprofits may voluntarily make a concentrated commitment and form a custom-made capacity structure to exchange for local governments' recognition of these nonprofits as their sole partners. When local governments are small in size, diversifying their collaboration with nonprofits deprives their economies of scale. Consequently, resource dependence often characterizes existing collaborative relations and demands loyalty from both sides. Empirical evidence shows that higher resource dependence may not just serve mutual safety, but also lead to better perceived collaboration outcomes (Chen 2010).

Mutual resource dependence not only limits the incentive of contracting nonprofits and governments to get into competitive bidding, but also creates entry barriers when competitive bidding is adopted. Existing collaborative relationship often becomes entrenched in local political environments. An advocacy coalition between nonprofits, local governments and other community organizations may exit due to nonprofits' long-term resource-mobilization and sharing in building service networks. A potential competitor may feel confident of their operational advantages, yet be deterred by the local political environments hostile to its forced entry.

Transaction costs and resource dependence theories predict potential challenges in managing competitive social service contracting. For governments to collaborate with nonprofit organizations there are three institutional arrangements in terms of the level of formality: informal partnership, noncompetitive contracting, and competitive contracting. The key differences among them are whether there is a formal contract between partners and if so, whether formal competitive bidding mechanism is employed to select nonprofit contractor. How a partnership is structured significantly impacts the government-nonprofit relations and the ways that governments manage such relations. The introduction of competitive contracting is an attempt to restructure government-nonprofit relation by creating formal contracting and competition to informal partnership, and competition to noncompetitive contracting.

Current research of government-nonprofit relation has focused on two competing models. The agency model, which assumes conflicts of interests and information asymmetry between partners, recommends principals to use external monitoring and control to deal with agents' opportunistic behavior like lying, renegeing, and information distortion (Eisenhardt 1989; Barney and Hesterly 1999; Moe 1984). Stewardship model, on the contrary, assuming a promise-keeping stewards and goal congruence, recommends management

strategies like trust, reciprocity, and reputation (Davis, Donaldson, and Schoorman, 1997; Dicke 2002; Van Slyke 2006). In comparison, principal-agent relation is based on a generalized trust over formal institutions and agreements, while stewardship relation reflects a particularized trust over specific partners. In reality these seemingly conflicting relations coexist in real management behavior due to their complementarity. Empirical studies find that the application of these models varies contingently with the types of partners and the intensity of monitoring (Marvel and Marvel 2008).

Why do public managers treat nonprofit partners more as agents or stewards? Van Slyke (2006) argues that the initial disposition of public managers matters. They are inclined to distrust nonprofits at the beginning of collaboration (so principal-agent relation), but trust as the relation lasts (evolved stewardship relation). We believe that in building collaborative relationships, there is a connection between the nature of government-nonprofit relation and the institutional arrangements. While the stewardship model matches informal partnership, the principal-agent model aligns with competitive contracting. Noncompetitive contracting stands in the middle.

Informal partnership naturally breeds a stewardship relation. Despite an overwhelming emphasis on formal contracting in the literature, informal collaboration has been prevalent in practice. In their study of homeless services in large US cities, Berman and West (1995) found that most forms of intersectoral cooperation did not involve formal agreements. In the state of Georgia, half of the public-nonprofit partnerships had no contractual agreements (Gazley, 2008), and this was more likely when governments dominated the relationship. Informal partnership creates a relational contract in which implicit rather than explicit terms and understanding regulate partners' behavior (Macneil 1980). When long-term interaction and cooperation exist, management based on established trust and mutual knowledge help minimize risks and transaction costs for both sides. Yet the lock-in effect and the resulting bilateral monopoly may prevent further adjustments. The situation can be worse as nonprofits increasingly depend on governments for funding and other resources (Brooks 2000; O'Regan and Oster 2002). Although governmental control over nonprofits may not necessarily be a problem (Gazley 2008), informal partnership creates a common deficit of formal accountability due to the large amount of discretion reserved by the partners.

Contracting shifts the management foundation to formal institutions and legally binding documents. It offers an institutionalized channel to adjust contractual relationship and even changes contractors. Explicit contractual terms replace specific trust in forging partnerships. Consequently, nonprofits' compliance with contracts becomes a core concern of government's management. Incentives and punishments, monitoring, regular reporting, evaluation, and repeated contracting are used. A principal-agent relation tends to emerge as risk sharing and redistribution is achieved through contractual terms rather than voluntary risk-taking and a fixed term of contract is specified. Formal contracting does not preclude informal relations. Since a complete contract covering all contingencies would be impossible (Hart and

Moore 1988), trust and other relational investments are still useful in controlling risks related to adverse selection and moral hazards, and can be indispensable for formal contracting when the targeting services are complex and face serious supply and demand side imperfections.

Although the formality of contracting tends to enhance the accountability of both partners and reduce dependence on informal ties, contracts themselves may be influenced by thick relational networks in which they are embedded. Length of contracting relation is often positively related to the formation of mutual relations and accumulation of relational-specific investments (Gulati 1995). Thus a formal contract may, rather than being dynamically adjusted, become immune to serious adjustments. Even if a principal-agent relation is established at the beginning, its long duration may lead to an evolved stewardship relation (Van Slyke 2006). This partially explains the recent emphasis on collaboration rather than competition in the literature (Entwistle and Martin 2005).

Competitive contracting represents a further effort to strengthen formal rationality in contracting by changing the potentially dyadic game in informal partnerships and noncompetitive contracting to a multi-player game and by imposing a pressure of periodic bidding on contracting relationship. Competition is an external mechanism to break entropy (Hirschman 1970) by maintaining a constant threat to inefficient collaboration and lock-in stewardship. Under competitive contracting, the motivation to do specific investment declines since bid evaluators may not know or recognize highly specific or informal resources.

We summarize our analysis of alternative arrangements of government-nonprofit collaboration in Table 1.

Table 1: Institutional arrangement of government-nonprofit collaboration

	Informal partnership	Noncompetitive contracting	Competitive contracting
Methods in establishing partnerships	Negotiation and collaboration	Negotiation and collaboration	Competitive bidding
Government-nonprofit relation	Stewardship	Principal-agent relation, evolving toward stewardship	Principal-agent relationship
Contract type	Relational	Formal	Formal
Duration	Long, subject to evaluation	Specified term, subject to periodic evaluation and repeated	Specified term, subject to periodic competition and repeated

		contracting	contracting
Formal accountability	Low	Middle	High
Incentive of nonprofits	Low-powered	Middle	High-powered
Management burden	Low	Middle	High
Mutual trust	High	Middle	Low
Relation stability	High	Middle	Low
Depth of collaboration	High	Middle	Low

Competitive contracting, with its high formality and its belief in the rule of market, has been favored by the NPM advocates and used to restructure government-nonprofit relations. It creates dilemmas for public managers when adapting to the new system. In real world, collaborating agencies often lack incentives to voluntarily and completely shift to competitive contracting, which has frequently been a policy mandate or incentive imposed from above by legislators, elected or appointed officials, and central agencies. The “competition prescription” faces even greater challenges in social and human service contracting due to the more problematic contractibility of these services (DeHoog 1984, 1990; Ferris and Graddy 1986; Van Slyke 2003). Decoupling becomes an attractive organization strategy when public agencies are facing increasing institutional pressures of adopting competitive contracting and encounter a number of challenges of implementing it. Henry (1992, p317) found that approximately 85 percent of federal contract expenditures were “never let for bid,” and one-third of those were awarded to the preferred contractors of the federal officials. A study of contracting in North Carolina found that “little formal competition exists for contracts” (Smith and Smyth 1996, p277). Another study of mental health contracting in Massachusetts showed that there were averagely 1.7 proposals per RFP, and almost two-thirds of contracts received only one response (Schlesinger, Dorward, and Pulice 1986). One positive case was New York City where the 132 contract awarded to nonprofits attracted an average of 2.48 proposals (Savas 2002). Lamothe and Lamothe (2009) generalize from the literature and their empirical study that “lack or absence of competition in social service contracting is the norm rather than the exception”.

DATA AND RESEARCH METHODS

To explore how and why decoupling occurs in adopting competitive contracting in social service delivery, we selected the City of Shanghai in China

as a case study.³ The case study is an appropriate method for studying difficult-to-observe processes that would require interviews, field site visits, and organizational records and documents to construct a narrative.

We applied multiple methods to collect qualitative and quantitative data for the purpose of triangulation (Greene and McClintock 1985). In 2009, the Shanghai Municipal Bureau of Civil Affairs (SMBCA) authorized the Shanghai Community Service Center (SCSC), a quasi-governmental public service unit, to implement social service competitive contracting. We had the access to the process data of competitive contracting from the SCSC and conducted a number of interviews with the SCSC staff. In the summer of 2010, we visited all the 17 district governments involved in this program and had semi-structured interviews with the key officials responsible for administering the program. From November 2009 to August 2010, we conducted participant observation and semi-structured interviews at ten nonprofits. Nine of selected research sites are located in urban districts and 1 suburban district. In addition to collecting qualitative data, we surveyed all the 116 nonprofits with at least one contract from the program and 103 responded to the survey.

We adopted thematic analysis of qualitative data to construct our narrative of how the decoupling occurred by investigating the interplay of macro institutional pressures of adopting competitive contracting and difficulties and challenges of implementing it at the micro level. Quantitatively data from the survey was used to develop a number of indicators which measured bidding competitiveness.

INSTITUTIONAL PRESSURES ON ADOPTING COMPETITIVE CONTRACTING: RESTRUCTURING GOVERNMENT-NONPROFIT RELATION IN SHANGHAI

The system of social service delivery in China has experienced major transformations. After 1949 a state-based protective system was established and basic social services were managed along administrative-economic lines of the planned economy where urban work units (*dan wei*) and rural collectives were responsible for offering jobs and social welfare (Jing and Liu 2010). The post-1978 marketization reforms considerably undermined the state's direct service delivery capacity and subsequently moved many social service functions back to families and local communities. Social changes like urbanization, domestic immigration, ageing, and social stratification created diverse and proliferated social service needs.

Local officials were forced to cope with rising social demands. In-house production, either through governmental agencies or public service units, was not a feasible option because of a consistent pressure of administrative downsizing (Ngok and Zhu 2007). Contracting with for-profit organizations was also infeasible as a profit margin was prohibited for government-funded social services. In response, local governments began to systematically sponsor nonprofits to provide services like home care, mental health services, job

³ Shanghai is a province-level municipality in China with a population of 23 million in 2010. It is a most developed metropolitan area in Mainland China.

training, legal aid, and social relief. Government agencies are heavily involved in the operation of nonprofits by financing their activities, appointing key staff, and assigning tasks. Such a close and yet asymmetric collaboration can be characterized as an organizational extension of governments' social functions (Brinkerhoff 2002).

The situation is primarily attributed to the entrenched political distrust of governments against external social organizations.⁴ Despite a significant liberalization in civil association after 1978, a dual management system (DMS) took its shape. It legally requires that a social organization first gets the approval of a governmental agency with an administrative rank at or above the county level as its supervisor, and then registers at the Bureau of Civil Affairs with an administrative rank at or above the county level (Wang and Wang 2006). Affiliation to governments is necessary in exchanging for legitimacy as well as overcoming financial constraints. The regulatory environment does not clearly define organizational boundary between public and nonprofit organizations. Local governments, with fiscal resources and regulatory functions, afford a monopoly status to affiliated nonprofits in their jurisdictions, and have segregated them along the boundaries of administrative jurisdictions.

Government-nonprofit relations under these circumstances can be understood as an informal partnership based on non-contractual terms and subject to government control. Affiliated nonprofits can be considered as super-stewards since goal congruence with supervisory governmental agencies justifies their survival. Trust and good will are pervasively used as management strategies. While affiliated nonprofits are not formally accountable to governments, their compliance is safeguarded by their loyalty, reputation, and other kinds of informal ties. Co-option is not uncommon in that the leadership of nonprofits is often taken by a governmental official.

Super-stewardship gradually became problematic due to increasing centralization in social service provision. China's economic reform in the 1980s and 1990s was accompanied by load shedding, as well as delegation and devolution of social functions from central and provincial governments to lower-level governments (Jing and Liu 2009). Most social services were provided by local governments with varying fiscal capacities and service motivations. After the 1994's tax-assignment reform (Wang 1997), higher-level governments centralized the fiscal power and took more responsibilities of delivering social services. Grassroots governments are now required to focus on providing services, a considerable part of which are financed by fiscal transfers from above.

In the case of Shanghai, the revenues generated from social welfare lottery were used by the Shanghai Municipal Bureau of Civil Affairs (SMBCA) to finance social services to the elderly, the poor, the disabled, children, and the communities. The SMBCA would transfer part of the funding to the District Bureau of Civil Affairs (DBCAs), which may further transfer some money to sub-

⁴ Nonprofit organizations and social organizations are interchangeable in this paper.

district governments.⁵ The DBCAs or sub-district governments can spend the money on social services either directly or indirectly through affiliated nonprofits. Although the SMBCA is still partially responsible for the use of transferred lottery money, there is hardly any follow-up monitoring and evaluation of service delivery.

However, the SMBCA has faced more pressures of accountability in spending the lottery revenues. After *the 1999 Bidding Law of People's Republic of China* (PRC) and *the 2002 Government Procurement Law of PRC* were enacted, competitive bidding has been specified as the principal way for government procurement. Fiscal management had a growing emphasis on spending performance. The *2007 Government Information Publicity Ordinance of PRC* also set formal requirements on government to disclose information publicly. Consequently, municipal finance and auditing agencies began to request the SMBCA to provide detailed reports over the use and performance of lottery fund. Current intergovernmental transfer system made that difficult and provided few incentives for lower-level governments to provide such reports since the spending did not follow clearly specified projects. Meanwhile, the SMBCA has always been worrying about the absence of an active community of nonprofits capable of delivering social services innovatively and reliably due to the afore-mentioned administrative fetter. The frustration with the rigid super-stewardship between affiliated nonprofits and lower-level governments forced the SMBCA to take actions.

Competitive tendering was adopted by the SMBCA in 2009 to restructure government-nonprofit relation. The SMBCA appropriated a lottery fund of RMB 35 million for the fiscal year of 2009-2010 as a matching fund and allocated it to 18 Districts on the basis of their population. The program was designed in a framework of intergovernmental transfer as follows: 1) The District Bureau of Civil Affairs (DBCAs) submits the RFPs to the Shanghai Community Service Center (SCSC); 2) The SCSC reviews and approves the RFPs, and accepts sealed proposals from registered nonprofits; 3) An SCSC evaluation committee ranks proposals and selects the proposal with a highest score of no less than 60;⁶ 4) The SMBCA approves the selected proposals and then the sponsoring DBCA signs a contract with the selected nonprofits; 5) The SCSC randomly samples and monitors ongoing projects and audits and evaluates performance of all completed projects.

Although the program was optional and quite some affluent DBCAs expressed their disinterest in the small amount of matching grant quota assigned to them, China's administrative context created pressures for the DBCAs to treat it as an administrative direction from above. In our interviews, the DBCA officials showed no enthusiasm to outplay their peers by

⁵ Shanghai has three levels of governments, including the municipal government, 18 district governments, and streets governments in urban areas and township governments in rural areas. For convenience we will use sub-district governments to represent street governments and township governments in this paper.

⁶ In the early stage of the program, it was allowed that an RFP may receive less than 3 proposals, under a condition that the winning proposal must have a score no less than 70.

performance, but they carefully avoided being singled out as the worst example of noncompliance. All the DBCA officials praised the reform as reflecting the international and future trend and yet emphasized many difficulties facing them to implement this program. Several of them made a pun by describing the SMBCA chief as a “scholar-type official”. They were not prepared for managing social service market, but chose to transplant their current practices into new projects. While having at least 3 proposals was a precondition for a bid, most DBCAs developed a keen interest in securing the participation of disinterested or incompetent nonprofits. Symbolic compliance, consequently, met the SMBCA’s expectation. Neither the SCSC nor the DBCAs had extra resources for inspecting and evaluating contract performance, but had to rely on nonprofits’ self-reports. Although the program was imposed from above without consulting the DBCAs and sub-district governments about its feasibility, a compromise between the municipal and the lower-level governments was finally achieved in the policy implementation process.

MICRO CHALLENGES IN IMPLEMENTING COMPETITIVE CONTRACTING

Our findings suggest that implementation of competitive contracting is undesirable in the field. Transaction costs were incurred to governments and nonprofits in a shift toward competitive contracting. Risk-averse DBCA and sub-district officials preferred workable, safe, and failure-proof projects to those new ones that start from scratch. Working with those whom they have collaborated before, may guarantee governments with reliable knowledge, information, and control. 92 percent of the surveyed nonprofits admitted that contracting agencies consulted them when designing the projects. A preference to work with friends manifests efforts of avoiding transaction costs in shifting partners. In fact, one district official suggested that cross-jurisdictional bidding should be banned. One nonprofit from another district competed for two bids of this district and induced great anxiety and anger from this official. He did not want to deal with an unknown contactor who might abuse the bidding program opportunistically. Contracting governments could hardly create a competitive environment.

The SCSC in charge of the bidding process also faced serious transaction costs. Although the agency was aware of some of the management efforts in creating and maintaining competition, its 6-person operational team lacked needed expertise, time, and funding. Furthermore, it has been involved in a complex intergovernmental network, including the SMBCA and other municipal agencies, the DBCAs, sub-district governments, and nonprofits. Effective enforcement of bidding procedures entailed a great deal of intergovernmental communication and negotiation that was beyond its administrative authority. While the program was new and subject to frequent adjustments, the agency was clear that genuine implementation would end up with failures and may easily induce antipathy, noncooperation and even vetoes from other concerned agencies.

Transaction costs for nonprofits include the costs to prepare proposals, to

access clients and local stakeholders, and to comply with accountability requirements like reporting. Less than half 103 organizations (42 percent) responding to our survey reported that they did not have much difficulty in writing proposals. Many nonprofits simply did not know how to plan a project and were frustrated by the unclear requirements specified in the RFPs. The enormous amount of preparation deterred many nonprofits from participation. Nonprofits felt it impossible to implement a new project without having unreserved support from local governments. Insider information and connections were believed by many as critical for preparing a reasonable proposal. The maximum funding in the RFPs failed to cover the nonprofits' start-up and overhead costs. The reporting requirements and other obligations for nonprofits conflicted with the dual-management system if contracting governments were not their supervisory agencies. Therefore, incumbency advantages were overwhelming. Only 2 of the 103 nonprofits reported to have no similar service delivery activities in the locations of their contracting projects and only 3 did not have any forms of collaborations with local governments in these locations prior to the bidding.

Resource dependence features another major barrier to competitive contracting. Although competitive contracting provides opportunities for both local governments and affiliated nonprofits to expand their collaborative outreach, as was expected by the SMBCA as an incentive for both sides to participate, the nature of existing interdependence precludes serious deviation from it. The super-stewardship relationship as a consequence of a dual-management system, has consolidated a one-to-one bilateral monopoly, and removed the relational uncertainty between affiliated nonprofits and local governments. Opportunistic behavior is difficult as there are other stable and important connections and collaboration beyond the bidding project. In fact, local governments mobilized social-administrative systems like the Urban Residents' Committees to provide affiliated nonprofits with generous supports such as facilities, money, access to local residents and conflict resolution in time of disputes. These supports significantly helped enhance the performance of affiliated nonprofits with very limited operational capacities and less formalized organizational structures.

The stake in existing resource dependence became entrenched as the DBCAs and sub-district governments often repackaged existing service activities into the contracting projects. Awarding a contract to an external nonprofit would change previous investments on affiliated nonprofits into liabilities. Without institutionally separating local governments and affiliated nonprofits, the entrenched alliance created pressures of inward dependence and led to a negative attitude of local governments toward cross-jurisdiction competition. Only 35 percent of surveyed nonprofits reported that they would be supported by their supervisory agencies to take projects sponsored by other agencies; and only 35.6 percent of them believed that they would be supported by project-sponsoring agencies that were not their supervisors. It came as no surprise that 67.2 percent of them agreed that grassroots nonprofits would face much more difficulty than affiliated nonprofits in implementing the projects.

Resource dependence influenced not only the attitudes and will of potential contracting parties, but also the results of bidding. Both contracting governments and affiliated nonprofits can signal that information as a strategic threat for potential external competitors and as a hint for bid reviewers. In the bid evaluation process, demand-side representatives could indirectly and yet clearly expressed their preference by mentioning previous or current collaboration with a specific nonprofit. That signaling became one informal yet most important criterion for the evaluators who might know little about the project and had to make a “socially desirable” decision 20 minutes after they read the RFP and its proposals.

MEASURING COMPETITION IN SHANGHAI’S COMPETITIVE CONTRACTING PROGRAM

After discussing challenges facing public agencies and nonprofits in implementing competitive contracting, we examined the extent to which the competitive contracting is really competitive. Since “none of the empirical studies contains a direct measure of competition” (Boyne 1998, p481), we developed four tentative indicators on the basis of information available. Our findings suggest a limited competition in so-called competitive contracting.

From June 2009 to May 2010, 127 projects were contracted out to 116 Nonprofits. The total contract valued at RMB 39.84 million with an average contract funding at RMB 313,670.⁷ Except for a district on the Chongming Island, all 17 mainland districts participated in this program. Table 2 tallies some descriptive statistics of the program.

Table 2: Competitive contracting of social services in Shanghai, 2009-2010

Service types	Contracts awarded	Average number of proposals	Average contract price (RMB)	Cost reduction (RMB)	Rate of cost reduction
Elderly	61	3.21	409,367	1,567,807	5.91%
Children	13	3.08	229,870	154,025	4.90%
Poor	11	2.82	215,503	194,745	7.59%
Disabled	19	2.89	234,815	236,477	5.03%
Other	23	3.09	219,307	407,810	7.48%
Total	127	3.09	313,667	2,560,864	6.04%

Source: Compiled from the SMBCA records.

Note: Cost reduction refers to the difference between contract price and the maximum price set in the RFP.

1. *Average number of submitted proposals.* In Table 2, the 127 projects

⁷ Accordingly, the SMBCA only spent 56.9% of its program budget.

attracted an average of 3.09 proposals. This figure seems better compared to 2.48 of New York City (Savas 2002). There was no significant difference among different services, although elderly service projects attracted slightly more proposals. Table 3 shows that 109 (86 percent) projects got just 3 proposals. For the 274 nonprofits involved, they submitted an average of 1.43 proposals. Most nonprofits (70 percent) submitted just 1 proposal. The 116 contract-awarded nonprofits had a significantly higher average number of submitted proposals than the rest 158 nonprofits (1.6 vs 1.31, $\alpha=0.05$). While most contract-winning nonprofits got 1 contract, 9 nonprofits got 2 contracts each, and 1 nonprofit got 3 contracts.

Table 3: Submission of proposals

Proposals submitted	Number of projects	Proposals submitted	Number of nonprofits	Contracts awarded	Number of nonprofits
1	1	1	192	1	106
2	3	2	55	2	9
3	109	3	21	3	1
4	11	4	3		
5	3	5	2		
		6	1		
Sum	127		274		116

Source: Compiled from the SMBCA records.

2. *Cost reduction.* The gap between the maximum price set in the RFP and the final contracting price, as generally believed, may reflect the competition pressure (Domberger, Meadowcroft, and Thompson 1986). Rate of cost reduction is calculated as the quotient of such a gap divided by the maximum price. In table 2, there was a 6.04 percent of cost reduction for the 127 projects. Among them, 24 projects had a rate at or beyond 10 percent, with an extreme value of 36.6 percent. Yet there were also 49 projects with a rate lower than 1 percent, with 28 zeros. For these 49 projects there was hardly pressure on the winning nonprofits to cut their bidding prices. The bid evaluation method that assigned a maximum score of 20 to the bidding price also made it difficult to get competitive advantages without losing economic feasibility.⁸ The interviewed nonprofits and district officials consistently complained that the SCSC made a stringent appraisal of the RFPs and almost left no room of cost savings, making it a suicide for nonprofits to further compress the cost.

⁸ The calculation formula for the bidding price is $20 \times (1 - \text{bidding price} / \text{maximum price})$. Consequently, a nonprofit gets 10 points by offering a price as a half of the maximum price, 20 points by asking for no funding.

3. Contestability for a single project. Besides the number of proposals for a single project, *the gap between the evaluation scores of the contract-winning proposal and its closest competitor was calculated, showing how uncertain the result can be.* The SMBCA organized 5-person evaluation committees composed of a demand-side representative, citizen representatives, and experts to evaluate the proposals according to four criteria: organizational capacity (15 points), implementation plan (50 points), project management capacity (15 points) and bidding price (20 points). The data are available for 116 projects since some proposals opened right before evaluation were found not qualified and could not be evaluated.⁹ The average gap is 14.8, with a slightly positively-skewed distribution ranging from 0.33 to 35.4. Such a gap is significant considering the mean highest scores of 72.3. Table 4 shows that 74.4 percent of the 116 projects had slight or no competition.

Table 4: The gap between the first and second highest evaluation scores of the proposals to the same projects

Categories (gap intervals)	Frequency (percentage)
Highly contestable (0 5]	10 (8.6)
Contestable (5 10]	20 (17)
Slightly contestable (10 20]	60 (52)
Uncontestable (20 36]	26 (22.4)
Source: Compiled from the SMBCA records.	

4. *Cross-jurisdictional competition.* Under China’s unitary governmental system, the dual management system (DMS) creates similar service capacity structure across all local jurisdictions. All local governments have some affiliated nonprofits delivering more or less the same services. Cross-jurisdiction bidding provides a major potential of competition. Yet the DMS also creates a situation where affiliated nonprofits hardly preserve surplus capacities for “customers” outside the administrative boundaries of their supervisory agencies. Meanwhile, the super-stewardship between local government agencies and their affiliated nonprofits makes it difficult for external nonprofits to compete with affiliated nonprofits and for affiliated nonprofits to bid the projects outside of their jurisdiction. How likely cross-jurisdictional bidding happens and wins may be an indicator of entry barrier for external organizations.

We define cross-jurisdictional bidding when a nonprofit submits a bid for a

⁹ There were 28 such proposals out of 393, showing a serious inexperience in writing proposals.

project that is outside the administrative jurisdiction of its supervisor. It includes bids submitted by a municipality-affiliated nonprofit for a district or sub-district project, by a district-affiliated nonprofit for a project in another district or a sub-district project within the district, or by a sub-district-affiliated nonprofit for a project outside its sub-district. There were 52 district projects that served either the whole district or two or more sub-districts within the district, and 75 sub-district projects that served residents within a sub-district.¹⁰

Table 5 summarizes cross-jurisdictional (CJ) and in-jurisdiction (IJ) biddings. There were 119 CJ bids, accounting for 30.3 percent of a total of 393; while there were 20 contract-winning CJ bids, accounting for 15.7 percent of a total of 127. The odds of the CJ bids to win (0.17) were less than half of that of the IJ bids (0.39). The IJ bids at the district or sub-district levels both had high acceptance rates (43 percent and 37 percent). For the CJ bids, district-affiliated nonprofits had an obviously better performance than sub-district-affiliated nonprofits, due to their higher open-mindedness, less constraints by supervisory agencies, and closer connections to the DBCAs. These advantages were especially helpful for them to compete for sub-district projects within their districts. Nine contract-winning bids belonged to this category, accounting for 45 percent of contract-winning CJ bids. In comparison, sub-district-affiliated nonprofits rarely attempted to bid for projects outside their jurisdiction. Although sub-district-affiliated nonprofits had a low likelihood to win CJ bids even within their own districts, they performed much better in winning their own district projects (13 percent than in winning other sub-district projects in the same district (4 percent).

Table 5: Cross-jurisdictional Competition in the 127 Contracted-out Projects

Supervisory agency of nonprofits	Project sponsor	Bidding category	Accepted proposals	All proposals	Rate of acceptance
Municipal governmental agencies	Districts or sub-districts	CJ	1	4	25%
District governmental agencies	Other districts or their sub-districts	CJ	4	20	20%
	This District	IJ	42	97	43%
	Sub-districts within the district	CJ	9	30	30%
Sub-district governments	Other districts or their sub-	CJ	0	1	0%

¹⁰ All RFPs in one district will be submitted by its DBCA to the SMBCA.

	districts				
	District	CJ	5	39	13%
	Other sub-districts within the district	CJ	1	25	4%
	This sub-district	IJ	65	177	37%
Total			127	393	32%

Source: Compiled from the SMBCA records and other sources.

CONCLUSION

This paper targets the often advocated but rarely measured and analyzed competition in social service contracting. In doing that, we choose China's biggest metropolitan city, Shanghai, and its experience of competitive contracting for social service program for a case study. As Shanghai is the most modernized and open society in China, its practices may well be imitated by other local governments in a unitary country with consistent local political regimes. An exploratory analysis of this case may shed much light on the country as a whole and its future.

Our analysis reveals that implementing agencies adopted institutionally prescribed policy of competitive contracting formally and yet decoupled it from their actual practice. Despite an average of 3.09 competitors for every project, the real level of contestability was far from satisfactory. In explaining the discrepancy, we believe that institutional theory, transaction cost theory, and resource dependence theory can well fit the Chinese context and provide powerful explanations. We further argue that adoption of competitive bidding features a micro-institutional transition from informal partnership or noncompetitive contracting, in the hope of restructuring government-nonprofit relation from stewardship to principal-agent. In our case, the social regulatory environment of China, the corporatist-type of government-nonprofit relation, and the incapacity of higher-level government to intervene stand out as major contributors to the decoupling.

The institutional transition perspective highlights the unwillingness and incapacity of collaborating governments to shift to competitive arrangement. Intergovernmental intervention demands sufficient resource commitments, effective central management, and adequate institutional coordination to balance the reactions from contracting governments. The incompleteness of transition reflects a general dilemma of public organizations in reconciling conflicts of macro and micro institutions.

REFERENCES

- Barney, J. B. and W. Hesterly. 1999. "Organization Economics: Understanding the Relationship between Organizations and Economic Analysis." Pp. 109-141 in S. R. Clegg and C. Hardy, eds., *Studying Organization: Theory and Method*. London: Sage Publications.
- Berman, E. M. and J. P. West. 1995. "Public-Private Leadership and the Role of Nonprofit Organizations in Local Government: the Case of Social Services". *Review of Policy Research* 14(1-2): 235-251.
- Bowerman, M. 2002. "Isomorphism without Legitimacy? The Case of the Business Excellence Model in Local Government". *Public Money & Management* 22(2): 47-52.
- Boyne, G. A. 1998. "Bureaucratic Theory Meets Reality: Public Choice and Service Contracting in U. S. Local Government". *Public Administration Review* 58(6): 474-484.
- Brinkerhoff, J. M. 2002. "Government-Nonprofit Partnership: A defining framework". *Public Administration and Development* 22(1): 19-30.
- Brooks, A. C. 2000. "Is There a Dark Side to Government Support for Nonprofits?" *Public Administration Review* 60(3): 211-218.
- Brown, T. L. and M. Potoski. 2003. "Transaction Costs and Institutional Explanations for Government Service Production Decisions". *Journal of Public Administration Research & Theory* 13: 441-468.
- Brown, T. L. and M. Potoski. 2004. "Managing the Public Service Market". *Public Administration Review* 64(6): 656-668.
- Chandler, T. and P. Feuille. 1991. "Municipal Unions and Privatization". *Public Administration Review* 51(1): 15-22.
- Chen, B. 2010. "Antecedents or Processes? Determinants of Perceived Effectiveness of Interorganizational Collaborations for Public Service Delivery". *International Public Management Journal* 13(4): 381-407.
- Christensen, T., L. Dong. and M. Painter. 2008. "Administrative Reform in China's Central Government: How Much Learning from the West?" *International Review of Administrative Sciences* 74(3): 351-371.
- DeHoog, R. H. 1984. *Contracting Out for Human Services: Economic, Political, and Organizational perspectives*. Albany, NY: State University of New York Press.
- DeHoog, R. H. 1990. "Competition, Negotiation, or Cooperation: Three Models for Service Contracting". *Administration and Society*. 22(3): 317-340.
- Davis, J. H., L. Donaldson, and F. D. Schoorman. 1997. "Toward a Stewardship Theory of Management". *Academy of Management Review* 22(1): 20-47.
- Deng, G. 2001. *Nonprofit Organization Evaluation*. Beijing: Social Sciences Academic Press.
- Dicke, L. A. 2002. "Ensuring Accountability in Human Services Contracting: Can Stewardship Theory Fill the Bill?". *American Review of Public Administration* 32(4): 455-470.
- DiMaggio, P. and W. Powell. 1983. "The Iron Cage Revisited: Institutional

- Isomorphism and Collective Rationality in Organizational Fields”. *American Sociological Review* 48(2): 147-160.
- Domberger, S., S. Meadowcroft, and D. Thompson. 1986. “Competitive Tendering and Efficiency: The Case of Refuse Collection”. *Fiscal Studies* 7(4): 69-87.
- Donahue, J. 1989. *The Privatization Decision: Public Ends, Private Means*. New York: Basic Books.
- Dong, L., T. Christensen, and M. Painter. 2010. “A Case Study of China’s Administrative Reform: The Importation of the Super-Department”. *American Review of Public Administration* 40(2): 170-188.
- Eisenhardt, K. 1989. “Agency Theory: An Assessment and Review”. *Academy of Management Review* 14(1): 57-74.
- Enthoven, A. 1988. *Theory and Practice of Managed Competition in Health Care Finance* Amsterdam: North-Holland.
- Entwistle, T. and S. Martin. 2005. “From Competition to Collaboration in Public Service Delivery: A New Agenda for Research”. *Public Administration* 83(1): 233-242.
- Fernandez, S. and R. Fabricant. 2000. “Methodological Pitfalls in Privatization Research: Two Cases from Florida’s Child Support Enforcement Program”. *Public Performance & Management Review* 24(2): 133-144.
- Ferris, J. and E. Graddy. 1986. “Contracting out: For what? With whom?” *Public Administration Review* 46(4): 332-344.
- Gazley, B. 2008. “Beyond the Contract: the Scope and Nature of Informal Government-Nonprofit Partnerships”. *Public Administration Review* 68(1): 141-154.
- Jennifer, G. and C. McClintock. 1985. “Triangulation in Evaluation: Design and Analysis Issues”. *Evaluation Review* 9(5): 523-545.
- Gulati, R. 1995. “Does Familiarity Breed Trust? The Implications of Repeated Ties for Contractual Choice in Alliances”. *Academy of Management Journal* 38 (1): 85-112.
- Hart, O. and J. Moore. 1988. “Incomplete Contracts and Renegotiation” *Econometrica* 56(4): 755 - 785.
- Hefetz, A. 2004. “Privatization and Its Reverse: Explaining the Dynamics of the Government Contracting Process”. *Journal of Public Administration Research and Theory* 14(2): 171-190.
- Henry, N. 1992. *Public Administration and Public Affairs*. Englewood Cliffs, NJ: Prentice Hall.
- Hirsch, W. 1995. “Factors Important in Local Governments Privatization Decisions”. *Urban Affairs Review* 31(2): 226-243.
- Hirschman, A. 1970. *Exit, Voice, and Loyalty: Responses to Decline in Firms, Organizations, and States*. Cambridge, Mass: Harvard University Press.
- Hodge, G. 2000. *Privatization: An International Review of Performance*. Boulder, Colorado: Westview Press.
- Jing, Y. 2008. “Outsourcing in China: An exploratory Assessment”. *Public Administration and Development* 28(2): 119-128.

- Jing, Y. and C. Liu. 2010. "Understanding China's Administrative Adaptation: The Role of Weak Organizations". *Issues and Studies* 46 (2): 1-32.
- Jing, Y. and E.S. Savas. 2009. "Managing Collaborative Service Delivery: Comparing China and the United States". *Public Administration Review* (Special Issue): 101-107.
- Jing, Y. and X. Liu. 2009. "Intergovernmental Fiscal Relations in China: An Assessment", Pp.73-93 in EROPA Local Government Center ed., *Local Governance under Stress: Fiscal Retrenchment and Expanding Public Demands on Government*. Tokyo: EROPA Local Government Center.
- Kelman, S. 2002. "Contracting". Pp. 282-318 in L. M. Salamon ed., *The Tools of Government: A Guide to the New Governance*. New York, NY: Oxford University Press.
- Kettl, D. 1993. *Sharing Power: Public Governance and Private Markets*. Washington, DC: The Brookings Institution Press.
- Lamothe, M. and S. Lamothe. 2009. "Beyond the Search for Competition in Social Service Contracting: Procurement, Consolidation, and Accountability". *American Review of Public Administration* 39(2): 164-188.
- Lan, Z. 2001. "Understanding China's administrative reform". *Public Administration Quarterly* 24(4): 437-468.
- Ma, J. and Z. Zhang. 2009. "Remaking the Chinese Administrative State since the 1978 Economic Reform: The Perspective of 'Double Movements'". *Korean Journal of Policy Studies* 23(2):225-52.
- Marvel, M. and H. Marvel. 2008. "Government-to-Government Contracting: Stewardship, Agency, and Substitution". *International Public Management Journal* 11(2): 171-192.
- Macneil, I. R. 1980. *The New Social Contract: An Inquiry into Modern Contractual Relations*. New Haven, CT: Yale University Press.
- Meyer, J. and B. Rowan. 1977. "Institutionalized Organizations: Formal Structure as Myth and Ceremony." *American Journal of Sociology* 83(2): 340-363.
- Milward, B. and K. Provan. 2000. "Governing the Hollow State". *Journal of Public Administration Research and Theory* 10(2): 359-380.
- Moe, T. 1984. "The New Economics of Organization". *American Journal of Political Science* 28(4): 739-777.
- National Bureau of Statistics of China. 2009. *China Statistical Yearbook 2009*. Beijing: China Statistics Press.
- Ngok, K. and G. Zhu. 2007. "Marketization, Globalization and Administrative Reform in China: A Zigzag Road to a Promising Future". *International Review of Administrative Sciences* 73(2):217-33.
- O'Regan, K. and S. Oster, 2002. "Does Government Funding Alter Nonprofit Governance? Evidence from New York City Nonprofit Contractors". *Journal of Policy Analysis and Management* 21(3): 359-379.
- Pfeffer, J. and G. Salancik. 1978. *The External Control of Organizations: A Resource Dependence Perspective*. New York, NY: Harper and Row.

- Saidel, J. 1991. "Resource Interdependence: The Relationship between State Agencies and Nonprofit Organizations". *Public Administration Review* 51(6):543-53.
- Salamon, L. M. 2002. "The Resilient Sector: The State of Nonprofit America". Pp. 3-61 in L. M. Salamon ed., *The State of Nonprofit America*. Washington, D.C.: Brookings Institution Press.
- Savas, E.S. 2000. *Privatization and Public-Private Partnerships*. New York: Chatham House.
- Savas, E.S. 2002. "Competition and choice in New York City social services". *Public Administration Review* 62(1): 82-91.
- Schlesinger, M., R. A. Dorward, and R. T. Pulice. 1986. "Competitive Bidding and States' Purchase of Services: The Case of Mental Health Care in Massachusetts". *Journal of Policy Analysis and Management* 5(2): 245-263.
- Sclar, E. 2002. *You Don't Always Get What You Pay For: The Economics of Privatization*. Ithaca, N.Y.: Cornell University Press.
- Scott, R. 2003. *Organizations: Rational, Natural, and Open Systems*. Upper Saddle River, NJ: Prentice Hall.
- Smith, S. R. and J. Smyth. 1996. "Contracting for Services in a Decentralized System". *Journal of Public Administration Research and Theory* 6(2):277-296.
- Tang, S. and C. W. Lo. 2009. "The Political Economy of Service Organization Reform in China: An Institutional Choice Analysis". *Journal of Public Administration Research and Theory* 19(4):731-767.
- Van Slyke, D. 2003. "The Mythology of Privatization in Contracting for Social Services". *Public Administration Review* 63(3):296-315.
- Van Slyke, D. 2006. "Agents or Stewards: Using Theory to Understand the Government-Nonprofit Social Service Contracting Relationship". *Journal of Public Administration Research and Theory* 17(2):157-187.
- Wallin, B.A. 1997. "The Need for a Privatization Process: Lessons from Development" *Public Administration Review* 57(1):11-21.
- Wang, H. and C. Wang. 2006. "Suring at the Margins: The Dilemma of Developing Social Organizations in China". *Mainland China Studies* 49(1):27-51.
- Wang, P., L. M. Salamon, K. W. Simon, and L. E. Irish. 2010. *Outsourcing Government-Financed Social Services to Civil Society Organizations: Lessons from China and Abroad*. Beijing: Peking University Press.
- Wang, S. 1997. "China's 1994 Fiscal Reform: An Initial Assessment." *Asian Survey* 37(9):801-17.
- Warner, M. and R. Hebdon. 2001. "Local Government Restructuring: Privatization and Its Alternatives". *Journal of Policy Analysis and Management* 20(2):315-336.
- Weizsäcker, E., O. Young, and M. Finger. 2005. *Limits to Privatization: How to Avoid Too Much of A Good Thing*. London; Sterling, VA: Earthscan.
- Worthley, J. A. and K. K. Tsao. 1999. "Reinventing Government in China: A Comparative Analysis". *Administration & Society* 31(5):571-587.