ROUNDTABLE NOTES

Developing a research agenda in the space between formal and relational contracting

3 September 2026, Social Outcomes Conference

These notes capture the substance of the discussion without attributing comments to participants or their affiliations. They are a thematic synthesis, not a verbatim record. These notes were generated from the session transcript by ChatGPT.

Executive summary

The discussion treated formal-relational contracting (FRC) less as a single contractual technique than as a way of governing complex relationships in which formal rules, incentives, professional judgement, norms and adaptation all interact.

- The formal/relational distinction is too simple on its own. Public/legalistic, market/managerial and social/professional logics can coexist within the same contracting environment and create different conceptions of value and accountability.
- Public contracting creates distinctive constraints. Long-term cooperation and adaptation must coexist with competition, transparency, auditability, political scrutiny, anti-corruption safeguards and stewardship of public money.
- Implementation is as important as drafting. Relational intent can dissipate after award unless incentives, organisational structures, leadership, capability and routines sustain it over the life of the contract.
- Learning and adaptation are central, but not limitless. FRC needs mechanisms for distinguishing legitimate learning from drift, and for deciding when adaptation should stop and a relationship or model should be judged to have failed.
- A substantial research agenda remains: how to measure relationality, when formal and relational mechanisms complement or undermine one another, how discretion can remain legitimate, how partner selection and market structure shape outcomes, and where FRC should not be used.

Core tensions at a glance

Tension	Question raised
Adaptation vs accountability	How can contracts change with circumstances while decisions remain explainable, reviewable and legitimate?
Trust vs safeguards	How much discretion and relationship-specific judgement can be allowed without creating favouritism, opacity or corruption risk?
Future value vs present rights	When should a party refrain from exercising a contractual right in order to preserve greater long-term value?
Partnership vs publicness	How can collaborative behaviour be encouraged without treating public and private parties as if their roles, duties and powers were identical?
Learning vs drift	When does adaptive learning improve delivery, and when does it become an uncontrolled change in purpose, obligations or outcomes?

Thematic notes

1. Overall framing

The discussion began from the view that contracting practice in complex cross-sector settings has evolved faster than some of the theory used to understand it. FRC was treated as an attempt to connect formal contractual architecture with the relationships, norms, judgement and adaptation needed to deliver complex outcomes.

A recurring theme was that the field should avoid treating “formal” and “relational” as a simple binary. The contracting space can contain several institutional logics at once: a public/legalistic logic centred on legality, equality, procedure and authority; a market/managerial logic centred on efficiency, performance and competition; and a social/professional logic centred on expertise, trust, ethics and responsiveness.

2. Greater conceptual precision is needed

Several contributions argued that common terms in the field are used too broadly. Trust and distrust may not be opposite ends of one continuum. Contract incompleteness can arise from uncertainty, high drafting costs or the practical impossibility of verifying performance. Parties can also be collaborators and competitors at the same time.

The implication is that research should distinguish different forms of hybridity, incompleteness and relationship quality rather than treating them as single constructs.

3. What makes a relational contract work?

One economic framing described a relational contract as a self-enforcing incomplete agreement: some desired behaviours - loyalty, best efforts, cooperative adaptation - cannot readily be enforced in court, so cooperation may be sustained by the expected value of the continuing relationship, future business and the way formal terms support informal commitments.

That mechanism was contested rather than accepted as universal. A counter-view was that short-term incentives and quarterly performance pressures can make each negotiation feel like an “end game”. Other examples suggested that reputation, shared purpose and sector norms can matter greatly. The discussion therefore left open the empirical question of when future exchange, reputation, intrinsic motivation, norms and formal incentives actually change behaviour.

4. Formal provisions can shape norms even without direct enforceability

A view advanced in the discussion was that writing principles such as loyalty, fairness or cooperation into a contract may matter even where those principles are not straightforwardly enforceable. Their role can be to establish expectations and norms, frame later conversations and provide context for judging what reasonable behaviour looks like.

This suggests that the formal component of FRC may have behavioural and interpretive functions in addition to conventional legal-enforcement functions.

5. Renegotiation is not automatically evidence of failure

From a conventional contracting perspective, renegotiation can be read as evidence of poor design or opportunism. From a relational perspective, it can instead show that parties are able to adapt cooperatively to circumstances that could not have been fully specified in advance.

A different operational perspective suggested that relational success may sometimes be visible in the absence of formal renegotiation: services adapt to changing circumstances without the parties needing to reopen the agreement formally. Together, these views expose a measurement problem - whether relationality should be observed in contract text, award processes, implementation behaviour, repeated exchange, or the character of adaptation and renegotiation.

6. Public contracting presents distinctive constraints

The discussion contrasted long-term private-to-private relationships with public contracting. In some private settings, parties can take a wider portfolio view and accept a loss on one issue in order to preserve value elsewhere in the relationship. Public decision-makers may have much less room to do this because contractual choices are scrutinised through procurement rules, public-money requirements, audit, political accountability and media attention.

A particularly difficult case arises when exercising a contractual right - such as termination or a major financial remedy - may destroy more long-term value than it preserves, while choosing not to exercise that right can appear to be an unjustified concession. This produced a central question: how can the value of future cooperation be considered legitimately in public decision-making?

7. Public accountability is not merely an obstacle

The discussion also resisted any simple conclusion that public-sector safeguards are just frictions to be removed. Public contracting must preserve accountability for public money, fair treatment, transparency, anti-corruption protections and democratic scrutiny.

The challenge is therefore not to copy private-sector relational contracting into government unchanged. It is to develop relational arrangements that remain recognisably public in their duties, scrutiny and legitimacy.

8. Strong buyer rights can create their own governance problems

There was a live tension over the value of strong contractual remedies. One perspective emphasised the practical need for contract managers to retain usable levers when performance deteriorates. Another warned that rights which are unlikely to be exercised can put officials on the hook later for explaining why they did not use them.

Ideas raised included more careful design of termination rights, temporary pauses or waiting periods before escalation, procedures for gathering more context and evidence, guiding principles that create an alternative to immediate enforcement, and greater use of extensions or additional work as positive incentives where the legal framework permits.

9. The “who is the we?” problem

The language of creating value for “we” prompted a deeper public-value question. In complex systems, the relevant collective interest may be the individual contract, a department, government as a whole, a portfolio of relationships, or different groups of service users and beneficiaries.

A choice that protects value in one part of the system can impose losses elsewhere. FRC therefore needs a clearer account of whose value is being considered, who has authority to trade between different interests, and how those trade-offs are made legitimate.

10. Deal origination and market structure matter

Good relationship management cannot indefinitely compensate for weak partner selection or poor market conditions. The discussion highlighted thin markets, limited competition, repeated engagement with poor performers, barriers to new entrants, and distrust of government among organisations that might otherwise be valuable delivery partners.

This pushes the FRC research agenda upstream: market stewardship, pre-market engagement, partner selection and the conditions under which good actors enter and remain in a market may be as important as the clauses used after award. An example discussed also suggested that an existing propensity and history of collaboration can matter materially to whether a joint delivery arrangement succeeds.

11. Implementation may matter as much as drafting

Relational contracting was described as something that can be designed intentionally rather than simply emerging by chance alongside a formal agreement. But the discussion repeatedly returned to the risk that a carefully designed relational approach will fade during implementation.

Workshops and shared principles can create real collaborative momentum at the outset, yet organisations may revert to transactional behaviour months later. The teams that design and procure a contract may also be different from those that manage it day to day. Sustaining FRC therefore depends on incentives, organisational structures, leadership, continuity, capability, professional experience and the behaviour of individuals on both sides.

12. Learning and adaptation should be central - but bounded

FRC was linked to settings where services need to test, learn and adapt rather than execute a fully specified model. The contract should be capable of moving in response to evidence, but the room identified an important boundary problem.

If outcomes and means are both highly indeterminate, continuous learning can make everything feel open for renegotiation and can itself dissolve the relationship. Questions raised included: what counts as meaningful learning; when does adaptation become drift; what can legitimately be changed; and when should the parties stop adapting and conclude that the model or relationship has failed?

13. Professional judgement is an underdeveloped part of FRC

One contribution proposed that successful relational contracting requires a form of professionalism: legitimate discretion grounded not only in rules or incentives but also in expertise, ethics, judgement, dialogue and continual learning.

On this view, the crucial question is often not whether to be formal or relational, but when to use each mode. Established professions may therefore offer useful lessons about how discretionary judgement can be trained, reviewed and made legitimate. Experiential learning, simulations and repeated practice were suggested as practical ways to build those habits.

14. Contract data and AI may create new learning opportunities

The discussion noted emerging uses of AI and large contract datasets to examine how organisations actually negotiate and depart from templates. Potential uses include identifying clauses that are routinely renegotiated, provisions that are rarely enforced, recurring landing positions and patterns across different relationships.

The opportunity described was institutional learning: using evidence from past contracting behaviour to remove unnecessary complexity, improve preparation and give decision-makers a stronger basis for changing standard positions. This was presented as a promising avenue rather than an established result.

15. Corruption and favouritism are central boundary conditions

A strong caution concerned the relationship between discretion and integrity. Relational contracting can ask public buyers to rely more heavily on judgement, repeated interaction, information sharing and relationship-specific knowledge. Those same practices can create opportunities - or the appearance of opportunities - for favouritism or corruption.

Transparency was therefore discussed as a possible counterpart to discretion: explaining why negotiations occurred, what changed, how choices were made and what public-interest rationale justified them. The design problem is to gain adaptive capacity without abandoning safeguards around public money.

16. FRC may not be appropriate everywhere

A final provocation urged the room not to assume that all publicly funded services should be treated as commercial markets or that the same contracting logic should apply everywhere. Competitive purchasing and long-term system stewardship may require very different governance arrangements.

This creates a research agenda around the boundaries and failure cases of FRC: which settings benefit from more relational approaches, which require stronger rule-based safeguards, and what signals indicate that relational flexibility has become excessive or inappropriate.

Emerging practical principles

The discussion did not produce a single agreed playbook. The following are best read as practical propositions that recurred or were supported by more than one strand of the conversation:

- Treat the written contract as one component of a wider governance relationship, not as the whole relationship.
- Design formal mechanisms to make adaptation and problem-solving possible while keeping important decisions explainable and reviewable.
- Be explicit about the behaviours and norms the arrangement is intended to encourage; do not rely only on conventional remedies and incentives.
- Test whether financial incentives are aligned with the collaborative behaviours being requested.
- Think carefully about whether every conventional contractual right is useful, and what governance burden follows from having a right that may not be exercised.
- Build in structured opportunities to pause, gather context, learn and recalibrate before major escalation where the service context allows it.
- Preserve transparency, integrity and democratic accountability as design requirements, not as afterthoughts.
- Invest in relational capability and professional judgement across the organisations that will actually manage the contract, not only in the original negotiating team.
- Treat relationship maintenance as continuous work over the life of the contract.
- Define how learning can change the contract, who judges the evidence, and where the boundaries of legitimate adaptation lie.

Research agenda emerging from the discussion

1. Definition and measurement: What should researchers observe when measuring the degree or character of relational contracting: contract text, award discretion, repeated exchange, implementation behaviour, renegotiation, or a combination?

2. Mechanisms: When are formal and relational mechanisms complements, and when do they substitute for or undermine one another?

3. Norms and behaviour: How far do formally expressed principles change behaviour even when they are not directly enforceable?

4. Incentives and the shadow of the future: Under what conditions do future business, extensions, reputation or continuing exchange genuinely discipline behaviour?

5. A public-sector model of FRC: What features distinguish a legitimate public form of FRC from private-sector relational contracting?

6. Discretion and integrity: How can discretion expand without unacceptable risks of favouritism, corruption, opacity or unequal treatment?

7. Market design and partner selection: How do competition, thin markets, reputation, pre-market engagement and deal origination shape the possibility of relational success?

8. Implementation: What organisational conditions stop relational arrangements reverting to transactional behaviour after award?

9. Professionalism: Can relational contract management be developed as a professional capability grounded in expertise, ethics, peer judgement and accountable discretion?

10. Learning: How can contracts distinguish legitimate adaptation from mission drift, and what governance should surround changes based on learning?

11. Failure conditions: When should FRC not be used, and what signals show that a relational approach has gone too far or ceased to create value?

12. Technology and evidence: How can contract data and AI be used to identify which provisions and practices actually support collaboration, adaptation and public value?

Closing synthesis

The closing discussion returned to learning across disciplines and sectors. The problems raised cannot be solved by legal, economic, management or public-administration perspectives in isolation. The central challenge for FRC is to combine useful relational flexibility with the distinctive integrity and accountability requirements of public contracting, and then to make that combination work in day-to-day implementation rather than only in contract design.