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Governing public sector use of external management consultancy—beyond client procurement and consultant professionalization

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IMPACT

Efforts to improve the governance of external management consulting have a mixed record. Attention has focused on either *procurement* (and insourcing) and/or raising standards through *professionalization*. The persistence of critiques and public scandals suggests that more is needed from the industry, policy-makers, clients/purchasers and other stakeholders. In this article, the authors highlight how systemic problems with consulting arise from the nature of its *reward* and *value* systems and the resulting lack of *openness* of consultants and their clients—none of which have been adequately addressed through traditional governance mechanisms. The authors explain why these neglected areas need attention. This can be done, in part, by drawing on new trends and classic dilemmas. Is the rise of purpose-led or alternative organizational forms, as well as moves to facilitate transparency and the speaking of ‘truth to power’, improving the governance and outcomes of external management consultancy?

ABSTRACT

Most research on the use of external management consultancy in the public sector focuses on critique, with less attention given to improving governance. Where governance has been considered, a longstanding concern has been with client procurement and consultant professionalization. However, the persistence of malpractice and critique suggests a need for complementary approaches. In this review article, the authors explore three such options which are linked to core problems in the practice and use of consulting: reward systems and values in consulting firms and spaces where both clients and consultants can openly challenge and speak ‘truth to power’. These are examined in the wider context of an apparent move towards ‘purpose-led’ consulting where profit is held to be less important. This is seen to present an opportunity for reform, but is insufficient on its own without other actors and activists intervening and traditional approaches being strengthened or radicalized.

KEYWORDS

governance; management consulting; openness; public sector; purpose-led; rewards; truth to power; values

Introduction

Within public administration, there has long been a concern over the use of external consultants, especially in the field of management. Broadly speaking, management consulting is defined by the industry as ‘advisory and/or implementation services to the management of organizations with the aim of improving the effectiveness of their business strategy, organizational performance and operational processes’ (see Consultancy.uk). In-house experts, employed by public organizations or central government, may also provide consulting advice. However, most interest (and concern) has focused on management consulting services provided externally, often by large privately-owned firms (Hurl & Vogelpohl, 2021).

While some studies recognize the potential value of external management consultants (EMC) to clients and, therefore, the public (Althaus et al., 2021; Hesselgreaves et al., 2021; Steiner et al., 2018), much research is sceptical (see Ashley et al., 2022 and Kirkpatrick et al., 2023a for reviews). Critiques can be summarised in terms of *product*, *profit* and *power*:

- First, the *products* (services) typically provided by EMCs are often deemed inappropriate in the sense of being

embedded in private sector (commercial) logics and/or not tailored to local contexts. This argument chimes with wider criticisms of New Public Management (NPM) (Lapsley & Oldfield, 2001) and the idea that EMCs contribute to the ‘hollowing out’ of the public sector (Hurl & Vogelpohl, 2021).

- Second, many see the external and commercial orientation of EMCs, combined with the ambiguity of their services, as excessively rewarding *profit* over client/societal needs. EMCs may sometimes act opportunistically, over-selling and increasing client dependency to boost profits (Raudla, 2013).
- Third, with regard to *power*, a lack of transparency in the way EMCs are hired and used is thought to have undermined democratic processes and accountability (O’Mahoney & Sturdy, 2016). Indeed, some have referred to the emergence of a ‘consultocracy’ or ‘invisible civil service’ (Ylönen & Kuusela, 2019; Marciano, 2023).

There is now a wealth of research exploring these critiques, mostly through qualitative insights from cases studies, but also some using quantitative data (for example Kirkpatrick et al., 2019). The risks of EMC are also widely recognized among some government departments, the media and

activists, all raising questions about value for money and accountability (Bogdanich & Forsythe, 2022; NAO, 2016). Indeed, the power, profile and prices of the large consulting firms have become a recurring theme in public debate. As Zaman et al. (2024, p. 3) suggest:

... consultants are now commonly criticized not only for their costs, but also for their opaque procedures and functionalities, inadequate qualifications, lack of efficiency, and the questionable rationale for their services, leading to calls from many quarters for, at minimum, better cost control, accountability and professionalization of the industry.

However, while critiques of EMC are commonplace, far less attention has been given to how the problems of EMC use might be addressed. Accordingly, our focus in this article is primarily concerned with governance or ways of mitigating the risks of EMC.

The relative neglect of governance derives in part from the fact that there are some fundamental barriers to its effective implementation. For example, it is typically hard, and often impossible, to evaluate the quality of EMC, which is an essentially ambiguous and politically charged service (Wright & Kitay, 2002; Nachum, 1999; Saint-Martin, 2012). Where there has been most discussion of the governance of consulting use is with respect to the problems of opportunism and poor value for money (Raudla, 2013). Here, aside from 'regulation' through the market ('open' competition), which tends to be favoured by firms, the dominant approaches focus on the management of demand and supply. With regard to demand, government auditing and other regulatory bodies have given considerable attention to improving *procurement* practices. The emphasis here is on the 'make-or-buy' decision—to 'insource' when efficient to do so or, if not, ensure value for money through competitive tendering and related practices (Lonsdale et al., 2017; Wegmann & Sankey, 2022). By contrast, supply-side governance is less easily implemented and less developed. In the absence of formal regulation, beyond regular contract law (McKenna, 2006) and, often voluntary, corporate (board and shareholder) governance (Harlacher & Reihlen, 2014), the main form of supply-side governance is through professionalization. Implied by this is that professional associations (and, more commonly, firms) will regulate themselves through codes of ethical conduct, including values, and standards of entry (for example qualifications) (Kirkpatrick et al., 2023b; Collins & Butler, 2019).

As we shall argue below, periodic scandals and failed reforms suggest that there is a compelling case to both strengthen and, crucially, go beyond existing procurement and professionalism regimes (see also Mazzucato & Collington, 2023; Bogdanich & Forsythe, 2022; Wegmann & Sankey, 2022; Australia Institute 2023). Indeed, it has been claimed that there is a 'systemic failure worldwide to protect the public from both incompetent clients and incompetent consultants' (Law, 2009, p. 65). In this article, we draw on diverse secondary sources from the consulting literature, and beyond, to question the usefulness of existing governance approaches towards EMC and explore alternatives. In our view, the current context holds some potential for new approaches to take hold. First, one possible source of new ideas is activists and activist academics (Open Secrets, 2023; Hurl & Werner, 2024; Australian Government, 2023). Second, and more extensive,

is a wider 'normative turn' in business, including consulting. Here, partly also in response to public scandals, consulting firms are seeking to reform and/or be seen to reform their governance towards greater 'social responsibility', 'purpose' or ethical practice. Of course, the extent to which such reforms are authentic and/or take hold remains an open question. Nevertheless, debates about alternative governance of advice giving—or what the 17th-century philosopher Thomas Hobbes called 'counsel'—suggest that a focus on ethical and responsible practices in EMC could have potential.

In what follows, we first briefly outline some of the familiar limitations of consulting governance through procurement and professionalization and show how they might be strengthened, even radicalized. We then consider why these traditional governance approaches remain insufficient in the current context. Finally, we identify three key, systemic problems of consulting and their implications for governance:

- The commercially oriented reward systems in consulting.
- The associated values and practices of both clients and consultants.
- Creating conditions for openness—notably, speaking truth to power.

Governance through procurement and professionalization—limitations and the need for strengthening

As noted, by far the most common or visible approach to governing EMC use in the public sector is through formal procurement practices. General purchasing regulations that appear in the form of guidance such as the UK Cabinet Office's *Consultancy Playbook* (2023) often frame these practices. Typically, this defines 'best practice' in terms of monitoring, internalizing and contracting (Sturdy, 2021). Clients are encouraged to evaluate their need for EMC services, develop formal 'business cases' and measure and report on use and outcomes, including, ideally, knowledge transfer. The emphasis is notionally on pre-empting or minimizing the use of EMCs—'buy it once' (only)—and, if possible, invest in internal consulting resources. Kipping and Saint-Martin (2005) described such 'soft' regulation as evidence that government 'addiction' to EMC use can, at least, be partially 'controlled'. However, as research in consulting and beyond testifies, governance through procurement has its limitations in theory and practice. For example, some approaches rely on agency theory and tend to focus on value for money rather than other issues such as social or public value and accountability (Matinheikki et al., 2022; Roberts et al., 2005). In addition, clients and consultants often avoid or resist procurement interventions. EMCs may also object to the way procurement interventions commodify or standardise solutions (O'Mahoney et al., 2013). Clients also feel uncomfortable when procurement policies open up their practices to unwanted scrutiny or question their personal relations with favoured consultants or firms (Lindberg & Furusten, 2005; Perner & Skjølvik, 2018; Lonsdale et al., 2017). As such, there is a risk that both parties (clients and consultants) will only ritualistically comply with procurement rules which

therefore fail to achieve their intended outcomes. Furthermore, the focus on procurement could ‘stymie more democratic forms of accountability in the consultant–policy-maker relationship’ (Bortz et al., 2023, p. 7).

Similar challenges exist with supply-side governance through consultant professionalization (Kirkpatrick et al., 2012). Historically, it has failed to progress in the consulting world, with only an estimated 2% of consultants certified (as consultants) and seemingly little client appetite for such regulation (Law, 2009; David et al., 2013; Collins & Butler, 2019). While some consultants might be members of other professional bodies (for example engineering), the recent work of Zaman et al. (2023; 2024) highlights this failure of independent consulting professionalization, likening its regulatory context to the ‘wild west’. Alternatives, such as ‘corporate professionalism’, which emphasises the role of large firms in regulating practice and monitoring conduct through ethical codes, also lack teeth (Kirkpatrick et al., 2023b; Robson et al., 1994), as responsibility for maintaining ethical practice is largely delegated to individual consultants (O’Mahoney, 2011). Furthermore, although research is limited, there is little evidence of sanctions being applied to consultants, as a recent inquiry into consulting regulation by the Australian federal government suggests (Australian Government, 2023; see also Law, 2009). The relative absence of sanctions is further compounded by a reluctance for both parties to use the courts and contract law to resolve malpractice disputes (New York Times, 2013; see also McKenna, 2008).

Strengthening or radicalizing procurement and professionalization

Notwithstanding the above, governance of EMC use through procurement and professionalization has its merits in general and can be effective in some situations (Lonsdale et al., 2017). Accordingly, it might be argued that if both governance approaches were fully implemented, some of the problems of EMC use would be reduced (Sturdy, 2021). For example, stricter enforcement of procurement regulations could be a useful first step, especially if done in a sensitive and considered way to avoid risks of over standardizing or formalizing the contract process (O’Mahoney et al., 2013). ‘Serial procurement’ policies, which limit repeat business with favoured suppliers (Mohe, 2005) could also help. Also relevant here are hybrid or contingent approaches towards procurement that eschew the transactional–relational dichotomy (Cao & Lumineau, 2015; O’Flynn & Sturgess, 2019) and may be relevant to EMC use (Sturdy, 2021). Some have put forward even more radical proposals, such as recasting ‘the procurement of consultants in ways that reflect more democratic (rather than market-based) forms of accountability’ (Bortz et al., 2023, p. 7). Examples include using *public–public* partnerships (Wegmann & Sankey, 2022) or ‘progressive procurement’ rooted in principles of community wealth building (Mazzucato & Collington, 2023). Related to this are interventions such as breaking up the oligopoly of the large firms (Hurl & Werner, 2024; Guselli & Jaspan, 2023) or requiring the publication of consulting project reports so they can be shared by other government departments or even more broadly (Australia Institute, 2023): what we term ‘*open consulting*’. There have also been calls for consulting firms to declare conflicts of interest and allow publicising

client feedback on ‘transparency platforms’ (a kind of ‘ratemyconsultancy.com’) which could enable greater scrutinization by the media and civil society as well as potential new clients (Mazzucato & Collington, 2024).

In addition to developing and strengthening procurement guidelines, public organizations (as clients) might also take a stronger stance on the selective usage of EMCs. For example, the UK government recently blocked the hiring of Bain & Company following the firm’s activities in South Africa, although the ban was later reversed (Open Secrets, 2023). While such decisive actions may be limited to ‘very serious’ cases, they could have a significant deterrent effect if used more frequently (Rutter & Owen, 2020). Witness too, the pressure on consulting firms following a 2023 scandal in Australia where PwC’s government tax practice had to be sold for \$1. Following this announcement, other firms scurried to demonstrate their renewed governance credentials (Australian Government, 2023). Likewise, there have been calls to ban McKinsey from US government contracts because of its alleged links with the Chinese state (Financial Times, 2024).

The possibility of strengthening and/or radicalizing existing governance through procurement then, seems clear. One advantage is that procurement remains a dominant business and bureaucratic discourse, founded in part on ideals of market rationality, transparency and ‘fair’ competition. Procurement also emphasises the key role (and agency) of clients, who are themselves, typically, part of government. By contrast, for the other main form of traditional governance, professionalization, the potential for strengthening is much less evident. As noted already, in most developed economies, there seems little appetite among clients or consultants themselves for formal and independent professionalization in terms of qualifications, registration, certification or licensing (Collins & Butler, 2019; Cross & Swart, 2021). Furthermore, where some level of professionalization does exist, Zaman et al. (2023, p. 6) show that ‘enforcement powers ... are very weak to non-existent’ (see also Law, 2009).

This weakness of professional bodies to self-regulate may not be terminal. There are some regions (for example Canada and Austria) where licensing exists for consultants (McKenna, 2008) while, in others, calls for professionalism have re-emerged in recent years. Zaman et al. (2024, p. 7), for example, argue that demand-side governance (i.e. procurement) is only a ‘job half done’ and that recent scandals have led to pressure for supply-side reform in terms of revitalizing professionalization. Zaman et al. (2023) also point to some of the strengths of this form of self-regulation, which has potential to widen the geographical scope of the profession and lead towards a protected practice with stricter entry requirements. It is, however, important to stress that such calls have not yet been especially vocal and certainly exclude the larger (global) firms and clients. Nevertheless, and as noted above, partly in response to scandal and scrutiny, some firms have strengthened their formal codes and operating principles towards greater openness. Bain & Company, for example, have a third-party whistle-blowing hotline for staff. Furthermore, and as we shall argue later, there may also be scope to shape values and practices (and a sense of professionalism) through other means within firms.

Emerging governance options

The need to go beyond procurement and professionalization

So far, we have argued that there is considerable scope to address critiques of EMC and improve practice ‘simply’ by ensuring the implementation of existing and long-established approaches. This is particularly the case with purchasing, where there is also scope to innovate, strengthen and even radicalize governance. Greater professionalization of EMCs may also complement such initiatives. However, it is clear that both approaches (procurement and professionalization) are limited in practice, strength and extent (Zaman et al., 2024; Bortz et al., 2023). There are two closely related reasons for this: a lack of sustained political will from diverse stakeholders for stronger governance; and systemic issues—especially around the ambiguity and form of management consulting knowledge and practice. We briefly take each of these in turn.

The absence of sustained political will for governance is both a longstanding and contemporary phenomenon. For example, with regard to professionalization, except perhaps at its inception in the USA in the 1930s, where the threat of hard governmental regulation prompted a campaign for self-regulated occupational professionalism (David et al., 2013), the large firms have often practised ‘outright resistance’ (Muzio et al., 2011, p. 817). For the most part, they continue to do so, beyond the forms of corporate professionalism which they control (Kirkpatrick et al., 2023b). The low numbers of ‘qualified’ consultants also suggests a lack of *client* interest in formal professional standards—similar to the ambivalence many clients show towards attempts to regulate procurement practices (Pemer & Skjølvik, 2018). Clients often prefer to rely on personal relationships and avoid the scrutiny of internal regulators, such as internal auditors or the media (see Sturdy, 2021 for examples).

Even when governance develops a ‘head of steam’, it is often not sustained (NAO, 2006; 2016). A prime example is the experience of the UK government. Here, various initiatives were withdrawn or reversed, such as a central government consulting ‘hub’ which provided internal consulting and governance of the use of externals; the ban on using Bain & Company, noted earlier; and the removal of a fee cap on consulting use (*Guardian*, 13 February 2023). Indeed, in the UK, there is a long history of limited and failed attempts at sustained governance through both procurement and professionalization (NAO, 2006; 2016; Kipping, 2011; McKenna, 2008; Collins & Butler, 2019; David et al., 2013).

Self-interest, or the protection of reputations, may partly explain the reluctance of EMCs and clients to engage in the effective governance of their activity. Indeed, there is a strong political dimension to the use of external sources generally, which is one of the reasons why EMC advice is sometimes preferred by clients (Menon & Pfeffer, 2003). However, the failures of traditional governance are also linked to a more systemic issue in consulting—its ambiguity and co-produced nature. This ambiguity lies at the heart of the opportunism critique (Sharma, 1997) as it makes quality difficult, if not impossible, to establish (Nachum, 1999). Thus, some see the ‘elusive, fuzzy and

perishable’ nature of consulting knowledge as a barrier to full professionalism (Muzio et al., 2011, p. 807). Likewise, combined with the issue of a lack of transparency (created by ostensible concerns with commercial confidentiality), ambiguity limits the effectiveness of governance through procurement practices, including achieving accountability and identifying conflicts of interest. If quality and accountability are difficult to establish, both parties, especially clients, have to rely heavily on trust (Armbrüster, 2006; Wright & Kitay, 2002).

Addressing systemic issues 1—towards new reward structures in consulting?

A reliance on trust opens up the possibility of its betrayal, particularly on the part of EMCs who are often incentivized and rewarded to act opportunistically. Such behaviour manifests itself in different ways and applies to those working as sole practitioners as well as in global professional service firms. For example, given the importance of trusting relations, securing new clients is far more expensive, difficult and time consuming than gaining repeat business with existing clients. The latter encourages EMCs to ‘sell on’ their services regardless of client need or ethical considerations such as the nature of the client (for example autocratic governments) (Jones, 2019). Such over-selling is reinforced in contexts where large numbers of consultants need to be deployed and, in particular, where business development (selling) is valued more highly (and handsomely) in promotion and remuneration decisions, than say, technical competence/effectiveness or ethical standards (for example attention to client or societal needs) (Bogdanich & Forsythe, 2022; O’Mahoney, 2011). This emphasis on selling may be exacerbated by the ‘up or out’ (leave) human resources policies of larger firms, rewarding risk-taking and, often, an ‘eat what you kill’ culture (Empson & Greenwood, 2003; Greenwood et al., 2017).

Clients are often complicit in these commercialization processes, especially where they lack expertise in using EMCs (Collins, 2004) and/or where their own reputation or credibility is at stake. The latter might reduce client incentives to expose consulting malpractice for risk of it signalling their own incompetence or ineffective monitoring (Gibbons, 2022). EMCs may well have an incentive to confirm or echo the client’s views on issues in order to secure favour and new business—as ‘servants of power’—but the reluctance of clients to challenge their advisors only reinforces this tendency. Accordingly, a key area for intervention in improving governance in professional services more generally might be to address reward systems and the behaviours they encourage. As O’Toole (2015, pp. 6–7) suggests:

The risks of speaking truth to power are particularly acute for those in professional service firms... In a nutshell, these professionals know that the fastest way to lose clients is to tell them news they don’t want to hear... the penalty for losing a major client is a fate worse than death; derailment from the partnership track... the incentives in most professional firms encourage people to lie to, and for, clients. And that won’t change unless the ways in which professionals are evaluated and rewarded change.

The scale of the rewards available compounds this reluctance to speak ‘truth to power’ (see more on this later). Indeed, the financial rewards from consulting may be so great that ‘good

intentions alone will never be able to counter the commercial forces (incentives) that shape their (professionals') thinking and actions' (Brooks, 2019, p. 277).

There has been some, albeit limited, reform in the area of rewards. An example is consulting firms and clients using performance or risk-related fees. However, the ambiguity and co-produced nature of EMC makes the prior discussion of criteria problematic and vulnerable to abuse—for instance focusing only on what is measurable. Such ambiguity has meant that risk-related fees are rarely adopted or publicised (Wright & Kitay, 2002). Likewise, there is some evidence of the adoption of balanced scorecard reward (salary) systems in firms, which include a range of criteria and stakeholders, sometimes including ethical considerations (Harlacher & Reihlen, 2014). McKinsey, for example, claims not to set fee targets for partners and to adopt an evaluation system based, in part, on 'high expectations on integrity and personal conduct' (Walden, 2024, p. 59). However, there is little evidence to suggest that balanced scorecards are widely used in the sector or that alternative criteria for rewards have taken precedence over sales. As we have seen, research to date suggests that the latter remains a primary concern for consultants. As Wright (2023, p. 77) summarised:

Far from the image it likes to portray as a provider of independent expertise and advice, consultancy is itself a global business driven by the profit motive and the need to maintain ongoing commercial relationships with its corporate clients.

Nevertheless, recent developments in the industry suggest that changes in consultant (and client) values may be emerging which might lessen the preoccupation with revenue over wider social values (Sturdy, 2023). Such a 'normative turn' could hold the prospect of an associated change in organizational and reward structures and thereby help to address some of the wider critiques of consultancy beyond simply opportunism as above.

Addressing systemic issues 2—towards new values (and practices) in consulting?

As we have seen, consultancy is often criticised for its commercial or managerial values which, in turn, influence both products and practices (Ylönen & Kuusela, 2019). Bortz et al. (2023, p. 7) showed how procurement, for example, 'can perpetuate a 'faith in market-based logics'. Nevertheless, consultancy also has long associations with other, sometimes competing, values—notably professionalism (McKenna, 2006) and humanistic traditions of organization development and process consulting (Tichy, 1974). Indeed, consulting practice can sometimes be informed by quite diverse perspectives, such as feminism (Marsh, 2009) and even postmodernism (Baxter, 1996) and critical theory, as well as notions such as the 'citizen consultant' (Adams & Tovey, 2012). However, these approaches (like occupational professionalism) are typically at the margins of consulting and sit outside what many define as 'management'.

Furthermore, even within the same field of consulting, there can be considerable variation in values. For example, in the context of corporate social responsibility (CSR), where one might expect to find a less commercial ethos, Iatridis et al. (2022) identified different types of consultants. On the one hand there are *moral* consultants, who were 'evangelists' for CSR as 'non-superficial' change, while on

the other hand, *opportunistic or economically instrumental* consultants are largely indifferent to wider CSR values. The latter made up the vast majority (two-thirds) of the sample and included most consultants from the large firms (see also Furusten et al., 2013 and, in relation to gender equality consulting, Kirton & Greene, 2019).

In general, there is plenty of research evidence, as well as the persistence of scandals, that commercialism is dominant and trumps other values (for example Ashley et al., 2022; Galwa & Vogel, 2023; Harlacher & Reihlen, 2014; Hurl & Vogelpohl, 2021; Lapsley & Oldfield, 2001; Raudla, 2013; Sturdy et al., 2022; Ylönen & Kuusela, 2019). Greenwood et al. (2017) for example, who supported the ethical value of the traditional professional partnership ('P2') organizational structure, subsequently recognized that this structure had been found wanting in terms of ethics and called for a new, more responsible, 'P3' form of organization. What such an (ethical) organization would look like remains quite vague. However, possible examples are beginning to emerge with rise of 'social responsibility' in managerial discourse.

The financial and climate crises and the related emergence of new values in 'Generation Z' employees, among others (Laasch et al., 2020), have contributed to this change. Notions of more ethical practice are also starting to become evident in consulting with research and media attention on employee demands for better work-life balance and meaning (Iatridis et al., 2022; *Financial Times*, 2020; Noury et al., 2017) and changes in the mission statements of firms. For example, even before the tax advice scandal in Australia mentioned earlier, PwC had committed to being 'purpose-led and values driven ... beyond generating profit' (website) and introduced a less profit-oriented reward system for partners (PwC, 2023). Other major firms have done likewise (see Sturdy, 2023 for a review), including in response to their own junior consulting staff's concerns at ethical transgressions (Bogdanich & Forsythe, 2022).

A shift towards more ethically-focused consulting is perhaps even more evident in some smaller boutique firms with the rise of certified BCorp (Benefit Corporation) consultancies. There are now over 500 such organizations globally (mostly in the USA). These firms are required to be accountable to diverse stakeholders and 'transparent' around governance (<https://bcorporation.uk/>), suggesting new and potentially progressive approaches to organizing consulting. For example, in public sector contexts, Wegmann and Sankey (2022, p. 10) highlight the importance of public value; accountability; transparency; neutrality; equal treatment; and developing public sector (i.e. internal) expertise as core values. A further extension of the BCorp model would be to eschew the profit motive altogether, 'rooting advice in community-based accountability networks [so that] professional service providers may not be as easily incentivized to advance commercial interests over the public interest' (Hurl & Werner, 2024, p. 103).

Such calls for alternative values behind the organization of consulting, if heeded, could represent a significant shift and improvement in consulting practice and exemplars might help serve this cause. Furthermore, such firms might also provide services which themselves are based on different value-sets—the 'product' critique mentioned earlier. However, once again, there is a need for caution given the limited research available to corroborate the nature and

extent of value changes or their impact on practices and products. Where the larger firms are concerned, all the indications are that they remain among the ‘opportunistic/economically instrumental’ category or, at least, the jury is still out. As Mazzucato and Collington (2023, p. 6) suggest:

As the world is waking up to the ills of modern capitalism, and the need for more ‘purpose’ behind corporate governance, the consulting industry is promising to reverse the problems it helped create: the current boom in contracts for ‘environmental, social and governance’ (ESG) advice is the latest example.

For example, we have seen how PwC positions itself as being purpose led, including through a payment system for partners to mitigate the pressure to sell. However, the 2023 scandal of its Australian tax practice highlighted a possible gap between the rhetoric and reality. Even PwC’s own ‘independent’ review conceded that it was ‘placing profit over purpose’ and was allowing practices that ‘were unethical and lacked integrity’ (PwC, 2023, p. 6). Despite the new reward system, ‘financial performance and the growth agenda [were] prioritised over purpose and values’ (Switkowski, 2023, pp. 57–58). Such a finding is consistent with much of the public critique of large professional service firms.

By contrast, we know far less about the values and practices of smaller consulting firms and those with different governance arrangements. On the one hand, evidence from other sectors suggests a need for caution here too. BCorps, for example, tend to focus more on branding than alternative values—a case of ‘cosmetics’ (Villela et al., 2021). Nevertheless, on the other hand, it is important to acknowledge the efforts of some consultants to move away from the primacy of profit. Indeed, when considering possible obstacles to alternative values (and responsible consulting practices), attention should also focus on the role of clients (Blanchard, 2019). As noted earlier, while consultants can be criticised for manipulating and failing to challenge clients—acting as ‘servants of power’—clients themselves are not blameless. As the purchasers of consulting advice, clients are in a key position to create change, but are often found wanting. As we have seen, clients can be reluctant to comply with rules and guidelines around procurement and have been generally ambivalent about the goal of increasing professional standards in consulting (Pemer & Skjølsvik, 2018). In addition, research suggests that clients are often more conservative and short-termist in their objectives than some of the consultants who advise them, especially when the latter have sought to be activists for progressive change (Fyke & Buzzanell, 2013). This client conservatism is not a new phenomenon. It was already on the radar of the early humanist organization development (OD) consultants 50 years ago (Tichy, 1974). Thus, when thinking about the conditions needed to support any shift in the values and practices of consulting, it is important to consider the role of *both* parties (i.e. supply and demand together), to which we now briefly turn.

Addressing systemic issues 3—towards contexts for challenge (and its acceptance) among clients and consultants

We have seen how the ambiguous and co-produced nature of consulting and the reputational risks involved often combine

to encourage clients and/or consultants to act in a commercially oriented and sometimes defensive way. In particular, we have highlighted how the reward system in consulting encourages selling services which might not be needed or without due regard for their wider consequences (ethics). Likewise, clients may seek to conceal ‘root causes’ of problems and their own internal political motives for using EMCs in the first place. Such behaviour continues, even, it seems, where alternative reward systems and formal governance structures and value systems (purpose/BCorp) have been developed or promoted. In this section, we consider a related problem associated with consultancy, that of a lack of openness or willingness to act against short-term financial or self-interest. Where EMCs are concerned, for example, a key question is why they often fail to turn down new business opportunities when they perceive that projects are not in the client’s interest or are unlikely to meet societal needs? Clearly, this is closely linked to financial rewards, but this is not the whole story. For clients for example, what prevents them from being more open to alternative approaches and to highlighting their own limitations in consulting governance?

These questions about openness (or its absence) have yet to be addressed in the specific context of consulting, beyond references to corporate codes or the professional values or ethics of *individual* consultants (Shaw, 2019). For example, a council member of the UK professional consulting institute (IMC) was once reported as saying ‘failing to give truly independent advice because of fear of losing income is little better than taking a bribe’ (quoted in Sturdy, 1997). Likewise, Bain & Company’s current first ‘operating principle’ (i.e. code of conduct) is: to ‘do the right thing, always. We are open, honest and direct’. As we have seen, *systemic* features of consultancy may severely compromise such aspirations (see also O’Mahoney, 2011). However, the broader issue of openness is commonly explored in *other* contexts and has a long tradition in terms of the notion of ‘speaking truth to power’. The latter was a focus in Ancient Greek philosophy and literature through the term *parthēsia* or ‘fearless speech’, based on a moral duty to speak out in defiance of personal danger (Jack, 2004). Similarly, in political theory and practice, Hobbes’s idea of *counsel* included a sense of advisors being both loyal to their ‘masters’, but also fearless and without flattery (Du Gay, 2009).

The idea of ‘speaking truth to power’ has continued to feature in modern public administration. Elston and Bevan (2020, p. 617) for example, refer to the importance of ‘neutral competence’ whereby politically independent career civil servants give ‘full, free and frank advice’. Similarly, in the business world, some have argued for greater transparency, including ‘whistle-blowing’ and ‘constructive dissent’ as a source of organizational effectiveness and employee wellbeing (Schnackenberg & Tomlinson, 2016; Barnes et al., 2023). O’Toole and Bennis (2009) for example, highlight the need for selection, training, rewards and role models for openness but, also, crucially, the need for ‘willing listeners’ to accept challenge.

This focus on openness also resonates with calls within the context of auditing, where challenge should be a formal and integral part of work, at least in theory. For example, Ramanna (2019, p. 26) argues for the need to go beyond reward systems and structures to a *culture* of challenge and ‘skills in scepticism rather than in selling’. Again, the key role of

those who are subject to challenge is highlighted—‘if there is insufficient demand from clients in the marketplace for challenge by auditors, do not expect its supply to last’ (ibid., p. 21). Such observations about challenge clearly resonate with consulting and perhaps offer a way of tackling both consultant opportunism and client conservatism or defensiveness. For example, Switkowski (2023) refers to the need for ‘challenger safety’ at PwC over whistle-blowing potentially unethical practices. A greater focus on challenge and transparency might also reinforce improvements in procurement and professionalism (‘independence’), as well as new approaches to rewards and purpose.

Of course, in developing a culture of challenge, attention would need to be given to the variation in power relations within and between client and consulting actors. In the latter case, either party can be relatively powerful according to context, even though, structurally at least, the client is sovereign (Fincham, 1999). Furthermore, developing cultures that emphasise challenge and candour is likely to be hard in practice. In civil service contexts for example, it has long been recognized that separating politics and administration is largely a myth (Hustedt & Salomonsen, 2018). More generally, how many of us would speak truth to power if our livelihoods, identities and/or promotion prospects were at stake? How willing are we to embrace challenge ourselves? Academics, for example, might reflect on their own emotional responses as un/willing listeners to negative comments from anonymous journal article reviewers! If anything, these difficulties will only be exacerbated in consulting, given the frequent power imbalances in relationships (Fincham, 1999) and the high stakes and rewards around an ambiguous form of knowledge.

If it is conceded that there are numerous obstacles to openness among the relevant actors, we might instead turn to other voices who are more motivated and/or freer to speak ‘truth to power’ (Sturdy, 2021). Here, typical examples include non-executive directors in the context of corporate governance (Australian Government, 2023; Ramanna, 2019) or shareholder activism and extending the role of internal auditors (Christopher, 2019). In a similar vein, in consulting, external actors such as third-party or ‘meta’ consultants’ (who advise on the commissioning process) (Mohe, 2007) might serve the purpose of speaking truth to power. While there is an obvious irony of using consultants to govern consulting use, they could be organized in different ways, as not for profits for example (Stahl, 2018). In addition, journalists have played a key role in providing a spotlight on the malpractices or excesses of clients and consultants, especially in the public sector. Examples of foci of media scrutiny include the implementation (or lack of it) of purchasing regulations, challenging consultocracy and highlighting conflicts of interest (Pemer & Skjølvsvik, 2018). Indeed, the impact of journalists has probably been much greater than that of academics who, until recently at least (see Mazzucato & Collington, 2023; Hurl & Werner, 2024; Guselli & Jaspan, 2023; Boussebaa, 2022), have tended not to adopt an explicitly activist role (Palmer, 2012).

By contrast, other global, national and local actors have sought to challenge and expose the power and practices of clients and consultants more directly (for example Open Secrets, 2023). While the role of charities such as

Greenpeace (2011) and trade unions (for example Unison, 2003; Wegmann & Sankey, 2022) is quite visible, community activists are also important. Hurl and Werner (2024, p. 83), for example, outline different activist strategies to create a more democratic, accountable or transparent process around consultancy use. These strategies include:

- Using Freedom of Information (FOI) requests.
- Following contractual ‘paper trails’.
- Unpicking online biographies to counter ‘commercial sensitivity and cabinet confidence’ and reveal undeclared conflicts of interest.

Such strategies reveal how citizens and workers can deploy their experience, or ‘thick’ knowledge, in fora such as public meetings against the ‘thin’ knowledge claims of transnational professional service firms (and their clients) in their published reports.

Despite this, research on consultancy suggests that many decisions, practices and outcomes have limited public visibility, even with the internet as a potential window (Vogelpohl, 2018). Nor is greater transparency in corporate governance a guarantee of accountability (Heimstadt & Dobusch, 2020). Indeed, where reputation is a valuable commodity, as it is for consulting clients and firms, scrutiny, can lead to defensiveness and compliance rather than mutual learning (Guerin et al., 2018). Nevertheless, while civic activity aimed at speaking truth to power is far from straightforward, it can sometimes be effective, especially in situations where there is a diverse (and free) media and strong political will (Hurl & Werner, 2024).

Discussion

Our starting point for this article was the observation that consultancy use in the public sector has long been seen as frequently (but not always) problematic, especially in relation to critiques around product, profit and power. EMCs have been associated with persistent scandals which, combined with a normative turn in business, have helped renew interest in the governance of consulting. However, research attention on how to address concerns about EMC use is limited, and largely restricted to the familiar areas of procurement/insourcing and the professionalization of consulting. Furthermore, both have been found wanting, with research suggesting that neither is sufficient to fully mitigate the risks associated with consulting use.

This observation about the limitations of established forms of consulting governance prompted our discussion of how procurement and professionalization might be strengthened or even radicalized. We noted, for example, the potential of using more diverse—contingent and progressive—procurement practices. However, while there is scope to enhance existing modes of governance, it is unlikely that these efforts alone will be sufficient to overcome the systemic problems of consulting. Accordingly, we argue that greater emphasis needs to be given to understanding systemic problems and their implications for governance. We also suggest that it is useful to learn from the experience of other sectors and contexts of advice-giving to consider more innovative ways of addressing governance challenges.

Specifically, we contend that future policy thinking about reforming the governance of consultancy needs to place greater emphasis on *rewards*, *values* and the importance of *speaking truth to power*. The ambiguous and co-produced nature of consultancy, combined with its financial and reputational stakes, open it up to toxic reward structures and opacity on both sides. So we looked to the idea of supporting new approaches to rewards, such as risk related fees and balanced scorecard approaches. These place less emphasis on maximizing sales and securing repeat business, even if, in practice, these criteria tend to dominate. Turning to *values*, we noted the potential of ethically-driven forms of consulting which emphasise purpose-led goals, as well as commercial priorities. Examples include large professional service firms (such as PwC) that have re-written their mission statements and operating principles to become more 'purpose led'. Value shifts are, perhaps, more apparent in smaller firms, including the growing sub-sector of BCorp consultancies and even some who claim to eschew the profit motive altogether. Lastly, we highlighted the importance of *speaking truth to power* as a key, longstanding, but often neglected way of improving ethical conduct. This draws on lessons learned from other contexts, such as the civil service, where bureaucrats are (in theory) encouraged to challenge politicians, auditing or whistle-blowing. In consulting, there might also be opportunities to challenge clients or even decline business opportunities if these are not deemed to be in the public interest. We noted a role here, not only for new kinds of consulting firms (for example meta consultants), but other actors too, such as journalists, unions, digital media platforms, community activists, employees and the users of public services.

We are not of course, uncritical of some of these approaches to the governance of consultancy. It is clear that in all three areas—rewards, values and openness—there is a substantial gap between the theory and practice. Attempts to change reward structures, for example, are often only superficial, while purpose-led mission statements (even with BCorp firms) can amount to little more than window dressing. The role of clients in impeding progress towards responsible consulting is also significant (especially where radical changes are sought) and often overlooked in critical accounts that tend to focus only on consultants. Nevertheless, these alternative ways of thinking about governance have the potential to mitigate some of the systemic problems of consulting use. This is especially so when efforts to change rewards, re-think values and encourage challenge run alongside (and complement) other moves to enhance and ideally radicalize more traditional modes of governance: procurement and professionalization.

Conclusion

In this article, we have sought to break new ground by developing longstanding and contemporary discussions of the governance of EMC in the public sector (Zaman et al., 2024; Bortz et al., 2023). We have shown how existing approaches, focused on procurement and professionalization, can be strengthened and extended. However, our primary contribution is to suggest that these will never fully mitigate the risks of consulting use in public organizations. Rather, more attention needs to be given to

addressing the systemic problems of consultancy, such as through reforming rewards, fostering values of social responsibility and generating conditions for greater transparency and challenge. Notwithstanding their own challenges, this combination of emergent and long-established approaches to governance should be taken more seriously by policy-makers and academics.

While we have explored the importance of rewards, values and speaking truth to power separately, in practice they are clearly and closely interrelated. For example, it would be unthinkable for a BCorp firm to alter the criteria for rewarding consultants without also value change and policies that encourage greater transparency and openness. Furthermore, each of these three issues is linked to governance through procurement and professionalization. For example, values lie at the heart of professional and corporate ethical codes. However, we have abstracted our concern with them to resonate with the normative turn in consulting (and in business more generally), even if some of the traditional challenges remain—such as not relying wholly on values, but structural change as well (Ashley et al., 2022). The difference, perhaps, is that this new context may trigger experimentation and innovation in governance, provided that consultants and, crucially, their clients are willing to engage. This, in turn, raises the question of whether market forces combined with self-regulation will be sufficient to reform the governance of consulting and what role should be played by the state.

It is also important to recognize certain caveats and directions for future research. First, while reinforcing and, in particular, radicalizing procurement is likely to lead to improvements, some assumptions remain untested. For instance, it is often implied that, as an alternative to EMC use, public organizations should consider 'insourcing', but the evidence to support this assertion is limited. For example, how do internal and external consultancy compare in terms of effectiveness, openness or public values? Similarly, with professionalization, more research is needed to understand the impact of interventions such as licensing or voluntary certification and, crucially, sanctions on the ethical conduct of consultants. Likewise, we need to understand and evaluate the effectiveness of newer approaches towards consulting governance. For example, while altered reward systems might help to rebalance consulting priorities, how feasible would it be to reward consultants for challenging clients or declining new business from them on ethical grounds? With regard to values and related organizational structures, the notion of purpose-led consulting is relatively new, untested and under-researched, except as a brand. Furthermore, alternative forms of ownership such as co-operatives and employee-owned trusts are rare in consulting, as are organizations offering (or seeking) different (non-managerial) forms of expertise or solutions (for example de-growth) (Sturdy, 2023). Finally, in terms of developing supportive conditions for challenge and its acceptance, much is known from diverse and historical contexts, but surprisingly little from consulting (Nikolova et al., 2015). For instance, when are clients more or less likely to accept challenge from internal or external advisors? What policies and practices might encourage cultures of challenge in the ambiguous and often highly charged context of consulting?

Notwithstanding these caveats, our contention is that the proposed combination of priorities for re-thinking the governance of consultancy is novel, useful and timely. While more work is needed, its potential should not be ignored, especially as public organizations around the world continue to seek EMC advice, with all the attendant risks and scandal that this brings, and the appetite for less market-based and more socially responsible approaches grows.

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