Producing Human Services:  
Why Do Agencies Collaborate?

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Abstract

Belief in the resource-saving and service-enhancing potential of inter-organizational collaboration has become virtually an article of faith among resource providers, client advocates, and service planners. Yet collaboration in practice encounters myriad difficulties, and successful collaborations seem to be relatively rare. In this paper, we focus on providers’ incentives to collaborate: why might a provider decide to reallocate effort away from independent service provision toward collaboration in service provision? We argue that careful consideration of these incentives, framed by theory, can help sponsors of collaboration to avoid choosing governance mechanisms that are likely to fail, and select instead those mechanisms with the best chances of success under the circumstances they confront.
Introduction

Organizations providing human services\(^1\) are under increasing pressure to work with each other to achieve the benefits of interdependence. Potential beneficiaries of such collaboration include sponsors and administrators, clients/customers, and the service providers themselves (Weiss 1981) as well as the wider community of citizens and stakeholders.

Despite its popularity and seeming promise, collaboration encounters myriad difficulties in practice that are often unanticipated by those who provide sponsorship, resources, and administration to the collaboration as well as by the collaborating agencies themselves (Bardach and Lesser 1996; Hassett and Austin 1997; Meyers 1993; USDHHS 1991; USGAO 1992; Weiss 1981). Though these experiences raise questions concerning the gains from collaboration, most research on collaboration tends to evaluate collaborations on the assumption that stakeholders stand to benefit.\(^2\) Such research begs the question: why might agencies wish to collaborate in the first place? Failures of collaboration may reflect failures on the part of sponsors, administrators, and participants.

\(^{1}\) The mission of human service organizations is to promote and protect the well being of individuals, families, and other social units through mandatory or voluntary interventions in their lives. See Hasenfeld (1983).

\(^{2}\) In Getting Agencies to Work Together, for example, Bardach (1998) chose to study cases in which there had been sustained efforts to collaborate, the potential value of collaboration was high, and there was clear evidence of success.
to understand the interests that motivate participation and to govern in the light of those interests.

Agency motives and interests and their implications for the governance of collaborations are the concerns of this paper. Drawing on theories from across disciplines, we develop a heuristic for analyzing collaboration governance. To frame our inquiry, we conceptualize the underlying problem facing individual service providers as economic, i.e., as a question of allocating scarce organizational resources toward organizational goal attainment.\(^3\) Within this frame, we review rational choice theories and socialized (or relational) choice theories, from which possible explanations for agency decisions to collaborate may be deduced. Finally, we consider governance mechanisms that are consistent with these different explanations and show how a sponsor’s or manager’s understanding of providers’ incentives, and the mechanisms appropriate to these incentives, are likely to affect the success of a collaboration.\(^4\)

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\(^3\) Interdependence and associated collective action problems are common in public service provision. Optimal service effectiveness often depends on coordinated action by multifarious actors related in a parallel, sequential (possibly hierarchical), or reciprocal (endogenous) fashion (see Comfort and Namkoong 1989; Thompson 1967).

\(^4\) Weiss (1987) studied collaboration in educational service agencies in local school districts, found that different theoretical perspectives explained different elements of the behaviors she observed, and proposed a process model that integrated the perspectives. Our goal in this paper is neither to assess each theory in regard to a particular collaborative initiative, nor to attain an integrated model. Reitan (1998) also discusses a number of different theoretical approaches for understanding
Focusing on providers’ incentives and the match between theory and practice can be useful for understanding, for example, how the director of a mental health authority might induce service providers to ensure continuity of care to clients. In the light of the benefits and costs to individual providers of coordinating their services, is collaboration a reasonable prospect? In the light of organizational interests, how might collaboration be brought about and governed? We discuss how the success of efforts such as promoting continuity of care depends on whether a public manager ‘gets the theory right,’ that is, chooses governance mechanisms that are consistent with the theory of collaboration that seems to fit the facts of the situation.

‘The facts’ may not be easily discernable, of course, and may encompass factors beyond those that initially and ostensibly lead organizations and governing authorities to establish collaborative relationships. For example, the idea of collaboration is often popular as a response to pressures for service cost reductions and innovation stemming from resource scarcity; to increased emphasis on system performance; and to the growing appeal of interventions (e.g., continuity of care, case management) that meet the multifarious needs of ‘customers’ that include communities, families, and individuals (Bickman, et al. 1995; Bickman 1996; Bardach 1998).

Further, the vast number and types of potential collaborative relationships among human service agencies imply that no single theory of collaboration will suffice. Collaborations exist, for example, among:

interorganizational relations in human services. Our analysis differs from Reitan’s approach in our definition of the problem, the scope of theories we examine, and implications for governance research.
• legally autonomous private agencies in an organizational field such as child
welfare or serious mental illness (DiMaggio and Powell 1983) or organization
set (Blau and Scott 1962; Evan 1966);
• offices, branches, divisions, or other units within a government department or
within a ‘comprehensive’ nonprofit organization (NPO), each having a
significant measure of discretion or autonomy in the specific service it provides
(e.g., classes, support groups, day care, emergency assistance, nutrition
assistance, and case management);
• public agencies sharing responsibility for the well being of multi-problem
clients (Glisson 1996);
• a combination of organizations that serves a range of client needs (e.g., those
of mentally ill persons who may need to interact with mental health clinics,
hospital emergency rooms, local police departments, and jails, as well as other
providers of emergency services, inpatient services, aftercare, outpatient care,
day treatment, counseling services, and case management) (Finn 1989).

In these and other examples, simply assuming that providers are motivated to ‘do
the right thing’ is an insufficient basis for promoting collaboration, as is assuming that all
providers face the same incentives and have similar motives. The intellectual and
practical difficulties of matching governance mechanisms with an appropriate
explanation for provider behavior no doubt accounts for what practitioners and
researchers perceive as the high rate of failure among efforts to promote lasting and
productive collaboration.
Collaboration as a Strategic Production Problem

Collaboration refers to voluntary participation in interorganizational (horizontal) relationships that involve agreements or understandings concerning the allocation of responsibilities and rewards among the collaborators. Assume that, because of interdependence, there are potential net benefits from inter-agency collaboration. Why might autonomous agencies reallocate effort away from independent (i.e., uncoordinated) service provision and toward collaboration that produces these benefits? Stated differently, why do autonomous organizations form or join a network that institutionalizes interdependence?

The decision to collaborate is only one type of strategic production problem facing human service agencies. Collaboration, moreover, need not concern production choices. Nonetheless, providers’ motivations and incentives are brought into focus by

We use the term ‘collaboration’ rather than ‘network’ because we wish to distinguish network theories from other theories that provide insight into collaborative behavior. Autonomy refers to the right to make decisions concerning the use of resources, i.e., having discretion or authority to select actions (cf. Aghion and Tirole 1997).

Other strategic production decisions include whether to enter into binding contractual relationships with superordinate organizations such as a state agency or a parent organization, to diversify services, to convert to another governing form (e.g., from nonprofit to for-profit status), or to initiate or terminate specific products or services.

For example, Dluhy (1990) defines a coalition as an organization of organizations that has as its primary purpose ‘securing resources and other public policy
viewing collaboration as a strategic production problem. Specifically, this problem involves a legally or organizationally autonomous human service provider that is capable of allocating effort toward one or both of two outputs: an independent product or service for which the production influence of other organizations is limited to arm’s length market transactions; or a collaborative product for which the provider’s productivity (as expressed in some valued performance measure) is affected by the efforts of other providers.8 An independent product might be ‘counseling,’ ‘residential placements,’ ‘training,’ ‘case closures,’ or ‘mediation services.’ A collaborative product might be ‘continuity of care,’9 ‘wrap-around’ or ‘family support’ services,10 or ‘integrated (holistic) services.’

Proponents of collaboration often assume that interdependence among collaborators leads to higher collective (or community) utility at a given resource actions from government’ (p. 10).

8 Either product could be a pure private good (i.e., an excludable, rival good with no externalities), a collective good (i.e., a nonexcludable, nonrival good), or a good having some of both characteristics.

9 Continuity of care may be defined as ‘a process involving the orderly, uninterrupted movement of patients among the diverse elements of the service delivery system’ (Bachrach 1981, p. 450).

10 The wraparound concept implies an unconditional commitment to serve children and their families in accordance with team-developed service plans appropriate to the individual child’s particular needs.
expenditure.\footnote{Independent providers may spontaneously coordinate their actions without engaging in direct transactions by, for example, anticipating and adapting to each other’s service practices, but the result of implicit coordination may not maximize collective well-being. See Moe’s (1985) concept of an ‘endogenous core.’} For example, collaboration could improve individual or caseload outcomes, or expand service availability to particular categories of clients, compared to the performance of providers acting in an uncoordinated fashion. For net benefits to be realized, however, an individual organization’s share in the benefits of collaboration must justify any additional production and participation costs associated with its involvement.

Because modifying independent production processes may be more costly to the provider than the benefits accruing to others, collaborative production often poses collective action problems that require governance, i.e., an agreed-upon means of arranging and enforcing understandings with respect to the allocation of responsibilities among providers (Miller 1992). A governing authority may be either external (e.g., a government agency, foundation, or other ‘outside’ sponsor) or internal (e.g., a partnership agreement or governing board that includes or is chosen by participants) to the collaborative. We will return to this distinction below when we evaluate governance strategies.

\textbf{Why Collaborate?}

Two classes of theories can be helpful in analyzing an agency decision to collaborate on behalf of joint production. Rational choice theories are concerned with exchanges (e.g., of service for payment) or with other interactions (e.g., providing or withholding information) between autonomous actors seeking to attain pre-existing
organizational goals. Socialized choice theories are concerned with relationships other than exchange relationships that might further shared values.

Our aim in reviewing specific theories in these two classes is to show how they focus on different factors assumed to influence an organization’s incentives to engage in independent or collaborative production. Thus, these theories have different—often problematic—implications for the initiation and management of collaboration and for choosing mechanisms of governance. Some theories, for example, provide complementary and perhaps indeterminate causal explanations for collaboration, while others offer conflicting explanations, situations that we will explore further below.

**Rational Choice Theories**

Rational choice theories tend to view production units as created to facilitate the goal-seeking behavior of managers, employees, and patrons. Two assumptions are fundamental to these theories: first, individuals react rationally to changes in the terms on which their goals can be fulfilled, and second, the relative values that individuals place on achieving various goals are stable. Actors are influenced by the transactional context within which exchanges take place insofar as context constrains choice. Thus changing either the terms of exchange (such as contractual provisions) or constraints (such as budgets or rules) will alter production choices. Theories point to the particular factors that are assumed to be important to the strategic production decision.

The premise of transaction cost economics is that the costs of exchange—the resources that interacting parties devote to ensuring that mutual expectations are ultimately satisfied—associated with different production strategies influence the organization of production (Williamson 1985). Such costs include, for example, those
incurred to obtain information necessary to reach, monitor, and enforce agreements.

From a rational choice perspective, collaboration may involve additional transactions costs that must be compensated by a governing authority.

**Principal-agent theory** is concerned with the relationship between those sponsoring or governing human service production as ‘principals’ and the producers as ‘agents.’ From this perspective,

agents are perceived as having distinct tastes (such as the desire to limit risk taking or minimize costly effort), which they pursue as rational maximizing [actors]. The principal’s job is to anticipate the rational responses of agents and to design a set of incentives such that the agents find it in their own interests (given the incentive system) to take the best possible set of actions (from the principal’s perspective) (Miller 1992, p. 2).

Predictors of problems in these relationships include conflicts of interest and information asymmetries between principal and agent. For example, providers and a governing authority may disagree over desired effort levels, compensation, or allocation of burdens and rewards between agencies or activities.

A problem of particular interest in human services involves team production, which exists when the marginal productivity of a particular provider depends on the effort levels of other providers (Alchian and Demsetz 1972). A provider’s disincentives to allocate effort to team production may be more or less severe under different types of collaborative governance.

Collaboration that calls for a greater degree of provider specialization than is required for independent production, for example, might appear to require higher
productivity for some providers but lower productivity for others, e.g., those assigned particularly difficult clients or ambiguous tasks. Or collaboration might call for reassignment of tasks or for retraining of workers in ways that incite resistance. Finally, collaboration might require team decision making rather than agency-based decision making, e.g., management of a troubled child might require consensus among an interagency team of specialists, thus restricting unilateral agency discretion to place a child in a residential home.

One solution to team production problems is a governing authority that assigns and monitors effort and allocates resources. (The authority might be a government agency or an executive appointed by a network of agencies.) For the authority to succeed, the net reward it can guarantee to individual providers must exceed the net reward that providers might earn in independent production. To ensure fair allocation, the authority must be able to monitor performance, which itself is a cost of collaboration. The higher the reward, all other things equal, the more likely it is that an autonomous agency will collaborate.

Another aspect of principal-agent models relevant to human service collaboration involves the performance of multiple tasks by a single agent, where the tasks may be observable or measurable to varying degrees (Holmstrom and Milgrom 1991). For example, services for deinstitutionalized mentally-ill individuals involve both prescribing medication, which is measurable, and managing a patient’s use of medication, which is much less so. Contractual arrangements that focus on medication prescription may well lead to neglect of medication management, possibly jeopardizing the patient’s well-being. Furthermore, as it is more difficult to observe outcomes in a multi-task environment and
to accurately appraise agents’ contributions to them, incentives designed to influence agents’ actions may have little effect.

Multiple principal, or common agency, models are concerned with situations in which many stakeholders have an interest in affecting the actions of a single agent (Bernheim and Whinston 1986). A provider’s incentives to be responsive to any one principal are weak. Human service providers often have multiple constituencies attempting to influence their activities. For example, Bertelli, Feldmann and Lynn (2001) describe a number of government agencies and interest groups in mental health, social policy, civil rights, and family policy that attempt to influence mental health policy and delivery.

Situations involving multiple principals and multiple tasks call for especially sophisticated governance mechanisms that can unify monitoring activity, requiring a process that transcends the usual bargaining among principals, and at the same time avoids unintended distortions in agency resource allocation.

The theory of teams is concerned with production situations in which individuals have common interests (i.e., they share preferences), but they may have access to different information on which to base their decisions. Thus their options for actions and strategies may differ (Marschak and Radner 1972). If lack of or disparate information precludes agents from pursuing their (common) interests, then a governing authority can

12 ‘Each principal offers a positive coefficient on the dimension of output that concerns him and negative coefficients on the other dimensions; the result when all principals’ schemes are added together is a weak positive coefficient on each dimension’ (Dixit 1999, p. 16).
best advance those interests not by financial rewards but instead by facilitating the exchange of accurate, timely information among collaboration partners.

**Game theory** facilitates analysis of how autonomous actors choose whether or not to cooperate with one another and how such choices depend on the structure of their interactions. What participants know about each other and the state of their operating environment are important elements in decision making. Further, dynamic (i.e., time-related or sequential) factors can be analyzed by viewing collaboration as involving repeated interactions. Individual participants may manipulate their reputations as a means of inducing a particular allocation of burdens and rewards.

A governing authority desiring to increase the prospects for collective action may attempt to deal with problems of trust, bargaining, and coordination directly (Heckathorn 1996). Alternatively, such an authority may seek to ‘change the game’ by increasing the value of the collective good, by reducing the number of providers in the collaboration (thus reducing the costs of collaboration), and by capitalizing on pre-existing relationships among subgroups of providers. A governing authority should seek to ‘raise consciousness of common interests, develop opportunities for collective action, and tap constituents’ solidarity and principles’ (Heckathorn [quoting Fireman and Gamson 1979], p. 36).

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13 Game theoretic analyses of collaboration are complementary to other theoretical views. For example, transaction cost theory predicts that these costs will be lower when actors develop trust from repeated interactions; game theory would indicate that the structure of a single-stage interaction may be a Prisoner’s Dilemma, but repetition of the game may nonetheless lead to a cooperative strategy.
Collective action theory is concerned with the possibility of ‘free riding’ by potential beneficiaries of collaboration. Suppose that the collaborative product has the character of a ‘local’ collective good. That is, all community members benefit from its provision and access cannot be restricted (for example, emergency room practices). If participants are rational, a Prisoner’s Dilemma may arise as potential contributors shirk in the face of requests for voluntary contributions to a good from which they can benefit if others finance its provision.  

It may be difficult to obtain sufficient budgetary allocations or donations to induce providers to coordinate their production rather than operate independently. The solutions may be subtle: ‘selective incentives’ in the form of statutory or regulatory concessions that induce allocations from provider groups or contributions from donors. Arranging such solutions may depend, as suggested in the previous section, on the number of potential contributors being small enough to permit face-to-face interaction and negotiation. The allocation of effort and distribution of rewards, moreover, are likely to be influenced by imbalances in the bargaining power of participants.

Socialized Choice Theories

In contrast to rational choice theories, socialized choice theories tend to view the production strategies of human service providers as partially or wholly endogenous with respect to socially constructed patterns of interaction. Thus, socialized choice theories accommodate agency motives other than economic motives and interactions other than exchange transactions.

14 Of course, ‘collaborative product’ and ‘collective good’ need not be synonymous but it is convenient for the argument here to assume that they are.
At any given time, individuals within an associational unit may behave in accordance with a socially-constructed habit or norm without necessarily reflecting on its rationale (Hardin 1995). Such patterns develop over time, but at any given time, socially-constructed production strategies may be partially or wholly exogenous (or contextual) with respect to how providers respond to changes in their economic context. Because provider responses are attenuated by social context, a governing authority may have little influence if it seeks to affect provider choices by manipulating only economic variables.

Allocations between independent and collective goods and patterns of resource dependency may reflect both the transactional context and social structures. The governance of collaborative production at any given time, moreover, may be either economic or social or both. However, endogeneity within and between socially constructed units greatly complicates the public manager’s problem of formulating a strategy to promote collaboration.

Reflecting elements of both rational and socialized choice approaches, resource dependence theory holds that organizations interact with their environments and respond to available opportunities and constraints, but they are not completely determined by such external forces (Aldrich and Pfeffer 1976). Survival is an overarching goal (reflecting a rational goal-based perspective), but ‘not all internal decisions are relevant to survival, and thus not all are affected by the environment’ (Aldrich and Pfeffer 1976, p. 84).

15 Jon Elster argues that norms are not outcome-oriented. As Hardin interprets him, ‘In essence, he supposes, that norms are exclusively about classes of actions and not about outcomes’ (Hardin 1995, p. 108).
Governance mechanisms might encourage either independent production (e.g., by manipulating funding streams or conditions to require segmentation of services within an organization) or collaborative production (e.g., by offering support for ‘innovative’ projects that require cooperation and coordination) (Kramer and Grossman 1987).

Organization theory has generated a number of concepts that may explain the decisions of providers to collaborate (Scott 1998), including embeddedness, power, organizational culture, leadership, and the nature of primary work.

The embeddedness of organizations in relational networks may contribute significantly to governing relations and performance. Achieving the goals of human services policies, for example, typically requires lateral cooperation among diverse organizational actors. Particular actors or coalitions may favor cooperation to ensure conceptual control of policy implementation, e.g., proper implementation of continuity of care for mentally ill offenders. The goal may be to achieve a style of service delivery that exhibits certain ambiguous properties such as ‘comprehensiveness,’ ‘integration,’ or ‘community involvement,’ for which communication and coordination are necessary. Or, technical demands of service delivery, which require contributions from a variety of autonomous actors, may drive lateral cooperation.

Agency and group influence within an exchange network are the bases for organizational power. Derived from social embeddedness, power affects an organization’s responsiveness to governing relations and to specific governance mechanisms, mandates, or inducements originating at the policy making level (Scott 1998). For example, the lack of responsiveness by public human service agencies to their political and social environment underlies stereotypical complaints about bureaucratic
turf protection, rigidity, red tape, and resistance to change. Informal social systems within organizations may similarly influence power or control relationships, and consequently, governance. For example, Ouchi (1979) has characterized certain organizations as ‘clans,’ in which control is exercised through informal social systems. Clan-like entities such as medical departments or criminal justice agencies may appear to be ungovernable through conventional means of control.

Organizational culture or climate may also explain the incentives of organizations to collaborate.\textsuperscript{16} Culture is a ‘system of shared values (that define what is important) and norms that define appropriate attitudes and behaviors for organizational members (how to feel and behave)’ (O’Reilly and Chatman 1996, p. 160). Wilson (1989) discusses organizational culture in public organizations, where ‘an agency’s culture is produced in part by...the predispositions of members, the technology of the organization, and the situational imperatives with which the agency must cope’ (p. 93). Service providers having a strong sense of mission and autonomy may find it difficult to coordinate or share information.

The potential contributions of leadership to governing relations and to organizational performance encompass a large and diverse literature.\textsuperscript{17} Yet leadership remains an elusive notion, more an after-the-fact explanation for success than a quality or

\textsuperscript{16} Some research traditions consider culture and climate to be unique concepts, but we do not attempt here to distinguish between them.

\textsuperscript{17} There is a meaningful difference between ‘leading’ and ‘managing,’ i.e., between an emphasis on ‘doing the right thing’ and on ‘doing the thing right,’ between focusing on the ends of human activity and on designing and executing the means.
skill that can be identified before the fact and used in governance. Distinguishing between transformational and transactional leadership (Burns 1978) may also be useful for understanding the contributions of leadership to governance but, again, more after than before the fact.

A more optimistic but still qualified notion is that leadership is a resultant of the right fit between the individual in a potential leadership role and the demands of the particular circumstances of that role: ‘achievement is favored by a good match of individual skill and the organizational task attempted’ and ‘the favorable match of skill to task must be reinforced by favorable historical conditions if there is to be a significant historical achievement’ (Doig and Hargrove 1987, pp. 13, 14). The idea that leadership is best understood as a configuration of distinct elements suggests a more socialized view of governance. In a study that sought to identify factors accounting for variations in the effectiveness of individual agency managers, Lynn (1981, 1987) concludes that the choice of a design or model that fits a given opportunity seems to be more important than the singular influence of general managerial skill and personality. Thus, leadership is contextual, not absolute: the right person in the right place at the right time. Leaders both create and benefit from supportive structures and administrative technologies.

Finally, the nature of **primary work** affects incentives to collaborate and the strategies at a managers’ disposal to induce collaboration: different types of organizations are likely to require different types of governance (Wilson 1989). Production organizations (e.g., residential facilities), in which both work and outcomes are observable, give managers ‘an opportunity to design...a compliance system to produce an efficient outcome’ (pp. 159-160). Procedural organizations (e.g., child protection), in
which work is observable but outcomes are not, make granting discretion problematic. Craft organizations (e.g., substance abuse treatment, counseling), in which activities are difficult to observe but outcomes are relatively easy to evaluate, enable managers to be ‘mission-oriented’ and grant employees discretion in day-to-day activities. Coping organizations (comprehensive human service agencies), in which neither work nor outcomes can be observed and evaluated, render ‘effective management ... almost impossible’ (p. 175). In coping organizations, there will be a strong temptation for managers to focus on what is most easily measured and little incentive for them to delegate to subordinates.

Institutional theory emphasizes the persistent interdependence of provider organizations. For example, a provider or group of providers within an organizational field (organizations having similar missions) may exhibit structural arrangements or patterns of coordination or effort allocation (as between independent and collaborative products, for example) that persist even when changes in economic circumstances or the technical requirements for cooperation might warrant restructuring or reallocation of effort.\textsuperscript{18} Interdependence may persist because it serves to sustain agency legitimacy in the eyes of donors or constituencies that provide essential support for provider activities.

This ‘institutionalization’ or ‘rationalization’ of agency and interagency structures and allocations is most likely to occur (1) when tasks are indeterminate and performance is ambiguous and hard to measure or evaluate, (2) when agencies frequently interact,

\textsuperscript{18} For example, despite their differences, the nation’s school districts are remarkably similar in how they allocate resources between instructional and non-instructional expenditures (Picus 1993).
either as partners or competitors and (3) when an external agent compels it (DiMaggio and Powell 1983). The adoption and persistence of particular arrangements is, in effect, a substitute for the kind of performance monitoring and evaluation that is possible when tasks and outcomes are more readily definable and measurable, when legitimacy can be determined by success in markets.

Faced with a new external mandate or an inducement or exhortation to reallocate effort, providers may instead adhere to the status quo if the new mandate is regarded as inconsistent with structures or norms of legitimacy that sustain support by external constituencies. The inherent ambiguity of service tasks and outcomes may allow providers to conform symbolically to a new mandate while protecting operations from change (Meyer and Rowan 1977; Weiss 1981). Alternatively, a provider may accede to the mandate and reallocate effort if such a choice is consistent with or even enhances institutionalized values.

If institutional theory emphasizes the interdependence of provider organizations, structuration theory emphasizes their local uniqueness. Structuration theory, based on the work of Anthony Giddens, assumes that a social practice (e.g., performing a social service such as counseling or intake) is governed by rules that on the one hand are the product of action and the norms, values, and resources underlying action and, on the other hand constrain action in order to insure the continuity of already enacted norms and values (Cassell 1993).

Structuration theory implies that each autonomous production unit constitutes a social system that has been created through mutual needs and understandings. For example, front line staff in a welfare-to-work office formulate and scale their
expectations of success to what is achievable under local constraints: such matters as
‘[t]he legitimacy of administrative rules to dictate behavior, the ineffectiveness of [other
local organizations, and] the incompetence of local management become indisputable
organizational realities to anyone within the social system’ (Sandfort 1997).19 Thus
structuration theory is likely to come into its own under circumstances in which
legitimacy is problematic, i.e., when technologies and effectiveness are ambiguous,
uncertain, and value-laden. For example, legitimacy may be easier to attain in a
manufacturing firm or retail establishment, compared to a youth gang intervention project
or a battered women’s shelter.

A reallocation of effort toward collaboration, then, requires the social acceptance
within the provider organization of whatever rules, practices, and norms are needed to
insure the benefits of collaboration. The resistance typically encountered in
organizational change processes indicates how difficult it is to achieve such social
acceptance. Because organizational structures are generated locally, moreover, a shift
toward provision of a collaborative product ceteris paribus increases in difficulty with the
number of autonomous providers whose cooperation is required. Suppose, however, that
service workers employed by various providers share legitimating values and beliefs
originating in a common educational experience or a common professional identity, e.g.,
having earned an MSW or become identified as a child protection worker or classroom

19 Similarly, Anspach (1991, p. 2) examines the integration of former mental
patients into communities and argues for the utility of considering ‘effectiveness as a
socially constructed phenomenon, focusing on subjective assessments of effectiveness by
members of a particular service delivery team.’
teacher. Then reallocation toward collaboration would be facilitated by compatible change in legitimating values and professional norms.

From the perspective of **network theory**, the question posed in this paper concerns the circumstances under which collaboration governed by network relationships will displace independent production. ‘Network governance’ is assumed to constitute a distinct form of economic coordination in contrast both to markets and to hierarchies (Jones, Hesterly, and Borgatti 1997). Network governance may take the form of implicit, open-ended agreements among autonomous units to insure the reciprocity of exchange or of partnerships involving explicit elements of sharing and exchange. Information asymmetries and conflicts of interest, poorly defined technologies and ambiguous performance are the rule rather than the exception in social service domains. That there is any coordination or cooperation at all may be better explained by long-established position relationships and shared norms than by rational, calculated behavior.

Network theory might explain both why collaboration occurs and why the governance of the collaboration takes particular forms, i.e., is governed by a network rather than by formal contractual understandings. A related question is whether or not there are features of networks (e.g., ‘relational cohesion’)\(^\text{20}\) which, in economic terms, ameliorate monitoring problems, reduce free riding by network members, or reduce the transaction costs associated with insuring cooperation, e.g., by sustaining norms of cooperation or facilitating self-enforcement of contractual agreements (especially of

\(^{20}\) ‘In an exchange network, dyads with greater relational cohesion should exert greater informal constraints on opportunism or malfeasance’ (Lawler and Yoon 1996, 89).
incomplete contracts). Alternatively, does an individual provider’s structural position within partially overlapping networks exacerbate monitoring and enforcement problems within an integrated services network?

In general, how do network and participation characteristics affect the likelihood of collaborative production? Standard network analysis emphasizes ‘position’ and ‘relations’ among actors comprising a network. Networks constitute both constraints on and opportunities for their participants, and network analysis can show how the properties of a network affect these constraints and opportunities.

**The Theories Compared**

Rational choice and socialized choice theories have different implications for initiating and managing collaboration and, specifically, for choosing mechanisms of governance. But selecting the right theory of collaboration—and the corresponding mechanisms—to fit a given set of circumstances is not straightforward.

Different theories may lead to complementary causal explanations for collaboration. For example, resistance to collaboration might reflect a principal-agent problem, a collective action problem, a psychological reaction to the undetectability of effort, or the fact that the costs of collaboration exceed the benefits for one or more of the agencies. Stable relationships among or within agencies might reflect a focal equilibrium in a repeated game or stasis in a system that has been structurated. Thus the readily ascertainable facts of a given situation may not provide reliable clues to the underlying dynamics of the situation and to the type of governance that might be appropriate. A manager could easily make an incorrect inference and imperil the prospects for successful collaboration.
A somewhat more tractable situation exists when theories are in conflict. Principal-agent theory predicts, for example, that frequent rebidding of contracts will maximize the net social benefits of collaboration, whereas socialized choice theories predict the opposite: frequent rebidding undermines trust. When theories conflict, the readily ascertainable facts of a situation may provide more reliable clues to its underlying dynamics and a more reliable guide to choosing governance mechanisms.

What are those readily ascertainable facts? Figure 1 summarizes the kinds of ascertainable facts that sponsors of collaborations will want to assemble in the planning phase according to each of the two classes of theories. While some kinds of information are distinctive to a particular class of theory (for example, transactions costs, organizational values and affiliations), others have ambiguous implications (for example, interorganizational relationships, interests of partner agencies), and more searching inquiry may be needed. In the end, the sponsor must decide how to govern the prospective collaboration.

**Governing Collaboration**

Attaining perfect coordination—‘when the actions of different individuals or agencies are tuned to each other such that production of any one output cannot be increased without an increase in costs or decrease in production elsewhere in the system’—is unlikely given the complexities of human service provision (Weiss 1981, p. 38). This is not to say, however, that net benefits from collaboration are unattainable. The goal of collaborative governance is to induce and maintain beneficial collaborative production through an appropriate selection of governance mechanisms.
The array of possible governance mechanisms is quite broad. Figure 2 provides examples of governance mechanisms along a continuum from those appropriate to situations in which relational dynamics are predominant to those appropriate to situations in which rationality is predominant. The decentralized pooling of resources may be appropriate in relational settings whereas financial contracts that establish rules for fund transfers may be appropriate for rational settings. Some mechanisms are ambiguous in their theoretical implications: familiar mechanisms such as co-location of service settings, joint or interagency planning, and joint or interagency field monitoring or enforcement teams might be consistent with either relational or rational collaborations and, for this reason, might be usefully included in collaborative governance in ambiguous situations.

The relationships between underlying dynamics of provider behavior and choices concerning the governance of a collaboration are further analyzed in Figure 3. We distinguish between the two theories of collaboration—rational choice and socialized or relational choice—and two forms of governance—internal and external. Each cell contains examples of appropriate forms of governance under each class of explanations.

Suppose an external authority, or a coalition of the participants themselves, imposes a form of governance that is inconsistent with the modes and motivations for participant interactions (characterized by rational or socialized choice theories). For example, two results are likely if providers are highly socialized, but a government agency attempts to use a ‘rational’ approach such as delegated cooperation to promote collaboration among service providers. One possibility is that the collaboration may fail as both the governing authority and providers are unable to satisfy each other’s
expectations. Another possibility is that performance incentives will prove powerful enough to override the hitherto social bases of provider behavior, leading to goal displacement among providers that may manifest itself in defection or poor performance. More generally, when there is a mismatch between governance mechanisms and provider motivations, one of these two results—collaborative failure or goal displacement—is likely; the collaborative effort will experience unanticipated difficulties and the likelihood of failure.

The difficulty of identifying the correct theory by which to govern collaboration is presumably heightened in nonprofit organizations, where there may be no overriding material interest motivating strategic production decisions. Evidence suggests that nonprofits organize themselves, among other things, to ameliorate the pressure of resource dependencies so that socialized values may govern operations. Other evidence suggests, however, that the pressure of resource dependency causes re-socialization of nonprofits into more business-like entities, initially causing goal displacement but ultimately leading to personnel turnover that ‘selects’ new people with appropriate, ‘business-like’ dispositions who are amenable to rational governance.

**Conclusion**

In assuming that providers are motivated by self interest, rational choice theories explain strategic production choices in terms of an optimizing logic: the size and structure of rewards and opportunity costs (e.g., the benefits of independent production), information asymmetries (which affect bargaining power and incentives to shirk), and conflicts of interest (which create risks of opportunism). In assuming that providers seek out and create socially-constructed contexts that satisfy a variety of dispositions and
socially-constructed ‘needs,’ socialized choice theories explain strategic production choices in terms of the behaviors induced by these social constructions.

Often overlooked in planning for human service collaborations is the fit between human service providers’ incentives and their strategic production choices, on the one hand, and the choice of mechanisms for collaborative governance, on the other hand. The framework we develop in this paper can be used as a heuristic device for sponsors in the planning stages of collaboration, when meeting the needs of clients through comprehensive, coordinated care is often assumed to be the providers’ overriding goal. We argue that identifying providers’ incentives ‘in theory’ is crucial to designing governance mechanisms that will promote and sustain collaboration ‘in practice.’

The framework can also be used to further empirical research concerned with understanding providers’ incentives, specifying the role of these incentives in the success of collaborations, and identifying effective collaborative governance arrangements based on provider motivations. Research questions prompted by the framework include: Along what dimensions can the performance of collaborations be assessed, to account for the concerns of sponsors, customers, service providers, and/or other stakeholders? How can providers’ incentives and motivations be identified? Do differences in providers’ incentives or governance mechanisms explain differences in performance of collaborative relationships? Is collaboration more effective than traditional categorical or independent service delivery, and are some types of collaboration more effective than others? If so, for what types of services, under what types of conditions? To what extent do intra-and inter-organizational relationships affect the success of collaborative effort?
Further empirical research addressing such questions can enhance the chances that clients and society will achieve the desired benefits of interdependence among human service providers. By focusing on the potential match between provider motivations and collaborative governance, governing authorities may avoid imposing forms of governance that are potentially fatal to the collaboration.
REFERENCES


What Should Public Managers Focus on to Govern Collaboration?

<table>
<thead>
<tr>
<th>According to Rational Choice Theories</th>
<th>According to Socialized Choice Theories</th>
</tr>
</thead>
<tbody>
<tr>
<td>transaction costs of collaboration</td>
<td>nature and organization of service provision and primary work</td>
</tr>
<tr>
<td>provider market structure</td>
<td>agency resource dependencies</td>
</tr>
<tr>
<td>performance measurement and assessment</td>
<td>organizational governance and internal complexity</td>
</tr>
<tr>
<td>powers of governing authority (e.g., over task assignment, resource allocation)</td>
<td>organizational values, affiliations and institutionalization</td>
</tr>
<tr>
<td>incentives for collaboration</td>
<td>interorganizational relationships</td>
</tr>
<tr>
<td>extent of and responsibility for information collection and dissemination</td>
<td></td>
</tr>
</tbody>
</table>
## Figure 2
Examples of Collaboration Mechanisms

<table>
<thead>
<tr>
<th>Relational Mechanisms</th>
<th>Rational Mechanisms</th>
</tr>
</thead>
<tbody>
<tr>
<td>• joint agreement concerning “best practices”</td>
<td>• procedures for information sharing</td>
</tr>
<tr>
<td>• temporary personnel reassignments</td>
<td>• case management</td>
</tr>
<tr>
<td>• shared human capital or physical assets</td>
<td>• joint or inter-agency planning, division of labor or responsibility</td>
</tr>
<tr>
<td>• pooled resources or budget contributions</td>
<td>• coordinated eligibility standards</td>
</tr>
<tr>
<td>• alliances and partnerships based on shared values</td>
<td>• coordinated personnel qualification standards</td>
</tr>
<tr>
<td>• leadership</td>
<td>• financial contracts that have provisions for fund transfers and reallocations</td>
</tr>
<tr>
<td>• “lead agency” agreements</td>
<td>• formal interagency agreements to “coordinate”</td>
</tr>
<tr>
<td>• joint mission statement or principles</td>
<td>• negotiation</td>
</tr>
<tr>
<td>• joint training or retraining, cross-training</td>
<td>• single application form or process</td>
</tr>
<tr>
<td>• training or empowerment by an external authority</td>
<td>• delegated coordination</td>
</tr>
<tr>
<td>• selection by an external authority</td>
<td>• altering reward structures</td>
</tr>
<tr>
<td>• “co-location of service activities”</td>
<td></td>
</tr>
</tbody>
</table>
### Figure 3:
**Optimal Combinations of Bases for Collaboration and Governance Mechanisms**

<table>
<thead>
<tr>
<th>Basis for Collaboration</th>
<th>Governance Mechanisms</th>
<th>Used by an Internal Governing Authority&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Used by an External Governing Authority&lt;sup&gt;a&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Socialized Choice</td>
<td>Alliance or partnerships based on shared values</td>
<td>Selection, training, empowerment, leadership, negotiation</td>
<td></td>
</tr>
<tr>
<td>Rational Choice</td>
<td>Relational contracts or enforcement</td>
<td>Delegated coordination, performance management, altering reward structures</td>
<td></td>
</tr>
</tbody>
</table>

**Notes:**
a. A governing authority may be either external or internal to the collaborative.

Examples of external governing authorities are government agencies, foundations, or other sponsors. Examples of internal governing authorities include partnership agreements or a governing board with members from the participant organizations.