

MARIANA MAZZUCATO
ROSIE COLLINGTON

THE
BIG
CONSULTANCY
CON

HOW THE
CONSULTING INDUSTRY
Weakens our Businesses,
Infantilizes our Governments
AND
Warps our Economies

'Timely ... startling'
SUNDAY TIMES



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THE BIG CON

‘A forceful demolition job on the industry’

Adrian Wooldridge, *Bloomberg*

‘A meticulously researched anatomy of an industry not widely understood by those outside it. They have explained complex ideas and processes in clear terms, and brought them to life with a rich and engaging narrative style. They have eschewed a simple narrow moral attack on a few parasitic firms in favour of a clear-eyed view of the industry’s origins and drivers, and they have outlined the stakes for the future in no uncertain terms. That last is the most important. *The Big Con* may present itself as an exposé of the consulting industry, but behind it lies a bigger and more urgent warning to reshape social priorities in an age of crisis’ Nathan Akehurst, *Jacobin*

‘The authors set out the case for the prosecution with articulate ferocity’ Frances Cairncross, *Literary Review*

‘Their point is that the great problem with the consulting business isn’t so much one of corruption, but something else: consultants have wielded their expertise to give the impression of being indispensable . . . a rallying call for these companies and governments’ Ed Conway, *The Times*

‘Compelling . . . examines how this astonishing global rise in consultancy services came about . . . the confidence trick arises from the ability to create an impression of value . . . Mazzucato and Collington are ready with what needs to be done: a new vision for the civil service; invest in internal government capacity and capability creation; embed learning and evaluation into contracts; and mandate transparency and exposure of conflicting interest’
Michael Marmot, *The Lancet*

‘A frontal lobotomy on the consulting industry . . . a comprehensive indictment’ Lionel Barber, *Prospect*

‘Powerful . . . The authors provide countless convincing examples of the danger of public overreliance on the consulting industry . . . *The Big Con* puts forward a forceful argument about an issue about which most ordinary people know little but – given the enormous influence of the consulting industry – have a right to understand and scrutinise. An effective, important and highly readable book’ Hilary Lamb, *E&T Magazine*

‘The Big Con of the book’s title is not a crime; it’s a confidence trick. Consultancies and outsourcers, Mazzucato argues, know less than they claim, cost more than they seem to, and – over the long term – prevent the public sector developing in-house capabilities’

Henry Mance, *Financial Times*

‘We are effectively devolving decision-making to people who are doubly unelected in many cases and whose own interests may diverge fairly dramatically from the collective interest or the interest that government is supposed to be pursuing’ Rory Sutherland, *Spectator*

‘Any government looking to rediscover its “vision, purpose and narrative” already knows who to call’ Adam M. Lowenstein, *American Prospect*

‘The consultants may have different names . . . and might perform different economic functions . . . but the effect they have on their client organisations is the same: to entrench short-term thinking, to deplete them of knowledge and skills, and, ultimately, to enfeeble them’ Will Lloyd, *New Statesman*

‘A shocking indictment of how, for decades, the consulting industry has made billions from public and private sources without providing much value for money. But it’s an equally damning verdict on those institutions that have handed over these fortunes’ Darragh McManus, *Irish Independent*

‘The power of government is crucial for driving the economy forward. But only if it retains capacity. Mazzucato and Collington have written a brilliant book that exposes the dangerous consequences of outsourcing state capacity to the consulting industry-and how to build it back.

A fascinating look at the biggest players in the game and why this matters for all of us’ Stephanie Kelton, author of *The Deficit Myth*

‘*The Big Con* documents, in precise detail and with panoramic vision, all the ways that the consulting industry has insinuated itself into the systems that govern and control our lives. Private companies, public charities and trusts, states, and even the international order have all handed mission-critical functions over to management consultants.

Mariana Mazzucato and Rosie Collington document the harms that result, as consultants exploit the public while stripping their clients of expertise and even the capacity to learn. This bill of particulars serves a profound master purpose: to demonstrate that we cannot outsource

governance. Our rights and bill of rights will remain prosperous, democratic, and free’ Daniel Markovits, author of *The Meritocracy Trap*

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“A management consultant,” the quip runs, “is someone who borrows your watch to tell you the time-and then keeps the watch.” This is the very least of the confidence tricks perpetrated by the global consulting industry it turns out. Another common saying is that “nobody ever got fired for hiring McKinsey.” With the publication of *The Big Con*, they just might’

Brett Christophers, author of *Rentier Capitalism*

‘Doggedly researched and elegantly written, this is a fascinating entry point into a critical yet underreported issue’ *Publishers Weekly*

‘A thoughtful analysis of the effects of exponential growth in the consulting industry . . . Written in a sophisticated but accessible voice, this would be an excellent addition to any business collection’ *Booklist*

‘Two respected researchers draw back the curtain to probe the consulting industry, and what they find is worrying . . . A detailed and disturbing look at the consulting industry and its negative impacts on companies and governments’ *Kirkus Reviews*

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ABOUT THE AUTHORS

Mariana Mazzucato is Professor in the Economics of Innovation and Public Value at University College London, where she is Founding Director of the UCL Institute for Innovation & Public Purpose. Her previous posts include the RM Phillips Professorial Chair at the Science Policy Research Unit at Sussex University. She is the winner of international prizes including the Grande Ufficiale Ordine al Merito della Repubblica Italiana in 2021, Italy's highest civilian honour, the 2020 John von Neumann Award, the 2019 All European Academies Madame de Staël Prize for Cultural Values, and the 2018 Leontief Prize for Advancing the Frontiers of Economic Thought. Most recently, Pope Francis appointed her to the Pontifical Academy for Life for bringing 'more humanity' to the world. As well as *The Big Con*, she is the author of *The Entrepreneurial State: Debunking Public vs. Private Sector Myths* (2018), *The Value of Everything: Making and Taking in the Global Economy* (2018), and *Mission Economy: A Moonshot Guide to Changing Capitalism* (2021). She advises policy makers around the world on innovation-led, inclusive and sustainable growth. Her current roles have included for example Chair of the World Health Organization's Council on the Economics of Health for All, Co-Chair of the Global Commission on the Economics of Water, Co-Chair of the Council on Urban Initiatives, and member of the South African President's Economic Advisory Council. Previously, through her role as Special Advisor for the EC Commissioner for Research, Science and Innovation (2017–2019), she authored the high-impact report on Mission-Oriented Research and Innovation in the European Union, turning 'missions' into a crucial new instrument in the European Commission's Horizon innovation programme, and more recently, authored a report with the UN's Economic Commission for Latin America and the Caribbean (ECLAC) on Transformational Change in Latin America and the Caribbean: A mission-oriented approach.

Rosie Collington is a political economist and PhD candidate at the UCL Institute for Innovation and Public Purpose, where her research examines the changing role of the state and green transition governance. She regularly contributes to print and broadcast media, and has appeared on BBC Radio 4, NPR and Al Jazeera.

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THE BIG CON

*How the Consulting Industry Weakens our
Businesses, Infantilizes our Governments
and Warps our Economies*

Mariana Mazzucato
and Rosie Collington



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*To all who challenge the hollowing out of their organizations, and to
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Acknowledgements

The book you hold in your hands began as a series of questions: Why do so many governments outsource critical activities to consulting companies? Why has the market for consulting services grown so much in recent decades – and globally? What do consultants do, and what role does the consulting industry play in the economy overall? Why do so many well-meaning and smart graduates choose to work for these companies? And what might this tell us about contemporary capitalism?

We wanted to unpack what happens to the brain of an organisation when it is not learning by doing because someone else is doing the doing. To explore these questions, we had conversations with government leaders, civil servants, business executives, employees on both sides of consulting contracts, and colleagues and friends who shared their stories with us. From them, we learned not only about current challenges, but what alternatives might look like. Above all, they showed us that even within the most hollowed out of government departments and the most denigrated of workforces, visions of a better future endure – of more capable organisations, more responsive governance and more inclusive, sustainable and innovative economies. We hope this book not only starts a conversation about the problems with how our governments and businesses are run today, but provides some tools and inspiration for creating public purpose within them in the future.

Mariana founded the Institute for Innovation and Public Purpose (IIPP) at University College London five years ago with an ambition to strengthen the public sector's remit and capacity. Rosie joined

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IIPP as Mariana's PhD student in 2020. It has been a delight partnering on the book. This process brought together Mariana's experiences writing about the theory and practice of a more ambitious, entrepreneurial and mission-oriented public sector, driven by public value and purpose, with Rosie's earlier research on what happens when critical infrastructures and skills are outsourced to others.

We couldn't have imagined a better intellectual home to carry out the research and make sense of the consulting industry. Our colleagues working across economics and public policy and IIPP's partners in governments, businesses and communities have been a constant source of inspiration, reflection and challenge. We are immensely grateful for the research seminars, public lectures, workshops and conversations with students and staff – whether over Zoom or in the kitchen at the Institute – that have helped to shape this book in its development. Everyone at IIPP, from our wonderful students and academics to facilities staff and teams working across policy, partnerships and communications, helps to make the Institute a place for confronting the biggest challenges our societies face today.

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writing are often solitary and slow endeavours. For both of us, moments of joy with the ones we love have been the lifeblood that pulses through the fingertips at the laptop keys, especially when we've been writing late at night and far away from home. Mariana would like to thank her children, Leon, Micol, Luce and Sofia – and their friends – who never stop pushing on the need for all of us to do better in fighting against inequities so visible across the entire globe, and on our doorstep. Rosie would like to thank her parents for their unflagging support, particularly during the weeks they shared their house with her and a legion of notebooks. She would also like to thank Toke Dahler, whose love and crosswords on the sofa have made the experience of writing a book for the first time all the more glorious and far less daunting than it otherwise might have felt.

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1. Introduction: The Big Con – A Confidence Trick

To overcome the great challenges of our time – from pandemics to the climate crisis – requires ambition and prowess. All types of organizations in our economies must be guided by experience and technical knowledge, and people with project management skills. Businesses, governments and organizations from civil society with these capabilities can then work together to meet our collective social, economic and environmental needs.

And yet this does not describe the world we live in. Many governments have stopped investing in their own capacity and capabilities, and because they fear failure they do not take risks. Many businesses have shirked responsibility for change, and are focused on earning short-term profits through easy, unproductive strategies, such as buying back their own shares to boost stock prices, or not paying workers their fair share. Bad governance in both business and the state has over the last half century caused short-termism to overshadow investments needed for progress. These trends have depleted organizations of knowledge, skills and vision.

And one group of actors has ridden the wave of this form of capitalism, and the underlying depletion of capabilities, earning huge sums of money in the process: the consulting industry.

Consulting companies, such as McKinsey, Boston Consulting Group (BCG) and Bain & Company (often referred to as the ‘Big Three’ strategy firms) and PwC, Deloitte, KPMG and EY (the ‘Big Four’ accountancies), are hired by governments, businesses and other organizations to perform different types of tasks on their behalf. When consultancies are hired by businesses, the tasks they are given

sometimes relate to corporate strategy, sometimes to the management and execution of a specific project, and sometimes to a particular capacity such as IT or financial planning. Governments often contract consultancies to help deliver critical functions, from the development of climate adaptation strategies to the rollout of vaccination programmes and the commissioning of welfare services.

Today, the size of the consulting industry, and the contracts it receives, have become eye-wateringly large. Their growth shows no sign of slowing down. In 2021, estimates of the global consulting services market ranged from between almost \$700 billion to over \$900 billion¹ (£525 billion to £674 billion) – though these figures do not give the full picture of consultancies' activity.

In every room

The omnipresence of consultants across the economy is striking. Indeed, during the first two years of the COVID-19 pandemic (2020–21), governments spent unprecedented figures on contracts with the big consultancies. By July 2020, McKinsey had already secured over \$100 million (£75 million) from the federal government in the United States for pandemic-related tasks.² In the United Kingdom, Deloitte received at least £279.5 million (\$372.9 million) from central government in 2021.³ One estimate suggests that in the UK over £2.5 billion (\$3.34 billion) worth of consultancy contracts were awarded by public bodies in 2021.⁴ In Italy, McKinsey was contracted to help organize the country's €191.5 billion share of the EU pandemic recovery fund.⁵ Consultants have also been at the highest tables of decision-making during many of the past decade's global economic upheavals, from the eurozone debt crisis, to the recovery of Puerto Rico in the wake of Hurricane Maria. During that time, the

Big Three and the Big Four have also been hired to help design smart cities, develop national net zero carbon strategies, propose education reforms, counsel armies, manage the construction of hospitals, draft medical ethics codes, write tax legislation, oversee the privatization of state-owned enterprises, manage mergers between pharmaceutical companies and govern the digital infrastructure of countless organizations. Consulting contracts span value chains and sectors, across countries and continents, affecting all levels of society.

Does any of this matter? Should we be worried about it? After all, aren't they just helping to make their clients more efficient, to do things the clients can't? This book shows why the growth in consulting contracts, the business model of big consultancies, the underlying conflicts of interest and the lack of transparency matter hugely. The consulting industry today is not merely a helping hand; its advice and actions are not purely technical and neutral, facilitating a more effective functioning of society and reducing the 'transaction costs' of clients. It enables the actualization of a particular view of the economy that has created dysfunctions in government and business around the world.

The confidence tricks — or 'cons' — of late-nineteenth-century America's Gilded Age used offers of proprietary information, awe-inspiring technology and linguistic tricks as a means for criminal acts of theft and illegal forms of wealth extraction. What we call the Big Con is not about criminal activity. It describes the confidence trick the consulting industry performs in contracts with hollowed-out and timid governments and shareholder value-maximizing firms. These contracts enable the consulting industry to earn incomes that far exceed the actual value it provides — a form of 'economic rents', or 'income earned in excess of the reward corresponding to the contribution of a factor of production to value creation'.⁶ These rents are not necessarily derived from the ownership of scarce

valuable knowledge assets, but from the ability to create an impression of value. Consulting practices and the immense resources and networks of big consultancies help to instil confidence in the value of a consultancy and the consulting profession.

While consulting is an old profession, the Big Con grew from the 1980s and 1990s in the wake of reforms by both the ‘neoliberal’ right and ‘Third Way’ progressives – on both sides of the political spectrum. Companies were increasingly run in the short-term interests of their shareholders. Public sectors were transformed under the credo of New Public Management – a policy agenda that sought to make governments function more like businesses and diminished faith in the abilities of civil servants. These trends also meant that those working within companies and government organizations became insecure, constantly needing to justify their decisions to others – business executives to their shareholders, and civil servants to an ever sceptical populace and media, which would blame them for any failure or mistake.

Surfing capitalism’s trends

The Big Con is of course not responsible for all the ills of modern capitalism, but it thrives on its dysfunctionalities – from speculative finance, to the short-termist business sector and the risk-averse public sector. It has capitalized on genuine ambition among some publics, politicians and business leaders to take on challenges including the climate crisis, the pandemic and growing inequality, which are viewed as opportunities to advise organizations that must adapt. There is an entrenched and mutually reinforcing relationship between the consulting industry and today’s inherited governance forms in business and government. It is successful because of the unique structural power that the big consultancies wield through

extensive contracts and networks across the economy, and their historic reputation as objective brokers of expertise.

Indeed, there is a place for consultants in our economy. Consulting advice and capacity is productive when it comes from the sidelines, from capable actors with genuine knowledge that creates value. The problem is not the act of consulting or the intentions of consultants, who often hope to effect change through their roles, but the ever expanding consulting industry which moves from the sidelines to the centre. It feeds off the weaknesses in our economies, hollowing out clients in the process, rather than helping them, which later only creates more opportunities for the rents accrued. It would be like a psychotherapist having no interest in her clients becoming independent with strong mental health, but rather using that ill health to create a dependency and an ever greater flow of fees.

Since we began research for this book in 2019, scandals involving consultancies have been brought to light by investigative journalists and government inquiries with increasing frequency. Barely a week goes by without news of yet another case of corruption, conflict of interest or avoidable accident involving a global consultancy. But the consulting fiascos that make the headlines are only the tip of the iceberg. Instances of clear failure or abuse by a big consulting company are often manifestations of broader, systemic problems — though they are rarely understood as such. Consultancies' numerous contracts, their claims to expertise, their financial incentives and the influence that large firms are granted over important areas of government and business are not scrutinized as symptoms of wider and deeper structural problems in the ways we have organized our capitalist system.

And the reality is that most of the time, most voters and employees do not know when consultants are at the table, how much they are being paid, who their other clients are, the extent of their often conflicting interests and what roles they have been contracted to

perform. They do not know if the contracted consultancy has performed the task well or badly – and when it goes wrong, who is responsible. The nature of consulting contracts, limited liability and the business models of big consultancies mean that it is their clients' employees and citizens that most often end up taking the risks of consultancy failure. This difference between the rewards reaped (large) and the actual risks taken (little) makes the rents earned even greater.

The history of modern consulting is, in the end, the history of modern capitalism: every trend has been surfed by the Big Con. In government, big consultancies have promoted and profited from trends in privatization, management reform, private financing, public services outsourcing, digitalization and austerity. In business, they have helped to entrench new models and forms of corporate management – from the spread of cost accounting to the proliferation of multidivisional corporations in the decades after the Second World War across Europe, and the rise of shareholder value maximization around the world from the 1980s. These policies were not the brainchild of consultancies, but consultancies have helped to spread and shaped them, and ultimately used them to extract value. As the world is waking up to the ills of modern capitalism, and the need for more 'purpose' behind corporate governance, the consulting industry is promising to reverse the problems it helped create: the current boom in contracts for 'environmental, social and governance' (ESG) advice is the latest example.

In no area might the Big Con have greater consequences than in the fight against climatic breakdown. The consulting industry helped to embed forms of production driven by short-term profit maximization that have intensified carbon emissions. Now, in the face of growing concern about the climate crisis, it is riding a new wave, obstructing the large-scale transformations that are needed across our carbon-intensive economies. It is providing governments and

businesses with frameworks that offer a veil of commitment without a requirement for action, including through the creation and promotion of ESG tools that former BlackRock executive-turned-whistleblower Tariq Fancy has called a ‘dangerous distraction’. The consulting industry is one group of many actors that have shaped and profited from a market-driven response to the climate crisis, but it is future generations and those living today in the regions most exposed to the climate crisis who will bear the risks of that response failing.

In other words, the consequences of the Big Con for our collective ability to meet the immense challenges of today are stark and more urgent than ever.

Unlearning by not doing

To respond to changes in political, social and – increasingly – environmental demands, both government and business sector organizations must be able to adapt in order to govern complicated systems and provide goods and services that people want and need. The existing activities within an organization are the building blocks for the capabilities it will need to develop in the future. Organizations in the economy are not static entities but are constantly developing. The capabilities of organizations don’t simply exist but evolve over time. They are dynamic.⁷

The more governments and businesses outsource, the less they know how to do, causing organizations to become hollowed out, stuck in time and unable to evolve. With consultants involved at every turn, there is often very little ‘learning-by-doing’. Consultancies’ clients become ‘infantilised’ – as the British Conservative minister Lord Agnew described the effects of outsourcing on UK civil servants in 2020.⁸ A government department that contracts out all the services it

is responsible for providing may be able to reduce costs in the short term, but it will eventually cost it more due to the loss in knowledge about how to deliver those services, and thus how to adapt the collection of capabilities within its department to meet citizens' changing needs. Learning, of course, also relies on interaction and engagement with other organizations. 'Closed' systems of central state planning are not amenable to this kind of learning.⁹ But neither are organizations that rely on contracting out to deliver their goals.

While consultants can help clients to achieve their objectives, the claims that the consulting industry adds value to the economy and society by brokering knowledge and reducing costs is exaggerated. In the public sector, the costs incurred are often much higher than if government had invested in the capacity to do the job and learned how to improve processes along the way. Internal expertise all too often gets shunned in favour of contracting a global consultancy. Sometimes this is because the consulting firm offers to do the work pro bono or at a fee far below market rates. This is tempting for civil servants in risk-averse departments that lack resources after years of budget cuts. By charging nothing or very little in the initial contract – lowballing – the consultancy can not only shape important decisions, but also gather important knowledge about the client and gain a first mover advantage for future contracts.

It is especially striking that even in cases where the government clearly has a capability advantage, the consultancies often still win out. In Australia, for example, CSIRO (the Commonwealth Scientific and Industrial Research Organisation) holds extensive climate expertise. But in 2021, those in-house scientists were denied the funding to develop the country's net zero strategy, when the government chose to work with McKinsey instead.¹⁰

The consulting industry often provides legitimacy for controversial decisions. When a corporate senior manager wishes to convince

their board of something, or when a government minister wants to win over others to their vision or stall meaningful action, a supportive report from a Big Three or Big Four firm can go a long way at the expense of other objectives — or even of labour agreements.

And the big consultancies that are intimately involved in important political and corporate decision-making often have egregious conflicts of interest themselves. Clients rarely have access to information about a consultancy's other clients, even when they are serving 'both sides of the street'. In climate consulting, for example, big consulting firms work simultaneously for governments whose populations would like to see lower emissions *and* for the fossil fuel companies that contribute most to the climate crisis.

For too long, the consulting industry has evaded scrutiny, undermining progress and democracy. This book not only offers a critique, but also provides concrete solutions to the current impasse. We examine the consulting industry's history, contextualize its growth within broader transformations of capitalism, and scrutinize the justifications for its widespread use among government managers, business leaders and academics. We show that even headline-grabbing cases are not anomalies but symptoms of broader dysfunctions in our economies. We draw on research that we and others have previously published in policy reports and academic journals, reports produced by consultancies, historical policy reports and contracting documents, and investigations by journalists who have closely followed consulting activities over many decades. We also use first-hand accounts from consultants and those who have worked with them in business and government. We have agreed to anonymize all potentially identifying information about the people we interviewed who are cited in the book, such as their name, job title and function. Our own experiences working with governments that have relied extensively on consultancies large and small have also been important sources of reflection.

Our analysis of the consulting industry paints a dark picture of the current situation. The scale of contracts with the consulting industry – via roles as advisors, legitimators of controversial decisions and outsourcers – weakens our businesses, infantilizes our governments and warps our economies. The cumulative use of big consultancies that operate with extractive business models stunts innovation and capacity development, undermines democratic accountability and obfuscates the consequences of political and corporate actions. In the end, we all pay the price through the lack of in-house investment and learning: public funds and other resources are wasted, decisions in government and business are made with impunity and little transparency, and our democratic societies are deprived of their dynamism. The Big Con imperils us all.

Examining the consulting industry in this way also offers a lens for rethinking how to build economies that are fit for purpose. The global missions of the future that are needed to meet great challenges, such as the climate crisis, require collective intelligence across the organizations and communities that make up our economies.¹¹

It is possible to build a stronger economy, but only by investing in much-needed knowledge and capacity in business and government, bringing public purpose back into the public sector, and ridding the system of the consulting industry's obfuscation and costly intermediation. In this relationship, organizations and individuals with genuine knowledge and capacity can be a valuable source of advice; but they should advise and 'consult' from the sidelines in a transparent way that brings real knowledge and expertise – rather than be allowed to run the show from the centre. Ultimately this expertise must render those being advised stronger, not weaker.

Battling any addiction begins with admitting the gravity of the problem. Only then can we reduce the dependency, and steer a way forward.

2. What is the Consulting Industry?

At the beginning of February 2021, French lawmaker Véronique Louwagie obtained documents that would spark uproar nationwide. It had been almost a year since COVID-19 reached France, and the country was struggling to contain the latest wave of cases. The launch of its vaccine programme had been a disaster: just 5,000 people had been vaccinated by the beginning of January, compared to 316,000 in Germany and 139,000 in Spain, which had started their programmes at around the same time.¹ News of the sluggish rollout made headlines around the world. For a country that had long prided itself on its public health system and civil service bureaucracy, the numbers were galling. It didn't take long for media outlets to uncover that McKinsey had been at the helm of the vaccine rollout.

Louwagie was a member of the conservative Republican party and admitted to being generally unfazed about using management consultancies in government. But in her role as budget rapporteur, responsible for holding the Health Ministry budget to account, the news that McKinsey had been involved in what many considered a huge failure of government raised red flags. She wanted to know: how many contracts did the French government have with management consultancies for its COVID-19 response? What exactly had they been doing? What she discovered through her questioning of the Health Ministry was, for many French officials and citizens, alarming – though worse was yet to come.

Between March 2020 and February 2021, the Health Ministry had signed twenty-eight contracts with six consulting firms for tasks related to the COVID-19 crisis. The contracts totalled €11 million,

with €4 million going to McKinsey alone.² Consultants were not merely being used as a source of expert external knowledge. Rather, they had become central to decision-making processes and the management of the vaccine rollout. McKinsey was responsible for defining distribution routes for the Pfizer and Moderna vaccines, and coordinating ‘a vaccination task force of officials from numerous agencies, with some decision chains involving up to 50 authorities’.³ One of the daily Zoom meetings attended by senior officials from the Health Ministry was chaired by a consultant from McKinsey. French consulting firm Citwell had been contracted to support the logistics of vaccines and personal protective equipment. Accenture had been recruited to deliver IT services related to the vaccination campaign.⁴

Given the extent of consultancies’ involvement in the rollout and logistics of the vaccination programme, perhaps it is not surprising that the country was lagging when it came to getting the vaccine into the arms of citizens. These companies do not have decades of experience in population-level vaccination programme delivery. As one researcher at the French National Centre for Scientific Research put it to the *New York Times*, the consultancies tended to import operating models used in other industries that didn’t necessarily work effectively in public health. ‘Afterwards,’ he said, ‘the government doesn’t go back to evaluate whether what the consultancies did worked well or not. It’s too early to tell if McKinsey and others are adding value in this campaign, but I think we’ll never know.’⁵

The French government’s use of consultants would only grow as the pandemic wore on. In March 2022, a report published by the conservative-dominated Senate revealed that central government ministries alone had spent almost €900 million (£760 million; \$950 million) on management consulting fees in 2021 – a figure more than double what had been spent in 2018.⁶ The news came just weeks

ahead of the Presidential election, with rivals to the incumbent President branding the revelations the ‘*Scandale McKinsey*’.⁷ McKinsey was certainly not the only firm under interrogation – and the probe also extended beyond the pandemic. Among cases highlighted in the report was a contract with Boston Consulting Group and EY worth €558,900 to organize a convention for public sector officials that never actually took place.⁸

When asked about the government’s extensive use of consultancies during the pandemic by journalists from the online magazine *POLITICO*, one senior civil servant claimed it had been necessary because the public sector lacked capacity – internal staff were struggling with burnout and fatigue.⁹ During a crisis, it is almost inevitable that governments will need to recruit additional capacity to deliver the response that the public expects of them. Some countries, such as Germany, were nonetheless able to redeploy staff from parts of the public sector where normal activity had ceased. But in France, as with other nations, the outsourcing of important management and operational functions in the French state and elsewhere was not merely a crisis-induced anomaly. The pandemic may have been unprecedented, but the French government’s reliance on the consulting industry was not. Consultants ‘began to play a role in administrative reform, first in local governments following the 1982 decentralization, and then in the central state in 1987 at the same time that the consulting industry became stronger because of state initiatives designed to stimulate its development’.¹⁰ And much as Emmanuel Macron’s political opponents sought to weaponize the issue against him during the Presidential election, the use of consultants had long transcended party lines. During his term in office from 2007 to 2012, the centre-right government of President Nicolas Sarkozy had spent hundreds of millions of euros on contracts with consulting firms ostensibly to improve efficiency in the state. His

Socialist Party successor, François Hollande, did little to reverse the trend. The revelations about the Macron government's reliance on consulting firms in the pandemic were, for many, simply confirmation that the role of consultants had stretched far beyond providing expertise to the government, with one politician even arguing that the recent employment of American consulting firms had undermined French sovereignty.¹¹

The tendency to outsource operational and management capacity during the pandemic was also not unique to France. Contracts in the United States were just as wide-ranging. In March 2020, leaders at the Department of Veterans Affairs, which usually spends months developing tenders, signed a \$12 million (£9 million) no-bid contract with McKinsey to spend up to a year consulting on 'all aspects' of its healthcare system's operations during the pandemic in a tendering process that took less than twenty-four hours. Within weeks, the firm had been contracted to 'help obtain medical supplies' for the Department of Health and Human Services, 'serve on a task force developing a strategy to get defense contractors, many of them McKinsey clients, to produce medical supplies during the pandemic', and a host of contracts with individual states including Illinois, Tennessee, California and Virginia. In New York, Governor 'Andrew Cuomo's team hired McKinsey to draw on existing epidemiological models to project hospital capacity and medical supply needs'.¹²

Back across the Atlantic, in the United Kingdom, tens of millions of pounds were also being spent on consulting firms.¹³ Where the wider economy shrunk, and millions of people lost work, the UK consulting industry actually grew by 2.5 per cent in 2020, in no small part due to government contracts.¹⁴ In its January 2022 update, the sector's industrial body, the Management Consultancies Association (MCA), suggested growth had reached 16 per cent over the course of 2021, with its members anticipating even further growth in 2022.¹⁵

The contracts that Deloitte received from the public sector in the United Kingdom during the first year of the pandemic ranged from the more traditional advisory services to core operational and management tasks. It was not only contracted for ‘urgent Covid-19 consultancy’, but also ‘the provision of digital solution design, build and live service of a digital platform’.¹⁶ It secured contracts for the ‘identification and procurement of personal protective equipment’¹⁷ – a task that the National Health Service (NHS) has fulfilled since its inception. The company was also contracted by the Health Research Authority – a public body responsible for ensuring that health research in the NHS is ethically reviewed and approved – to ‘revise its research ethics review model, building on the lessons learned from reviewing COVID-19 research’.¹⁸

Deloitte’s role as part of the UK government’s ‘Test and Trace’ system came under public and political scrutiny as it emerged that the consultancy was earning £1 million (\$1.3 million) per day from the contracts. According to the parliamentary Public Accounts Committee, a cross-party group of MPs responsible for examining government spending, Test and Trace had ‘not achieved its main objective to help break chains of Covid-19 transmission and enable people to return to a more normal way of life’.¹⁹ An inquiry by the Committee concluded that the programme had been ‘overly reliant on expensive contractors and temporary staff’: ‘as of April 2021, consultants accounted for nearly half of all NHS Test and Trace’s central staff’. It found that Test and Trace did ‘not have a firm grip on its overall spending on consultants’, suggesting nonetheless that it ‘is likely to cost taxpayers hundreds of millions of pounds’.²⁰ When questioned about why the programme’s use of consultants continued to be so high more than a year after the pandemic reached the UK, a former head of Test and Trace informed the Committee that ‘the skills [the NHS] was trying to recruit for, in data, digital, and

operational and project delivery roles, were in short supply in the civil service', suggesting the government's relationship with the consulting industry and the scale and scope of its outsourcing contracts were systemic issues.

One person who worked in projects related to the pandemic response during the first year shared insights on what the day-to-day operations entailed. It became clear in the beginning that the government had contracted an unprecedented number of consultants, some of whom had been brought in via subcontracts with other consultancies. This scale – 'the huge amounts of people hired because of the fog of war stuff, the roving consultants' – became an operational hindrance:

The impression I had was that the organization stood up so many new teams all at once, so there was always someone new wanting to talk to you about some new thing that was upcoming. But they often didn't even know what they were asking for . . . It just seemed like every project had loads of wandering Deloitte people. And it strikes me that the sheer volume of them that were around created the situation of these zombie emails just arriving all the time asking really basic questions that we had to respond to, taking our attention away from actual work.²¹

The junior consultants that were brought in rarely had specialist expertise in the relevant area. Their job titles for the contracts they worked on tended to be 'Product Owner' or 'Product Manager', but 'unlike in a well-functioning digital team' – where such positions are usually found – 'the consultants with these titles did not have really specific duties'. When asked whether they felt value had been added by the consultants, the interviewee noted that 'not everyone I dealt

with was incompetent – I remember a Deloitte person in charge of a project who was competent and good’.

This scale and scope of the consulting industry’s contracts during the pandemic is emblematic of many organizations’ reliance on consultants. Already, by the time COVID-19 arrived, contracting out had become the convention across many governments – and the consulting industry was enmeshed in all aspects of it.

A taxonomy

Globally, the consulting industry is dominated by large, multinational companies, most of which have their headquarters in the United States or northern Europe. They include the Big Four and the Big Three. They also include companies that primarily offer management services within a specific area such as IT, for example CGI Group and IBM, or public services outsourcing, such as Serco and Sodexo.

A number of large companies that operate primarily in other sectors also have a consultancy arm that constitutes a relatively small proportion of total revenues. They can be an important source of influence or provide access to stakeholders and information that are valuable for the core line of business. In recent years, for example, engineering and construction firms such as Arup and AECOM have become increasingly significant sources of advice in climate adaptation governance.²² Financial Markets Advisory (FMA), the consultancy arm of the world’s largest asset management fund, BlackRock, ‘has quietly worked for numerous public institutions, including the UK Treasury and European Central Bank.’²³ By 2021, BlackRock controlled \$10 trillion of assets globally. During the COVID-19 pandemic, the Federal Reserve contracted FMA to

manage the three vehicles it had created to buy corporate debt from financial markets. These companies have also benefited from the wider reforms to political and corporate governance since the 1980s that encourage contracting out by public sector organizations and company managers, even though providing these services is not their core line of business. Where the Big 3 management consultancies can each count the size of their workforce in the tens of thousands, FMA employs 250 staff.²⁴

Around the world there are also tens of thousands of small and medium-sized companies, sometimes referred to as 'boutique consultancies', as well as not-for-profit organizations around the world that provide consulting services. In many countries, in recent decades, the number and revenues of smaller, specialist consultancies have increased significantly, tracking the broader growth of the consulting market. The areas that smaller companies tend to work in have also mirrored wider trends. In the wake of Tony Blair's Labour government, for example, 'those who had worked in the public sector for consultancies would often go on to form their own consultancies, thereby facilitating the further supply of consultants'.²⁵ The names of the small consultancies in particular will likely only be familiar to a reader working within a particular field or based within a particular area; they tend to operate within local geographies and provide services within a niche industry or specialized function. But they include companies that purport to be specialists in managing digitalization processes, developing sustainability strategies, or making public sector services more efficient. They also include consultancies that provide contracts for specific organizations, such as the European Commission or the UK's National Health Service.

In this book we focus on the political economy of the large, multinational consultancies and their relationships to governments,