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Control Mechanisms in Service Outsourcing Relationships in the Public Sector

ABSTRACT

Objective: analyze the role of management control mechanisms in service outsourcing relationships in the public sector, considering the challenges of cooperation and coordination of activities.

Method: qualitative research, based on interviews, a questionnaire, and triangulation of these data with documents, supported by a case study in a decentralized unit of the Public Ministry of Labor, with the analysis of outsourced cleaning and conservation services.

Originality/Relevance: the study contributes to the advancement of the scientific debate on the subject in public organizations and the Brazilian context.

Results: the services analyzed do not use specific assets, operate in an environment of moderate uncertainty, have easy-to-measure, and note very complex tasks, in addition to having moderate interdependence between the contracting organization and the contracted organizations. the use of formal and informal control instruments was observed. The results also suggest that the bureaucratic environment of these contracts can influence the configuration of management control mechanisms, with little flexibility for activities or relationships to develop beyond contractual terms.

Theoretical/Methodological contributions: the work adds to the literature by approaching the configuration of management control mechanisms in supplier-buyer relationships in public organizations.

Social/Management contributions: the results can help public sector organizations to understand the aspects that influence the configuration of the control system of their outsourced service contracts, in addition to encouraging discussions about the challenges of these contracts.

Keywords: Management Control. Public Sector. Outsourcing. Cooperation and Coordination Challenges.

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1 INTRODUCTION

From the 1980s onwards, the governments of several countries initiated administrative reforms that included adopting management practices previously used in the private sector (Secchi, 2009). It is in this context that New Public Management (NPM) emerges, a management model that adopted the transfer of managerial techniques implemented in the private sector to the public sector, in the search for a more efficient administration, with a reduction of the State and orientation towards results and society (Peci, Pieranti, & Rodrigues, 2008; Pyun & Edey Gamassou, 2018).

Thus, NPM and associated private sector techniques have become central to new institutional arrangements and changes in administrative structures in the public sector, with the use of more autonomous and flexible management models (Maia & Correia, 2022). Bresser-Pereira (1996), when analyzing the administrative aspect of the reform implemented in Brazil, points out that the proposal of managerial public administration supported its basis as a response to the crisis of previous years and the globalization of the economy.

One of the techniques originating from the private sector is outsourcing, in which governments hire external organizations to develop some services (ter Bogt, 2018). In Brazil, the outsourcing of public services began to be used more intensively from the 1990s onwards, with the managerial reform implemented by the State, in which governments transferred the provision of services considered non-strategic or exclusive to the private sector (Santos, Andrade, & Lima, 2019).

Outsourcing services can bring several challenges to those involved and, in this sense, the literature on inter-organizational management control has identified two main challenges in the context of these relationships: cooperation between partners to ensure that suppliers act under the goals established by the buyer, and coordination, to ensure that activities are coordinated (Caglio & Ditillo, 2008; Dekker, 2004; Johansson, Siverbo, Camen, & Carmén, 2016; Johansson & Siverbo, 2011).

One way to deal with these challenges is to implement management control mechanisms. From the perspective of governance, managerial control in these relationships has been predominantly studied from the Transaction Cost Theory (TCT) approach (Dekker, 2004) or through an extended TCT configuration that also considers attributes of the relationship between the parties to explain the implemented control configurations (Johansson & Siverbo, 2011).

Previous research suggests that aspects of transaction costs and other relational and institutional factors influence the choice of implemented managerial control mechanisms (Petersen, Baekkeskov, Potoski, & Brown, 2019; ter Bogt, 2018). In addition, these works have pointed out that control mechanisms are mainly used jointly and that their possible combinations work as an interrelated system (Ditillo, Liguori, Sicilia, & Steccolini, 2015; Johansson *et al.*, 2016).

However, little is known about the role of managerial control in the outsourcing relationships of services in Brazilian public organizations, and research that studies cases of contracting outsourced companies to provide auxiliary services is still recent (Druck, Sena, Pinto, & Araújo, 2018). Nevertheless, studies already carried out focus on topics such as contract management and supervision (Gonçalves, 2006; Murad, 2019), cost determinants (Santos, 2014; Simoni, 2018), risk management (Oliveira, 2019), regulation and development of outsourcing processes, employee control and implications for precarious work (Druck *et al.*, 2018).

Given this scenario, this research aims to analyze the role of management control mechanisms in outsourcing relationships in the public sector, considering the challenges of

cooperation and coordination of activities and focuses on two main points: (1) the mechanisms of management control used in outsourced contracts, and (2) the control configuration and its determinants in the analyzed context.

Previous studies show that, despite potential benefits, outsourcing relationships can involve a high dose of uncertainty and risks for the parties involved in the contracting (Langfield-Smith & Smith, 2003). Thus, there is a need for further development on how managerial control is structured and implemented in order to reduce these challenges (Johansson *et al.*, 2016) and, considering that the financial resources used by public organizations come from the citizens themselves, it is important to examine how is the management of these services.

This work is structured in four more sections besides this introduction. Section 2 addresses the theoretical aspects of the themes that underlie the research, section 3 describes the methodological procedures, the fourth section brings the results and discussions, and section 5 presents the conclusions and recommendations.

2 THEORETICAL REFERENCE

2.1 Transaction and Relationship Attributes

The reforms and new administrative structures influenced by NPM can be analyzed from the perspective of different theories and management practices (Maia & Correia, 2022), and over the years, several authors have used the Transaction Cost Theory (TCT) to base analyzes on this context.

Coase's work (1937) was one of the first to bring the transaction to the focus of analysis and present the first notions about transaction costs (Williamson, 2012). Based on these assumptions, Oliver Williamson developed the Transaction Cost Theory, in which transaction costs are described as the costs of drafting a contract, managing the relationship, and the losses arising from opportunistic behavior or lack of adaptation (Schepker, Oh, Martynov, & Poppo, 2014).

TCT identifies transaction attributes, such as asset specificity, transaction frequency, and transaction uncertainty, as determining elements of transaction costs, in addition to influencing the choice of possible control mechanisms (Williamson, 1979).

Asset specificity refers to the need or not for specific investments in physical, human assets or both (Poppo & Zenger, 2002). An asset will be highly specific when investments are difficult to adapt to different contracts (Brown & Potoski, 2003b). Transaction frequency is the periodicity of occurrence of these transactions and can be classified as single, occasional, or recurrent (Williamson, 1979), and transaction uncertainty refers to the degree of predictability of the contractual execution environment (Speklé, 2001).

Although the TCT was developed for the private sector, it is understood that any problem that arises or can be reformulated for contracting can be examined from this approach (Williamson, 1998). Williamson (1998), Brown and Potoski (2003a), and Van Genugten (2010) highlighted the particularities of transactions in the public sector and included or adapted some of the attributes presented by Williamson (1985).

The present research uses the classification proposed by Van Genugten (2010), which considers the same transaction attributes defined by Williamson (1985) for the private sector (asset specificity, frequency, and uncertainty of transactions) but with changes in the details of their content, bearing in mind the public interests involved in these transactions. According to Van Genugten (2010), the main alteration deals with the uncertainty of transactions, which now

has greater emphasis in the public sector, being analyzed under environmental uncertainty and behavioral uncertainty (measurability of services).

In this context, the approach of the transaction costs argues that the inability to write or execute complete contracts is evidenced by the attributes of the transaction (specificity of assets, frequency of transactions, environmental uncertainty, and measurability of services, according to the approach used in this research), and these aspects imply cooperation challenges that affect the need for managerial control in these relationships (Anderson & Dekker, 2014).

Additionally, in the inter-organizational management control literature, researchers have commonly used the extended transaction cost theory approach, which, in addition to the traditional attributes of the transaction, considers the importance of the relationship (Johansson & Siverbo, 2011). Two attributes pointed out in these studies that are also important to understand the control structure used are the interdependence and complexity of the tasks (Anderson & Dekker, 2005; Dekker, 2004; Johansson *et al.*, 2016).

The interdependence of tasks leads to the need for coordination beyond the organization's boundaries. When tasks become more interdependent and uncertain, greater coordination is required (Dekker, 2004). The degree of difficulty for coordination changes as the interdependence of tasks varies, with implications for control systems (Chenhall, 2003). The other element that influences coordination is the complexity of the tasks. More complex tasks require closer monitoring than those with standardized and simple delivery, which rarely require alignment or adjustments between the parts of the relationship (Johansson *et al.*, 2016).

2.2 Interorganizational Management Control

Outsourcing in the public sector occurs when governments purchase services from other organizations, retaining only the responsibility for controlling and monitoring the contracted services (Cristofoli, Ditillo, Liguori, Sicilia, & Steccolini, 2010). In these environments, management control's main objective is creating conditions to motivate partners to achieve predetermined or desirable results (Dekker, 2004).

Management control mechanisms are devices by which control is exercised and can be classified into formal and informal control mechanisms. According to Dekker (2004), formal control consists of contractual obligations and formal cooperation mechanisms, and informal control is related to the culture and systems that influence the members of the relationships. In addition, control is employed at two distinct moments: (i) ex-ante control mechanisms: used to align the interests of partners and reduce the need for coordination, encompassing the exploratory and contract phases; and (ii) ex-post control mechanisms: used to manage the implementation of the contract and its monitoring, covering the execution phase (Dekker, 2004; van der Meer-Kooistra & Vosselman, 2000; Vosselman & van Der Meer-Kooistra, 2006).

The types of control mechanisms used in this research are those described by Johansson *et al.* (2016), based on the references most commonly used by researchers in the field (Anderson & Dekker, 2014; Cäker, 2008; Cäker & Siverbo, 2011; Dekker, 2004; Johansson & Siverbo, 2011; Merchant & Van der Stede, 2012; Ouchi, 1979), and comprise: (i) control of results; (ii) behavior control; and (iii) social control (Johansson *et al.*, 2016). Control of results and behavior are subdivisions of formal control, while social control relates to informal control (Dekker, 2004).

In the control of results, the organizations that are being hired and have the freedom to carry out the activities are held responsible for the results. Behavior control is proactive, and its function is to specify and measure desirable behavior and restrict actions at odds with the organization's objectives. On the other hand, social control is a more informal way of controlling behavior by developing trust and aligning norms and values (Dekker, 2004).

The literature also points out that the challenges of cooperation and coordination of activities represent risks for outsourcing relationships and should be protected and controlled through management control mechanisms (Johansson & Siverbo, 2011). Possible cooperation challenges between partners (or relational risks) are observed when organizations fail to align their interests to obtain mutual gains and are generally associated with opportunistic behavior (Anderson & Dekker, 2014).

As public organizations expect the provision of contracted services to occur in line with agreed quality standards and at the lowest possible cost, given that they generally operate within budget constraints, management control mechanisms must be implemented as a way to minimize these problems and ensure that contractors exert maximum effort to achieve objectives and goals established by the public organization (Johansson & Siverbo, 2011).

The possible challenges of coordinating activities (or performance risks), in turn, relate to failures to achieve collaborative goals, despite cooperation (Anderson & Dekker, 2014). Thus, organizations need to be able to ensure that activities are coordinated, which requires clear information about the capacity of contracted organizations and requires them to provide data on their real demands (Johansson & Siverbo, 2011).

3 METHODOLOGICAL PROCEDURES

This study comprises descriptive research with a qualitative approach and a case study. The choice of the case was due to the alignment with the research theme, the relevance of the services provided by the public agency analyzed, the representativeness of the contracts concerning the amount spent on hiring, in addition to adapting to the selection criteria proposed by Yin (2017), such as accessibility of respondents, convenient geographic location and richness of documents available for analysis.

3.1 Research Constructs

Figure 1 presents the constructs, categories of analysis, and the studies that underlie them.

Constructs	Categories	Authors
Transaction and relationship attributes	Asset specificity; Frequency of transactions; Environmental uncertainty; Measurability of services; Interdependence of tasks; Complexity of tasks.	Brown e Potoski (2003b); Cristofoli <i>et al.</i> (2010); Ditillo <i>et al.</i> (2015); Johansson <i>et al.</i> (2016); Langfield-Smith and Smith (2003); Van der Meer-Kooistra e Vosselman (2000); van Genugten (2010).
Management control mechanisms	Formal control (results and behavior control); Informal control (social control).	Anderson e Dekker (2014); Dekker (2004); Johansson <i>et al.</i> (2016); Langfield-Smith e Smith (2003); van der Meer-Kooistra and Vosselman (2000), Vosselman and van Der Meer-Kooistra (2006); Ouchi (1979).
Challenges of cooperation (relational risks) and coordination of activities (performance risks)	Configuration of managerial control and its determinants.	Anderson e Dekker (2014); Cristofoli <i>et al.</i> (2010); Dekker (2004); Ditillo <i>et al.</i> (2015); Johansson e Siverbo (2011); Johansson <i>et al.</i> (2016); Konrad (2018); Langfield-Smith e Smith (2003); van der Meer-Kooistra e Vosselman (2000),

Figure 1. Study constructs.

Thus, the investigated outsourced contracts were categorized based on the attributes of the transaction and the relationship. In addition, the control mechanisms present in the

exploratory, contract, and execution phases of the contract were identified, and the challenges of cooperation and coordination of activities were analyzed.

3.2 Case context

The study was conducted at the Labor Public Prosecutor's Office (MPT), a Brazilian federal public organization, which has a central unit in Brasília/DF and decentralized units based in 24 Brazilian states (Ministério Público do Trabalho [MPT], 2019). Based on the selection criteria of Yin (2017), the scope and time available for conducting the research, the object of analysis was a decentralized unit, the Regional Labor Public Prosecutor's Office of the 12th Region (PRT12), located in Santa Catarina. Approximately thirty active outsourced service contracts at the unit cover surveillance, cleaning, reception, maid service, telephony, janitorial, corporate printing, fuel and oil collection of recyclable garbage, and others.

Outsourced cleaning and conservation service contracts in force at PRT12 were selected for analysis, which has active contracts in the cities of Florianópolis (headquarters), Blumenau, Chapecó, Criciúma, Joaçaba, Joinville, and Lages. Currently, four companies carry out the contracted activities, with contracts signed for 12 months, which can be extended for an equal period up to a maximum limit of 5 years, representing an annual expense of approximately R\$ 450,000.00.

3.3 Data Collection and Analysis

Data were collected from December 2019 to May 2020 through semi-structured interviews, a questionnaire with open questions, and triangulation with documents. Initially, contracting documents were analyzed, such as bidding process files, service provision contracts, minutes of meetings, extension processes and changes in contract prices, contractual execution reports, and sanction application processes.

After analyzing these data, semi-structured interviews were carried out based on a script previously evaluated by three professors who worked in a graduate course in the accounting area and suggested adjustments to improve the document. The interviews were conducted with three civil servants from the Administration Division (AD), the Bidding, Purchasing and Contracts Section (CS), and the Contract Management Section (CMS), named E1, E2, and E3, respectively. The interviewees were selected because they have a direct relationship with the administrative routines for managing outsourced contracts and participate in the planning, execution, and monitoring processes of contracting.

The interviews were carried out in early 2020 using the Google Meet application, and protocols were used to ensure ethical precepts in conducting the study. The participants did not object to the recording of the interviews, which, after being transcribed, were forwarded to each interviewee for validation. Additionally, a questionnaire with open questions was sent to contract supervisors, totaling seven respondents, named F1 to F7, with questions referring to the types of control used in the contract execution phase based on the literature consulted.

Thus, ten servers participated in the research. Seven were male, with a mean age of 39 and a greater predominance in the age group from 31 to 40. All have higher education in Administration, Accounting, Law, Physical Education, Electrical and Mechanical Engineering, and Theology. They have worked in the organization for an average of 11 years, ranging from 3 to 25 years. The time performing the function has an average of 5 years, with four servers in the range of 0 to 5 years and six in the range of 6 to 10 years. All interviewees have a role of trust (leading position).

The interviews were organized into categories and examined through content analysis, cross-referencing with hiring documents, and the literature in the area after being transcribed. The questionnaire answers were treated similarly, categorized based on the research constructs, and analyzed through triangulation with data collected from documents and interviews.

4 RESULTS AND DISCUSSIONS

4.1 Transaction and Relationship Attributes

The transaction and relationship attributes, addressed by the inter-organizational management control literature and used for analysis in this research, are asset specificity, transaction frequency, environmental uncertainty, measurability of services, interdependence and complexity of tasks.

Regarding the specificity of assets, it was verified that the investments to produce the services object of this study are not very significant. In terms of activities and results, the services provided have methods and procedures that are easy to measure and monitor. The biggest asset of the contracts is the workforce, with simple attributions, and the other assets used in the service (materials, uniforms, equipment, PPE, among others) also have low specificity.

Another characteristic of the analyzed service is its high frequency of transactions, with recurring interactions during the contract period, which is one year. However, according to van Genugten (2010), when the frequency is high, this attribute is not characterized as decisive in the transaction between the parties.

As for environmental uncertainty, it was observed that the contracts have certain predictability of execution, are signed for one year, and have been extended for 12 months at the end of each term. However, interviewee E2 mentioned that "political demands tend to be more imposing, especially in financial crisis." In addition, Brazilian legislation allows the public organization to unilaterally carry out contractual additions or deletions, which also impacts the predictability of the service execution environment.

As for the measurability of services, it was found that they are easy to measure: services are well-defined, standardized tasks, and the unit can objectively define performance and quality standards. At the beginning of the contract, companies must present a spreadsheet containing the Service Execution Planning (SEP). In this regard, interviewee E1 mentions that the tasks are relatively simple and that the SEP helps the MPT and the contracted company coordinate activities.

Regarding the interdependence of tasks, it was found that there is a moderate dependence between the execution of activities by companies providing outsourced services and the provision of MPT services to society, because even without a direct relationship with the service, because it is about hygiene and involve health issues, its non-execution or poor quality can negatively impact the servers that work in the unit, in addition to compromising the provision of services.

As for the complexity of the tasks, the MPT designates two inspectors (incumbent and deputy) to monitor and inspect contractual execution. In addition, there is no need for training or specific technical skills to carry out the contracted activities, with proof of complete elementary education being the only requirement required by the contract.

Based on the previous, the analyzed service has low asset specificity, high frequency of transactions and measurability of services, environmental uncertainty and interdependence of moderate tasks, and low complexity of the tasks performed.

4.2 Management Control Mechanisms

At the MPT, contracting companies providing outsourced services are guided and governed by legal provisions, such as Law No. 8666/93 (biddings and contracts), Law No. 10520/2002 (trading), Decree No. 10024/2019 (electronic auction) and, mainly, by Normative Instruction (IN) No. 05/2017 and its amendments, from which the contracting of services must observe the stages of contracting planning, selection of the supplier and contract management. The exploratory and contract phase (ex-ante) corresponds to the planning and selection of the supplier handled by the IN, and the contractual execution phase (ex-post) refers to contract management. The use of management control mechanisms was observed in the two phases.

The Administration Division is responsible for the hiring planning stage documents, including preliminary studies, risk management, and terms of reference. From the analysis of these documents, some control mechanisms were observed, such as the planning and specification of how the tasks will have to be performed, the establishment of goals, or how the quality of services will be evaluated. In addition, processes, procedures, and behaviors to be adopted by contracted companies are specified. Another mechanism is the budget, which determines the maximum amount allowed for each hire.

Once these steps are completed, the supplier selection phase begins in charge of the Tenders, Purchasing, and Contracts Section, which comprises the stages of the bidding process (call, legal opinion, adjudication, and approval), formalization, and publication of the contract.

The search for the company to be hired takes place through electronic trading. Interviewee E2 points out that the selection of suppliers considers the determinations contained in the legislation and previous contracting and mentions that many companies provide this type of service, which guarantees greater competitiveness to the process. In addition, companies must submit financial statements for the last financial year as one of the steps in the selection process. Thus, the MPT uses this control mechanism for companies' economic and financial qualifications.

It was verified that the elaborated contract is extensive and detailed, based on the term of reference and the information collected during the hiring planning process. It specifies the rights and responsibilities of the contracted companies and the MPT, procedures necessary for carrying out the activities, technical and legal aspects to be observed, in addition to containing actions that would be in disagreement with the objectives of the contract, sanctions or penalties, and procedures for conflict resolution (Ding, Dekker, & Groot, 2013).

Based on the documents consulted and the information obtained through the interviews, the control categories and the main control mechanisms used in the exploratory and contract phase (ex-ante) are summarized in Figure 2.

In this phase, control is exercised by a combination of formal instruments. Outcome control mechanisms were verified on a smaller scale. The MPT specifies performance targets concerning the services evaluated during contractual execution. In selecting partners, some mechanisms for controlling results were also observed, such as competition, accounting and financial data, and preparation of a reference budget. It was also observed that the control mechanisms used are predominantly behavior control. In this phase, one of the main mechanisms is elaborating detailed contracts, which allow the contracted companies to have information about the expected behavior in the execution of the tasks.

In this phase, informal control instruments are not used. Instead, previous contract experiences and supplier reputation are considered in the planning process for a new contract, but with little influence on the relationship and trust between the parties.

Control categories	Control mechanisms used
Results Control	Formal bids with competitive bidding Competition Accounting and financial data Budgets and financial proposals Setting goals and performance indicators
Behavior Control	Planning, laws and regulations, guidelines Organizational structure Task planning and specification Specification of processes, procedures, and behaviors Budget and cost spreadsheet and pricing Verification procedures and meetings Legal opinion Elaboration of specific selection criteria Detailed contracts (specification of inputs, processes and tasks, sanctions, conflict resolution, payment mechanisms, extension, and termination)
Social Control	Not identified

Figure 2. Control mechanisms in the exploratory and contract phase (ex-ante)

The execution phase (ex-post) begins with the signature of the contract, under the responsibility of the Contract Management Section. Results, behavior, and social control mechanisms were identified in this phase. The control of results was verified through targets and performance indicators defined in the contracts. Interviewee E1 clarifies that there is no reward or incentive system for contracted companies concerning their results, but a methodology was implemented to assess the quality of services provided through the service quality index (SQI).

Regarding behavior control, it was found that the unit's contracts specify aspects related to the execution of services (work routines) and administrative aspects of contractual execution. The rules and procedures determined in the contract are also evaluated, and revisions or modifications are carried out due to the non-achievement of objectives. Inspector F4 points out that even without a formal standard report, the assessment is carried out considering the activities provided in the contract. Contractual revisions and amendments are carried out when the contract is extended or when a new instrument is signed in cases of significant changes.

Another form of behavior control is the application of sanctions specified in contractual clauses. Interviewee E3 records that the behavior of service providers in the face of the application of these sanctions varies with the structure and clause and respective sanction and exemplifies: "the contracts have the forecast of the need to hire a mobile employee to cover possible absences from the station employee, but there are companies that prefer to be fined, as the amount is less than what would be spent on hiring."

Concerning social control, it was found that the participation of staff from contracted companies in meetings promoted by the MPT is encouraged. Inspectors report that these meetings are organized to create and develop relational ties, including get-togethers, year-end festivities, and birthdays. In addition, some lectures and training have already been held with the participation of outsourced employees. For example, inspector F6 mentions that in 2018 there was a lecture on recyclable waste with the participation of these workers. The F1 inspector also recalls an event on gender, race, and diversity perspectives in which outsourced employees participated.

In addition, the researched MPT unit usually informs about acceptable behaviors and norms that must be observed in the provision of services. For example, Inspector F3 points out that "the contract inspector informs the company of improper behavior at the service delivery location, such as, for example, leaving the service location without prior notice, excessive and inappropriate use of cell phones, failure to follow safety protocols attendance."

Based on the consulted documents, the information obtained in the interviews, the answers to the questionnaire, the control categories, and the main control mechanisms used in the execution phase (ex-post) are summarized in Figure 3.

Control categories	Control mechanisms used
Results Control	Performance measurement based on results Service quality index (SQI)
Behavior Control	Control of rules and procedures previously defined in the contract Service Execution Planning (SEP) Contract revisions and amendments Feedback Application of sanctions
Social Control	Participation in meetings promoted by the organization Acceptable behaviors and norms for providing the service Personal contacts and regular communication

Figure 3. Control mechanisms in the execution phase (ex-post).

In this phase, control is exercised by a combination of formal and informal mechanisms. To control the execution of tasks, the MPT uses mechanisms of control of results, behavior, and social, with the prevalence of control of behavior.

Results control is performed by performance measurement and SQI. Behavior control is exercised mainly by inspectors through the control of rules, procedures, and processes previously defined in the contracts signed between the parties, and informal control mechanisms were observed mainly in the direct relationship between inspectors and employees or representatives of contracted companies, with participation in meetings, determination of acceptable behaviors, norms to be observed and regular personal contacts.

4.3 Challenges of Cooperation and Coordination of Activities

In the analyzed organization, the cooperation challenges are mainly related to the possibility of contracted companies acting opportunistically in the relationship. Even with the contractual safeguards, this problem was still verified in the studied context. Interviewee E2 mentioned that during the process of selecting partners through bidding, competition has been an element that partially inhibits this opportunistic behavior, but that it is still verified mainly in the hiring of smaller amounts, already in hiring that contemplates a greater number of participants in the competitive process, "companies themselves act as inspection agents for organizations that try to act opportunistically" (E2).

Still, on the possible opportunistic behavior of contracted companies, interviewee E1 mentions that generally, "companies are not specialists in the object of providing services that they propose, acting only with the hiring of labor." Thus, the MPT designates a supervisor to act directly on each contract to ensure compliance with contractual obligations.

The observed coordination challenges relate mainly to the supervisor, a representative of the contracted company. As contractually defined, this professional must guide the employees allocated to the contract, monitor the execution, and verify the service quality. However, it turns out that, in most cases, this employee of the contracted company does not act as a supervisor of the services but only deals with administrative and personnel issues.

Interviewee E1 mentions that if not requested by the MPT, the supervisor does not go to the unit to guide the execution of services. For example, he points out: "During the period I worked as an inspector, I do not remember the company contacting me to ask 'how the services are going.' Meeting requests always came from the Attorney General's Office." In addition, interviewee E3 reinforces that, according to current legislation, inspectors cannot give direct orders to outsourced workers under penalty of characterizing a working relationship with the

public organization; thus, when the supervisor does not act to guarantee the correct provision of services, may also imply failures in the coordination of activities.

Respondent E3 also records that high employee turnover is generally observed in contracted companies. He cites the example of a contractual readjustment process: "from the first contact until the formalization of the term, I dealt with three different employees," and adds: "often these new employees do not even carefully read the contractual provisions and their obligations." Therefore, these aspects can also imply challenges in cooperation and coordination of activities.

4.4 Discussion of Results

In the results of previous research, as in Dekker (2004) and Johansson *et al.* (2016), the specificity of assets, environmental uncertainty, and measurability of services are more related to problems of cooperation between partners; thus, certain types of control would be more suitable to mitigate these possible problems.

These works have pointed out that, for low specificity assets, the use of results or social control mechanisms would be sufficient since no specific investments are made in assets for these contracts; thus, there would be no need to face this challenge more proactive, imposing rules and restricting behavior (Johansson *et al.*, 2016). Governments also tend to resolve service measurability problems by choosing mechanisms that provide greater control (Brown & Potoski, 2003b). In this sense, works such as those by Dekker (2004), Ditillo *et al.* (2015), Langfield-Smith & Smith (2003), and van der Meer-Kooistra & Vosselman (2000) have observed that for highly measurable services, outcomes and behavioral control mechanisms (to a lesser extent) tend to be more used.

In addition, in environments of moderate uncertainty, control of behavior and results tend to be more used since future situations are more or less predictable and the nature of transactions does not change much during the relationship, which allows them to be specified in advance through the contracts and that the results or performance are measured (Vosselman & van Der Meer-Kooistra, 2006).

In this same perspective, based on the extended TCT and the attributes associated with the relationship between the parties, the findings by Dekker (2004) and Johansson *et al.* (2016) also suggest that interdependence and complexity of tasks are more related to challenges in coordinating activities; thus, certain types of control would be more suitable to face these possible problems.

The interdependence of moderate or high tasks implies the need to implement rules, regulations, and specifications to reduce uncertainties related to the challenges of coordinating activities through behavior control (Johansson *et al.*, 2016). On the other hand, the low complexity of the tasks does not require a predetermined behavior, personal interaction, or flow of informal information. In this sense, measuring quality and performance through controlling results is sufficient (Ditillo *et al.*, 2015).

It is observed, by the presented discussion, that the expectations of the literature regarding the attributes of the transaction and the relationship and the types of control are partially verified in the present research. The services analyzed in this study have low asset specificity, high measurability, moderate environmental uncertainty, task interdependence, and low task complexity. Thus, control can be exercised mainly through formal instruments (results and behavior control), with the prevalence of mechanisms for controlling results, which was not verified in the public organization under study. Both in the exploratory and contract phase and the execution phase, the MPT unit mainly uses behavior control mechanisms.

The analysis context may explain the prevalence of behavioral control mechanisms. According to Cristofoli *et al.* (2010), the preference for this type of control is strengthened by the legacy of the bureaucratic culture of public organizations so that these mechanisms may always be present in outsourcing relationships in the public sector. Moreover, in many cases, as they involve widely regulated activities, public organizations need formal and bureaucratic controls to ensure that suppliers are aligned with the contracting objectives (Ditillo *et al.*, 2015; Johansson *et al.*, 2016).

Additionally, legal structures that govern public sector organizations reflect on the parties' obligations to act beyond their organizational boundaries and can influence control decisions (Ahlgren & Pettersen, 2015). Thus, even with the managerial reforms that took place in the public sector, in which greater emphasis was placed on communicating results or performance, both outcome control and social control still play a secondary role (Ditillo *et al.*, 2015; Konrad, 2018).

5 CONCLUSIONS AND RECOMMENDATIONS

Given the objective of this research, it was observed that the main role of the control mechanisms in the analyzed environment is to specify in detail the behavior to be followed by the contracted companies, and to restrict eventual actions in disagreement with the contracting objectives, with little flexibility for the development of activities or the relationship between the parties to develop beyond contractual provisions. The significant use of behavior control mechanisms in the exploratory and contract phases and in the contract execution phase confirms this.

The study analyzed how these elements relate to the challenges of cooperation and coordination of activities and how they shape the configurations of the types of controls implemented using the extended configuration of the Transaction Cost Theory, with analysis of attributes related to the transaction (specificity of assets, frequency of transactions, environmental uncertainty and measurability of services) and the relationship (interdependence and complexity of tasks).

According to Ditillo *et al.* (2015), the three categories of control mechanisms represent layers of control that complement each other, reflecting the development of control systems in the public sector, which can still be considered evolving. Thus, decision-makers tend to use the best management control mechanisms, adding other types when necessary.

This study contributes to the inter-organizational management control literature by bringing more elements to the discussion on the subject investigated through empirical research on how contracted companies are controlled and how the options for certain types of control can be explained based on an analysis of the context of the challenges of cooperation and coordination of activities. The results can also help public managers to understand which elements are related to the control configuration implemented to manage these contracts.

Regarding the aspects analyzed, this research focused on elements associated with possible challenges of cooperation and coordination of activities. Thus, it is recognized that other elements associated with the transaction, the environment, and the relationship can influence the findings, which were not observed due to the proposed methodological approach.

Cristofoli *et al.* (2010) also considered it essential that the factors indicated in the private sector literature will not always be sufficient to explain the control configurations in the public sector. However, in some cases, they can serve as a starting point for a better understanding of managerial control in this environment, as in the context of the public agency studied, where it appears that the legislation still plays an important role in managing these contracts.

The specific characteristics of regulating contracting this service in Brazil and cultural aspects can also be limiting factors. In this way, the research design and its context must be considered to interpret the results since possible findings, even in line with the results of other studies, do not allow generalization.

For future work, research is suggested with services with characteristics different from those considered in this study, such as the provision of medical or assistance services, which are more challenging to measure. In addition, this research analyzed the perspective of the public organization (service contractor). Thus, future research may also analyze the perspective of contracted companies (service providers) to interpret the phenomenon better.

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Mecanismos de Controle em Relações de Terceirização de Serviços no Setor Público

RESUMO

Objetivo: analisar o papel dos mecanismos de controle gerencial em relações de terceirização de serviços no setor público, considerando os desafios de cooperação e de coordenação de atividades.

Método: pesquisa qualitativa, a partir de entrevistas, questionário e triangulação desses dados com documentos, apoiada na realização de estudo de caso em uma unidade descentralizada do Ministério Público do Trabalho, com análise de contratos terceirizados de serviços de limpeza e conservação.

Originalidade/Relevância: o estudo contribui no avanço do debate científico sobre o tema em organizações públicas e no contexto brasileiro.

Resultados: os serviços analisados não utilizam ativos específicos, operam em ambiente de incerteza moderada, possuem tarefas fáceis de mensurar e pouco complexas, além de haver interdependência moderada entre a organização contratante e as organizações contratadas. Observou-se uso de instrumentos de controle formais e informais. Os resultados também sugerem que o ambiente burocrático dessas contratações pode influenciar a configuração dos mecanismos de controle gerencial, com pouca flexibilidade para que as atividades ou o relacionamento se desenvolvam além das previsões contratuais.

Contribuições Teóricas/Metodológicas: o trabalho agrega à literatura, ao abordar a configuração de mecanismos de controle gerencial em relacionamentos fornecedor-comprador em organizações públicas.

Contribuições Sociais/para a Gestão: os resultados podem auxiliar as organizações do setor público a compreender os aspectos que influenciam a configuração do sistema de controle de seus contratos de serviços terceirizados, além de fomentar as discussões sobre os desafios dessas contratações.

Palavras-Chave: Controle Gerencial. Setor Público. Terceirização. Desafios de cooperação e de coordenação.

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