

Public Service Practice 9

Management Consultants

A Best Value Handbook

A practical guide for
local authorities, health and public bodies,
trade unions and community organisations

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Introduction

Management consultants are increasingly used by public sector organisations, particularly where change is expected. New managerial models and a climate of financial stringency have added to this trend. The recent Government agenda to modernise public services and introduce Best Value is fuelling the reorganisation and restructuring of many services. The widespread use of information technology across the public sector including the introduction of call centres and new forms of network have encouraged the use of external advice and support. Many organisations assume that management consultants will be able to assist them in this change, especially where they have reduced their tiers of management and there are concerns that the organisation lacks the staff and the skills to embark on change.

Aims of the report

There are two main aims of this handbook. Firstly, to provide a critique of the use of management consultancy and arguments against the uncritical use of external advice.

Secondly, to provide a practical guide to using management consultants for local authorities, health bodies, public bodies, trade unions and community organisations.

Key concerns

Accountability and ownership of ideas

The employment of consultants is usually a management led initiative but dependent on decisions made by elected members, boards of representatives, and/or chief executives. Under the Government's programme of democratic renewal and user/community involvement there is likely to be a greater say for local community and voluntary organisations to participate in decisions about the use of consultants and their suitability for particular areas of work.

Conflict of interest

Management consultants have played a major role in promoting and facilitating private sector practices in the public sector. In addition to undertaking studies and reviews for

international bodies such as the United Nations, the World Bank, the International Monetary Fund and Development Banks, they act as government advisers and as accountants and consultants to public sector bodies on major infrastructure projects and outsourcing projects.

There are an increasing number of situations where management consultants are used, for example, as auditors to an organisation and then employed as advisers on restructuring. Conflicts of interest are bound to arise as a result.

Preventing deskilling of the public sector

The widespread use of management consultants has resulted in some public sector organisations reducing their ability and capacity to carry out their own research, planning, project management, training and to make their own managerial and organisational changes to meet new and changing circumstances. It also results in further deskilling of the public sector. This is exacerbated when experienced senior managers and officers transfer or 'retire' to become consultants, often continuing their work but at much higher cost to the public sector.

The public sector needs to retain and increase internal skills and, if necessary, to establish internal consultancies. Money spent on consultants can often be better spent in-house, drawing on staff expertise and developing staff skills through training.

Expertise

Many management consultants have accountancy backgrounds and depend on the reputation of the company they work for. Many consultants lack the experience and expertise required for a thorough assessment of the issues facing public sector organisations.

Added value

Public sector organisations should always question the employment of management consultants and rigorously assess what additional value external advisers can provide to an organisation with thousands of its own skilled and experienced staff.

Measuring the usefulness of consultancy is difficult. How do you determine whether an improvement in performance is due to consultant advice? How do you decide whether an idea came from a consultant or a member of staff? And what are the implications if the client decides to reject the advice of a consultant?

What is management consultancy?

The consultancy industry is extremely difficult to define. In many situations management consultants are employed to carry out specific time-limited projects, but there is little clarity about their precise role.

This handbook covers management consultancy in its broadest sense - the provision of independent advice and assistance about management, technical and organisational issues. Management consultancy usually involves identifying and researching problems and/or opportunities, recommending appropriate action, and assisting with implementation.

Management consultants are generally companies formed for that purpose or larger firms with groups of staff working on consultancy. They should not be confused with other types of advisers such as academic institutions, individual experts with research expertise in one particular area, though **many of the suggestions for best practice will apply to all external advisors to a public sector organisation.**

What do management consultants do?

The term consultancy services can be used to define specific areas of work undertaken on a contractual basis by external organisations, internal units, or by individuals on behalf of a public sector organisation. Consulting is an advisory service, designed to work on specific projects. Consultants should neither have any direct authority to decide on changes in an organisation nor implement them.

Consultants will often be engaged in:

- * management & organisational development of a service;
- * corporate and Business Planning which may include marketing and promotion;

- * finance & accountancy including auditing;
- * information technology and systems;
- * specialist technical assistance, for example, design and build, research and development, and quality control;
- * facilities and project management - managing and running services;
- * training, recruitment, and job evaluation;
- * economic, social and environmental studies and surveys.
- * identifying and investigating problems in relation to strategy, policy, markets, organisation and procedures;
- * formulating recommendations;
- * discussing and agreeing with the client alternative courses of action and procedures.

Management consultants are expected to give well-balanced advice in a professional manner. Consulting should be linked to training with clients, learning from consultants in the process of the work.

Public practice

The public sector needs to improve the rules and provide a clearer framework to minimise the use of consultants, but to maximise their outputs when there is a clear need to engage them. This requires rules to ensure:

- * a clear case must be made for the use of consultants after examining all the options;
- * consultants are used positively and creatively;
- * they are required to respect and contribute to public service values;
- * they deliver what is required within agreed targets;
- * they are required to include training programmes for in house staff as an integral part of the consultancy to try to reduce dependency on the continued use of consultants;
- * they involve user and community organisations as well as staff and trade union representatives in the process of carrying out the consultancy;
- * adhering to a reporting system and timetable set by officers managing and monitoring any consultancy and regularly presenting their work to elected members.

Chapter 1

Assessing the need for consultants

Management consultants are increasingly being employed as 'experts' across the public sector - in local government, the civil service, quangos, economic development, regeneration and community initiatives. Consultants are engaged in a number of key areas which have traditionally been carried out in-house and in new areas of activity for public organisations. The increasing complexity and uncertainty in the public sector has created a huge market for external advice, for example, Competitive Tendering, Private Finance Initiative and Best Value.

The pressures to engage consultants may emanate from a number of sources including the drive for value for money, restructuring, increased efficiency, service improvement, the financial environment and lack of strategy in terms of the implementation of Government legislation. In recent years private consultants have moved in to work on the Private Finance Initiative, regeneration, housing and community care as well as looking at strategic alternatives. In many cases consultants are brought in when an organisation does not know what to do next; in others, management consultants may only provide a seal of approval for a course of action which was already planned.

From a consultant's point of view, if consulting leads to outsourcing and they can step in and take over a service altogether, then so much the better. (The Economist, March 22, 1997) In some organisations consultants have been the prime beneficiaries of externalisation. However, leading consultancies are now claiming to offer a different meaning to results - "*building capabilities*" - which means transferring skills to clients, so that they will have less need of consultants in the future - the opposite of outsourcing.

The type of work carried out by consultants can be categorised under a number of headings. However, some public bodies have managed without external consultants.

Best Value

- Benchmarking
- Consumer surveys, opinion polls and participation
- Carrying out service reviews
- IT reviews
- Value for money exercises
- Evaluation and monitoring

Partnerships and Private Finance Initiative

- Financial viability of PFI projects and preparation of Outline and Full Business Cases
- Financial, legal and management advice on partnerships
- Facilities and project management schemes, managing and running services

Externalisation, transfers and outsourcing

- Examining externalisation and privatisation proposals i.e. formation of trusts, local housing companies or arms length companies
- Preparation for tendering
- Assessing viability of transfer to trust, registered social landlord or other provider

Management and organisation

- Management & organisational development of a service or agency, including quality programmes
- Corporate and Business Planning which may include marketing and promotion
- Finance & accountancy including auditing
- Information technology and management information systems
- Specialist technical assistance, for example, design and build, research and development, and quality control

Employment policies

- Pay and reward schemes
- Training, recruitment, and job evaluation

Privatisation

- Restructuring of organisations and management structures
- Auditing and new financial systems

Regeneration

- Economic, social and environmental studies and surveys
- Advisers to community partnerships

The following table shows the key areas of management consultancy services, sold to the public sector in the UK. Whilst IT services clearly heads the table, major growth areas for management consultants in the late 1990s are the development of corporate strategy, change management and business process engineering - all areas of work traditionally carried out internally by public sector managers.

Table 1.1: Management consultancy services

Services	Services sold to public sector, 1996
IT Consultancy	50.2%
Strategy	9.4%
Change management	9.0%
Project management	8.3%
Financial & administrative systems	6.1%
Business Process Engineering	5.5%
Human resources	4.6%
Operations management	4.2%
Other	2.7%

Source: Management Consultancy, May 1997

Why management consultants are used

The main reasons why management consultants are used includes:

1. The apparent lack of skills and expertise within the organisation. The organisation may also wish to draw on best practice or innovative ideas from other organisations.
2. The lack of spare capacity because of high workloads and short timescales when the work needs to be carried out quickly.
3. To improve efficiency by introducing new procedures and financial controls to increase productivity.

4. To achieve changes in the organisation and delivery of services using 'experts' who are 'independent' to justify and give 'respectability' to proposals. This often results in reorganisation and rationalisation proposals which in effect rubber-stamp decisions already taken by the organisation. Consultants are sometimes used to 'sell' such proposals to the workforce and/or management.
5. To assist in the tendering process, for example, defining client/contractor roles, drawing up specifications, evaluating tenders, and in some cases managing services. They may also be used to advise on privatisation methods and options for the sale of assets.
6. To carry out job evaluation, work study and research into other staffing issues such as performance related pay and pensions.
7. To obtain specialist technical advice and information, particularly on the use of new technology, which is not available within the organisation.
8. To bypass management which is too weak and unable to develop its own ideas, plan, and work with trade unions, or to overcome internal managerial conflicts.

Myths of objectivity and independence

Most management consultants will claim they are independent and 'non-political' and will provide clients with an objective assessment of problems and solutions.

However, the notion of objectivity is a smokescreen. Management consultants do not start with a clean sheet of paper and then systematically analyse the situation and then propose relevant or tested solutions to a client's problem. Consultants are normally highly reliant on the client's staff to provide information and analysis. They will often also heavily rely on work done in previous consultancies to reduce the amount of time expended on the project.

The definition of 'independence' is also important - they are in an organisational sense, but consultancies are usually privately run

companies, run by individuals who may have their own political agenda and whose interests lie in promoting certain 'solutions' or policies. This claim to independence is often spurious. The large consultancies are firmly rooted in the financial and business sectors. The bulk of their clients are usually transnational companies to whom they provide advice on accountancy, taxation, legal as well as IT, managerial and organisational matters. The partners in local, regional and national consultancy offices usually play an active part in their local business community and often do not have public service traditions or experience.

Positive use of consultants

Whilst there are many potential conflicts of interest, there can be a positive role for consultants, particularly where the service needs to acquire skills and expertise not immediately available within the organisation. Consultants, or more particularly independent advisers and research centres, can also be used as facilitators to work with both management and trade unions on a wide range of issues. Some of these will aim to have a public sector ethos, may be non-profit making and may be able to provide genuine added value to the running of an organisation for a specified period of time.

Dangers of dependency

Although the use of consultants may originate for sound reasons there is always a danger that the organisation builds up an unhealthy reliance on them. For example, management may find it easier to use consultants to avoid responsibility for difficult decisions and/or may get used to having a consultant at hand to confer over complicated or technical matters. Equally, consultants may collude with managers because a regular flow of contracts and moves to outsourcing will be financially rewarding to them.

It is essential that the organisation learns internally from consultancies so that the same or similar work does not have to be repeated, and if there is a need for a regular specific input the organisation should either create a new job to directly employ a person with the required skills or establishes an internal consultancy.

Consultant's recommendations for further studies and commissions should be subjected to rigorous assessment, for example, does it amount to a new piece of work and, if so, should it be subjected to retendering?

Conflict of interest

There is considerable concern in some quarters, and not only amongst trade unions representing staff interests, that the growth in the use of management consultants throughout the public sector has been accompanied by a disturbing rise in the number of potential and actual conflicts of interest. This should come as no surprise as many private consultancy firms have a direct vested interest, both as consultants and as potential operators of services, in maximising moves towards privatisation. In the UK, the Private Finance Initiative is bolstering their strength in the public sector.

Circumstances which have attracted particular concern include:

- * consultants employed by local authorities as District Auditors and then as management consultants to advise on future options for services;
- * consultants employed as auditors and tax advisers to transnational companies involved in privatised services and as advisers to the public sector;
- * consultancy firms working on both 'client' and 'contractor' sides of a public service;
- * the interchange of senior civil servants between public and private sector, usually on a secondment basis, particularly in areas of large scale, complex privatisation in areas such as defence, transport, the utilities and energy industries;
- * senior civil servants leaving the public sector to join companies involved in the acquisition of public services.

The standard defence proffered by the consultancy industry when faced with concerns about a conflict of interest developing out of a company bidding and operating services in one part of an organisation while acting as consultants for the same or related services in organisations, is that a rigorous

system of 'Chinese walls' prevents this from occurring. However, as long as it is notoriously difficult to prove categorically that what is held up as best practice in the industry is actually implemented in full, doubts must remain wherever such potential conflicts of interest occur.

Similarly the 'quarantine' system which applies to some high-ranking civil servants who transfer into the private sector is equally unverifiable. It is almost certainly too much to expect that the valuable knowledge gained from working at senior levels within public sector services is not passed on to colleagues in one way or another.

Numerous reports have verified that the Ministry of Defence was awarding multi-million pound contracts to firms which had recruited senior civil and servants and military staff. For example, nearly 400 former civil servants and military personnel were recruited by top management consultant firms such as Price Waterhouse, Touche Ross, WS Atkins and Coopers and Lybrand between 1992 and 1993.

Similarly, the National Audit Office report into the risk of fraud in defence procurement, warned of the risks arising out of conflicts of interest. In February 1995 the journal Computer Weekly reported on the case of a senior officer who left the Royal Navy to join the IT firm Infomix after having worked on a £10m contract involving the firm and the Royal Navy.

Value for money

Management consultants are expensive and should themselves be able to prove value for money in terms of the service provided to an organisation.

A survey by for the Directory of Management Consultants (1998) showed that average daily fees for all companies was £875 per day in the UK in 1997, an increase of 17% on two years previously. Fees are determined by a combination of factors including size, location and specialisation. Large companies will charge well over £1,000 per day, particularly in London and the South East.

Evaluating the cost and economics of using consultants

The fees paid to consultants are only part of the equation. Before any consultants are engaged the full cost of employing them and the cost of alternative courses of action should be examined taking the following into account:

1. The consultants fees: Daily fees charged by the major firms are likely to be in the £750 - £1000 range plus expenses (normally based on 190 chargeable days per annum after taking into account annual leave, public holidays, sickness, training, and lost time).
2. The cost of staff and administrative work in preparing the consultant's specification and carrying out the tendering process.
3. The cost to the organisation of supervising the consultants, supplying information, interviews with managers.
4. The additional cost of meetings involving elected or appointed members and boards.
5. The cost of producing and printing a final report
6. The cost of alternatives, for example, secondments from other departments, use of another public organisation's in-house consultancy, the setting up and training of an in-house consultancy service.



Chapter 2

Best Value selection and evaluation of consultants

Introduction

The previous chapter detailed the various situations in which consultants are used. This chapter sets out the approach and methodology for drawing up a specification, short-listing, selecting, managing and evaluating a consultancy project.

Before embarking on this course of action, it is essential to answer some fundamental questions?

- What are the motives for engaging consultants?
- What are the corporate implications?
- Are their skills really necessary?
- What extra dimension would they add?
- What are the expected benefits over doing the work in-house?
- What contribution can they make to Best Value?
- Are the benefits likely to be worth the extra costs?
- Could their employment create any special problems?
- Are there longer term benefits or risks?

(Adapted from National Audit Office, 1989)

Consultation with Elected Members, staff, trade unions and service users

Elected Members

They should be involved in the discussion of the need for consultants, the scope of the brief and specification, the selection and the

presentation of findings. It may also be necessary to establish a working or steering group consisting of members, officers and trade union representatives to oversee the work. It may be necessary to interview Members as part of the consultancy.

Staff and trade unions

The purpose, frequency and method of consultation with trade unions, staff and users of services should also be clearly stated.

Ideally, consultation should take place over the following:

1. The issues/problems to be addressed.
2. Why outside consultants are needed.
3. Possible alternatives.
4. The brief - how it is set and what it contains.
5. The criteria for choosing a consultant.
6. Projected cost to the organisation.
7. The relationship between member/officer/consultants and other interested parties.
8. Reporting and feedback arrangements for each stage of the consultancy process.
9. Evaluation of the work and process.

User involvement

User organisations should be involved, at a minimum in being afforded an opportunity to comment on the brief, the criteria for selecting consultants, the selection of a short list of consultants to be invited to tender, and approval in awarding the contract.

Where user and community organisations have been involved in pressing for the appointment of consultants and where consultants will be expected to work with, or where consultants will be engaged in improving or assessing community involvement, in the example, regeneration projects then user organisation representatives must be involved in the entire process. (See Chapter 5).

A ten stage process

The process of identifying the need for and objectives of external advice, preparing a specification, evaluation and selection of consultants is divided into ten stages:

1. Identifying need
2. Agree objectives, authority's role and budget
3. The Specification or Brief
4. Deciding on selection process
5. Conditions of engagement
6. Shortlisting
7. Assessing consultants proposals and selection
8. Monitoring and client role
9. Evaluation
10. Implementation

1. Identifying need

Firstly, assess the justification and rationale for engaging a consultant:

- are consultants being used to legitimise a difficult decision?
- can it be demonstrated that there is a clear need to undertake the project and that it is likely to result in real improvements in the service?
- can the work be separated into that which can be done in-house and that which can only be obtained externally?
- are consultants being asked to do routine work?
- indicate the likely effects of the project on other departments within the authority;
- precisely what expertise are you expecting from the consultant?
- is the use of a consultant primarily connected with internal politics?
- consultants can be expensive so can they be justified in terms of best value?
- clearly identify the objectives - what do you want to achieve from the project?
- demonstrate that the skills and expertise are not available within the authority.

Secondly, consider alternatives:

- the availability of in-house resources and establishing in-house consultancy service;
- employing staff with similar expertise on a temporary basis;
- accessing advice and expertise via the Improvement & Development Agency;
- using the in-house consultancy service of another authority;
- forming a consortia of neighbouring authorities to jointly carry out the project.

Thirdly, be honest about the motives for employing consultants - they could rebound as a result of opposition from staff, trade unions and/or user/community organisations which may mean that the advantages are outweighed by the disadvantages.

Fourthly, prepare a realistic assessment of the costs and whether the funds are available:

- identify the authority's resources (staff time, facilities, project manager) which will be needed to support and facilitate the engagement of consultants;
- determine precisely what added value will be gained from engaging a consultant.

2. Agreeing objectives, authority's role and budget

Fees

It is dangerous to look primarily at fees when selecting a consultant. Too many managers and Members believe that the higher the daily rate, the more 'expertise' will be obtained or that paying the high prices of the well-known consultants will lend authority and legitimacy to their recommendations. In fact, consultancy is one sector where there is frequently little correlation between 'value' and fees.

Devising a provisional budget is the first step which can be revised once the affordability, objectives and specification have been clarified.

Fees are normally based on a:

- fixed fee which includes a minimum number of consultancy days and travel expenses;
- fixed fee for each defined stage of the work;
- quotation within a minimum-maximum figure depending on the actual number of days required;
- daily or hourly rate for individuals.

Daily charging rates normally exclude travel and other expenses. It will also normally include producing 10-20 copies of a final report printing extra copies or publication of a 'glossy' version will be the responsibility of the authority. The client will need to establish

precisely what is included in the fees, for example, subcontracting work to specialists and the cost of IT time.

Whilst consultants are normally engaged on a fixed fee basis, when there is uncertainty about the amount of work involved, the fee may be within a range depending on the actual number of days.

What to look for

- * Reputation and track record
- * Innovation, rigorous approach and experience
- * Understanding of organisation and service
- * Ability to facilitate
- * Potential for working relationship
- * Flexibility to meet your needs
- * Availability to meet timetable
- * Accessibility
- * Costs and best value
- * Sufficient resources

3. The Specification or Brief

The specific nature of most consultancy work requires public organisations to be very clear and focused in drawing up a brief. Consultants should be treated like any other contractor - the brief sets out in detail what they are expected to do. If it is vague, imprecise or capable of being misunderstood, this may result in disputes and inadequate work. It will also make it difficult to evaluate the project upon completion.

The use of consultants in Best Value requires a very detailed specification, particularly because they will usually be carrying out work as part of an authority's own service review process. It is, therefore, important to have a clear understanding of what consultants are being asked to do and to set out how this will be integrated into the Best Value process. The Best Value timetable means that reviews have to be carried out effectively and efficiently.

All of the following points should be incorporated into the contract between the organisation and the consultants:

1. **Identification and description of the purpose of the consultancy:** This should define the problem as precisely as possible and what the authority hopes to achieve in concrete terms as a result of the project.
2. **Terms of reference for the project:** This should describe what the consultant is expected to do and to define the boundaries or parameters of the work, together with essential background information. The latter could include the aims and tasks of the department seeking help, background reasons leading to the objectives, explanation of legislative, functional or operational rationale, information on key organisational structures and performance factors and the essential skills or experience for the work. It should also indicate the specific information to be included in the proposal and the basis of the contract between the authority and the consultants.
3. **The objectives of the project:** A statement of the detailed results expected from the consultancy should cover objectives for different elements of the service to be reviewed. For example, a new organisational and management structure, a skills audit and training programme, information system, new operational procedures - all require different skills and volumes of work from the consultant. It is vital that both parties understand what is involved and expected from the start.
These should be specific and measurable so that there can be no doubt as to the purpose of the project. They should be set in the context of the authority's corporate policy objectives. Equally, the authority should define what it wants to learn from the consultancy, as well as setting out the objectives for the consultant.
4. **The required end product:** The scope and broad contents of the final report including its format, quality and number of copies required. This should also indicate the need for an interim report, executive summary for Members, appendices to the main report and briefing papers.
5. **Statement of individual tasks to be performed:** This should describe the different elements of the work and allocate tasks between the authority and the

consultant. This should seek to avoid duplication of work and consultants carrying out work which can be readily done in-house. The brief should also indicate where the authority expects the work to be carried out.

6. **Timetable for submitting proposals and consultation:** This should set out dates for drafts and completion of reports, progress or review meetings, and the supply of information.
7. **The authority's own contribution to the project:** This should include accommodation, equipment and staff support, which will be made available.
8. **Management, project control and accountability:** The authority should set out how it will manage and monitor the consultants work (including the method and frequency of monitoring the consultant's work see also No. 20 below).
9. **Accountability and reporting arrangements including discussion of draft report and recommendations:** reports to committees, consultation arrangements with timetable.
10. **Consultation with staff and trade unions:** The need for the consultancy, the terms of reference, selection of consultants, and availability of interim and final reports should be discussed with the authority's trade unions. The purpose, frequency and method of consultation with staff and trade unions must also be clearly stated.
11. **Consultation with service users and community organisations:** The brief must set out the responsibility of the consultant in terms of the extent and method of consulting with user and community organisations and the role of the authority in this process. It should also state the level of importance to be attributed to user views and should indicate the preferred methodology for carrying out research in the community.
12. **Relevant data and documentation available to the consultants:** The scope and quality of the information to be made available to the consultants.
13. **Conflict of interest:** Consultants should be requested to state that there is no conflict of interest or to identify any potential conflict

of interest and the steps they consider appropriate to protect the authority's interest.

14. **Ownership of intellectual property, disclosure and subsequent use of information.** Making this clear in the specification will limit future disputes and is important if software and/or innovative material is likely to be an outcome of the project.
15. **Equal opportunity policy:** The consultant should be expected to conform to the service's equal opportunities policies just like any other contractor.
16. **Selection details:** The process and criteria for selecting consultants should be set out.
17. **Variation or Termination of contract:** Provision to vary or change the level or nature of the work upon written notice should be built into the contract together with the conditions under which the contract could be terminated.
18. **Arrangement for payment of fees and expenses:** This should cover the basic fee arrangement ie. daily or weekly rates or a lump sum fee for a given amount of consultancy time together with the **allowable** expenses (travel and hotels) and the frequency of payment. It should also set out responsibility for payment of any specialist advice, information searches, and payment for any sub-contracted work such as user or market surveys.
19. **Implementation of recommendations:** This should set out what role, if any, the consultants will have in implementing the recommendations, how proposals will be financed, and any necessary arrangements to facilitate the transition at the completion of the consultant's work. Will consultants be involved after the final report?
20. **How the project will be evaluated:** It will be essential for the public organisation to have previously established, who will discuss the findings and implement any agreed recommendations.

It may be necessary to amend the specification or brief prior to final agreement to take account of ideas and proposals suggested by the consultants in interviews.

Briefing the consultants

This normally occurs in two stages. Firstly, after a shortlist of consultants has been agreed, each organisation is normally invited to discuss the nature and scope of the project with client officers. Secondly, after the contract has been awarded, the consultant will need to be fully briefed.

Assessment of options

- briefs which require consultants to examine different options are increasingly common and must be set out in the specification.
- identify the range of options setting out any which you do not wish to be examined and giving the consultant scope to identify any others which you had not already considered.
- identify the broad issues which each option should cover, for example, financial, employment, equalities.
- require the consultant to identify the implications and potential corporate impact on the authority of each option (many studies fail to cover this issue).
- be clear about whether you want the consultant to make contact with companies and organisations in connection with the options. If you do not wish them to discuss the project with other interested providers then this must be specified, otherwise they will inevitably do so. If you are agreeable, it is possible to set out some broad parameters which will form the basis of the approach.
- make it clear what information should or should not be made available to other providers.

4. Deciding on the selection process

What may appear to be a small project initially can readily increase in size. Public sector organisations should be wary of consultants who try to make themselves indispensable - recommendations for 'essential' further work are a common feature.

Appointing without tendering

Small and short term projects or those where the authority wants a specific organisation to undertake specialist work will normally be appointed following discussion and negotiations. An organisation's **Standing Orders** will usually specify the level at which competitive tendering is required and varies from £5,000 to £25,000.

Competitive tendering

There are three ways in which tendering can be carried out:

Informal price testing: Short-term low cost projects are often initiated by managers contacting consultants known to be involved in the work. Officers usually have delegated power to employ consultants up to a financial limit.

Semi-formal: A select list of consultants are sent written terms of reference and asked to submit written proposals of how they would carry out the work.

Formal tendering: This involves the tendering process starting with adverts in appropriate journals concluding with a decision by Members or Board

If the value of the contract is greater than 206,022 ECU (£160,670) the contract will probably be subject to European union legislation. The European procurement directives cover management consultancy, research and development, computer and related services, accounting and auditing, market research and public polling services, architectural, engineering and other technical services, financial intermediation services, insurance and pension fund services, and the placement and supply of personnel.

5. Conditions of engagement

The contract conditions should cover the following:

- General terms of the assignment
- Quality of consultancy staff
- Transfer and sub-letting
- Availability of staff and other resources

- Standards of conduct
- Conformity with directions and instructions
- Liaison and other relationships with the client
- Performance
- Progress reports
- Equal opportunities
- Confidentiality and security
- Copyright
- Claims and payment of fees
- Variation of terms
- Termination of the contract
- Publicity concerning the work
- Rights to results of the work
- Issues of authority and ownership
- Liability and indemnities
- Data Protection Act covering storage, use and disclosure

There may be a need for an information agreement between the authority and trade unions which sets out the terms of access and use of information.

6. Shortlisting

Some authorities may operate an approved list from which a shortlist of consultants will be drawn depending on the nature of the work involved. Authorities should ensure all the relevant information and experience is continually added to the files of consultants. Normally a shortlist is drawn up on the basis of previous work with the authority, personal contacts of senior officers, knowledge of work carried out for other authorities, specialist expertise, adequate breadth and depth of resources, and synergy with the objectives of the assignment.

Consultants should be expected to provide public sector references which should be taken up. References should include their competence, completion of the brief, confidentiality, expertise, specialist knowledge, attitude, relevance and effectiveness of final recommendations.

Authorities should insist on using consultants committed to working with the authority's staff.

Trade unions should contact branches in other authorities and public bodies where the consultants have worked or carried out similar work. Find out how they operated, their recommendations and whether they were implemented.

Track record of management consultants

Find out as much as possible about the consultants:

- who are they?
- what is their reputation?
- have they got experience of the kind of work requiring investigation?
- have they carried out similar work elsewhere, what did managers and trade unions in other workplaces think of them? Try to obtain copies of their reports for these authorities.
- what did they actually do?
- were their proposals implemented?
- did they consult with staff and trade unions?
- did the consultancy staff assigned to the project demonstrate professional competence, objectivity and integrity?
- did they work constructively with client personnel?
- did one or more partners or principal consultants spend sufficient time supervising the work?
- were the solutions complete, timely, practical and suited to the client's specific needs?
- was the work accomplished within reasonable time and fee limits?
- what was the operating impact of the management consultant's work in the client organisation?
- what is the overall evaluation of the value of the consultant's work?
- would the client retain the consultant again?

Consultant submissions

Consultants should be subjected to the same rigorous selection procedures as contractors. They should be required to submit written proposals covering:

1. a description of the consultant's approach and methodology;
2. the level of consultancy proposed, the number and skills of staff to be engaged on the project, the names of consultants who will do the work, how much of their time they will spend on it and over what period and how they will meet the authority's timetable;
3. how they intend to manage and supervise the project and liaise with the authority;
4. details of any specialist advisers and their tasks;
5. the total cost and the basis of the calculation;
6. copies of the CVs of the staff (consultancy contracts are often negotiated by partners and the actual work is carried out by more junior staff).

7. Assessing consultant's proposals and selection

An article in Management Consultancy journal summed up the problem succinctly stating that "clients buy people, not firms". Engaging the services of one of the global consultancies with slick and glossy presentations does not guarantee that they will provide what is required. It is essential to prepare a comprehensive list of evaluation criteria and questions to assess their ability and commitment.

Selection criteria

Does the consultant demonstrate:

- a clear understanding of the problem/issue and what is required?
- an understanding of the authority's corporate policies and strategic objectives?
- an understanding of corporate policy for Best Value?
- an understanding of your service, functions and activities?
- that their proposals conform to the terms of reference?
- understanding of organisational and cultural issues relevant to the assignment?
- an approach and methodology which is relevant to the issues and objectives?
- clarity of thinking and approach?
- innovation and creativity?
- the ability to meet the timetable and completion dates?
- sufficient resources and flexibility to meet needs of the authority?
- experience, qualifications, skills and availability of key personnel to carry out the work - check the CVs of team members?
- having the team have the right skill mix for the project?
- that they recognise the importance of consultation with Members, staff, trade unions and user/community organisations?
- that there is adequate back-up support and additional resources to overcome any problems?
- that they intend to subcontract work to other consultancies or individuals and what is their track record, and how will this work be monitored?
- commitment and enthusiasm?
- that they are offering ready-made solutions?
- what added value do they bring to the authority?
- the number of consultants days obtained for a fixed fee and are there any hidden extras?

Key requirements

Management consultants must be able to demonstrate their commitment to the following:

- public service
- democracy and accountability in service provision
- maintaining and improving the quality of services
- equitable service provision and meeting social needs
- equitable employment policies and practices
- equal opportunities policies
- consultation with trade unions, and where necessary, service users and community organisations
- prioritising the public sector service delivery
- confidentiality

Evaluation of proposals

- Check compliance with the terms of reference.
- Assess each proposal against the above selection criteria.
- Establish relative strengths and weaknesses.
- Explore differences in quality, level of service and price.

Evaluation criteria

Chart 2.1: Evaluation Matrix to assess consultants proposals

Criteria	Consultant A	Consultant B	Consultant C
Quality Understanding of the problem/issue Conform to terms of reference Understanding of organisational issues Approach and methodology Clarity of thinking Innovation and creativity Ability to meet the timetable Sufficient resources and flexibility Staff experience, qualifications and skills Right skill mix for the project Ability to consult Adequate back-up support Intention to subcontract work Commitment and enthusiasm Added value Number of consultants days Cost Overall fees and expenses Variations in scope of fees Fees for each phase of the work Fees for each technical element Cost of additional days			

Scoring and weighting

1. Balance between quality and cost ie. 50/50 or 60/40
2. Prioritise the criteria into two or three groups
3. Weighting of the criteria

Interviews

It is normal practice to interview consultants as part of the evaluation process. It is important that these are probing. Organisations need to find out more about their attitudes to the issues, staff and trade unions and whether they can meet the objectives in the required way. All the consultants may technically be able to do the work, but that is only part of the process. A trade union representative should be on the interviewing panel. The panel should meet before the interviews to agree the format and the questions to be asked.

Negotiating final terms and written agreement

A written agreement is essential before the project starts. This should, as a minimum, be an exchange of letters between the authority and the consultant. A formal standard written agreement is the best course of action. Consultants will normally attach their own terms and conditions which are obviously intended to protect their own interests. The agreement should contain the following:

- description of all the project outputs
- timetable with interim targets
- fees including definition of reimbursable expenses
- how payments will be made
- reporting arrangements
- involvement of named staff.

8. Monitoring and client role

Project management

This is a very important part of employing consultants but is often under-developed because too much emphasis or reliance is placed on what the consultants will produce rather than the responsibilities of the authority. Management must be proactive in managing the work with regular reviews of progress and monitoring by someone who understands the task. There are ten main tasks for a project manager.

1. Appoint a project officer responsible for the performance and management of the consultant including documenting the selection process.
2. Appoint a sub-committee or project working party to direct the project and discuss the draft and final reports.
3. Briefing the consultant on the objectives of the project, consultation procedures, the role and powers of the project officer and Member involvement.
4. Set up the liaison arrangements with the consultants and reporting procedures.
5. Liaise with the consultant in terms of access to information, meetings and reviews.
6. Brief staff on the objectives and role of the project and any assistance to the consultants.
7. Develop a mechanism for dealing with significant changes in cost, work or target dates and dealing with unsatisfactory performance.
8. Monitor the consultant's work, progress and, if necessary, review the timetable and/or scope of the work.
9. Maintain financial control monitoring costs against the budget as work proceeds and record approval and payment of fees.
10. Ensure that the project is fully evaluated upon completion.

Contract file

Project managers should be required to set up a project file for each consultancy project which should include the following:

- project specification or brief;
- Member approval from council or Trust minutes;
- minutes of meetings with consultants;
- agreement between the authority and the consultant;
- any variations to the agreement;
- documentation of the selection criteria and process;
- record of payments made to the consultant;
- implementation plan;
- project evaluation.

This will be very useful in any future use of consultants and to draw up lessons of best practice.

Monitoring consultants should cover four key areas of their work - the process, financial, the final product, and how effectively the client dealt with the consultancy.

The following performance criteria may be helpful:

Process

- level of resources provided by the consultant;
- are staff engaged on the project who were originally designated?
- have all the relevant sections, departments and managers been interviewed?
- have all the relevant users and trade unions been consulted?
- quality of the interview or meetings held by consultants - check with those involved;
- how much time will the senior consultant, partner or principal spend on the project?
- degree of understanding of the problems and issues by the consultants;
- effectiveness of communication - degree to which the consultants have explained technical terms and/or used excessive jargon;
- are the consultants behaving with integrity, tact, commitment and efficiency?
- degree of diligence in seeking information and facts;
- use of sub-contractors by consultants;
- cause and effect of any obstacles or delays.

Financial

- consultant's time, fees and expenses within the agreed budget;
- consumption of the authority's staff time, equipment, and facilities.

Final product

- quality of work performed;
- compliance with terms of reference;
- achievement of target dates;
- quality of documentation and final report;
- compliance with different elements of the specification.

Client's role

- has the consultant been provided with all relevant information within the timetable?

9. Evaluation

Once the consultancy is completed, it should be evaluated and a record kept in the project file for future reference.

Conduct of how the work was carried out

By the consultant:

- did the work meet the agreed objectives?
- was the report completed on time and to budget, If not, why not?
- was the quality of the work satisfactory?
- have the research methodologies, particularly fieldwork, been properly carried out?
- are the findings and conclusions accurate, fair and balanced?
- are the recommendations practical and cost-effective?
- will the recommendations be implemented?
- what difficulties arose and why?
- did the consultants provide any added value?

By the authority:

- was the project brief appropriate?
- what lessons can be learned from the way the project was managed internally?
- what ideas and suggestions do the consultants have for improving future arrangements?

Objectives achieved

- were the objectives of the consultancy achieved?
- did the benefits justify the costs?
- what problems remain unsolved?
- did the authority gain added value, if so, how (new methods, skills, or techniques)?

Lessons for best practice

- what lessons can be learned from the way the study was organised and carried out?

10. Implementation

Authorities will normally require report to committee on proposed recommendations and action plan arising out of consultants reports.

Devise and agree an implementation strategy with responsibilities, resources, timetable and required consultation with staff and trade unions.

Chapter 3

Negotiating model agreements

Introduction

There are four elements:

1. Standing orders: ensure they apply to professional services such as consultancy and include guidance on Member approval, tendering and selection criteria.
2. Code of Practice (See also Appendix II for Industry Codes).
3. Agreement not to tender - are there mechanisms in place to ensure that neither consultants nor their other clients tender for services under scrutiny?
4. Procurement policy which includes corporate guidelines on how to prepare a project brief or terms of reference if no Code of Practice exists.

Model agreements between management and trade unions, covering the selection and use of management consultants, can be beneficial to all sides. It should be part of both collective agreements and the implementation of the Best Value Code for Quality Employment.

Agreements should provide a framework for management, staff and their workplace representatives, which enable the organisation to assess the need for a study by consultants. They also help to determine the actual process involved in selecting consultants, and establish the necessary channels for dealing with the provision of information to staff, trade union representatives and service users.

From management's point of view, such an agreement could play a significant part in reassuring staff that the need for any such exercise is properly assessed and costed, and includes appropriate mechanisms for consultation.

It will be obvious to anyone interested in the furtherance of good industrial relations in the

workplace, that, if staff and their trade union representatives are satisfied of the need and appropriateness of any proposal to use consultants, and have a clearly defined ability to influence both the process and the eventual outcome, this could go a long way towards ensuring the success of the project. After all, the accuracy and eventual success of any such study depends heavily on the good will and cooperation of the staff involved who will be required to provide the detailed information on which the consultants will base their recommendations.

On the trade union side, a model agreement provides a framework, which, if fully adhered to, offers a mechanism for minimising the chances of having an inappropriate consultancy exercise foisted upon them, particularly one, which is put in place without warning, creates a structure for ensuring that they have access to all relevant information, and provides a framework for their views and perspectives to be given due and meaningful consideration. If an agreement cannot be reached, or an existing agreement is breached, it should be clear what sanctions the union is likely to employ.

Ideally, trade unions should attempt to secure an agreement with management including the following rights for trade union members:

- Consultation on the terms of reference, the purpose and scope of the study and its duration and selection of consultants.
- Access to information and evidence throughout the study: Employment laws rarely give workers the right to be consulted about the use of consultants. Consultation and access to information usually have to be negotiated locally.
- Representation on the working party or review committee supervising the work: this should include full trade union representation, manual and white collar, as well as officers and authority members;
- Trade unions to be provided with an opportunity to meet the consultants in order that the union's views can be made known during the course of the investigation.

- Regular progress reports be made to the unions;
- Trade union representatives should be able to report back regularly and fully to the JSSCs, branches and workplace meetings;
- Separate meetings with those carrying out the work when necessary;
- Time and facilities for trade union education or training courses required in connection with the study;
- Access to draft, interim and final reports in full;
- The right to use counter-expertise from union head office or from socially responsible advisers;
- The right for the union to have its own advisers paid for by the employer;
- The right to withdraw cooperation and involvement at any stage.

Implementing agreements

In general terms, the principles guiding the successful implementation of agreements with management, over the use of external consultants, will not vary substantially from the successful operation of agreements secured in other areas.

However, all efforts to ensure that consultants carry out work within the terms laid down in any agreement between the trade unions and management, requires careful monitoring based on the regular flow of information from both consultants and management, and the ability to have an input at the various stages of the exercise.

Trade unions need to be clear as to what steps they are prepared, and able, to take in the event of a breach of agreement. To some extent this will depend on the seriousness of the breach and management's and consultants' attitude towards any such infringements.

Among the options open to trade unions are either a temporary or, in the most serious cases, a withdrawal of cooperation, or other forms of industrial action.

Assessing consultants track records

Check with other authorities and union branches where consultants have carried out similar work to find out:

- what were their terms of reference?
- what were the consultants recommendations?
- were there any shortcomings in the way the consultants operated or in their final report?
- ask for a copy of the consultants report.
- were the recommendations implemented?

This should be a standard set of questions.

Engaging socially responsible consultants and advisors

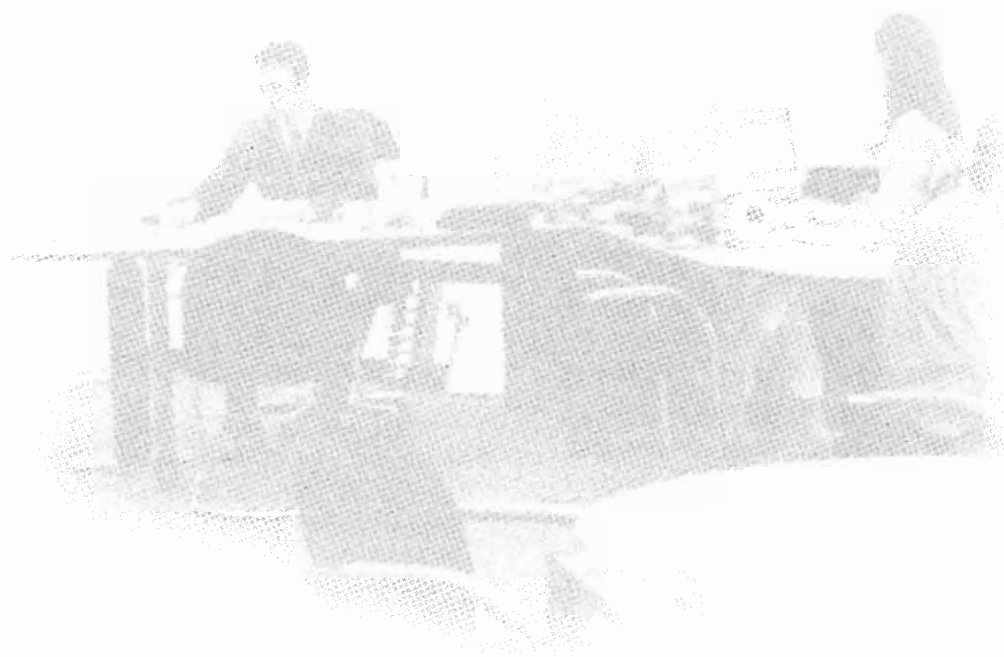
Trade unions could demand that management engage socially responsible consultants or advisers because:

- Most management consultancies are dominated by the accountancy profession.
- Private sector values, operational modes, and organisational structures are not necessarily transferable to the public sector.
- There are potential conflicts of interest with consultants who also carry out similar work or audit the accounts of private firms who either have or are seeking public sector contracts.
- Many management consultants have limited experience in working to work closely with the workforce and trade unions.

There are four options:

1. The development of an **in-house consultancy service**: Some local authorities in Britain have established in-house consultancy services which carry out commissioned work for council departments and other public sector bodies. (Birmingham, Leeds)
2. The Improvement and Development Agency (Layden House, 76-86 Turnmill Street, London EC1M 5LG (Tel. 0171-296 6600) provides a consultancy service to local authorities on Best Value and other issues.

3. Calling upon the services of **independent advisers and researchers** such as Centre for Public Services (1 Sidney Street, Sheffield S1 4RG (Tel. 0114-272 6683).
4. Academic institutions will sometimes carry out consultancy type work in addition to traditional research projects.



Chapter 4

Trade union options and strategies

Trade union options

Trade unions may decide to cooperate with management consultants, particularly if they are fully involved in the process. However the experience of many unions has shown that it may be difficult to maintain cooperation on terms that are acceptable to them, and avoiding the pitfalls associated with the use of management consultants in the public sector.

Trade unions should, therefore, seek to:

- Influence the terms of the study and the process for selecting who carries it out while maintaining independence from both. Direct involvement in either the study or the selection of consultants poses the very real danger of being effectively co-opted by management, or at the very least compromised in the eyes of union members. This could weaken the union's position to retain an independent critical approach to any initiative involving the selection and use of outside consultants.
- Ensure full consultation throughout the entire process, including during the drawing up of the final report.
- Monitor the work of consultants and prepare a trade union commissioned report. Unions may be forced to adopt this approach in situations, all too prevalent, where management adopts a secretive approach or blocks attempts to establish mechanisms for meaningful consultation.
- Look at ways of involving user organisations, including the drawing up of any alternative report.

Action guidelines

In cases where trade unions do not have specific objections to the use of external management consultants, it is advisable to withhold full cooperation until all of the following information has been obtained from management:

- the aims of the study
- the terms of reference
- the timetable
- who will carry out the work
- who will supervise the work
- the working methods to be used
- who will participate and be interviewed
- what the final product will be and whether it will be public or confidential.

Don't wait

- Try to negotiate an agreement with the authority (see chapter 3).
- Don't wait to see the consultants report before considering what action to take.
- Always try to influence the brief.

Opposing the use of external consultants

Where the union is either unable to secure a suitable agreement with management over the use of external consultants or is refused access to the criteria listed above, the union may decide to opt for outright opposition to their use or terms of reference. In such circumstances there are several courses of action available to trade unions. These could include:

- Trying to stop the study taking place by questioning the need for consultants. Have the real problems been identified? Will employing consultants be cost-effective given the high fees and staff time/disruption taken up with supplying information, interviews etc.?
- Trying to change the brief.
- Showing how the work could be carried out by an in-house team, or how it might be done in future with proper training and resources.

- Trying to change the consultant, where relevant, persuading the authority to use a more appropriate and sympathetic organisation.
- Trying to negotiate trade union involvement to try to influence the outcome.
- Imposing strict non-cooperation by refusing to cooperate, talk with, or supply any information to those carrying out the study. This could involve members refusing to communicate with the consultants or officers, handling correspondence to or from consultants, organising and/or taking part in meetings involving consultants, and collating or processing information to be used by consultants. Contact user and community organisations for support.
- Considering the possibility of preparing/commissioning an alternative report.
- Keeping the members alerted and informed about the engagement of consultants through union notices and newsletters, and in branch and workplace meetings.

Implementation of proposals

In a situation where the unions support the consultant's proposals or have prepared their own proposals it will be important to:

1. draw up a set of demands covering the proposals;
2. make sure these are fully discussed at workplace and trade union meetings;
3. seek joint union support by discussing the implications for all sections of staff;
4. press for the consultants' report to be an agenda item on consultation and negotiating meetings with the employer;
5. make sure all trade union representatives attending such meetings are fully briefed;
6. cooperate with and support those managers and authority members who support the proposals;
7. build wider political support from user organisations.

These points can also be used as a checklist when assessing consultant proposals.

Before deciding how to respond to the use of outside consultants trade unions should make every effort to assess the various options open to them. Any evaluation process should include an independent analysis of projected costs and an assessment of whether management has applied a sufficiently rigorous specification or brief.

Deciding trade union strategy

Having completed the above exercise, it will be necessary to examine carefully the advantages and disadvantages of cooperation and non-cooperation before deciding on a particular course of action.

The chart below identifies some of the key issues trade unions will need to consider.

Trade union responses

	Advantages	Disadvantages
Cooperation	<ul style="list-style-type: none"> ● Keeping informed about the study and its progress ● Ability to influence outcome and recommendations ● Ensuring key issues are examined ● More information to produce an alternative or minority report 	<ul style="list-style-type: none"> ● Being drawn into accepting managements view of the problem or solution ● Access to information may be more restricted ● Credibility of union representatives may be questioned by membership - lack of objectivity due to involvement
Non-cooperation	<ul style="list-style-type: none"> ● Avoid incorporation ● Retain clear opposition and focus on drawing up alternatives 	<ul style="list-style-type: none"> ● Taking the risk that consultants and/or management bypass unions with quality circles etc. ● Risk of recommendations being accepted without trade union input ● Unless staff fully informed and organised, opposition will fragment and individuals will cooperate

Other trade union considerations:

- Officers and consultants often use jargon and technical language to maintain power and can lead to confusion.
- Be careful not to avoid getting trade union representatives drawn in as another group of 'experts' in an attempt to legitimise a study, which may not be in the member's or the union's interests.
- Ensure trade union representatives report back regularly to members.
- Exercise care if entering into agreements over confidentiality as this may hinder a representative's ability to report back to members and to use information obtained in the study.
- Identify user involvement in all stages.
- Question whether management is trying to manoeuvre you into a position that will compromise you and the union.
- Recognise that your own skills need some back-up from outside experts and call on your own counter-experts (possibly paid by the authority) if need be.

Preparing alternative reports

Preparing a trade union report to highlight alternative policies and proposals can be effective although branches may need additional support from union research departments. Some key points to consider:

- have confidence in the ability of your organisation to draw together proposals to counter those of management and consultants;
- timing the completion of the report either before or at the same as the consultants could be an advantage;
- if access to information is a problem concentrate on the broader principles, values and practices;
- avoid going into unnecessary detail.
- seek views and ideas of the membership - they will have many perceptive comments and proposals;
- use your report as part of a wider campaign and don't rely too heavily on the report itself;
- it is often necessary to be protective about your ideas and proposals until your report is released.

Chapter 5

Guidance for community organisations

Consultants employed by authorities

User and community organisations should be integrally involved in the appointment of consultants where they will be expected to work with those groups. In addition, where consultants will be engaged in improving or assessing community involvement, such as regeneration projects, then user organisation representatives must be involved in the entire process.

Develop a Code of Practice applicable to community organisations which should include notification and participation in agreeing terms of reference.

Ensuring user/community involvement in Best Value consultancies

User and community involvement is essential for the successful operation and implementation of Best Value in all authorities, regardless of whether consultants are employed or not.

Consultants engaged at any stage of the Best Value process should work closely with the existing social infrastructure of user, community and trade union organisations. The strategy for this process is covered in detail in *"User and Employee Involvement in Best Value, PFI and Partnerships"* Centre for Public Services, 1998.

Guidelines for user and employee involvement should be agreed with consultants employed at the start of the Best Value process with appropriate structures and realistic timetables for detailed work in the community and workplace.

Genuine involvement by users and community organisations will be dependent on consultants

having the relevant experience and commitment to such an approach. Equal opportunities should also be applied to all aspects of involvement.

Where external consultants are employed, user and community organisations should be involved in:

- assessing performance against Best Value criteria, including the methods and performance criteria;
 - setting quality, service and performance standards and targets;
 - identifying the focus for Best Value assessment of service delivery;
 - developing ideas and proposals to change and improve service delivery;
 - preparing strategic plan for involvement;
 - assessing Best Value through:
 - nationally set standards
 - performance indicators and targets
 - benchmarking
 - market intelligence
 - quality audits
 - process mapping
 - workforce involvement in improvement projects
 - user research
 - public service or business plan
 - competitive tendering
 - preparation of the Local Performance Plan;
 - monitoring the implementation of Best Value proposals.
- External consultants should be tested on their approach to Best Value by presenting proposals on the advantages of genuine involvement for services under review. Assess consultant's proposals in terms of how they plan to achieve the following:
- better understanding of user needs and priorities;
 - better understanding of frontline service delivery and gaps in performance;
 - better targeted and more effective services based on needs and standards identified by users;

- improved services as a result of users and employees contributing ideas and proposals to change and improve the organisation, management and delivery of services;
- build political support for, and to help shape, the authority's corporate policies;
- identify user/employee information needs and to make its presentation relevant and understandable;
- improve job satisfaction;
- improve democratic accountability and strengthen civic society.

User and community involvement

The primary involvement in Best Value should be through representative user and community organisations. This may be supplemented by capacity building to help the development of new democratic representative organisations and the use of focus groups, panels and citizen juries where appropriate.

User organisations will need make decisions on the level of involvement with management consultants conducting Best Value reviews depending on:

- an assessment of priorities and resources available;
- assessment of power and influence of different forms of involvement in Best Value process;
- assessment of other organisations involved and the role of business organisations;
- education and training available to develop skills;
- demands for capacity building for organisational development and networking;
- access to internal/external technical advice to develop proposals;
- links established with other user/community organisations;
- links established with authority's trade unions;
- availability of child care, travel expenses and administrative support.

Equalities issues in user and community involvement

Equal opportunities policies should be fully understood by any management consultants

working with groups. Working methods should reflect changing priorities and diversity of local need. All community interests and sections of the workforce should be targeted in the any consultation process. Equalities criteria should include:

- targeting of under-represented groups and interests;
- ensure access, translation, timing of meetings takes account of local needs;
- ensuring full representation of women, black and ethnic minorities, people with disabilities;
- involvement of black and ethnic minority organisations in review processes;
- capacity building resources and training to increase organising of representative groups;
- methods of involvement to take account of cultural traditions;
- ensuring needs of different groups are identified in service reviews and performance targets.

In addition, equalities criteria should be included in developing performance indicators, benchmarking and comparisons of performance.

Methods of involvement

Consultants should be fully conversant with the different methods of involvement taking into account the type of service, levels of community organisation, decision-making structures, resources and possible options.

- group discussion with user, community, branch and other organisation committees
- workshops on specific issues
- public meetings or forums
- small group meetings in area or on particular issues
- representation on Best Value coordinating committees and working parties
- participation in workplace continuous improvement projects with staff
- involvement in formal structures - area committees, advisory panels, neighbourhood forums
- consultative - user panels, citizens juries and focus groups

- participation in continuous workplace improvement project meetings.

Consultants for community participation

Some authorities engage consultants to carry out consultation and participation in connection with specific policies or projects. It is essential to try to be involved in setting the terms of reference because once consultants are engaged it is more difficult to try to change what they do. Community organisations should actively seek participation in agreeing the terms of reference, the objectives, the methods and techniques to be used and the management of the work.

Market research

Consultation is often not structured around increasing or promoting user and community participation but seeking peoples views about a policy or the type of service they require. This is often little more than market research because there is no participative involvement and the authority is merely tokenistically seeking views, likes and dislikes.

‘Tenant’s Friend’ in stock transfer ballots

The regulations governing the transfer of council housing from local authority ownership to registered social landlords or the private sector, require that a consultant is employed to carry out the function of a ‘tenants friend’ by providing tenants with information and analysis about the sale. They are usually engaged by the authority and the cost is considered to be part of the cost of the sale. Local authorities normally ask tenants’ organisation representatives to be involved in the selection process but experience shows that there is never an intention to provide alternative advice for tenants and the authority has the final word on who is employed. They usually act more like ‘friends’ of the authority. It is vital that tenants organisations:

- comment on and input into the terms of reference and brief;
- are involved in the selection process;
- agree the criteria for assessing the consultants;

- have a veto over the selection of the consultant.

Additional evaluation criteria could include the ability to work with user and community organisations such as the timing of meetings, how they carry out interviews and fieldwork and the employment of local people for interviewing.

Consultants employed by community organisations

Community organisations increasingly access funds from Simple Regeneration Budget, EU Objective 1 and 2 programmes for evaluation, impact, business plans, skills audits and a range of other studies. The advice in chapter 2 is equally applicable to community organisations, in particular:

- Be clear what you want to achieve.
- What do you expect a consultant to do which you cannot do yourselves - are there skills in the community which you could access?
- Don’t fall for the ‘independent’ and ‘neutral’ arguments; there is no such thing in management consultancy.
- What methods and process do you want to use?
- Who do you want to be involved in this process?
- How do you want the consultants to work with and for you?
- Establish a committee or working group to monitor and evaluate the consultant’s work and to whom they will be required to report progress.
- Beware of consultants who cannot talk about the issues and problems in ordinary language. If they use academic or professional jargon this is a bad sign.
- Don’t be afraid to ask the simple, incisive questions.
- What will you gain by working with each consultant?
- What kind of report do you need?
- How will you discuss its contents and recommendations within the community and with other organisations?

Chapter 6

Consultants in Best Value and PPP projects

Best Value

Management consultants are being engaged by some authorities to undertake an entire Best Value Service Review. This approach is not only very expensive (for example, one ICT review cost £127,000), it makes it extremely difficult for managers and staff to 'own' the results and to then be committed to continuous improvement. It is also essential that the 'challenge' section of a review is prepared by the authority because the justification as to why and how a service is provided is a matter of public interest, experience and local knowledge. Furthermore, authorities are ultimately responsible for all service reviews and are required to **justify** conclusions and decisions. This means providing supporting evidence, statistical data, the rationale for options and recommendations which means that the general statements contained in many consultants' reports will be unacceptable under the Best Value regulations.

Authorities need to focus on building in-house capacity and skills to carry out Best Value. It should be remembered that the service review is only a small and short term part of the Best Value process - the authority must implement continuous improvement for the next four and half years until the service is reviewed again.

Some authorities engage consultants when they intend to externalise a service, which usually results in further work for consultants in preparing the invitation to tender and specification. There is also evidence that externally driven Best Value service reviews conclude by widening the net to include other services which had not been originally part of

the service review. The consultant's perspective is invariably 'continuous consultancy'.

Consultants may be engaged to carry out specific elements of a service review, working to a clear brief set by the Best Value Service Review Team. This could include:

- assisting with benchmarking
- training in particular service review methods
- consultation
- provide advice on specific issues
- market analysis

It is important to write into the contract conditions that subsidiary companies will not be allowed to bid for any work which may be externalised as a result of the service review. This is essential to protect public service probity and to ensure fair competition. Other firms are unlikely to tender in this situation.

Benchmarking

The development of performance indicators, a performance management framework and benchmarking are a fundamental and continuing part of the Best Value process. Whilst there are many consultants who are keen to undertake benchmarking for authorities, it is essential that this work is carried out in-house. Authorities should train their own staff to undertake this work, and if necessary, use consultants very selectively. Consultants will have access to private sector information as a result of commissioned work with companies and contractors. However, the quality, relevance and comparability of private sector benchmarking data with public sector performance data is highly questionable (see UNISON's guide to Benchmarking and Performance Management and the Centre for Public Service's Best Value Implementation Handbook for more detailed advice).

Consultation

Consultation with staff and/or users and/or community organisations should involve:

- involvement of trade unions in preparation of proposals;

- watch out for market research approaches through focus groups;
- running 'focus groups and workshops' - what is involved;
- how detailed are they? - one offs will not be successful;
- what experience does the organisation have in working with trade unions?
- does it recognise trade unions for its own staff and are individual consultants members of a union?
- how does it relate to current industrial relations in the service? If there are disputes and disagreements, then such a proposal could be damaging;
- are the consultants being used to bypass or marginalise trade unions?

Market analysis

Consultants are sometimes engaged to carry out market analysis including the scope of the existing market and identifying potential bidders. It is essential that the authority sets out a clear framework for the consultant such as the purpose of the exercise, defining the parameters of the scope of inquiry and information sought from competitors and limitations on the release of information about the service under review.

Best Value training

Before engaging consultants to carry out internal training of service review teams, authorities should carefully examine the organisations track record on Best Value. Best Value is proving an even larger market for consultants than CCT, creating opportunities not only for consultancy advice but multi-million pound contracts for their managed services subsidiaries. It is essential that the comprehensive procurement procedure contained in this handbook is used to engage training consultants.

Private Finance Initiative and Public-Private Partnership projects

Consultants are heavily involved in PFI and PPP projects representing either client and contractor interests. The different tasks which financial, legal and technical consultants are likely to be engaged in include:

Financial advisers

- Advice on scoping the potential PFI project.
- Assistance with preparation of business case and/or investment appraisal.
- Assistance in sounding out the market and raising the profile of the project (in conjunction with project managers).
- Assistance in developing the reference for the project and the public sector comparator.
- Advice on carrying out a risk analysis, facility of risk workshops and the identification and quantification of risk (although this can often be under taken by procurers themselves in conjunction with technical advisers). Actuarial advisers may also be required to assess the value of final risk transfer or to advise on insurance issues.
- Structuring and drafting the bid documentation to ensure good quality responses from the private sector (eg clarification of expected risk transfer).
- Ensuring that the payment structures offer the optimum balance of risk and reward and checking that they are consistent with.
- Providing detailed financial evaluation criteria (based on the procuring body's objectives).
- Assistance with reviewing bids, including the deliverability of funding structures (reviewing and checking the accuracy of bidders' financial models, and assessing whether the bidders' assumptions are likely to be delivered on time without seeking further price variations).
- Acting as PFI project managers (although procurers often choose to undertake this role themselves).

- Providing financial advice and support during negotiations with bidders to contract signing.

Legal advisers

- Structuring the transaction and advising on the procurement approach to be taken that best avoids the pitfalls of previous projects.
- Advice on contractual issues on invitation to tender documentation, the project agreement, its terms and conditions, and any lease and other agreements.
- Contract terms and conditions following appropriate published Taskforce model.
- How to approach negotiations with bidders, possibly undertaking certain aspects of negotiation on the procurer's behalf.
- Drafting and settling of final contracts.
- Other more general advice, for example, on taxation, property, planning, environmental law, banking, competition law and intellectual property.

Technical advisers

- Assisting the user to define an output specification for the physical asset, and services to be provided under the proposed agreement.
- Technical assumptions to be used in business cases or investment appraisals, including public sector comparators.
- Drafting technical aspects of Invitations to Tender/Negotiate.
- Technical evaluation of proposals and bids, including capability of contractors.
- Quality assurance during the construction phase together with arrangements for sampling contractor compliance.
- Technical aspects of risk assessment, including the weighting and quantification of individual risks.
- Valuing assets that may be sold or transferred as part of a PFI transaction.
- Technical aspects of facilities management, including the development of appropriate payment mechanisms and the monitoring and measuring of service delivery and performance.

- Actuarial issues, particularly where transfers of staff from the public sector to the private sector have pension implications.
- IT and business process re-engineering.

Additional criteria for PPP projects

- PFI experience
- Similar project experience
- Quality of named individuals
- Negotiating skills
- Commitment to achieving your objectives
- Avoidance of conflicts of interest

Questions to ask advisers

- How would they advise the authority on how to ensure equalities is mainstreamed throughout the project?
- What is the interface between the authority's Best Value regime and the project?
- What type of advice is there on establishing the client monitoring and evaluation system?
- What experience do they have in consulting with community organisations and trade unions?
- What range of non-financial criteria should be included in the evaluation of bids?
- How would they build social-economic auditing into the evaluation process?
- What is their experience in constructing a framework to assess quality/cost trade-offs?
- How would they advise the authority on how to assess that the project is environmentally sustainable?
- Has the adviser experience of clawback arrangements to ensure any windfall gains are shared with the authority?
- What experience does the consultant have in developing comprehensive performance systems which also encompass the authorities corporate policies?

Chapter 7

Assessing consultant's proposals

Preparing a critique of a consultant's report can be effective in delaying implementation, challenging their evidence and figures, and broadening the debate. The organisation will have to decide whether to demand alternative policies and the extent to which these are spelt out.

A critique of the consultants proposals can be done in several ways. First, a detailed critique of their report, assuming a copy is available, could examine the findings and proposals point by point. Secondly, a critique could focus on the underlying principles and values and the broad study methodology. Or a combination of these approaches may be appropriate. Below are some of the frequent failings of management consultant reports:

- **A focus on efficiency and economy at the expense of effectiveness and equity.**

For example: Consultants may examine the performance of the service using financial and quantitative criteria but exclude effectiveness and equity factors from their analysis or treat them superficially. They may also present a narrow perspective of quality. Proposals for achieving productivity increases may exclude assessing the impact on the quality of employment such as increased stress and health and safety matters.

- **The crude use of performance indicators and comparisons either with other public sector organisations and the private sector.**

For example: Consultants may use crude and/or inappropriate comparisons with other organisations failing to qualify differences in needs, local geography and costs, level and quality of service.

- **Adopting methods such as benchmarking without a public sector perspective**

For example: Consultant's reports often include simple comparisons which are quantitative and do not take into account the quality of service and process of service delivery. This approach highlights unit costs and devalues the crucial role many front-line staff have in delivering good quality services.

- **Failing to conduct a comprehensive consultation exercise as part of research and reviews of key services**

For example: Under Best Value there is a duty to consult service users. Whilst many public sector organisations have a long history of working closely with user groups, management consultants usually lack this experience and as they generally have no long term commitment to the organisation or the community, will by-pass detailed work in what can be a resource intensive process.

- **Consulting with private sector organisations**

For example: Consultants often include the fact that they have approached private sector companies, particularly when looking at future options for services under review. There is a clear danger that information collected through such an ad-hoc approach is misused and misinterpreted by managers who may support outsourcing. Information on the market and key companies should be consistent, well researched and carefully analysed in terms of how it may be used, prior to any discussions with the private sector.

- **Failing to identify the effects of proposals on other services**

For example: Many consultants fail to identify the advantages of strategic service planning and economies of scale which benefit local authorities and other public bodies working corporately across a range of front-line services. Consultants have often supported the fragmentation and transfer of key services out of public sector control, and have failed to identify the full consequences on the organisation.

● **Failing to take into account the full impact of proposals on employment and equal opportunities**

For example: Consultant's reports consistently underplay the importance of staff working in public services, especially those where labour intensity is highest. Public/private comparisons around pay rates and conditions of service have encouraged outsourcing, but the price paid by staff and service users is usually forgotten by management consultants along with equalities commitments and greater access to services by disadvantaged groups.

● **Lack of experience and knowledge on staff and trade union involvement**

For example: Employment in public sector organisations is crucially important to continuously improving services, but few consultants have the experience to promote staff and trade union involvement in service reviews and service improvement projects.

● **Losing sight of local democratic control**

For example: Consultants generally work with public sector managers and have little contact with elected members and community representatives on local partnerships. As a result management consultants often fail to recognise the democratic responsibility for running services and the role of, for example, councillors in local authorities and NHS trust representatives.

● **Short term rather than long term approach**

For example: Consultants tend to adopt a short term perspective, dealing with one area of weakness within an organisation. The market trends often identified by consultants predicting private sector expansion in an externalised service have often been proved wrong in practice, to the detriment of staff transferred out of public sector employment.

● **Exaggerated financial savings which do not fully take all the costs into account.**

For example: The 'savings' resulting from outsourcing will often omit costs borne centrally or by other departments and will almost certainly exclude other public sector costs such as higher unemployment benefits.

● **Developing proposals which are only partially based on the organisation's stated aims and objectives**

For example: A consultancy in one department may not fully take into account the organisation's corporate objectives on equal opportunities or retaining work in-house.

● **Showing a lack of understanding of the roles, duties, and responsibilities of staff**

For example: Proposals for restructuring services often include amalgamating some jobs and responsibilities which are impractical because the consultant has not fully understood the complexity and range or quality of work involved and that staff may need to carry out duties not currently written into job descriptions.

● **Failing to understand the full scope and nature of the service**

For example: The consultants may not visit all the sites, depots or points of service delivery and may make recommendations based on only a general understanding of the service and fail to take into account local differences.

● **Failing to rigorously examine the potential alternatives**

For example: The consultants may examine only those alternatives presented by management, omitting others including the option of improving and restructuring the in-house service.

● **Applying their organisational and management models or re-using those for other authorities which are unsuitable to the particular needs of the authority.**

For example: Applying organisational and managerial models from, for example, the health service to local government, or from large authorities to small authorities, without sufficient attention to understanding the particular needs of the client authority.

● **A lack of adaptability in the application of private sector models to the public sector.**

For example: Consultants will often prepare business plans using private sector models which treat the public service as if it is just another business, using language and methods inappropriate to the public sector ethos.

Chapter 8

The consultancy market

Defining management consultancy

While there are many definitions of what actually constitutes management consultancy, most industry observers and practitioners appear to agree that the majority of what is referred to as management consultancy falls into the following broad definitions:

".... any form of providing help on the content, process or structure of a task or series of tasks, where the consultant is not actually responsible for doing the task itself but is helping those who are." (Fritz Steele, *Consulting for Organisational Change*)

".... management consulting is an advisory service contracted for and provided to organisations by specially trained and qualified persons who assist, in an objective and independent manner, the client organisation to identify management problems, analyse such problems, recommend solutions to these problems, and help, when requested, in the implementation of solutions." (Larry Greiner and Robert Metzger, *Consulting to management*)

However, there is another equally valid, and decidedly more sceptical, point of view perhaps most famously put forward by R. Townsend in his book *Up The Organisation*:

"They are people who borrow your watch to tell what time it is and then walk off with it."

Definitions of consultancy have become more problematic as projects get larger and total fee income much greater.

Management consultancy market

The value of the consultancy market internationally is estimated to be in excess of £3.1bn (1998). The growth during the 1990s is

expected to continue into the 21st century. The fee income of the top consultants in the UK grew by 22% in the year 1997/98 and the key companies employed 21,600 consultancy staff.

Regular surveys conducted by the *Management Consultancy Journal* have consistently demonstrated the rapid growth in fee income of the largest consultancy firms. For example, the fee income of nine of the largest consulting firms has risen steadily from £429 million in 1988 to over £2 billion a decade later. Much of this remarkable rise was underpinned by the growth in Information Technology consultancy.

This upward trend has been maintained. Over the last decade revenues in the management consultancy business as a whole grew by 10% a year, and in the leading companies by as much as 20-30% (The Economist, 22/3/97). Table 8.1 shows the leading 20 consultancies in the UK and their growth between 1995-98. In the late 1990s it was reported that growth had peaked in the UK, following US trends where Ernst and Young cut 500 consulting jobs in August 1999. However, in the first quarter of 1999 the management consultancy firms announced record incomes and the industry predicted a growth in economic performance.

The industry is under-represented by women, especially in senior positions. (Management Consultancy, June, 1999) Only 11% of management consultants are women.

Management consultants and the public sector

From its early incursion into the public sector in the lead up to the Second World War, the use of external management consultants in Britain has risen steadily, becoming, by 1994, the second most important contributor to consultancy fees, representing 21% of the total fee income of the top 60 management consultancy firms. The boom in the use of management consultants in the public sector experienced in the early 1990s was exceptional by any standards, particularly given that the economy was experiencing a prolonged recession.

Table 8.1: Top 20 UK management consultants by fee income, public and private sectors

Firm	1998 £m	1997 £m	1996 £m	1995 £m
Pricewaterhouse Coopers	420.1	393.0		
CAP Gemini	236.1	149.3	101.1	69.0
KPMG Consulting	217.0	153.2	115.0	109.3
Anderson Consulting	201.6	164.5	129.5	118.4
PA Consulting Group	170.5	124.0	70.3	86.4
Ernst & Young	151.1	108.0	77.4	55.2
Deloitte Consulting	150.5	129.9	112.0	88.0
McKinsey	122.8	103.2	86.0	76.0
Sema Group	104.0	87.0	72.0	51.0
Gemini Consulting	95.0	100.0	96.0	88.3
Logica	95.0	81.7	67.0	61.0
ICL	92.0	80.5	67.1	59.8
CSC	84.0	72.0	60.0	n/a
Arthur Andersen	78.8	57.0	30.0	19.0
Arthur D. Little	62.7	60.0	54.5	47.6
Towers Perrin	61.0	54.0	48.2	40.7
OSI	60.5	41.7	29.4	12.5
IBM Management	53.4	56.0	45.0	35.0
AT Kearney / EDS	47.5	41.0	34.0	28.0
Druid	40.6	22.1		

Source: Management Consultancy Magazine, VNU Business Publications, July/August 1999

By 1996 there was a drop in fee income from the public sector following a period of rapid growth (averaging 16.6 per cent per year between 1991 - 1994). In some areas, (strategy, marketing and human resources) fee income rose by over 40 per cent. In 1996/97 the value of the market in local government increased by 16.2% and in central government by 10%, but this was a much lower increase than in other sectors including finance, manufacturing and health care. Nevertheless, management consultants are making large profits out of their work in the public sector and directors are being paid record salaries, for example, PA Consulting Group paid its highest paid director almost £1m in 1996.

However, other markets such as financial services and manufacturing are now growing faster than the public sector which by many consultants is seen as a less profitable market.

The range of new government initiatives including the Private Finance Initiative, Action Zones, Best Value, Regional Economic Strategy and Regeneration Partnerships mean new markets for consultants. IT services have continued to dominate the growth, accounting for over a half of all fee income from the public sector, much of it in central government, which in turn accounted for majority of expenditure on external consultants by the public sector.

The importance of the management consultancy firms in the privatisation process continues, with the Private Finance Initiative providing increasing work for firms in the UK. Pricewaterhouse Coopers tops the league in Western Europe with 156 projects valued at \$38.59bn. Of these, 145 are in the UK alone. KPMG and Ernst & Young follow with 62 and 39 projects respectively in 1998/1999 (Privatisation International, 1999).

Table 8.2
European Public Sector work for
UK consultancies, 1997

Management Consultant	1997 £m
Andersen Consulting	181.5
KPMG	51.7
CMG Computer Management Group	40.0
Coopers & Lybrand	36.0
PA Consulting Group	16.0
Arthur D. Little	13.2
WS Atkins	10.7
OSI Group	3.4
The Smith Group	3.2
HVR Consulting Services	3.0

Source: Management Consultancy, September 1998.

The European public sector market has expanded considerably for the leading UK consultancies. In 1997 almost twice the number of firms reported consultancy fee income from the European public sector as the year before. The leading companies are listed in Table 8.2.

Large consultancy firms have consolidated their position at the expense of medium and small size operations. In central government a group of seven shared over half the total 1998 fee income (Management Consultancy, September 1999). In 1998 almost 10% of total fee income of the top firms came from central government. Similarly, in local government there is a concentration of leading consultants and a situation has arisen whereby the number of firms selling consultancy to local government has been steadily declining. This has been partly due to the lower fees in local authorities and smaller contract value than for government departments and other sectors. Some public sector consultants prefer to work for central government and its agencies rather than local authorities or health because of the size of projects and differences in fee levels. Many firms are not prepared to work for less than £1,000 a day. Average project values in the public sector range from £167,000 in the large firms down to £64,000 in small consultancy firms. Some consultants aim to develop long

term links with a public sector organisation in order to maintain a stream of work.

Consulting firms have shifted their work within the public sector. During the early 1980s the majority of firms worked for the NHS and Ministry of Defence but now their work is spread across more markets. The fee income attributed to IT (which is not strictly a consultancy service but increasingly integrated into it) has grown at the expense of other services. A major area of expansion is project management, which, in 1998 accounted for 15% (£60m in 1998) of revenue from the public sector. Some of the major consultants also have a significant share of personnel or human resources sector work. Consultants also

Table 8.3
Leading consultants in Central
Government, 1998

Firm	Fee income, £m
Andersen Consulting	29.0
Pricewaterhouse Coopers	28.6
Sema	24.0
Deloitte Consulting	18.5
ICL Group	17.5
PA Consulting Group	15.0
KPMG	14.0
CSC	13.0
McKinsey	12.0
CMG	9.0

Source: Management Consultancy, July/August 1999

Table 8.4
Leading consultants in Local Government,
1998

Firm	Fee income, £m
ICL Group	12.0
KPMG	8.8
Andersen Consulting	8.5
Deloitte Consulting	7.5
Lorien	7.0
IBM Management Consultancy	5.0
Parity Solutions	5.0
Arthur Anderson	2.8
Hay Management Consultants	2.1
CMG	1.6

Source: Management Consultancy, July/August 1999

provide training services, though this is not confined to larger firms. There is a wide range of small firms and individuals offering training services to local authorities and other public sector organisations. Firms are expecting to specialise further as more specialist understanding is required and this may open up more opportunities for smaller consultancies operating in niche markets.

The overall growth of fee income in public sector organisations is expected to increase by about 13% in 1999, but this is a lower increase than in many other industries.

Areas such as IT and project management have seen a sharp increase; significant increases were seen in 'change' and operations management, and in financial management, indicating a switch of emphasis in the use of management consultants in the public sector.

Planning and housing consultants

The consultancy market has grown in planning and housing services over the last decade and is likely to increase as regeneration partnerships and work for regional agencies develop. Some of the largest firms are rooted in mainstream planning with a range of specialisms. However, planning accounts for a smaller part of large, multi-disciplinary organisations such as WS Atkins, Over Arup,

Table 8.5
Leading planning consultancies
1996-97

Rank	Consultant	Income £m
1	Grimley	4.20
2	Barton Willmore Planning Partnership	4.10
3	Montagu Evans	3.60
4	Oscar Faber	3.40
5	GL Hearn & Partners	2.78
6	Nathaniel Lichfield & Partners Ltd	2.60
7	RPS Group plc	2.58
8	Terence O' Rourke plc	2.50
9	DTZ - Pieda plc	2.45
10	Fuller Peiser	2.10

Source: Planning Magazine, November 1997

Halcrow Fox and Babbie. These companies have interests in many areas of environmental and related work. Some companies, including DTZ Debenham Thorpe and Scott Wilson Resource Consultants have used mergers and acquisitions to expand their planning activities. DTZ Debenham Thorpe acquired Pieda in 1997 creating a large planning consultancy with greater regional spread.

Table 8.6
Total planning consultancy fee
income from the public sector
1996-97

Consultant	Public sector fee income £m
Oscar Faber	3.23
Gibb Ltd.	1.68
Halcrow Fox	1.65
W.S Atkins Planning Consultants	1.17
Llewelyn-Davies	1.09
Grimley	1.08
RPS Group	1.06
Hillier Parker	1.00
Barton Willmore Planning Partnership	0.90
DTZ - Pieda plc	0.88

Source: Planning Magazine, November 1997

A survey conducted by Planning Magazine in 1997, based on 190 questionnaires, showed that public sector work is crucial to the success of Britain's major planning consultancies. The 20 biggest public sector fee earners grossed over £19m in 1996-97.

Oscar Faber's planning work related to transport projects with the vast majority of fee income derived from the public sector. Halcrow Fox is the planning arm of the Halcrow Group; the company is aiming to increase its planning projects for funding agencies in Europe and shift into a wider range of planning work. WS Atkins Planning Consultants is part of a major company carrying out work for central government, local authorities and other public agencies. The company has been involved in outsourcing of local authority services, including the externalisation of Oxfordshire County Council's property services.

Development control is, for some consultants, a major source of planning work. Leading companies include Montagu Evans, Grimley, GL Hearn, Nathaniel Lichfield and Robert Turley Associates. These companies tend to integrate this work into their business which includes chartered surveying and architecture. Predicted growth sectors for planning consultancies include housing, leisure and retail. Consultancies are expecting major involvement in the redevelopment of urban areas and the Government is fuelling the housing interest through its policies on council

Table 8.7**Housing-related planning consultancy fee income, 1996-97**

Rank	Consultant	% of fee income
1	Barton Willmore Planning Partnership	20%
2	GL Hearn & Partners	20%
3	Montagu Evans	15%
4	Development, Land and Planning	60%
5	Halcrow Fox	20%
6	Grimley	10%
7	Andrew Martin Associates	45%
8	RPS Group plc	15%
9	Robert Turley Associates	20%
10	Chancellors	80%

Source: Planning Magazine, November 1997

Table 8.8**Transport-related planning consultancy fee income, 1996-97**

Rank	Consultant	% of fee income
1	Oscar Faber	100%
2	Gibb Ltd.	98%
3	RPS Group	45%
4	WS Atkins Planning Consultants	50%
5	Babtie Group Ltd.	40%
6	Halcrow Fox	19%
7	Ove Arup Partnership	20%
8	LLewelyn-Davies	15%
9	Grimley	5%
10	Barton Willmore Planning Partnership	5%

Source: Planning Magazine, November 1997

housing. Tables 8.7 and 8.8 show the leading planning consultancies involved in housing and transport work.

Berkshire County Council externalised its highways and planning department to the Babtie Group. The company has used this base to expand into other planning and related work for local authorities.

It is difficult to estimate the exact amount spent by public bodies on external consultants resulting from changes and moves to privatise services in the Civil Service, NHS and local government, and the privatisation of the coal and nuclear industries, the public utilities, and the national rail network.

However, Table 8.9 shows massive spending on consultants by the privatised utilities, highlighting the industry as one of the major beneficiaries of the privatisation programme. In one year alone, 1995/96, spending on consultancies increased by 52%. Water and electricity companies spent considerably more on external consultants than the gas companies.

Table 8.9**Leading consultants in the utilities, 1998**

Firm	Fee income, £m
Cap Gemini	44.8
Pricewaterhouse Coopers	38.5
Anderson Consulting	28.3
Deloitte Consulting	23.0
PA Consulting Group	21.1
OSI	19.2
Ernst & Young	14.8
Logica	12.0
Arthur Anderson	9.5
ICL Group	8.5

Source: Management Consultancy, July / August 1999

The three leading areas of work for management consultants in the privatised utilities are IT, change management and strategy work.

A similar picture emerges for the healthcare, transport and communications services with the leading consultants earning large fee incomes.

The top economic and environmental consultants include Pricewaterhouse Coopers, Arthur Andersen and Arthur D Little.

Table 8.10
Leading economic and environmental consultants, 1998

Firm	Fee income, £m
Pricewaterhouse Coopers	7.3
Arthur Anderson	5.5
Arthur D Little	4.5
Ove Arup & Partners	2.3
Maxwell Stamp	1.8
The Generics Group	1.0
Analysis	1.0
Pannell Kerr Forster	0.2
Framework Consulting	0.1

Source: Management Consultancy, July/August 1999.

Many of these companies have been able to market their skills in privatisation to Eastern Europe and emerging markets in China and India.

Structure of the industry

The nature of the industry has changed as new market, have developed, especially in IT. It has become more polarised between major transnational consultancies and small operations offering specialist services. Companies can be categorised under the following headings and it is vital to differentiate between types of consultants offering services to public sector organisations:

- * Accountancy/Management consultancies
- * Strategic consultancies
- * IT companies
- * Public sector management consultants
- * Small to medium independent consultancies
- * Specialists and sole practitioners
- * Academic consultancies
- * Internal consultancies
- * Socially Responsible Advisors

1. Accountancy/management consultancies

The leading companies in this field include Arthur Andersen, Andersen Consulting, KPMG, Ernst and Young, Pricewaterhouse Coopers and Deloitte Touche . They provide services across all types of consultancy (see Appendix I).

The leading accountants have diversified their services as traditional areas become less important and consultancy now forms a key part of their revenue. The accountancy firms have sought to become truly global firms. The merger between Price Waterhouse and Coopers & Lybrand and between Ernst & Young and KPMG, has led to further consolidation, reducing the number of market leaders. These mergers are largely consultancy driven.

2. Strategic Consultants

This group of consultants is led by McKinsey and includes Booz-Allen and Hamilton. They specialise in providing strategic advice and organisational development and aim to charge high fees and pay high wages. These companies pride themselves in recruiting the brightest graduates, for example, McKinsey has 4,000 consultants and recruits 1,000 new people each year.

3. IT companies

The integration of IT into all areas of work has opened the consultancy market to new entrants. In the space of five years IBM has become a global consulting group competing with the leading consultants (see Appendix I). Other companies with origins in IT services include Sema, Cap Gemini Sogeti and, not least, EDS which acquired and successfully integrated the consultancy, AT Kearney, to become a major global player in the consultancy market.

4. Public sector management consultants

In addition to companies with consultancies, a few companies have been set up to specifically provide consultancy work to the public sector.

The leading example is Capita (see Appendix 1) which was established in 1984 and has now moved into providing a range of financial, IT and other services to local government. Capita has grown partly by gaining contracts through the public sector and partly by acquiring other companies. Since 1989 it has bought 30 companies or government agencies. Other consultants in this category tend to be small organisations offering specialist services.

5. Small to medium independent consultancies

Companies in this category tend to specialise in particular areas. PA Consulting is the largest independent firm with specialisms in IT and product development. Hay Management Consultants specialises in human resource management.

6. Niche consultancies

These companies have often succeeded in providing expertise in particular areas. They are usually formed by experienced consultants from bigger firms. These organisations often work in partnerships or alliances involving major companies. They may be lead contractor or programme manager in a project involving one or more other consultancies.

7. Sole practitioners

Often former managers seeking to operate as external consultants using an established network of contacts and clients.

8. Academic consultancies

Universities sometimes provide consultancy services, especially from business schools. However, the emphasis is often on research and analysis rather than implementation. There are also many small consultancies, with some operating single handedly, including those providing training programmes.

9. Internal consultants

An internal consultancy is one established within an organisation, for example, a government department or local authority, to

provide consulting services to other units of the same organisation. Some internal consultancies intervene in an advisory capacity at the request of a senior manager within the organisation whilst others are primarily responsible for staff development programmes, reporting procedures, accounting and information systems. Key advantages are that internal units are easily accessible, have detailed knowledge of the organisation's internal operations, working practices and political framework.

Internal consultancies are also cheaper. Because of reduced overheads, travel and other expenses, an internal consultant will be considerably cheaper than an external one. The most effective internal consultancies are those with access to senior management and political support so that recommendations are given credibility and authority. The role and status of internal consultants needs to be properly defined so that responsibilities and reporting systems are effectively organised.

Future Directions

Growth markets

An overall growth rate of about 20% (£630m) on top of the £3.1bn 1998 figure is forecast for the management consultancy industry. In 1999, the Management Consultancy Journal predicted that income growth from the central and local government markets is about 10%, lower than the average growth rate of 20%. Anticipated growth is largely expected to come from IT and project management.

The role of multinational consultancies

The major consultancies operating in Britain are part of transnational consultancies operating worldwide with partnerships and offices extending across industrialised and developing countries. Most established a new network of offices in Central and Eastern Europe in the last decade. There are a number of key trends:

* Many of the leading firms have outsourcing or managed services subsidiaries, for example, Andersen, Capita and Deloitte

Touche. These firms always claim that there are 'fire walls' between audit, tax, legal, consultancy and managed services which begs the question why they acquired these subsidiaries in the first place and the formation of 'global management structures'.

- * They are expanding into other services, for example, legal services, mainly through acquisitions of national and regional firms of solicitors. Most of the large consultancies are trying to establish 'multidisciplinary partnerships' that provide clients with 'one-stop-consultancy'.
- * Some firms are involved in Education Action Zones and other similar initiatives. This is mainly done by seconding consultants to work with EAZ Action Forums or regeneration agencies which provides the consultancies with corporate publicity, an opportunity to influence the 'business' agenda and access to debates about the future commercialisation of public services.

Increasing competition

The profitability of management consultancy is in itself uncertain, since there is increasing competition as many new companies enter the market. Clients are becoming more demanding and in some organisations there has been a backlash as consultants have been found to promise more than they have been able to deliver.

New entrants into the market include information technology multinationals such as Electronic Data Systems (EDS), Computer Sciences Corporation (CSC) and IBM. These companies became interested in management consultancy as the profit margins in their core businesses were shrinking.

Differentiation - specialists or generalists

Many consultancy firms are presenting themselves as specialists in a particular area - human resources or marketing - or in a particular service - property or IT.

Global competition

The leading consultancies are now based on multinational partnerships with a foundation

on which to build global services. Consultants are able to market their own experiences in globalisation to clients wishing to follow the same path. Multinational consultants seek to take advantage of the fact that different economies operate at different stages of development (Challenges and Prospects, Mick James in Sadler, 1998).

Recruitment

Skilled, experienced and competent consultancy staff are predicted to be in short supply. Growth in the market could result in a shortage, which in turn affects the quality of work carried out by management consultants. A situation could arise whereby firms are growing at a rate that exceeds their ability to recruit sufficient consultancy staff to match the growth in fee income (Management Consultancy, July/August 1999). Companies have suffered from high turnover of staff and now regard staff shortages as a critical issue, particularly at senior consultant level.

Innovation and information technology

New technology has created major advantages for all types of consultancies. New ways of working with clients is also emerging. There has been a shift in emphasis from advice to implementation in consultancy work so the consultant is increasingly expected to share in the risk and commitment required in major projects. This is also leading to longer term projects and assignments as alternatives to fee-based consulting.

Internet-based developments are expected to have a large impact on business over the next few years. The top five consultancies are seeking to catch up with specialist IT consultancies who offer a combination of advice, products and implementation skills. In 1999 Deloitte announced a partnership with e-commerce software provider Open Market and Andersen Consulting has a stake in Security First Technologies specialising in internet-based financial services products. The leading companies are seeking to offer not only information systems but the management skills needed to integrate them into the organisation.

Appendix I

Company Profiles

Accountancy/management consultancies

Pricewaterhouse Coopers

The combined consultancy created by the merger of Price Waterhouse and Coopers & Lybrand has revenues of \$3.5bn and consultancy staff of 20,000. It is now the world's largest accountancy firm providing consultancy and advisory services to the public and private sector, including governments, government agencies and large multinationals. The company seeks to provide a broad range of consulting services focussing on business restructuring and change based on information technology to multinationals and public organisations.

Price Waterhouse was involved in a controversial episode at Dudley Council in the early 1980s. The company acted as district auditors to the council, and then in a report recommended that the council hire management consultants - Price Waterhouse themselves without any open tender. This led to the Institute of Chartered Accountants ruling that auditors could not also do consultancy work for their clients.

Web site; www.pwcglobal.com

Andersen Consulting

Andersen Consulting is the consulting and facilities management arm of accountancy multinational Arthur Andersen. The company employs 53,000 people in 152 offices in 47 countries and in 1997 had a turnover of \$5.3 billion. Andersen Consulting has won numerous government consultancy contracts and was involved in a major scandal at Wessex Regional Health Authority. Andersen Consulting is also the name used by a

consortium set up in conjunction with BT and ICL to bid for the civil service Area Directorates and Partnering Team project.

During 1999, the Government admitted to problems with a contract being delivered by Andersen Consulting. There have been major delays with the introduction of a new national insurance recording system for benefits and pensions under the Private Finance Initiative.

Web site: www.ac.com

KPMG

This is one of the largest accountancy and consultancy companies in the world (now one of The Big Four). KPMG has expanded in recent years by advising governments on privatisation and is the only one of the major companies to have more business in Europe than in North America. In 1997 consulting comprised nearly 40% of the company's turnover.

In October 1997, KPMG merged with Ernst & Young, another of the world's largest accountancy and consulting firms, creating a firm with annual revenues of more than £11bn.

In the UK, KPMG has been highly active in privatisation projects including the sale of Cheshire County Council's and Winchester City Council's Direct Service Organisations. KPMG also advised Powys County Council on contracting out the Technical Services Department and the externalisation of Wiltshire County Council's property and civil engineering service.

Web site: <http://usserv.kpmg.com/>

Ernst & Young

Ernst & Young, one of the leading multinational accountancy companies specialise as auditors, consultants and liquidators. It is a partnership with a subsidiary operating investment and pension planning. In 1996 the company, which employs over 6,000 people, had a turnover of £456m and pre-tax profits of £75m.

Deloitte & Touche

One of the UK's largest firms of chartered accountants and management consultants, Deloitte & Touche has 24 offices and over 6,500 staff. Deloitte & Touche is a partnership, rather than a limited company and therefore does not file accounts in the usual way.

It is the UK subsidiary of Deloitte Touche Tohmatsu, a multinational which specialises in accounting, consulting and tax services. The company works for local and central governments as well as many of the world's biggest multinational companies.

Deloitte & Touche has established a base in outsourcing as well as consultancy in the public sector through CSL, a major finance and IT contractor. CSL was formed in 1989 from a management buy-out of the management consultancy of CIPFA. It was taken over by Touche Ross, now known as Deloitte & Touche. CSL also has a management consultancy division providing services to central and local government, a managed services division, healthcare management and financial services. In 1998 the company had a turnover of £45.9m and after several years of losses made a pre-tax profit of £1m. CSL was awarded the contract for Sheffield City Council's revenue services in 1998 and for housing benefit in 1999. The company has an agreement with UNISON Greater London Region which sets guidelines for local agreements. An agreement has also been formed with Unison for Sheffield City Council's contract.

One of Deloitte & Touche's subsidiaries was Croydon Services, established in 1993 through a management buyout between CSL and Touche Ross (now Deloitte & Touche), involving the transfer of 293 of London Borough of Croydon's employees. Since then the company has transferred the contract to the CSL Group and the company is now dormant.

Web site: www.deloitte.co.uk

www.csl-managed-services.co.uk

IT companies

EDS/AT Kearney

EDS is a US multinational company,

established in 1962, and taken over by General Motors in 1984. EDS has been expanding worldwide since the mid 1980s, originally as part of a campaign to reduce dependence on General Motors, which put EDS on the stock market in 1996 when it became a separate company.

In 1995 EDS bought Kearney, the global management consulting firm for \$300m. EDS merged its management consulting unit with AT Kearney and created a new subsidiary under the name of AT Kearney Inc. The new AT Kearney has over 3,600 employees and an annual turnover of more than \$500m. EDS has acquired a number of other niche consultancy firms as part of an aggressive move into management consulting. The benefits for Kearney was the IT capability, which is seen as essential in meeting client demands for integrated solutions.

An EDS subsidiary, Affirm, is the name of a consortium set up by EDS, AT Kearney (itself a subsidiary of EDS), Price Waterhouse and Manpower to bid for the civil service Area Directorates and Partnering Team 98 project.

AT Kearney (UK) is the UK branch of the management consultancy arm of EDS. It is wholly owned by EDS but has a separate board of directors and maintains its own headquarters. Since combining with EDS, the company has 5% of the worldwide management consultant market, along with Deloitte & Touche, Gemini Consulting and Coopers & Lybrand. AT Kearney has a number of management consultancy contracts in the NHS and runs the IT system for crime reporting for the Metropolitan Police.

EDS International Ltd. is the main UK subsidiary of EDS. The company, whose turnover reached £1,058m and profits £60m in 1997 is a major beneficiary of major central and local government contracts. For example, the Office of the Paymaster General was sold to a consortium of EDS and Hogg Robinson, a business services group, in 1997. EDS has a revenue services contract with London Borough of Brent, started in 1995 which will last 8 years and involved the transfer of 240 staff.

Web site: www.eds-uk.co.uk

Gemini Consulting

The company originated from a merger between two American consultancy firms and then amalgamated into Cap Gemini Sogeti, a French IT firm. Much of its consultancy work is now done in conjunction with the IT arm of the group, Cap Gemini, to provide a comprehensive and integrated service.

Cap Gemini UK Plc was originally set up as Hoskyns Ltd by Sir John Hoskyns, an adviser to Margaret Thatcher. In 1988 it took over the former computing department of the GLC, giving it a large public sector contract and facility in central London. In 1988 Plessey bought 94% of the shares and after GEC and Siemens took over Plessey, they sold off the shares to Cap Gemini Sogeti, a French company. In 1995 the company took over CMS, the IT arm of British Steel, employing 650 staff, and in June 1998 it acquired Istel, the finance and commerce arm of AT&T employing 150 people. Hoskyns had a poor track record in local government with a number of contract failures and Cap Gemini appears wary of public sector contracting, though this may change in the future. Cap Gemini UK had a turnover of £385.6m in 1997 and made pre-tax profits of £33.8m.

In 1997 Cap Gemini won a ten year contract to run Virgin Rail's passenger call centre contract and is working on the rail company's internet booking system. The company has a staff of 1,800 consultants, 270 of which are in the UK.

Web site: www.capgemini.co.uk.

Logica

Logica PLC is a large multinational IT company, privatised in the early 1980s, with offices and subsidiaries all over the world. Its IT services include consultancy, applications management, project management and other computer services. The company, which employs over 2,000 in the UK out of a total workforce of 3,358, had a turnover of £250m in 1995.

Lorien / PE International

Lorien PLC has two separate divisions - IT Resourcing and consultancy. It was founded in

1977 as an IT resourcing company and in 1996 bought the businesses of PE International and concentrated its operations in the UK. The company, which had a turnover of £48m in 1996, experienced a sharp fall in profits in 1998. Turnover from consulting fell from £43m in 1998 to £31m in 1999.

Lorien acquired a share of Guidance Enterprises, a careers guidance service whose main customer is the DfEE and was originally the North Yorkshire Careers Guidance service.

Web site: www.logica.co.uk.

PA Consulting

Established 50 years ago, PA Consulting is a leading management, information and technology consultancy operating internationally. Consultancy services include strategy, performance, new technology, human resources and change management. The company owns 26 major subsidiaries all with the PA Consulting name, and had a turnover of £181m in 1996, with pre-tax profits of £11.7m. In the same year the highest paid director received a salary of £941,000 (UNISON, Bargaining Support Group Company Profiles, 1999).

Sema

Sema was formed by a series of mergers and takeovers starting with a merger between the UK firm CAP Ltd. and the French firm Sema-Metra. The rival French computer company Cap Gemini Sogeti acquired a 5% stake in 1988, but this was then sold in 1995 to institutional investors for £126m. By the end of 1997 the major shareholders were subsidiaries of France Telecom and Banque Paribas.

The company provides information technology services including systems integration consultancy, outsourcing and specialist software products. As well as working on outsourced contracts in the public sector including the NHS, Sema has contracts with the telecommunications, finance and commerce industries.

In 1998 a third of the company's turnover (£1,174m) was generated in the UK; its UK subsidiaries include Sema Group UK, Sema

Outsourcing plc and Meridian Information Systems. Sema quadrupled its turnover during the 1990s and increased profits even more rapidly. Outsourcing comprised 43% of the turnover.

In 1997 Sema acquired BR Business Systems Ltd (BRBS) for £27m. The company designs, operates and maintains railway infrastructure systems including ticketing, asset management, on-line management information and timetabling. The company with 1,100 staff, was formerly a division of the British Rail board with an estimated turnover of £87m in the year ending March 1996 and net assets of £13.3m.

Web site: www.semagroup.com

Public sector management consultants

Capita

Capita was set up by CIPFA in 1984 and subject to a management buy-out in 1987. It is now quoted on the Stock Exchange, although 12% of its shares are still owned by directors. Capita employed 5,300 people in 1998 and its turnover was £237.8m; it made a pre-tax profit of £27m in the same year. The principal activities of the group are professional support services including systems and strategic services, human resource systems, software and property services. Capita has grown partly by gaining contracts through the public sector and partly by acquiring other companies. Since 1989 it has bought 30 companies or government agencies. Its main subsidiaries include Capita Business Services, Academy Information Systems, Capita Education Services (formerly Sims Education Services), Capita Property Services, Capita Corporate Finance and several others.

Almost three-quarters of Capita's income comes from government contracts, with 42% from local government and 30% from central government. In 1997 2,500 of its 4,000 staff had been transferred from the public sector. In addition to its direct involvement in outsourcing throughout the public sector, Capita has been heavily involved in advising public sector organisations on reorganising their activities. In 1998 Capita identified itself

as the "UK's leading provider of business process outsourcing (BPOP), where a key function of a business and its related IT process is managed by an external provider".

Capita has used acquisitions and public sector contracts as bases for developing regional centres, and centralising outsourced local government services. Capita has sought to cluster different contracts in the same centre, for example, in Bexley, Bromley and Erith. A call centre in Coventry is due for completion in January 2000.

The programme of diversification and acquisitions has continued over the last year. For example, in February 1999 Railtrack selected Capita to establish and manage its new agency for the issues and control of safety certification. Railtrack chose Capita because it "demonstrated the project management, call centre expertise and the innovative service solution to meet the diverse demands of the service".

In March 1999, the Capita Group acquired a minority interest in the Eastgate Group, one of the largest providers of outsourcing services to the insurance industry. Capita intends that the investment will enable bids for larger contracts and offer economies of scale through the shared use of Capita's and Eastgate's infrastructure of data centres and call centres.

In May 1999, Capita acquired Oldham & Tomkins, an IT company with human resource services, and MPM Adams, a project management business. These acquisitions are part of a policy to offer a greater range of "flexible" services to the public sector. Capita is clearly seeking to expand in the area of human resource services, having won a three year contract worth £2m to deliver recruitment and personnel services to Westminster City Council.

Web site: www.capitagroup.co.uk

Appendix II

Codes of practice and professional conduct

Institute of Management Consultancy

32-33 Hatton Garden, London EC1N 8DL. Tel. 0171 242 2140.

Website: www.imc.co.uk

The Institute's Code of Professional Conduct is based on three basic principles covering standards of service to the client; independence, objectivity and integrity; and responsibility to the profession. The code sets out general standards expected of consultants, which in turn can be used to assess their performance. These are covered in brief below.

Principle 1

Meeting the clients requirements

- A member shall regard the client's requirements and interests as paramount at all times.
- A member will only accept work that the member is qualified to perform and which the client can be served effectively; a member will not make any misleading claims and will provide references from other clients if requested.
- A member shall agree formally with the client the scope, nature and deliverables of the services to be provided and the basis of remuneration, in advance of commencing work; and any subsequent revisions will be subject to prior discussion and agreement with the client.
- A member will hold all information concerning the affairs of the clients in the strictest confidence and will not disclose proprietary information obtained during the course of assignments.

- A member will make certain that advice, solutions and recommendations are based on thorough, impartial consideration and analysis of all available pertinent facts and relevant experience and are realistic, practicable and clearly understood by the client.

Principle 2

Integrity, independence, objectivity

- A member shall avoid any action or situation inconsistent with the member's professional obligations or which in any way might be seen to impair the member's integrity. In formulating advice and recommendations the member will be guided solely by the member's objective view of the client's best interests.
- A member will disclose at the earliest opportunity any special relationships, circumstances or business interests which might influence or impair, or could be seen by the client or others to influence or impair the member's judgment or objectivity on a particular assignment.
- A member shall not serve a client under circumstances which are inconsistent with the member's professional obligations or which in any way might be seen to impair the member's integrity; wherever a conflict or potential conflict of interest arises, the member shall, as the circumstances require, either withdraw from the assignment, remove the source of conflict or disclose and obtain the agreement of the parties concerned to the performance or continuance of the engagement.
- A member will advise the client of any significant reservations the member may have about the client's expectation of benefits from an engagement.
- A member will not indicate any short-term benefits at the expense of the long-term welfare of the client without advising the client of the implications.

Principle 3

Responsibility to the Profession and to the Institute

- A member's conduct shall at all times endeavour to enhance the standing and public recognition of the profession and the Institute.

- *A member will comply with the Institute's requirements on Continuing Professional Developments in order to ensure that the knowledge and skills the member offers to clients are kept up to date.*
- *A member shall have respect for the professional obligations and qualifications of all others with whom the member works.*
- *A member will negotiate agreements and charges for professional services only in a manner approved as ethical and professional by the Institute.*
- *A member shall be a fit and proper person to carry on the profession of management consultancy.*

Ethical Framework

The Institute of Management Consultancy has also produced a set of ethical guidelines including the tests of transparency and vulnerability. The guidelines include important questions for testing ethical dilemmas which could be applied and used to question the practice of management consultants working in public sector organisations.

The guidelines state that a member should consider the interests of a wider number and range of "stakeholders" - those individuals or organisations who have an interest or stake in the situation. Stakeholders may include the general public and the national interest.

Transparency: means the degree to which there is openness in the situation, that is, how much knowledge or information has been made available to the stakeholders. If there is not full and complete openness, the reason for such lack of transparency should be carefully examined by the member.

Vulnerability: refers to the extent to which each of the stakeholder's interests are at risk as a result of the proposed action (or inaction). It may be that a client or a third party is vulnerable because of ignorance, incompetence or financial weaknesses. A member must give due weight to stakeholders' interests before acting. However, the client comes first, and a member's ethical concerns and any resulting actions must be explained to the client.

Management Consultancies Association

11 West Halkin Street, London SW1X 8JL, Tel. 0171 235 3897.

Web site: www.mca.org.uk

The MCA is the association of leading management consultancy firms in Britain. The Association estimates that its members are responsible for at least 65% of the fee-paying consultancy work undertaken in Britain.

"Each member shall, at all times, maintain the highest ethical standard in the professional work undertaken, and in matters relating to a client's affairs act solely in the interest of the client.

It shall be regarded as unprofessional conduct for any Member :

Rule 1:

To disclose or permit to be disclosed, confidential information regarding their client's business and staff.

Rule 2:

To accept work for which the consultancy is not qualified.

Rule 3:

To enter into any arrangement which would detract from the objectivity and impartiality of the advice given to clients. In particular it would be unprofessional conduct;

- a. *to accept or permit any member of their staff to accept from a third party any trade commission, discount, or consideration of any kind in connection with the supply of goods to clients;*
- b. *to supply or recommend to a client goods or services in which they have a direct or indirect financial interest without disclosing such an interest to the client.*
- c. *to pay commission or any other form of remuneration to persons not on their staff for the introduction of clients;*

Rule 4:

Not to agree in advance on the terms of remuneration and the basis of the calculation thereof.

Rule 5:

To do anything likely to lower the status of management consultancy as a profession.

Any member who in the opinion of the Council fails to comply with the Code of Professional Conduct is liable to suspension from membership of the Association.

It shall be the duty of the Executive Director and the right of any member of Council or aggrieved person, to lay before the Council any facts indicating that a Member has failed to observe the rules laid down in the Code of Professional Conduct".

Institute of Personnel and Development

IPD House, Camp Road, Wimbledon SW19 4UX, Tel. 0181 263 3237.

www.ipd.co.uk

The Institute produces two codes of conduct concerning the involvement of its members in the provision of consultancy services:

a) **Code of Conduct for Executive Recruitment Consultants:**

Aims to specify the standards of professional conduct required of those consultants who are members of the IPD and engaged in executive recruitment.

b) **Code of Conduct for Career and Outplacement Consultants:**

Aims: as above but aimed at IPD members engaged in career and outplacement consultancy work.

(Copies of the codes of conduct are available from the IPD's Communications Department.)

Statement of Best Practice

**HM Treasury Procurement Group
Management Consultants Association
Institute of Management Consultancy**

November 1999

A brief Statement of Best Practice was agreed between the government and the MCA and IMC on 10th November 1999. It covers:

- * General principles
- * Project definition
- * Pre qualification and tender
- * Award and contract terms
- * Project
- * Post project

The relevant points have been included in the Chapter 2 of this handbook. It is available on www.mca.org.uk

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