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Can management consultancy be regulated?

Andrew Sturdy (University of Bristol)

About the research

The history of management consultancy is a paradox – exponential growth and an elite status while continually beset by scandal and critique. The latest controversies concern over-selling or over-buying around Brexit and COVID19 and 'infantalising' UK civil servants. But questions of 'revolving doors' between consultancy and government and 'open doors' between audit and advisory services are also never far from the surface. Despite this, management consultancy is one of the most successful and least regulated of occupations. Anyone can become a consultant, overnight. Why is this? What could be done and what should be done?

In one of the first systematic attempts to identify an agenda for debating the governance of management consulting, three new policy areas are identified for consideration by consulting firms, clients and policy makers in government.

Policy implications

Greater Transparency

- Clients and their overseers (e.g. The Cabinet Office in national government; NHS England) should explore novel ways of systemically evaluating of consultancy. This could make use of web-based technology such as a 'Tripadvisor' style rating, or involve stakeholders through 'meta-consultants' who review other consultants' projects.

Reform Rewards

- Firms and individual consultants should reform their reward and value systems, making them less focused on selling regardless of client need. An example can be found in debates about auditing and aligning staff rewards with 'cultures of challenge' as well as consulting firms signing up to the BCorporation message of purpose and profit.
- The 'partnership' model of some consulting firms should be questioned for the weak accountability it offers.
- Clients need to evaluate on more than just 'value for money'. Other important parameters include democratic decision making and knowledge transfer. 'Serial purchasing' could be introduced which limits the period of engagement or projects with a single supplier.

Promote Alternatives

- Government should recognise that globally, many countries, sectors, governments and organisations manage to thrive without any or significant use of external consulting – alternatives can be credible and effective.
- Government should support specific alternative internal and external sources of expertise. This could be something as conventional as internal consulting and Human Resource planning or entirely new approaches to organising such as those emerging which face up to global challenges more than shareholders or economic growth.

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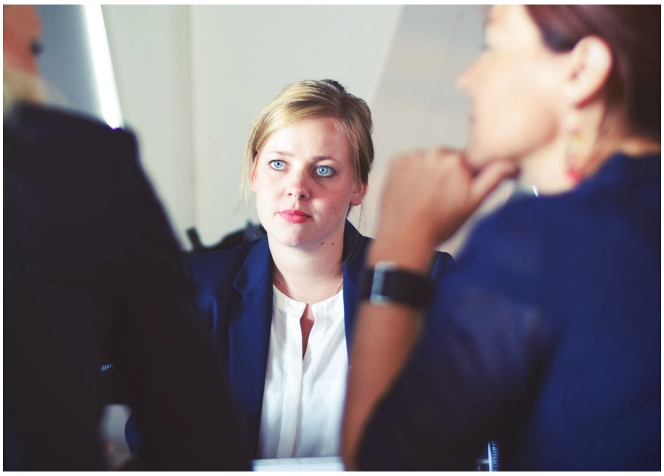
Research findings

Existing Governance is weak

- Although not regulated directly, management consultancy use is governed in different ways. There are, for example, many professional bodies with ethical codes (e.g. the Institute of Consulting in the UK) although they typically represent only a minority of the occupation and lack teeth. The large firms also have guidelines, but these tend to place undue responsibility on the individual consultant.
- Probably the most visible and controversial form of governance comes through procurement regulations, especially in the public sector. Here, the aim is to replace cosy client-consultant relationships with something more transactional. A key risk here is losing the flexibility and trust sometimes needed to find solutions. But the involvement of purchasing professionals has been a step in the right direction, even if, in the public sector, regular reports from advisory bodies such as the National Audit Office regularly note poor progress.
- The consulting industry view would probably be that consultancy is best governed by the market or reputation. Indeed, while it is possible for anyone to call themselves a consultant, getting clients is another thing altogether. However, the market is neither transparent nor equitable and the reputations of the large firms at least, seem quite resilient in the face of scandals, stigma and sometimes, work of questionable quality.

Why is it so difficult to regulate or govern consultancy?

- Firstly, most consultancy knowledge is relatively ambiguous or open to interpretation. This, combined with the fact that it is also often produced jointly with clients, means that it is very difficult, often impossible, to evaluate its quality or impact or, if not, who is responsible. In short, we do not really know if consultancy works, or if it does, for whom?
- Secondly, it is politically hard to regulate. The power and scope of consulting influence, especially the large firms, extends to almost all areas of government and business. Neither clients nor consultants seem to have much of an interest in transparency, regulation or independent professionalisation, but keep the issue in the realm of 'quiet' or uncontested politics.
- Thirdly, the financial value attached to consulting means that it is just too tempting for firms to take advantage of the ambiguity of outcomes in order to over-sell. Put bluntly, if there was less at stake, clients would be more likely to expose bad practice and consultants would be more inclined to turn down work or tell clients things they don't want to hear.



Further information

This report is based on diverse sources and research studies, including some conducted by the author. Full information can be obtained from the author and found in Sturdy, A J (2020) 'The Governance of Management Consultancy Use – Practices, Problems and Possibilities' in Hurl, C and Vogelpohl, A (Eds) *Public Policy, Private Expertise – Professional Service Firms and Politics in a Global Era*. Palgrave Macmillan – see also summary in the Management Consulting Journal.

Contact the researchers

Comments, ideas or requests to participate in or help fund the next phase of the research – responsible consultancy - should be directed to:

Andrew Sturdy, Professor of Management and Organisation: andrew.sturdy@bristol.ac.uk