From Service Procurement to Collaborative Governance: How China Get NGOs Involved in Social Affairs

Abstract At present, there are more and more extensive application of government-nonprofit collaboration in the process of local governance in China. However, there is a lack of in-depth analysis of the differences among forms of collaboration in the existing research. To solve this problem, this paper regards the form of government-nonprofit as a conscious institutional arrangement by local governments as the conveners of cooperation, based on China's unique institutional environment, and construct a theoretical framework about understanding differences among government-nonprofit collaboration forms from organizational rational choice perspective. This framework indicates that the differences of task attributes local governments faced, i.e., the differences of environmental uncertainty, stakeholders’ status and the distribution of governance resources, decide the choice between two different forms of government-nonprofit collaboration: service procurement and collaborative governance. The conclusion shows that in the process of Chinese government function transfer, the devolution of local government to society is not unconditional, but a strategic action under the established logic.

Key words Government-Nonprofit Collaboration; Task Attributes; Service Procurement; Collaborative Governance; Multiple Cases
1. Research background

In the past thirty years, the government's monopoly on social resources and the leading role in economic and social affairs are considered important reasons for the success of China's reform and opening up. However, the Chinese model in recent years has been change a lot: with the rapid growth of social demand and the increasing cost of administrative costs, the government is unable to grasp all aspects of social life. In this context, the local government took the lead in carrying out a variety of practical exploration, through the cooperation with non-governmental organizations to complete the affairs which the government in charge of in the past. Afterwards, theoretical research about the government-nonprofit collaboration thrived. However, an important issue occurs in the research on the collaboration between government and NGOs: scholars tend to discuss the government-nonprofit collaboration as a whole, while not fully aware of the differences contained in this concept. In other words, the collaboration between the government and nonprofit has a variety of institutional arrangements and structural forms, and why a certain structure is adopted in a particular condition is a theoretical puzzle which is not been fully explained.

Putting the discussion of this topic in Chinese reality will be more interesting and confusing. Contrasting to the western developed countries, China's government reform starts in the initial state of the totalitarianism state and the cooperation with NGOs can be seen as the results of decentralization from state to society. Based on this, this paper examines factors that determine the level of decentralization and interpret the logic of decision-making in government-nonprofit collaboration from the perspective of local government. Through this attempt, we hope to promote the understanding on Chinese local government’s behaviors and the form of cross-sectoral cooperation.

The rest of this paper proceeds as follows. The next section briefly reviews the existing theories about government-nonprofit cooperation. Subsequently, considering the particularity of China's institutional environment, we construct the theoretical framework to explain the differences of local government-nonprofit collaboration structure. After this, through comparative case study on the collaborations in public cultural service areas, we present the formation mechanism of different forms of cross-sectoral collaborations. A conclusion section close the article.

2. Literature Review and Theoretical Framework

(1) Existing research on government-nonprofit collaboration

In the broadest sense, "government-nonprofit collaboration" refers to any agreement between public and social sectors, and any arrangement as public and social sectors work together in the production and provision of public goods and services [1]. However, this traditional understanding does not reveal the rich connotation of the concept. In recent years, more and more scholars began to pay attention to another form of cooperation between government and NGOs: collaborative governance. For the sake of
convenience, in the following part we will pay traditional forms of government-
nonprofit cooperation a unified call: service procurement to differ with the form of
collaborative governance. According to the existing literature, there is a significant
difference between the two forms in following two points. First, the most important
feature of the service procurement is that the government will determine the service
contents, transferring methods, and performance appraisal of contractors, which means
the apparent exclusivity in the process of decision-making [2]. On the contrary,
collaborative governance represents a new cooperative mode which stressed on the
more equal basis and relates to a higher degree of shared decision-making and
management process (in some cases even NGOs make decisions and governments
support) [3-5]. Second, service procurement mode emphasizes the transfer of establishing
ownership segmentation and corresponding institutional arrangements [6]; while
collaborative governance origins from the “sector failure” of dealing with public affairs
and the key lies in arrangements for joint decision making and collective action system,
which does not necessarily involve the transfer of ownership [7]. Previous studies paid
more attention to the internal different institutional arrangements in the form of "service
procurement". Now we need to widen the perspective further to ask what factors
determine the adoption between “service procurement” and “collaborative governance”
in reality?

The first interpretation comes from the perspective of state-society relations which
concerns the influence of social forces and national regime’s change on government-
nonprofit cooperation [8]. To deal with the challenge of modernization, the state will
initiatively coopts social forces into institutionalized cooperation framework. Due to
the development of civil society in China is relatively mature, the cooptation first
performed in the form of the governmental procurement of services. In this process,
social forces constantly cultivate ability and discursive right in the field of their own
profession, and gradually complete the transformation from undertaking outsourcing
services to the equal governance with the government. The state-society relations
perspective views service procurement and collaborative governance as different stages
of development in government-nonprofit cooperation, and regards the development
path as the result of conscious arrangement under state.

The second interpretation comes from the perspective of social actors which highlights
the key role of social organizations or social entrepreneurs in promoting the cooperation
between government and NGOs, such as the behaviors of policy advocacy. Through
conscious behaviors, social actors can promote the emergence and development of
government-collaboration collaboration, such as the re-definition of problems, the
integration of resources and solution of conflicts [9]. Social actors do not necessarily
have formal authority as the government agency, but can wield informal authority based
on his location in networks [10]. This kind of research concerns the role of policy
entrepreneurs or conveners in legitimate and guide alliance [11], or the impact of
personal characteristics of managers on inter-organizational cooperation [12].
Both theoretical interpretations have some deficiency in the explanatory power. In a field study, we find that local governments will use different institutional arrangements and governance structures when cooperate with NGOs in urban governance at the same time. According to the interpretation of state-society relations perspective, macro institutional environment in a regional should have roughly similar impact, then it is difficult to explain the obvious difference among government-nonprofit cooperation within different tasks, in the same region and at the same time. In accordance with the interpretation of social actors, the distribution of social entrepreneurs should be random, so cooperation forms between government and NGOs should also show the corresponding randomness, which still can’t explain the systematic difference of government-collaboration in different areas.

Therefore, this paper introduced the third interpretation on form selection among government-nonprofit cooperation. This interpretation proceeds from the perspective of local government, and considers the establishment of a particular cooperation form between government and NGOs as a result of intentional arrangements of local governments. As the determinant of forms in government-nonprofit cooperation, the local government can either use its strong executive power to solve social problems independently, or choose the way of privatization to transfer the production of public goods to social sector. What we seek to question is that the same government, under the same resource and capacity constraint, how to determine the mode of government-nonprofit collaboration between collaborative governance and traditional service procurement. In other words, if the collaborative governance represents a higher degree of devolution, what is the incentive of government for choosing this mode? To ask the question, we build a theoretical framework from the perspective of organization theory to explain the choice of forms in government-nonprofit cooperation.

(2) The Impact of Task Attributes on Forms in Government-Nonprofit Cooperation
Inter-organizational relationship is one of the most important research topics in organizational theory. From the angle of inter-organizational relationship, different forms of cooperation represents a different allocation of power among organizations. At two ends of a continuum, one is bureaucratic institution which puts social affairs completely under its own control, the one is privatization which transfers social affairs entirely to the private sector. The service procurement is closer to the end hierarchical control, while the collaborative governance closer to the end of market mechanism (see Figure 1). As a result, the choice made by government on the form of cooperation with NGOs becomes the selection about the governance structure between centralization an decentralization.

<table>
<thead>
<tr>
<th>Centralization</th>
<th>Hierarchical Control</th>
<th>Service Procurement</th>
<th>Collaborative Governance</th>
<th>Privatization</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
One of characteristics of government organization is diversity of goals which means they will need to deal with multiple tasks simultaneously \cite{13}. It also makes the choice of governance mode of cooperation more complex for government, compared to the business. According to the classical theory of organization, the choice of cooperation governance structure by organizations is mainly based on following three logic: efficiency considerations of transaction cost \cite{14}, legitimacy considerations of institutional theory \cite{15}, and power considerations of resources dependence \cite{16}. Some attributes presented in different areas of government-nonprofit cooperation will affect the local government’s judgment on transaction costs, legitimacy pressure and resource dependence, and then create the form of cooperation with NGOs. Based on theoretical analysis, this paper summarizes three important variables on tasks environment. Together this three variables, which respectively corresponding to the prior three kinds of logic, constitute the task attributes facing with local governments in cross-sectoral cooperation: environment uncertainty, stakeholder status and key resources distribution.

**Environment Uncertainty**

The turbulence and uncertainty of environment force the organization to strengthen its cooperation with each other \cite{17-18}. At the same time, the degree of uncertainty also influences the way of cooperation among organizations, which is mainly reflected in the issue of information supervision. Because of the incomplete contract, the higher the uncertainty, the higher the cost of achieving effective information, and the organization need more supervision to prevent the emergence of opportunism behaviors.

An increase in the cost of information will lead to a more decentralized approach to cooperation. According to the interpretation of the transaction cost theory, the organization will spontaneously seek institutional arrangements to minimize transaction costs. There is a "coordination and information paradox \cite{19} for the proposition of organization of power allocation, namely concentrated more power to reduce coordination costs, and power of dispersed more conducive to reduce the cost of information. The choice of organizational forms of cooperation, in fact, is the trade-offs between coordination and information costs (see Figure 2). As rational decision makers, the government cooperating with NGOs should select the form of collaboration with lowest transaction costs as a benchmark.
Therefore, when a task faced with a high degree of uncertainty, it means that access to information in order to carry out the supervision is very difficult, then the organization must be more inclined to choose the mode of decentralization (see Figure 3). In service procurement mode, the government is still in control of the service content, method, delivery time and appraisal standards and other aspects of power, so it belongs to a kind of institutional arrangement in a higher degree of centralization; on the contrary, collaborative governance mode belongs to a higher degree of decentralized form of cooperation. Thus, when the government collaborates with society in a high uncertainty environment, because of more serious information problems compared to coordination problems, it will tend to the collaborative governance form of cooperation.

**Stakeholder Status**

For the analysis on the government more complex than the enterprise more is that the government sometimes may not follow the principle of cost minimization under efficiency considerations. In reality, we often observed instances of the government regardless of the cost to complete tasks. According to the new institutional theory in organizational research, the pursuit of legitimacy is another important mechanism to determine the organizational behavior [20]. Legitimacy pressure is derived from the
expectations and requirements of an organization’s stakeholders for organizational behavior. Because the task faced with the government is diverse and conflicting, which means that it must be at the same time in the face of multiple stakeholders, the different interests among groups tend to form competing institutional logics [21].

In this case, the choice of organization between “centralization-decentralization” mainly depends on the degree of pressure stakeholders can apply. The legitimacy pressure stakeholders apply is enough to change the organization judgment on the severity of problem, and then determine its definition and priority on the problem [22]. When the organization believes that the issue is of high importance, it will be more inclined to use the centralized form to better integrate resources and solve the problem in the moment to prevent the spillover of risk. For instance, in the case of crisis management, the government tends to adopt temporary hierarchy structure to collaborate with NGOs [23], while in the time of public services provision to more equal governance structure [24].

The pressure produced by stakeholders is mainly determined by two points: the number of interest groups and the character of groups. Classical theory of collective action shows that when the number of a group is too much or the pursuit of interests is more obscure, it is more difficult to ensure the realization of collective action. Therefore, in a government-nonprofit task, the capacity of collective action and influence of stakeholder groups will increase the local government’s evaluation on the importance of the issue, which prompted the use of service procurement cooperation form, and when legitimacy pressure applied by stakeholder groups slight, the local government is more easily choose collaborative governance form of collaboration.

**Resources Distribution**

Classical organization theory generally assumes that the interdependence of power and resources among organizations is the key factor to promote inter-organizational cooperation [25-26]. In terms of government-nonprofit cooperation, resource dependence means a government’s limitation on resource and capability in dealing with the complex and cross-sectoral social affairs, and must have the aid of other organizations to exchange and integrate resources. Therefore, when resource is more dispersed outside the government’s control, the higher possibility of cooperation between government and society. On the contrary, when power and resources are too concentrated, it easily lead to the distrust among partners [27], or conflict and cooptation [28], making governments more inclined to solve the problem by themselves. Agranoff and McGuire's empirical study in cities across the United States shows the negative relationship between urban economic development and level of collaborative activity level. The rationale lies behind is that prosperous economy makes the government management lack incentives to create institutional arrangements beyond his organization [29].

Therefore, in a government-nonprofit cooperation project, when resources are focused
in the hands of the government, its dependence on the external resources will reduce, which makes it more willing to adopt the form of service procurement; and when resources are scattered outside the government, and mainly exist as tacit knowledge, the government will more depend on external resources and be forced to choose the form of collaborative governance.

Based on the above analysis, this paper constructs a theoretical framework to depict the relationship between task attributes and forms of government-nonprofit cooperation (see Figure 4). Through the lens of classical organization theories of transaction cost, institutionalism and resource dependence, we also analyze the mechanism of task attributes on governance structure. In the next part, we will use cases of cross sectoral collaboration from field of urban public cultural to verify the theoretical framework.

![Figure 4 Theoretical Framework on Government-Nonprofit Collaboration](image)

3. Methodology and Data

We adopted the case study approach in this paper to illustrate the role of task attributes in affecting the selection of collaboration forms in addressing the cross-sectoral collaboration in China. In order to examine our argument, several cases of inter-organization partnership arrangements were chosen for analysis. All cases are selected from city of Hangzhou. The reasons of choosing research subject lie on: 1) Hangzhou is a representative region of civil society. During past ten years, numerous NGOs covering all social areas has emerged and cooperated with governments in this region, providing abundant cases for study. 2) The homogeneity of cases in Hangzhou city enables the research design of most-likely cases, i.e. the cases only differs in a critical variable while is alike in the others.

We collected data from two main sources. The first is second-hand materials (media reports, theoretical papers and other related publications) about cross-sectoral collaboration in areas of public cultural governance. The second data source is some
interviews we conducted from 2014-2016 on local government’s incumbent, NGOs’ actors and scholars, who are responsible for, or informed of a certain project. Using information from those two sources, we hope to sketch the rationale of inter-organization collaboration.

4. Case Analysis

(1) Cultural scenic spot development

The West Lake and Grand Canal are important cultural heritage and tourism resources for Hangzhou city. However, after entering the 21st century, the two sceneries became serious governance issues: the surge in population and prosperity of industrial makes the ecological pressure suddenly increased; the long-term neglect of tourism resources development and the fade of canal traffic function result in the decline of commercial. To this end, the local government carries out a series of scenic spot protection and development projects for West Lake and Grand Canal. However, due to the cultural heritage protection and commercial development is a large scale project which involves a very wide system of integrated engineering and need to enormous financial and human investment, rely solely on the government's own resources will not be enough. So the government began cooperating with NGOs in the specific operation of the project, which includes experts, scholars, business and the media into the process of governance, and assigned corresponding duties to each party, such as experts and scholars to participate in scheme of project implementation, corporate in investment and construction work, media responsible for reports and promotion and so on.

In actual operation, the form of government-nonprofit cooperation in this field belong to a typical service procurement mode, which can be here summed up as a "concentric circles" structure (see Figure 5). The core feature is that the government basically monopolize the decision-making right of project. The implementation of the project is mainly decided by a leading group set up by government, and the participation of experts and scholars is only limited in provision of consulting and feasibility demonstration, which cannot control and change the government’s decision-making. Due to the constraint of the state law for the privatization of the public cultural heritage, in the project operation the operation mode is mainly used to avoid the replacement of the ownership. Government uses land development rights as guarantee to attract private capital to enter, while sets up a strict access system in engineering construction, project supervision and financial audit, making the discretion very small for NGOs (Interviews on City Scenic Area Management Committee staff 2014-09-19). Also, the media is directly under the jurisdiction of government and the content of news is totally decided by the government.
The formation of this form of cooperation can be explained by the above framework. First of all, the cultural scenic protection of government-nonprofit cooperation project has low degree of uncertainty. Cultural tourism is characterized by regional due to its limited space, and the development of cultural attractions is almost not affected by the city's external factors. At the same time, cultural heritage exists in a physical way, so the maintenance, renovation and development all have existing templates which can be used for reference, and local governments had a large number of experts and designers to finalize details of each process. In another aspect, the Hangzhou city cultural scenic spots development projects mostly cross the boundary of administrative divisions and relates to numerous functional departments, which leads to a difficult coordination problem. When coordination becomes more important source of transaction costs compared with the information, local governments will be more inclined to adopt the form of service procurement to reduce the total transaction costs.

Secondly, the West Lake and the Grand Canal are representative landscapes of Hangzhou city by all the people's attention, involving stakeholders in a wide range and serious risk spillover consequences, constituting the huge legitimacy pressure for government. In addition, the West Lake and the Grand Canal are in the key period of world heritage declaration. As a result, in addition to the Hangzhou local government, the provincial government also establish a special committee to promote the project, making cultural scenic spots development project itself beyond purely economic considerations and become an important political task of the local government.

Finally, due to the complexity of the social affairs and financial pressure, the local government is unable to bear alone in a field of public governance responsibility, but with the help of NGOs to obtain more resources. However, for the development of
cultural scenic spots, the core of the resources - land development and use rights - is still firmly in the hands of the government. The special cultural scenic spots also makes the government hold a large number of key administrative examination and approval authority. On the other end of cooperation, the social sector are mostly responsible for repair, maintenance and investment functions, which have very strong alternative. Distribution of resources makes the government’s dependence on external actors is relatively weak, and with the monopoly of public resources such as land development rights, it is easy for governments to attract investment and participation of enterprises and nonprofits in the project and imposing solid control on them.

(2) Cultural industry development

The silk and tea are the representative of cultural industry in Hangzhou City. But since the 90s of last century, due to lag of innovation and long-term vicious competition, the industry’s market share and profit rate declined severely. Furthermore, as traditional industries, the cultural nutrients and advantages also gradually lost. After awareness of these problems, the local government carried out a series of government-nonprofit cooperation projects for the revitalization of the cultural industry, aiming at combining the enterprise’s money, community’s power and influence, and government's public power to improve industrial development environment. Cooperation projects focus on infrastructure construction, brand promotion, personnel training and other aspects under the purpose to strengthen the supply of public services and public goods as well as the development of the macro environment. In cooperation, the government, enterprises, social organizations and the media interact frequently according to their expertise and mutual division of labor.

The organization carrier of cooperation projects is the industry network organization established by the government. In the actual operation, government-NGOs cooperation projects in this field basically belongs to the typical "collaborative governance" model, or can be summed up as "complex" structure (see Figure 6). The core feature is that local governments in cooperation projects of infrastructure construction or brand promotion no longer monopolize decision-making power, but to give full consideration to the characteristics of the industry and market needs, to respect the discourse power and autonomy of organizations in other sector. In the actual operation, the "collaborative governance" model is completely different from the "service procurement" model in the development of cultural scenic spots. Major decisions are made in the form of a special network coordinator (usually in the form of committee) that includes both the relevant government departments and corporate and community’s representatives. During the operation of the project, the role of government is mainly manifested in the establishment of special fund to outsource project, and conducts project planning, policy support, strengthen coordination, and integration of resources. But, even if the government can influence the overall direction of the project in a certain extent, it have no coercive effect for others involved, because under the framework of network the participants can be free to enter or exit and share the discretion with the government. More important is that in established period of public-social cooperation,
the government does play the role of coordinator and convener with its credibility and administrative resources, but after the cooperation network matures, the cooperation projects carried out mainly by industry leader of high reputation rather than government officials (Interview on Hangzhou municipal Party committee secretary 2014-04-23).

According to our analysis framework, the reason for using collaborative governance ways to carry out government-nonprofit collaboration in the field cultural industry revitalization derives from special task attributes. First, different from the geographical limitations of cultural scenic spots, the supply and demand of cultural industry involve national and even international market. For external shocks and impact is very sensitive to industrial development, there is high degree of uncertainty in environment. A high degree of uncertainty in cooperation will causes the potential risk of opportunism and free-ride behavior. The information advantage of private sector in the market also raise the cost curve local government faced with. Therefore, the use of more decentralization form of collaborative governance will be conducive to local governments to overcome the problem of asymmetric information and reduce the cost as the central coordinator for acquiring and processing information.

Secondly, from the perspective of stakeholders, the characteristics of silk, women's clothing, tea and other cultural industries is that the existence of a large number of scattered and small businesses. According to the classical theory of collective action, large numbers of members and the dispersion of them will weaken interest group capacity of collective action; and the prior research on the relationship between government and business further shows that lower collective action means smaller influence on governments.

Finally, from the point of view on resources distribution, although local governments have land and capital advantages, enterprises and industry associations grasp the other
core resources of industry development including talents, information, channels and social network. In addition, the development of the industry, such as brand awareness and marketing projects, involves a large number of hidden knowledge, which are possessed by some experienced industry insiders. Therefore, the local government's external resource dependence in the industrial development is more prominent, so that it is more willing to use collaborative governance approach to solve the problem.

(3) Brief Summary
Case materials show that Hangzhou city in the cultural scenery development and cultural industry revitalization has taken two forms of government-nonprofit cooperation. The first belongs to the form of service procurement, and the second is in the form of collaborative governance. The structure or form of the cooperation between organizations is not randomly generated, but follows a set of specific logic, and presents the characteristics of systematic distribution. From the government's point of view, different tasks attributes in public-social cooperation projects influence government’s judgment on efficiency, legitimacy and resource dependence mechanism, and decide its choice of cooperation forms. To sum up in a word, the task attributes the government faced with determines the form of cooperation (see Table 1).

<table>
<thead>
<tr>
<th>Task attributes</th>
<th>Cultural scenic spots</th>
<th>Cultural industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environment uncertainty</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Stakeholder status</td>
<td>Large legitimacy pressure</td>
<td>Small legitimacy pressure</td>
</tr>
<tr>
<td>Resource distribution</td>
<td>Concentrate on government</td>
<td>Concentrate on society</td>
</tr>
</tbody>
</table>

5. Concluding Remarks
The case study shows that task attributes and government-nonprofit cooperation mode selection are highly correlated with each other. This mutual coupling or matching relationship origins from the internal logic of selective decentralization of local government. In order to pursue the minimization of administrative cost and maximization of legitimacy, the government will choose the most suitable form of cooperation based on different attributes of the task. The conclusion shows that despite under the pressure of function transformation and social demand, local governments have to choose cooperation with social organizations and transfer part of power, this decentralization is not unconditional but based on rational considerations.

The Conclusion of this study extends the research on government-society cooperation. Currently, the cooperation between government and community has become a hot spot of public management research, involving variables from multiple levels including
countries, organizations and individuals. This paper focuses on the effects of organizational level. In the organization theory, the distribution of resources and power are often regarded as the decisive factors that affect the cooperation of organizations, but this kind of analysis ignores the strategic choice of organizations under different objectives and multi task constraints. We introduced in this paper the variable of task attribute and view it as key antecedent of difference on cooperation forms, so as to deepen the understanding on government-nonprofit cooperation.

However, this study also has several defects. First, for all cases from one city the internal and external validity are relatively low. In order to improve the applicability of the theoretical framework, we need a test from different regions and cities. Second, we analyze the establishment of cooperation only from the perspective of government, which the implicit assumption is that the government can unilaterally determine the form of cooperation, so there is not a full analysis of the role of social actors. In fact, the impact of social actors on the policy process is also a topic that can’t be ignored. Third, the analysis of this paper is limited to the formation of the differences between government-nonprofit cooperation, but not to explore the evolution and performance of different forms of cooperation.

Reference


[28] O'leary, R, Vij, N. Collaborative public management: Where have we been and