Management consultancy and the British state, c.1960-c.2010

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Abstract

Management consultants have been important, but hitherto largely unnoticed, features of the postwar British state. This thesis traces the emergence and development of the relationship between management consultancies and the British state. It seeks to answer three questions. First, why were management consultants brought into the machinery of the state? Second, how has state power been impacted by bringing profit-seeking actors into the machinery of the state? And third, how has the nature of management consultancy changed over time?

The thesis demonstrates the role consultants played in major developments in the postwar period. The role of British consultants in helping to professionalise the civil service in the 1960s is considered, and contrasted with the impact American consultants had in seeking to overturn perceived British decline in the 1970s. Consultancies from accounting backgrounds turned their hands to attempts to automate major state operations in the 1980s. Specific case studies interrogate how consultancies influenced the policy fields of health service reform and social security benefits. And the work of consultancies during New Labour's public sector reforms and moves towards outsourcing of state services in the 1990s and 2000s is analysed.

The history of the work of these varied consultancies helps to deepen and further nuance understandings of the nature of state power and the role of elite networks and governing circles in postwar Britain.

Contents

Acknowledgements

I have had the privilege – and faced the challenges – of writing a history of a period and topic through which I have lived and experienced. Since 2008, I have worked as a management consultant to UK public services, and since 2014 I have served as an elected local government Councillor in a London borough. My research is consciously not self-ethnographic in any way yet I am aware these positions, rightly, mean the onus on impartiality and risk for potential biases are even greater in this research. I have sought to mitigate against this risk throughout. With this in mind I lay open my work to critical review and discussion, and hope – in some small way – it helps to further our understanding of the postwar British state.

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Introduction

In May 1940, Colonel Lyndall Urwick, founder of the British management consultancy Urwick, Orr & Partners, was asked by Sir Horace Wilson, Permanent Secretary of the Treasury, to join a cross-departmental team aiming to improve administrative and clerical productivity in government departments. Urwick readily accepted the offer, convinced that better management would improve efficiency in the civil service.[1] Yet within two years Urwick had departed, bemoaning that:

> In Whitehall, even in wartime, the fact that I was Chairman of an up-and-coming management consultancy company gave me no status at all, but was in fact a handicap, a kind of certificate of freakishness, was a shock from which I never entirely recovered as long as the 1939-1945 war was on.[2]

By 2010, the experiences of Urwick reflected a bygone era. In 2009, the Management Consultancies Association (a UK-based trade association) proclaimed "the public sector's use of consultants has long been…on a growth path because of the changing nature of public services and the growing demands [from] all parts of government."[3] In 2006, the National Audit Office (NAO) estimated public sector expenditure on consultants to be £2.8 billion.[4] (By comparison, this was roughly equivalent to the high-profile unemployment benefit Jobseeker's Allowance).[5] Remarking on these figures, the House of Commons Committee of Public Accounts declared: "Consultants, when used appropriately, can provide considerable benefits for clients. There are

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[1] E. F. L. Brech, A. W. J. Thomson, and J. F. Wilson, *Lyndall Urwick, Management Pioneer: A Biography* (Oxford: Oxford University Press, 2010), 119.
[2] Ibid., 129.
[3] Management Consultancies Association, *The Definitive Guide to the UK Consulting Industry 2009: Trends from 2008 and Outlook for 2009* (London: Management Consultancies Association, 2009), 42.
[4] National Audit Office, *Central Government's use of Consultants* (London: HMSO, 2006), 5.
[5] Tom Clark, "Total Public Spending, 2008/9," *The Guardian*, May 17, 2010. Accessed November 12, 2014, http://www.theguardian.com/news/datablog/2010/may/17/uk-public-spending-departments-money-cuts.

examples where consultants have added real value to departments and enabled them to make improvements they would not have achieved otherwise."[6] In 1942 Urwick left frustrated and convinced that the Treasury needed to pay "more attention to modern methods of management" and that the views of consultants were not valued by the civil service.[7] By the early 2000s, clearly something profound had changed in the British state's relationship with management consultants. This thesis explains this change.

Three issues are covered in this thesis, each addressing important questions in the fields of modern British history, political science and business history, respectively. First, why were management consultants brought into the machinery of the state? Broadly speaking, consultants are hired by clients to solve problems which clients lack either the capability or capacity (or both) to address with internal resources. This begs certain questions. As the postwar state increased in size, why did it not create the internal capability to fulfil the functions and services which consultants undertook? Given the assumed hostility to outsiders that some histories of the British state posit, why would state agents look to non-state agents for help?[8] It is widely accepted that consulting-client relationships are predicated on trust.[9] If so, how did these outside actors gain this trust? Growth in the use of consultants cannot be explained merely by the expansion of the state. From the mid-1960s to mid-2000s, the amount spent on management consultants by the state far outstripped growth of the state: spend on public sector consultancy as a proportion of total public sector expenditure increased by a factor of seventy.[10] These questions play directly into major historiographical debates regarding the British state.

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[6] House of Commons Committee of Public Accounts, *Central Government's Use of Consultants*, (London: The Stationery Office Limited, 2007), 3.

[7] Brech et al., *Lyndall Urwick*, 123.

[8] See David Edgerton, *Warfare State: Britain, 1920-1970* (Cambridge: Cambridge University Press, 2006), 109.

[9] David H. Maister, Charles H. Green, and Robert M. Galford, *The Trusted Advisor* (New York: Free Press, 2000).

[10] Author calculations based on data returns in Management Consultancies Association archives, Endex Archives, Ipswich (hereafter MCA). Boxes 22, 23, 24.

The answers derived seek to further a "revisionist" view of the state as much more expert and open to external ideas and expertise than some previous historians assumed.

Second, how has state power been impacted by bringing profit-seeking actors into the machinery of the state? This question raises further investigations into the British state. For example, what exactly is the British state and what power does it have? Where does this power lie, both institutionally and geographically? In which parts of the British state have consultants worked? And how have politicians and civil servants reacted to their work? Politicians, the media, political scientists and others have suggested that putting non-state actors with their own interests into the heart of state functions have led to an attenuation of the state's powers.[11] This thesis considers the accuracy of these claims and aims to further our understanding of the nature of state power in Britain, contributing to contemporary debates amongst political scientists concerned with the scale, scope and powers of the state.

Third, how has the nature of management consultancy changed over time? Consultancy has attained a high status in various fields. The 55,000 consultants currently working in Britain are deemed part of a "new elite" in society.[12] Academic studies on consultancy have increased significantly in recent years.[13] Considerable media attention is devoted to what consultants do or

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[11] The former Chancellor of the Exchequer, Denis Healey felt consultants working in the public sector were "making money out of suckers", cited in Craig and Brooks, *Plundering the Public Sector: How New Labour Are Letting Consultants Run Off with £70 Billion of Our Money*, 24; the journalist Johann Hari called management consultancy a "scam" in *The Independent*, August 20, 2010; and political scientists such as R.A.W. Rhodes have claimed that consultancy has "hollowed-out" the British state, covered in Dennis Kavanagh, *British Politics*, 5th ed. (Oxford: Oxford University Press, 2006), 53-63. Most recently, the journalist Jacques Perretti claimed management consultants were "cashing in on austerity" in *The Guardian*, October 17, 2016. Accessed November 28, 2016, https://www.theguardian.com/business/2016/oct/17/management-consultants-cashing-in-austerity-public-sector-cuts. Perretti also starred in a BBC documentary on the topic: *Who's Spending Britain's Billions?*, October 18, 2016.
[12] Figures from Management Consultancies Association, *The Definitive Guide to the UK Consulting Industry 2009*, 11; For more on the "new elite" in British society, see: Mike Savage, Fiona Devine, Niall Cunningham et al., "A New Model of Social Class: Findings from the BBC's Great British Class Survey Experiment," *Sociology* 47, 2 (2013): 234. Throughout this research, the terms "UK" and "British" are used interchangeably.
[13] This is acknowledged to have "taken-off" since the 1990s. See Matthias Kipping and Timothy Clark, *The Oxford Handbook of Management Consulting* (Oxford: Oxford University Press, 2012), 10.

what they think.[14] Yet management consultancy itself remains a poorly understood industry. Unlike law or accounting, there are no formal professional qualifications required to be a management consultant. And the type of work consultancies undertake has varied enormously over time. This makes it important to question whether it is meaningful to speak of a coherent "management consultancy" industry at all. The answer to this has important ramifications for the emerging academic literature – especially that by business historians and sociologists – on "management consultancy".

Bringing the consultants (back) in

Since Urwick left Whitehall, consultants have permeated all parts of the public sector, advising august bodies such as the National Health Service (NHS), Bank of England, British Rail, as well as every central government department and most likely every local authority in Britain.[15] The nature of the British state has changed dramatically too: the size of the state (as a proportion of gross domestic product) expanded significantly, nearly doubling from 25 per cent to over 45 per cent from 1940 to 2000. At the same time, state expenditure moved away from high-levels of warfare expenditure towards greater levels of welfare expenditure.[16]

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[14] Rarely a day goes by when the work of management consultants is not reported in the popular media. For instance: Tony Paterson and Leo Cendrowicz, "Germany calls in US management consultancy firm for help with refugee crisis," *The Independent*, September 22, 2015; Bjorn Crumps, "Retail Banks Are Pinning Growth Hopes on Technology," *The Guardian*, October 7, 2014.

[15] Based on author-collated database of consultancy assignments. Sample outputs from the database are presented as tables throughout this thesis. It is hard to say definitively that every local authority has been supported by consultants as the data is incomplete; however, based on a sample, it seems extremely likely that this is the case.

[16] For pre-war social welfare see: Geoffrey B. A. M. Finlayson, *Citizen, State, and Social Welfare in Britain 1830-1990* (Oxford: Clarendon Press, 1994). For more on the warfare state see Edgerton, *Warfare State: Britain, 1920-1970.*

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Figure 1: Total estimated UK public sector expenditure on management consultancy, 1963-2013[17]

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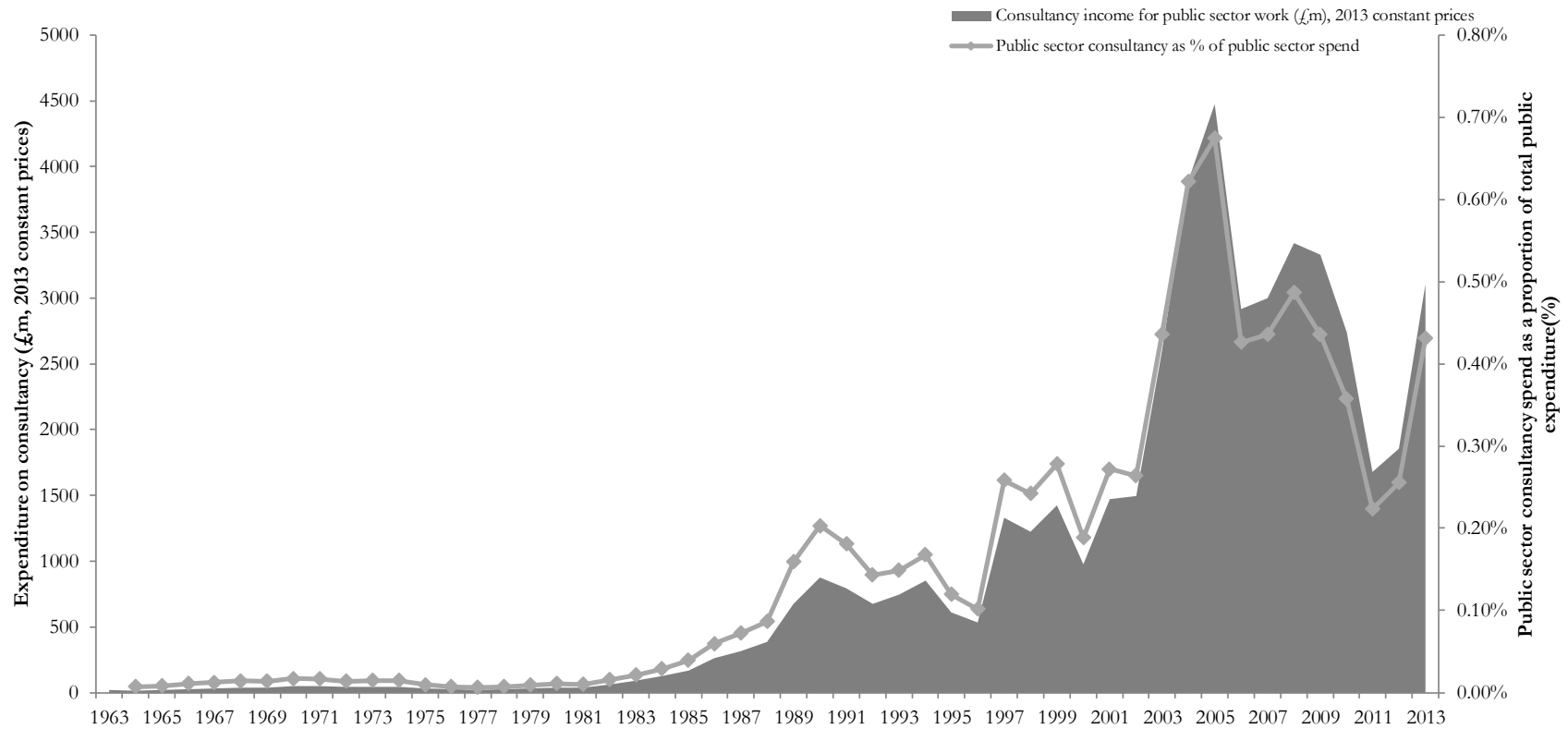
[17] Compiled, collated and analysed by the author. Pre-1979 figures based on company returns in MCA archives. Boxes 22, 23, and 24. Post-1979 all "public sector" work was recorded as such by MCA firms. Post-1979 figures from MCA annual reports. RPI inflator figures from Office of National Statistics. Estimates of MCA returns as a proportion of total UK consultancy market from MCA Annual Reports. Assumptions used in calculations: i) all public sector work equates to work recorded under Board of Trade classification of "Public administration and defence", "Local government", "Government department", and "Miscellaneous (other public sector) services" work; and ii) where total industry estimates are made, public-private sector split of work undertaken by non-MCA firms is assumed to be the same as for all MCA member firms. MCA annual company returns do not classify nationalised industries as "public sector" work, meaning work in these industries is likely to be understated.

As Figure 1 demonstrates, since the mid-1960s – when the use of consultants became formalised and encouraged across central government departments – there has been widespread procurement of management consultants by the British state. Unsurprisingly therefore, though seldom noted, consultants have played an important role in changes in the British state. For example, in the 1950s, in the early years of the postwar state, British consultants advised on more efficient use of utilities and cleaning practices in hospitals for the Ministry of Health.[18] Throughout the 1980s, Arthur Andersen played a pivotal role in the largest civil computerisation project outside the US – the "Operational Strategy" – which automated benefits payments, fundamentally changing how the British state engaged with its citizens.[19] In 1992, the consultants McKinsey & Company assisted the British Transport Commission's "privatisation strategy" of the railway system.[20] And in the 2000s, Accenture, McKinsey and other consultancies staffed, alongside civil servants, Tony Blair's Delivery Unit which was instrumental in the implementation of New Labour's public sector reform agenda. The unit consciously partnered state and non-state actors in the management of public services.[21]

One of the most remarkable changes in the British state over the past thirty years has been the emergence of third-party "outsourcing" providers undertaking hitherto state functions. From information technology services in government departments and local authorities to the operations of prisons and hospitals, the running of large parts of the public sector has been taken over by private sector agents.[22] In 2013, the NAO estimated that £187 billion per annum of public sector goods and services was "contracted out" by the state on "back-office" and "front-

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[18] See The National Archives, Kew (hereafter TNA): MH 137/427, "Health: management consultants' work for minister"; TNA: MH 137/428, "Health: management consultants' work for minister."

[19] Ivan Fallon, *The Paper Chase: A Decade of Change at the DSS* (London: HarperCollins, 1993), ix.

[20] TNA: AN 18/1013, Privatisation: McKinsey report, "Building a commercial organisation for Railtrack."

[21] Michael Barber, *Instruction to Deliver: Fighting to Transform Britain's Public Services*, Rev. ed. (London: Methuen, 2008).

[22] Gill Plimmer, "Bids to Run Prison Services Worth £100m," *Financial Times*, December 12, 2013. Accessed October 10, 2014, http://www.ft.com/cms/s/0/03645db6-618e-11e3-916e-00144feabdc0.html#axzz3FLrvRZQR.

line" services.[23] Whilst management consultants have seldom engaged in the direct delivery of these services, they have indirectly played an influential role. For instance, in 2009 McKinsey advised the Department of Health that NHS hospitals could save money through outsourcing purchasing of drug supplies.[24] And the British firm Capita, which in 2012-13 generated over £1 billion through a variety of outsourced services for state clients, began its existence as a consultancy before branching out into service provision.[25] As such, the development of outsourcing is also considered here and raises important questions further questions for this thesis about the British state. For example, if a state service is not provided by state actors, is it still part of the state? Who ultimately wields power over these services? And does this outsourced delivery of public services mark a historical discontinuity, or does the history of the British state suggest the use of third parties is the norm?

The manner and extent to which the postwar British state, used, viewed and engaged with outside experts such as consultancies is thus a key focus for this research. Historical accounts – not all from historians; some from journalists and political scientists – on the topic have broadly fallen into two camps: what I term the "declinists" and the "revisionists".

Of the former camp, writing in 1962 amidst a growing anxiety of perceived British decline, the *Observer* journalist Anthony Sampson's *Anatomy of Britain* painted an influential picture of the amateurism and insularity of the civil service. For Sampson, "of all the world's bureaucracies, the British civil servants are perhaps the most compact and self-contained. Their values and opinions are little affected by the press and the public."[26] Taking aim at specific ministries, Sampson noted how "the Ministry of Aviation is run by Latin and History scholars, headed in an

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[23] NAO, *The Role of Major Contractors in the Delivery of Public Services* (London: The Stationery Office, 2013), 10.
[24] McKinsey & Co., *Achieving World Class Productivity in the NHS 2009/10 - 2013/14* (Department of Health, 2009), 106.
[25] NAO, *Major Contractors*, 10; Rich Benton, telephone interview with author, September 29, 2014.
[26] Anthony Sampson, *Anatomy of Britain* (London: Hodder and Stoughton, 1962), 1.

unscientific manner."[27]   This image of insular amateurism amongst the civil service – which

Sampson appeared to only have interest in describing the upper echelons of – is perpetuated

during Sampson's sporadic updates of the *Anatomy* series.   The 1982 edition continued to

bemoan the civil service's amateurism, unaccountability and lack of understanding of industry

and technology, despite attempts by the Fulton Committee to reform the civil service.[28] By 2004,

Sampson noted that there had been a greater influx of outside influence in the post-Thatcher

period in Whitehall, observing how "many outsiders find it harder to see the difference between

top civil servants and businessmen in Whitehall, as the mandarins become more mixed up with

corporate executives."[29]   Yet, when turning to specifics, Sampson's charge of amateurism

returned, describing how "many people were surprised how naïve the Treasury could seem,

when faced with the more unscrupulous salesmen whose chief objective was to make a quick

killing and take government for a ride…The Treasury was so eager to adopt the methods of

businessmen that it seemed to forget its duty to control them."[30]

The American political scientists Hugh Heclo and Aaron Wildavsky, refined, but largely upheld

this image of insular generalists in their 1974 study of public expenditure processes. Analysing

the role of the Treasury in the Public Expenditure Survey system (PESC), the pair described the

"government community as…[one in which]…few people are directly involved" and one where

"the office of one's opposite number is probably only a few minutes away. Lunch can be taken

within five hundred yards at one of the Clubs in Pall Mall."[31] Those frequenting such lunches

were described as "the good Treasury man […who…] is an able amateur." Whilst Heclo and

Wildavsky's attention again focused only on the upper class of administrative civil servants they

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[27] Ibid., 202.; Though Edgerton has noted it was not mentioned that MoA was a large defence spender in *Warfare State*, 46.

[28] Anthony Sampson, *The Changing Anatomy of Britain* (London: Hodder and Stoughton, 1982).

[29] Anthony Sampson, *Who Runs this Place?* (London: John Murray), 2004, 121.

[30] Ibid., 129.

[31] Hugh Heclo and Aaron B. Wildavsky, *The Private Government of Public Money: Community and Policy inside British Politics* (London: Macmillan, 1974), 3-8.

did, unlike Sampson, shed more light on relationships with outsiders.[32]   Detailing Treasury reactions to specialist advice in forecasting, the political scientists noted how one Treasury figure "mistrusts technical professionals…and over the years [the Treasury] has come to apply a discount factor to all technical advice [the Treasury] is given."[33]   The authors alluded to, but did not expand greatly upon, the role of "interest groups…[who] are not outside the corridors of power, merely difficult to hear as they glide effortlessly into their places as unofficial appendages of government…the crucial fact about all this is that British political administrators invariably know or know about each other."[34]   For Heclo and Wildavksy, whilst the administrative classes in the civil service exuded suspicion towards external expertise, there was a role for it, albeit a role within closed networks.

The work of Sampson, Heclo and Wildavksy had a huge impact on the writings of Peter Hennessy, who has arguably had the greatest influence on popular understandings of the modern British state.[35]   Writing in 1989, Hennessy described the history of Whitehall as "a story of the permanent government's [the civil service] attempt to combat economic decline."[36]   With regard to economic decline, Hennessy was influenced by the works of Martin Wiener and Correlli Barnett; the former attacked the British state's failure to revive an "industrial spirit" in the country, the latter attacked the "British governing classes'" purported irresponsibility in fostering low productivity industries and over-reach in the realisation of the Beveridge Report's welfare state.[37]   In both histories, the state is portrayed as woefully amateurish in its attempts to combat economic decline.   Hennessy implicitly agrees with this critique, announcing at the start of *Whitehall* that the "machinery of government does matter, and its reform is an indispensable part

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[32] Ibid, 60.
[33] Ibid, 44.
[34] Ibid, 8-9.
[35] These influences are described in Peter Hennessy, *Whitehall* (London: Secker & Warburg, 1989), xvi.
[36] Hennessy, *Whitehall*, 1-5.
[37] Martin J. Wiener, *English Culture and the Decline of the Industrial Spirit* (Cambridge: Cambridge University Press, 1981); Corelli Barnett, *The Audit of War: The illusion and reality of Britain as a great nation* (London: Papermac, 1987).

of any strategy for bringing about an historic and lasting transformation in Britain's condition and prospects" and at the end of his work declaring that Whitehall (used here as a misleading proxy for the civil service) had contributed nothing positive to Britain's economic performance.[38] Though Hennessy's history celebrates many great and eccentric figures within Whitehall, the civil service he describes is a narrow one; his focus is almost exclusively on the administrative class, as opposed to the executive or clerical classes, or indeed industrial civil servants. Hennessy describes the many outside experts who supported the civil service in the Second World War, but laments as "'probably *the* greatest lost opportunity in the history of British public administration" the supposed failure to retain these outsiders after the war.[39] Hennessy devotes time to the advisory committees, the "great and good" and "auxiliaries" who frequently advised the civil service from the scientific, economic, business and many other backgrounds; indeed, Hennessy notes a grand total of 606 Royal Commissions and Committees of Inquiry taking place over the period 1945 to 1985.[40] And so he acknowledges the role of outsiders; but nonetheless the overall conclusion is of a civil service focused on "failure avoidance", "self-regulation", lacking in managerialism and lacking in scientific and technical expertise.[41] This latter point is curious, as though Hennessy noted that the Ministry of Defence in 1987 "ties up a significant proportion of the nation's best scientific and technological brainpower" and that 105,593 civil servants were "industrial officials" (of whom he noted "nearly 30,000 were craftsmen of various kinds"), Hennessy, however, does not pursue any further the enquiry of what this "brainpower" or what these "industrial officials" were actually doing.[42]

For these "declinists", the picture of the civil service was a simple, and damning one: the civil service *was* the administrative class; it was amateur and generalist in nature, maybe not always

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[38] Hennessy, *Whitehall* (1989) 11; 687-88.
[39] Ibid., 120.
[40] Peter Hennessey, *Whitehall* (London: Pimlico, 2001 edition), 577
[41] Hennessy, *Whitehall* (1989), 263.
[42] Hennessy, *Whitehall* (2001), 414, 530.

deaf to external expertise but certainly wary of it; its networks were largely closed and elitist, and were overwhelmingly centred on the small geographic patch of the streets of Whitehall and Pall Mall in London; and, most damningly, this civil service was guilty of a significant contribution – possibly even *the* significant contribution – to Britain's postwar economic decline.

Over the past twenty years a body of work has emerged which firmly challenges these views, from a group I term here the "revisionist" historians. In 2000, Jim Tomlinson's *The Politics of Decline*, though not explicitly absolving the civil service of responsibility for Britain's perceived ails, noted how in the postwar period "the public schools and Oxbridge, and the institutions they peopled such as the civil service and the BBC were the major villains of the piece [views on decline]".[43] By showing how the concept of British decline was a created, politicised and contested topic, one of the major tenets of the "declinists'" view – that the civil service *was* actively complicit in decline – was severely challenged. Hugh Pemberton's 2004 *Policy Learning and British Governance in the 1960s* took a different view, which further cracked the foundations of the "declinists." Through analysing the policy change caused by the Conservatives' quest for higher economic growth in 1961, following the "Great Reappraisal" of 1960-1, Pemberton demonstrated the porous nature of policy circles in Britain. By tracing changes to incomes policy, industrial training and taxation, Pemberton showed the role external economic advisors such as Nicholas Kaldor, Roy Harrod, financial journalists, industrialists and bodies such as the National Institute of Economic and Social Researchers played in policy formation.[44] Not only did Pemberton demonstrate the receptiveness of politicians and civil servants to outside expertise, he also firmly challenged the Westminster-centric model of the British state, instead claiming that the "fragmented, disaggregated and beset by internal and external

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[43] Jim Tomlinson, *The Politics of Decline: Understanding Postwar Britain* (Harlow, England: Longman, 2000), 25.
[44] Hugh Pemberton, *Policy Learning and British Governance in the 1960s* (Basingstoke: Macmillan, 2004).

interdependencies" model of governance in Britain was too weak to successfully enact lasting policy change in his areas of concern.[45]

David Edgerton's 2006 *Warfare State* focused on the role of external as well as internal experts in the British state during the period 1920-1970. For Edgerton, the view of the "declinists" was inadequate, as "the pre-war state was expert and the post-war state was even more expert, despite the image of dominance by non-expert administrators."[46] Like Tomlinson, Edgerton viewed the "technocratic critique" of the civil service (and its complicity in decline) as a historical fiction, created for political or social ends.[47] In Edgerton's analysis, previous understandings of the British state had failed to appreciate that postwar Britain was not a "welfare state", rather that it was a "warfare *and* welfare state"; one that employed scientific and technical specialists and experts "at many different levels, and in very significant numbers."[48] This "warfare state" had, in part, been missed because "historians have tended to underestimate the role of state enterprise simply because the vast majority of studies of the state include tables which exclude 'industrial' civil servants" (see Hennessy above, for instance).[49] The state which emerged from this view was not just the Whitehall civil service. To truly understand its nature required an appreciation of the much larger "supply ministries" such as the Ministry of Supply, Ministry of Aviation or Admiralty; this state was non-London-centric, non-generalist, and non-amateur in nature. This state was much bigger and complex. It was receptive to outside expertise as well as internal expertise from specialists and professionals – those outside of the administrative class. And it was a state which engaged deeply and widely with the private sector; especially in the arms industry, where large state bodies were either run or contracted-out to non-state bodies.

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[45] Ibid.
[46] Edgerton, *Warfare State*, 5.
[47] Ibid., 192-3.
[48] Ibid., 112.
[49] Ibid., 83.

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Glen O'Hara's 2007 *From Dreams to Disillusionment*, covering similar chronological ground to Pemberton, resurrected the ideology of "planning" and its role in British policy-makers' quest for economic growth in the early 1960s. The popularity of "planning" in everything from expenditure planning, housing, regional planning and healthcare necessitated outside advisors. In the Department for Economic Affairs, for instance, O'Hara demonstrated the central role external advisers such as Fred Catherwood, Robert Neild and Samuel Brittan played.[50] Four years later, in *Paradoxes of Progress*, O'Hara again demonstrated the receptivity of policy-makers to outside expertise from French, German, Soviet and Scandinavian influences.

For these "revisionists" the British state was not just about elite administrators, it was teeming with external advisers, and internal specialists of all forms of professional grades. Expertise was highly regarded, if not always enacted. The state had porous and weak boundaries, rather than a dominant, strong and centralised power base in Whitehall. Policy making and policy delivery was not confined to a few streets in central London; advisory committees, large supply ministries and externals were central to the operations of the state. And the role of the state in decline is contested, and shown to be a historical construct, requiring analysis rather than blanket acceptance.

Consensus on the debate between the "declinists" and "revisionists" does not appear to have emerged yet. Rodney Lowe's 2011 *Official History of the British Civil Service* restated earlier critiques that the administrative class was indeed "hostile to outside expertise" up until 1956.[51] Whilst noting "specialists were not uniformly scorned" and that they were used in service ministries, he posits that they were not much listened to.[52] Lowe's civil service is also emphatically Whitehall-centric. Industrial civil servants are excluded from analyses, and comparatively little attention is

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[50] Glen O'Hara, *From Dreams to Disillusionment: Economic and Social Planning in 1960s Britain* (Basingstoke: Palgrave Macmillan, 2007), 53.
[51] Rodney Lowe, *The Official History of the British Civil Service. Vol 1: The Fulton Years, 1966-81* (London: Routledge, 2011), 49.
[52] Ibid., 36.

paid to the role of the supply ministries. However, a complex picture does emerge. Lowe notes how in 1957 the Cabinet Secretary, Norman Brook, explicitly called for better "leadership" and "management" expertise in the administrative class, acknowledging a degree of self-awareness of shortcomings. And Lowe's history, which charts the "failure of modernisation" in the postwar period in the British civil service, makes apparent that some civil servants did actively embrace change, writing: "civil servants themselves privately encouraged and advised each outside initiative [to modernise the civil service's workings] … they also urged, drafted and implemented many reforms."[53] Lowe also highlights the widespread use of advisory committees staffed by externals throughout. For instance, the work of the Haldane Committee was effectively an "outside inquiry". And subsequent bodies such as the Committee of Civil Research (1925-30) and Economic Advisory Council (1930-39) were commissioned in line with the Haldane principle of bringing "continuous forethought" to policy-making.[54]

Whilst Lowe's analysis has more in common with the "revisionists" (though does not significantly reference their work, bar acknowledge of Edgerton's critique of C.P. Snow and the importance of the armaments industry) than the "declinists", other historians and political scientists in recent years have continued the tropes of the latter category. Jon Davis' *Prime Ministers and Whitehall* from 2007 focuses overwhelmingly on the upper echelons of the civil service, the policy-making ministries of Whitehall, and mentions little of professionals, technical experts or specialists in the civil service.[55] Michael Burton's *The Politics of Public Sector Reform*, though covering a later period (from Thatcher onwards) continues to restate critiques of a generalist, amateur civil service, quoting Blair's Chief of Staff Jonathan Powell that "the civil service is akin to a monastic order where people still enter on leaving university and leave on

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53 Ibid., 86.
54 Ibid., 46.
55 Jon Davis, *Prime Ministers and Whitehall 1960-74* (London: Hambledon Continuum, 2007).

retirement. Their attitudes change slowly and their powers of passive resistance are legendary."[56] In 2014, the political scientists Ivor Crewe and Anthony King wrote of *The Blunders of our Governments*, placing the blame for a series of administrative mishaps at the feet of Britain's elite civil servants.[57] Christopher Hood and Ruth Dixon's 2015 review of the "New Public Management" in Britain focused on the working of the non-industrial civil service staff, even though the civil service industrial staff numbered some 50,000 in the Thatcherite period their enquiry covers.[58] And Anthony Seldon's history of the Cabinet Office in 2016 covers the trials and tribulations of the state's Cabinet Secretaries but mentions nothing on external expertise, specialists, or the civil service outside the geographic confines of Whitehall.[59]

Consequently, two conclusions emerge regarding the literature on the use of expertise by the British state: first, whilst O'Hara, Edgerton and Pemberton have done much to dismantle the unhelpful and overstated image of the amateurism British civil service up until the 1970s, common, older, misconceptions remain in more recent historiography; and second, there has yet to develop a body of historiography comparable in revisionist zeal for the history of post-1980s Britain. (Notably, in *Dreams to Disillusionment*, O'Hara also called for "future research…[to]…look at the influence of management experts" in postwar Britain, citing the role of "US management consultants McKinsey & Co. who advised the DHSS to adopt the new administrative structure for the NHS [in the 1970s]."[60] Chapter II in this thesis looks precisely at this.)

As such, this thesis seeks to contribute to the historical literature in three ways. First, it hopes to demonstrate that though alive and well, the "declinists" view of the civil service is inadequate

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[56] Michael Burton, *The Politics of Public Sector Reform: From Thatcher to the Coalition* (Basingstoke: Palgrave Macmillan, 2013), 112.

[57] Anthony King and Ivor Crewe, *The Blunders of Our Governments* (London: Oneworld, 2014).

[58] Christopher Hood and Ruth Dixon, *A Government that Worked Better and Cost Less?* (Oxford: Oxford University Press, 2015), 80.

[59] Anthony Seldon. and Jonathan Meakin, *The Cabinet Office, 1916-2016. The Birth of Modern Government* (London: Biteback Publishing, 2016).

[60] Ibid., 218.

and not fit as a continued means of viewing the postwar British state. Second, that building on the work of the "revisionists", and covering a later time frame than Lowe, to show that the British state has been highly receptive to outside expertise; however, the state has not always been uncritical of expertise, and, at least with regard to management consultants, power rested with the internal permanent bureaucracy, rather than the external management experts. And third, that a wider conceptualisation of the British state is needed than either just the policy making ministries of Whitehall, or even Whitehall *plus* the supply ministries and industrial civil servants. The state should be taken to include all reaches of the public sector, and in so doing we gain a richer insight into how policy is developed and enacted through the state. Consequently, this thesis seeks to move the debate away from amateur versus expert or Whitehall against the rest of the public state infrastructure. Instead, it takes as its starting point that external, and internal, expertise has been much more prevalent in the British state than "declinist" historians have acknowledged, and from there explores why external expertise in the form of outside management consultancies was sought, what were reactions to the work of these consultancies, and what impact the work of the consultants had on the powers of the state.

States and state power

"We all talk about the state at some time or other – about what it owes us, what we owe it, about where it does and does not belong in our lives – but we rarely stop to ask what the term actually means."[61]

David Runciman, 1996

Despite the efforts of numerous political thinkers the "state" remains a contested, yet rather neglected, concept in British history. Writing amidst the turmoil of the Civil War, in *Leviathan* Thomas Hobbes described a "social contract state" protecting the interests of the

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[61] David Runciman, "No Exit," *London Review of Books*, May 23, 1996, accessed July 17, 2014, http://www.lrb.co.uk/v18/n10/david-runciman/no-exit.

commonwealth from Hobbes' infamous "state of nature."[62]   The mid-nineteenth-century

philosopher John Stuart Mill popularised the concept of a minimal state, whose aim was to

protect individual liberty.[63]   Mill sought to demarcate the lines between the "state" (largely

coterminous with "government") and "society" (that which was non-"state").[64]   The political

theorist Bernard Bosanquet, by contrast, believed that it was a collection of individuals' wills that

formed the state; rather than being a "fiction" (as Hobbes posited) the state could be "identified

with the Real Will of the individual."[65]   More recently, historians of Britain have concerned

themselves with interrogating where the metaphysical "boundaries" of the state lie.[66]

These differing views, as Jose Harris has argued, highlight that there has been a rather poor

conceptualisation of the state in Britain.[67]   Quentin Skinner, reflecting on Anglophone thinkers

on the state, has traced several different genealogies which help to explain this incoherency.   For

Skinner, early seventeenth-century writers such as Jean Bodin and John Hayward posited an

"absolutist" version of the state, where a supreme sovereign exerted full power over his

commonwealth.   The subsequent (re)discovery of the works of the Roman historian Livy

coincided with a rising Parliamentarian movement which rejected this "absolutist" model, and

instead proposed what Skinner has described as a "populist" model, where the "sovereign

authority remained at all times a property of the whole body of the state."   Hobbes' *Leviathan*

provides a synthesis of these views, generating a "fictional theory" of the state, as the "artificial

person of the sovereign['s] specific role is to 'personate' the fictional person of the state."   In

reaction to these "fictions", the utilitarian Jeremy Bentham proposed a pragmatic approach to

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[62] Thomas Hobbes and Richard Tuck, *Leviathan*, Rev. ed. (Cambridge: Cambridge University Press, 1996), 120-21.

[63] Subsequent liberal theorists popularized this the "night-watchman state." Isaiah Berlin, *The Proper Study of Mankind* (New York: Farrar, Strauss and Giroux, 2000), 1999.

[64] John Micklethwait and Adrian Wooldridge, *The Fourth Revolution: The Global Race to Reinvent the State*, ebook loc 321.

[65] Bernard Bosanquet, *The Philosophical Theory of the State*, Ed. 2. (London: Macmillan, 1910), 125.

[66] S. J. D. Green and R. C. Whiting, *The Boundaries of the State in Modern Britain* (Cambridge: Cambridge University Press, 1996), 1.

[67] Jose Harris, "Political Thought and the State," in *The Boundaries of the State in Modern Britain*, ed. S.J.D Green, Whiting, R.C., (Cambridge: Cambridge University Press, 1996), 15-41.

understanding the state which meant, in Skinner's words: "[that] the state…can only refer to some actual body of persons in charge of some identifiable apparatus of government."[68] L.T. Hobhouse's 1918 *Metaphysical Theory of the State* advanced a similar view: "by the state, we ordinarily mean either the government or, perhaps a little more accurately, the organisation which is at the back of law and government."[69]

In the 1980s, a "realist" interpretation of the state emerged from the social scientists Theda Skocpol, Peter Evans and Dietrich Rueschemeyer. Skocpol et al. sought to correct the overemphasis they felt Marxist and neo-Marxist political scientists over the course of the 1960s and 1970s had placed on society, class and economic-centric explanations of state development. One such Marxist writer, Ralph Miliband, famously wrote in his 1969 book *The State in Capitalist Society* that "it has remained a basic fact of life in advanced capitalist countries that the vast majority of men and women in these countries have been governed, represented, administered, judged, and commanded in war by people drawn from other economically and socially superior and relatively distant classes."[70] Though Miliband acknowledged the complex power structures of the "state", for him class was the dominant mode of analysis through which to understand the workings of the state. In essence, Skocpol et al. proposed that states had the ability to have autonomous goals and objectives *beyond* the subservience to socio-economic and or class-based needs which Marxist writers had emphasised. In their influential edited volume, *Bringing the State Back In*, they eschewed "abstruse and abstract…grand systems theories" and instead proposed that "states may be viewed as organisations through which official collectivities may pursue distinctive goals… [or]…states may be viewed more macroscopically as configurations or

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[68] For more on Hobbes and Bentham, see Quentin Skinner, "A Genealogy of the Modern State," *Proceedings of the British Academy* 162 (2008): 329-58.
[69] L. T. Hobhouse, *The Metaphysical Theory of the State: A Criticism* (London: George Allen & Unwin Ltd, 1918), 75-76.
[70] Ralph Miliband, *The State in Capitalist Society* (New York: Basic Books, 1969), 66-67.

organizations."[71]   In short, states were perceived to be actors or institutions, with aims and objectives of their own.

The "realist" view has by no means asserted supremacy of interpretation, however. Influential works have sharply critiqued its attempts to apply empirical demarcations to understandings of the state. Timothy Mitchell, in response to the work of Skocpol and others, decried: "the state has always been difficult to define. Its boundary with society appears elusive, porous, and mobile. I argue that this elusiveness should not be overcome by sharper definitions...'bringing it back in' has not dealt with this boundary problem."[72] In 2010, Mark Bevir and R.A.W. Rhodes explicitly rejected "modernist-empiricist" conceptions of the state, instead proposing that the state can only be understood as "cultural practice."[73] More recently, Patrick Joyce's study of the British state since 1800 shared Mitchell's analytical concern with understanding the moving boundaries of the state by interrogating where and how the state drew these boundaries.[74]

This thesis broadly adopts a "realist" approach to understanding the British state, though is influenced by all these writers. I share Mitchell's concern that the state is difficult to define, but I also believe we need to make certain assumptions and define certain boundaries in order to consider the state analytically, especially with reference to another set of actors – in this instance, management consultants. I also acknowledge Bevir and Rhodes' emphasis on the "cultural practices" of the state, as well as the focus of earlier Marxist writers on the societal and economic forces influencing state actions; it is clear states do not emerge, or act, in a vacuum. As such, it is important to unpick who the individuals were operating within the edifice of the state at any one time and what their motivations and beliefs were.

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[71] Peter B. Evans, Dietrich Rueschemeyer, and Theda Skocpol, *Bringing the State Back In* (Cambridge: Cambridge University Press, 1985), 28.

[72] Timothy Mitchell, "The Limits of the State: Beyond Statist Approaches and Their Critics," *The American Political Science Review* 85, no. 1 (1991): 77.

[73] Mark Bevir and R.A.W. Rhodes, *The State as Cultural Practice* (Oxford: Oxford University Press, 2010).

[74] Patrick Joyce, *The State of Freedom* (Cambridge: Cambridge University Press, 2013), 18.

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Since the 1970s a consensus has emerged that Western states have seen their powers eroded after the boom in the expansion of state powers in the immediate aftermath of the postwar period. Initially, this was perceived to be a consequence of internationalist organisations such as the European Court of Human Rights exerting power over previously sovereign states. More recently, the rise of "multi-national corporations" through globalisation have also been held responsible for this erosion. For instance, the political scientist Jens Bartelson has explained in depth the views of Zygmunt Bauman, Hendrik Spyut, Stephen Gill and others, which, for the aforementioned reasons, assert that the state is "dead."[75] Management consultancies have also been held responsible for this death. Christopher McKenna has written how their use by the American federal government in the postwar period led to the creation of a "contractor state".[76] In Britain, Christopher Hood and Michael Jackson in 1991 argued that "consultocracy… [a] self-serving movement designed to promote the career interests of an élite group of New Managerialists… [constituting of] management consultants and business schools" was supplanting the role of politicians in leading state reform.[77] Three years later R.A.W. Rhodes laid out an intellectual framework for theorising the "hollowing-out" of the British state (to which blame was largely attributed to the European Union and other supra-state organisations) which political scientists such as Herman Bakvis in 1997 or more recently Graeme Hodge and Diana Bowman in 2006 have suggested consultants have been key actors in.[78] Yet against these claims of attenuated executive power, political commentators such as Simon Jenkins have argued quite the reverse: that the Thatcher, Major, Blair and Brown governments all *centralised* prime ministerial powers, in the process creating a powerful and invasive state. Jenkins went so far as

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[75] Jens Bartelson, *The Critique of the State* (Cambridge: Cambridge University Press, 2001), 149-81.

[76] Christopher D. McKenna, *The World's Newest Profession: Management Consulting in the Twentieth Century* (Cambridge; New York: Cambridge University Press, 2006), 80-110.

[77] Christopher Hood and Michael Jackson, *Administrative Argument* (Aldershot: Dartmouth, 1991), 19-24.

[78] R.A.W. Rhodes, "The Hollowing out of the State," *The Political Quarterly* 65, no. 2 (1994): 138-51; Herman Bakvis, "Advising the Executive," in *The Hollow Crown: Countervailing Trends in Core Executives*, ed. Patrick Weller, Bakvis, Herman, Rhodes, R.A.W., (London: Macmillan, 1997), 84-125; Graeme Hodge and Diana Bowman, "The 'Consultocracy' the Business of Reforming Government," in *Privatization and Market Development* (Cheltenham: Edward Elgar, 2006), ebook loc Chap 6.

to declare in 2007 that "centralism over the last quarter century was the new opium of the British people."[79]

Both sides of the "hollowing-out" debate, however, have failed to specify *what* exactly has been hollowed-out. Whilst Rhodes decried the loss of "core-executive" powers, this elicits further questions as to what these are. Social scientists from various fields provide inputs for how to conceptualise these (assumed lost) powers. Michael Mann, for example, highlights how the works of Weber stressed the importance of understanding the *territorial* boundaries of state power.[80] Foucault gives insights into the nature of *disciplinary* power which the state can exert.[81] The American political philosopher John Rawls highlights the role states play in delivering *justice*.[82] These diverse examples of state power*s* (note the plural) demonstrate the need for a clear classification of what the powers of states actually are, before we can begin analysing how they have been impacted by consultants.

As such, in this thesis "state power" is analysed using a framework which builds on the work of Michael Mann. In his 1984 article on "The Autonomous Power of the State", Mann identified four "persistent types of state activities"; the maintenance of internal order; military defence/aggression; maintenance of communications infrastructures; and economic distribution.[83] Adding to Mann's model "legal power" and widening the focus on communications infrastructures to broader "administrative power", here I propose a refined typology of "power" which the state exerts over the subjects and citizens of its territory. This framework is used throughout this thesis as an analytical model to determine how – if at all –

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[79] Simon Jenkins, *Thatcher and Sons* (London: Penguin, 2007), 308.
[80] Michael Mann, "The Autonomous Powers of the State," *Archives européennes de sociologie* 25 (1984): 185-213.
[81] Michel Foucault and Alan Sheridan, *Discipline and Punish* (London: Allen Lane, 1977).
[82] John Rawls, *A Theory of Justice*, Rev. ed. (Oxford: Oxford University Press, 1999).
[83] Mann, "The Autonomous Powers of the State," 185-213.

consultancies have impacted on the nature of state power over time. The different types of power explored here are:

1. Coercive power: the extent to which the state can determine whether citizens of a state are at war or lose their liberty through imprisonment.

2. Fiscal power: the state's ability to impose direct or indirect taxes on its citizens or organisations which reside within its sphere of geographical influence.

3. Legal and normative power: how the state determines which actions are within or outside the rule of law, and thereby whether a given individual's actions are legal or not.

4. Functional and service power: the way in which the state determines which services are delivered to citizens through its bodies, most obviously, though by no means uniquely, welfare services.

5. Administrative power: how the state chooses to deliver its functions and services to citizens, such as the method of delivering benefits payments, or the process through which citizens obtain a passport or proof of national identity.

This thesis also interrogates *who* wields power in the British state. Whilst earlier political thinkers identified monarchs as being the holders of sovereign power, modern histories of Britain, focus on the role of interconnected networks of politicians, civil servants, or non-state actors. However, histories of modern Britain are almost without exception based around political administrations.[84] The implicit conclusion from this is that politicians are ultimately primarily responsible for major state reform. Since management consultants have been used in so many large-scale changes in the British state, their history provides a perfect lens for testing the validity of this historical shibboleth. Later, in the Conclusion, I argue that the conceptualisation of a late twentieth-century "governmental sphere" provides an apt framework for understanding how and

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[84] Even cultural historians such as David Kynaston are still bound by the electoral cycle. See: David Kynaston, *Austerity Britain, 1945-1951* (London: Bloomsbury, 2007); Recent studies of public sector reform continue to focus on political administrations. See: Burton, *The Politics of Public Sector Reform* (Basingstoke: Palgrave Macmillan, 2013). As Frank Trentmann has argued, this may well reflect the lack of "cross-fertilization" of disciplinary practices in British studies: Frank Trentmann, "Materiality in the Future of History: Things, Practices, and Politics," *Journal of British Studies* 48 (April 2009): 283-307.

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why individuals and organisations from both private and public spheres became engaged in the governing of the state.[85] This engagement, it is suggested, has led in turn to the rise of the modern "hybrid state", where the lines of public and private sectors are blurred, and agents from both sectors act in tandem in the delivery of public services. Whilst this resonates with the work of the social scientists David Marsh and Matthew Hall, who regard that the "British political tradition [BPT] is rooted in an elitist conception of democracy…that 'Westminster and Whitehall knows best'", and of the ethnographical study of "British government" by R.A.W Rhodes, which focused on his perceived "main actors" of the "ministers and the permanent secretaries," the "governmental sphere" is distinctive because it highlights the influence of agents outside of the Westminster-Whitehall axis.[86] Rhodes' work in particular is important. Having coined the term "policy networks", which describes the "sets of formal institutional and informational linkages between governmental and other actors structured around shared, if endlessly negotiated, beliefs and interest in public policy making and implementation," Rhodes concluded that "I expected to find much more evidence of engagement with policy networks than turned out to be the case."[87] Whilst Rhodes' conclusions do not contradict the existence of the "governmental sphere", as this thesis explores, the role of consultants was seldom linked to policy-making, and more concerned with broader considerations of how best to govern the state. Much of the conclusions reached in this thesis regarding the "governmental sphere" support the work of Christopher Hood and Ruth Dixon on Britain's "New Public Management" reforms. In a brief passage, Hood and Dixon highlight the role of external actors such as consultancies (for

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[85] A reimagining of the German philosopher Jürgen Habermas' broad concept of the "public sphere" is influential here. For Habermas, a critical development of the modern European state was the emergence of "the bourgeois public sphere…a sphere of private people come together as a public [to discuss issues of state authority]", which eventually led to the "modern social welfare state" (Habermas was writing in 1962). By way of contrast with the "governmental sphere" however, Habermas' theory was largely disinterested in institutions and their influences. See Jürgen Habermas, *The Structural Transformation of the Public Sphere: An Inquiry into a Category of Bourgeois Society* (Cambridge: Polity, 1989), 27.

[86] David Marsh, Matthew Hall, "The British Political Tradition and the Material-Ideational Debate," *The British Journal of Politics and International Relations*, 2015, 4, doi: 10.1111/1467-856X.12077; R. A. W. Rhodes, *Everyday Life in British Government* (Oxford: Oxford University Press, 2011), 15.

[87] Ibid., 235.

example: McKinsey and PwC), think-tanks (for instance: Institute for Public Policy and Research, Demos, Institute for Government) and supranational organisations (for example: World Bank, OECD) in developing new concepts around "government reform" in the period from the 1980s onwards.[88] The "governmental sphere" builds on this concept and shows the role management consultancies specifically played in British state reforms.

This thesis uses the history of management consultancy to shed new light on the British state and its powers in three ways. First, by adopting a "realist" approach to the state, seeing how management consultants approached, engaged and impacted the different institutions of the state, demonstrating its varied character, powers and nature. Second, by defining distinctive powers which the state holds it is possible to examine in general how these have changed over time, and in particular how they have or have not been changed by management consultancies. And third, by understanding when and for what work management consultants were hired by different parts of the state we can understand where power lies in postwar Britain.

Unlikely guests

"[The] literature is particularly poor on the role of businessmen in government, reflecting a more general indifference to the history of business."

David Edgerton, *Warfare State*[89]

Academia has had relatively little to say about the use of management consultants by the state. From the mid-1980s, a number of works analysed in detail postwar institutions of the state. The use of management consultancy firms by these institutions was noted in these histories, though not scrutinised in any detail. In 1985, Peter Hennessy, in an article for the "Strathclyde papers on government and politics series" (later serialised for radio), honed in on Ted Heath's Central

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[88] Hood and Dixon, *A Government that Worked Better* (Oxford: Oxford University Press, 2015), 38.
[89] Edgerton, *Warfare State*, 146.

Policy Review Staff (CPRS). (Heath was dubbed by Hennessy the "most managerially-minded Prime Minister of modern times".) The CPRS, a "think-tank", which sat in the Cabinet Office and advised on long-term planning in government, was staffed by "insiders and outsiders from industry and universities." Notably, its creation was "drawn up by a firm of consultants."[90] Yet the influence and impact of these consultants is not explored at greater length. Terry Gourvish's 1986 history of British Railways goes further, detailing the use of consultants from Production-Engineering, Coopers and Lybrand, and McKinsey & Company during the period 1967 to 1973 (the latter for a "fee in excess of £150,000"). Gourvish highlighted the significance of the procurement of consultants, stating it was argued that "the employment of consultants would help to validate the recommended changes internally in the eyes of Government."[91] However, examination of *why* consultants would validate the changes or *how* they reached such a position of influence is not explored. In a similar fashion, Geoffrey Fry's 1993 study of the Fulton Committee and Charles Webster's multi-volume history of the National Health Service in the 1990s note the use of external management consultants by both bodies, but do not explain the implications of this.[92] Duncan Campbell-Smith's biography of the Audit Commission *Follow the Money*, is a powerful exception to this oversight. Published on the Audit Commission's twenty-fifth anniversary, Campbell-Smith highlighted the role of the Commission in transmitting consultancy-style practices into the audit of public services, and the extensive influence of McKinsey in its setup (two of its first three Controllers were ex-McKinsey consultants), culture

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[90] Peter Hennessy et al., "Routine Punctuated by Orgies," *Strathclyde papers on government and politics* (1985), 6-17.

[91] T. R. Gourvish, *British Railways, 1948-73: A Business History* (Cambridge: Cambridge University Press, 1986), 479; ibid., 368-74.

[92] Geoffrey K. Fry, *Reforming the Civil Service: The Fulton Committee on the British Home Civil Service of 1966-1968* (Edinburgh: Edinburgh University Press, 1993), 57-58; Charles Webster, *The Health Services since the War, Volume II: Government and Health Care; the National Health Service 1958-1979* (London: The Stationery Office, 1996).

and methodological approach. Fittingly, Campbell-Smith was also previously a consultant at McKinsey.[93]

The use of management consultants by the state did not become a formalised practice with guidelines and established procurement routes until the 1960s. Coupled with the "thirty year-rule" for making government archival material public, it is unsurprising that it was not until 2000 that the first (and only) dedicated study of consultancy and British government emerged. In a comparative appraisal of the use of consultants by the governments of Britain, France and Canada, the political scientist Denis Saint-Martin identified two critical phases in Britain which opened the door for consultants. First, "the election of Labour in 1964…and the period of Harold Wilson's scientific and technological revolution…led to the rise of managerialist ideas".[94] From this era arose the aforementioned Fulton Committee report – which Kevin Theakston has labelled "the public administration equivalent of the Bible" – of which the supporting Management Consultancy Group was staffed with British consultants from AIC Ltd and recommended the creation of a Civil Service Department (CSD) which actively encouraged departments to use external consultants.[95] Second, Saint-Martin identified Thatcher's move to a "market-based model" of "new managerialism" in the public sector from which consultants profited extensively.[96] Though the "high-profile" use of consultants by the state in the 1960s and 1970s is noted, Saint-Martin, writing in 2005 with the business historian Matthias Kipping, argued that "consulting to the government experienced a significant take-off only during the 1980s".[97] Saint-Martin has suggested that the main reason for the use of consultants by the state

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[93] Duncan Campbell-Smith, *Follow the Money: The Audit Commission, Public Money and the Management of Public Services, 1983-2008* (London: Allen Lane, 2008), 48-50.
[94] Denis Saint-Martin, *Building the New Managerialist State: Consultants and the Politics of Public Sector Reform in Comparative Perspective* (Oxford; New York: Oxford University Press, 2000), 72.
[95] Kevin Theakston, *The Labour Party and Whitehall* (London: Routledge, 1992), 113.
[96] Saint-Martin, *Building the New Managerialist State: Consultants and the Politics of Public Sector Reform in Comparative Perspective*, 94.
[97] Matthias Kipping, Saint-Martin, Denis, "Between Regulation, Promotion and Consumption," *Business History* 47, no. 3 (2005): 459.

was the development of "policy legacies" between the "old managerialism" of the 1960s and the "new managerialism" of the 1980s.[98] This is a variant of a "path dependency" theory: that the use of consultants led to an ever increasing use of consultants.[99]

Saint-Martin also explicitly links consultancy to political administrations and argues that since the 1980s the relationship between politicians and external consultants was "politicised".[100] Civil servants are not considered key in the use of consultants. This coheres with the works of Anthony Sampson, Hugh Heclo and Aaron Wildavsky, and Ferdinand Mount which highlight the obstructionist and closed "generalist elite" of British civil servants, who were inimical to external support.[101] In Saint-Martin's telling of the history of consultancy and the state, politicians and management consultants have an important relationship in "building the new managerialist" state; the civil service is largely a passive, at times resistant, agent in this change. By contrast this thesis challenges this view and instead, firmly endorses the arguments of the "revisionists" that the civil service has been far more scientifically, technically and administratively minded than many have hitherto credited it.[102]

Sociologists, whilst not explicitly referring to management consultants, have provided useful hypotheses for why "outsiders" may be used by organisations. Weber posited that only permanent bureaucracies could be truly impartial in their judgements.[103] The implication from Weber therefore must be that consultants (who are by their nature temporary and external) are used to provide biased advice to reinforce or strengthen the position of their clients. Weber was also concerned with understanding how the emergence of "rationalisation" (the development of

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[98] Saint-Martin, *Building the New Managerialist State*, 30.
[99] Paul Pierson, *Politics in Time: History, Institutions, and Social Analysis* (Princeton, N.J.; Oxford: Princeton University Press, 2004).
[100] Saint-Martin, *Building the New Managerialist State*, 108.
[101] Sampson, *The Essential Anatomy of Britain*, 37; Heclo and Wildavsky, *The Private Government of Public Money*, 1-3; Ferdinand Mount, *The New Few Or A Very British Oligarchy* (London: Simon & Schuster, 2012), 176.
[102] Edgerton, *Warfare State*, 189.
[103] Brian R. Fry and J. C. N. Raadschelders, *Mastering Public Administration: From Max Weber to Dwight Waldo*, Third edition. (Washington, D.C.: CQ Press), 46.

efficiency-based models of calculating social value) tied into the development of bureaucracies within capitalist societies.[104] Michel Foucault focused in his later years on studies of "governmentality", which bore similarities with Weber's rationalisation concerns. Foucault's thesis regarding the convergence in rational-based methods of governing private enterprise and public service may help to explain the greater transmission of ideas, disseminated by consultants, between the two.[105] Bruno Latour's "actor-network theory" generates a useful framework for analysing the growth of consulting-client relationships. Whilst Latour's focus is on the scientific community, parallels are apparent with the field of management.[106] Broader forces are put centre stage in the works of Anthony Giddens, which suggest, somewhat like Foucault, that the narrowing of geographical and cultural differences arising from globalisation facilitated the movement of consultants and their ideas between private, public and global spheres.[107]

It is the latter of these hypotheses which has been seized upon by the relatively small literature on management consultancy. Christopher McKenna, in his 2006 history of the consultancy industry, *The World's Newest Profession*, explained the emergence of American "strategy" consulting firms in Western Europe as being part of an "exportation of the American model."[108] McKenna agrees with Matthias Kipping that the success of this export was in part due to the "alleged superiority of US managerial expertise", though Kipping goes further in highlighting how consultants tapped into "local elite" networks to achieve this successful exportation.[109] Both McKenna and Kipping's main analytical considerations are, however, focused on the specifics of the consultancy industry as opposed to the impact consultancy has had on the British state.

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[104] Alan McKinley, Chris Carter and Eric Pezet, "Governmentality, power and organization", *Management & Organizational History* 7, no.1 (2012): 3-15.

[105] Mitchell Dean, *Governmentality: Power and Rule in Modern Society*, 2nd ed. (London: SAGE, 2010), 24-30.

[106] See in particular: Bruno Latour, *Pandora's Hope : Essays on the Reality of Science Studies* (Cambridge, Mass.; London: Harvard University Press, 1999); *Reassembling the Social: An Introduction to Actor-Network-Theory* (Oxford: Oxford University Press, 2005).

[107] See Anthony Giddens, *The Consequences of Modernity* (Cambridge: Polity, 1990).

[108] McKenna, *The World's Newest Profession*, 165-91.

[109] Matthias Kipping, "American Management Consulting Companies in Western Europe, 1920 to 1990: Products, Reputation, and Relationships," *The Business History Review* 73, no. 2 (1999): 190-91.

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More recently, however, Michael Weatherburn's unpublished doctoral thesis on work measurement in British industry during 1914-1948 has gone some way to rectifying the misconception of the state's disinterest in consultancy advice. Whilst demonstrating that there was minimal evidence of the use of consultants – at the time, dubbed "efficiency experts" – during the First World War, Weatherburn paints a compelling picture of the active use of consultants by the supply ministries during the Second World War; in particular, the Ministry of Aircraft Production (MAP), the Ministry of Supply (MoS) and the National Filing Factories, which were part of MoS. Furthermore, alongside this use – which was focused on increasing worker productivity through "work measurement" techniques – Weatherburn evidences how, in addition to Urwick, directors of two other British management consultancies were seconded into wartime service. Robert Bryson of Production Engineering served the Royal Engineers and an AIC director, R.J. Gigle, worked on light metal alloy supplies for MAP.[110] Weatherburn proposes that the historiographical neglect of these contributions can be ascribed to the vilifying of the role of Charles Eugène Bedaux, one of the main proponents of work measurement in Britain, by the press and contemporary writers.[111] Yet, Weatherburn's thesis aside, the relative silence of the academic community is puzzling. As Edgerton's aforementioned quote rightly notes, the role of business in British political history has been neglected.[112] And by comparison, the interplay of other professions such as accounting, public relations, or law and the state have at least prompted some academic debate.[113] Reasons for this oversight by historians are likely to be varied, though three major contributing factors seem plausible. First, is that management consultancy, though having a longer history than popularly assumed, is still a relatively new

[110] Michael R. Weatherburn, "Scientific Management at Work: the Bedaux System, Management Consulting, and Worker Efficiency in British Industry, 1914-1948." Doctoral thesis. Imperial College, London (2014), 172.

[111] Ibid. 64.

[112] Edgerton, *Warfare State*, 146.

[113] Hugh M. Coombs, J. R. Edwards, and Hugh Greener, *Double Entry Bookkeeping in British Central Government, 1822-1856*, *New Works in Accounting History* (New York: Garland Pub., 1997); Dominic Wring, *The Politics of Marketing the Labour Party* (Basingstoke: Palgrave Macmillan, 2005); D. Alan Orr, *Treason and the State: Law, Politics and Ideology in the English Civil War* (Cambridge: Cambridge University Press, 2002).

industry, and quite simply there has been less time for historians, temporally-speaking, to research the topic. Second, is that the subject matter may seem rather dull or even unintelligible (consultancy reports are unsurprisingly heavily-laden with management-speak) and so a topic such as public relations or marketing may appear more accessible. And third, and most importantly, involves the nature of consulting assignments. Consultants, ideally, aim to solve important problems: for example, improving management of health services; supporting planning to achieve objectives in departments; automating processes to enact specific political policy commitments. The nature of these *problems* may seem innately more interesting than the work of consultants to historians, so the work of consultants has been deprioritised for the perceived "bigger prize" of understanding the underlying problem. It is likely, that for this reason, Glen O'Hara's work on governing notes the work of McKinsey on the NHS, but does not analyse further; Rodney Lowe's work on Fulton highlights the role of consultants in the Management Consultancy Group report, but maintains the focus on wider reforms, and so forth.

Irrespective, a major consequence of this silence has been that interpretations of the state's use of consultants have been from two rather problematic sources: popular media and official reports. The former has been almost unfailingly critical of the use of consultants, whilst the latter, though largely balanced in its assessments, is nonetheless hampered (in perceptions, at least) by the fact that the state is reviewing its own operations.

Media hostility has broadly tracked the growth of state expenditure on consultancy: in the 1960s it was largely positive; by the late 1970s, it was enquiring but largely neutral; and from the 1980s onwards increasingly damning. In 1964, William W. Allen, an American management consultant was granted the publicity of a double-page opinion piece spread in *The Sunday Times* to challenge whether "Britain [was] a half-time country, getting half-pay for half-work under half-hearted

management?"[114] By 1977, as state work expanded, the *Financial Times* uncritically noted that "most consultants agree that even if state work is not the most profitable it certainly carries prestige value."[115] Yet by the 2000s, the mood had changed. In 2006, a former consultant, David Craig, published *Plundering the public sector: How New Labour are letting consultants run off with £70 billion of our money*.[116] Such was the impact of the book that it was even quoted by the Parliamentary select committee on the government's use of management consultants.[117] Years of critical commentary followed, describing public sector consultancy variously as a "swindle", "scam" or "rip-off".[118] Political condemnation followed. In 2010, the Leader of the Opposition, David Cameron, decried how:

> For the last decade or so, in the name of modernisation, rationalisation and efficiency, we have been living under a regime of government by management consultant and policy by PowerPoint. The result has not been a contented, streamlined nation, humming with efficiency and gleaming with modernity. The result has been an explosion of bureaucracy, cost and irritation, endless upheavals and pointless reorganisations, the elbowing aside of colourful, human, informal relationships based on common sense and trust in favour of the grey, mechanical, joyless mantras of the master planner with his calculations, projections and impact assessments.[119]

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[114] William W. Allen, "Is Britain a half-time country, getting half-pay, for half-work under half-hearted management," *The Sunday Times*, March 1, 1964, 15-16.

[115] "Another difficult time expected," *Financial Times*, January 10, 1977, 1.

[116] David Craig and Richard Brooks, *Plundering the Public Sector* (London: Constable, 2006), 1-5.

[117] House of Commons Committee of Public Accounts, *Central Government's Use of Consultants* (London: The Stationery Office Limited, 2006-7), ev. 2.

[118] "The management consultancy scam," *The Independent*, August 20, 2010; "Masters of illusion: The great management consultancy swindle," *The Independent*, September 17, 2009; "Public sector 'to recruit 200 consultants on up to £1,000 a day,'" *The Daily Telegraph*, July 5, 2010.

[119] Rosa Prince, "David Cameron attacks Labour's 'policy by PowerPoint,'" *The Daily Telegraph*, May 12, 2008, accessed July 17, 2014, http://www.telegraph.co.uk/news/politics/labour/1950578/Labour-Tory-leader-David-Cameron-attacks-Labours-policy-by-PowerPoint.html .

On the whole, media coverage has promulgated the view that consultants have "plundered" public services, are too many and too influential, and are a phenomenon which only became an issue of public concern as Britain moved into the twenty-first century.[120]

By contrast, the three official government reports which have covered the state's use of management consultants (a 1994 report by Margaret Thatcher's Efficiency Unit; a 2006 National Audit Office (NAO) report; and a 2010 NAO report) have been measured in their verdicts.[121] Each attempted – and struggled – to quantify government expenditure on consultants and stressed the "value" which consultancies brought whilst caveating against the dangers of poor procurement. Two earlier reports by HM Treasury (in 1965 and 1990) advised on how departments could make the best use of consultants, but were not covered by the media.[122] As a consequence, though the official reports provided a slightly longer history of the state's use of consultants, they also reinforced the impression that consultancy has only been part of the British state's post-1980s landscape.

The media, official reports and works of Saint-Martin and Kipping cement this view of the state-consultancy relationship being a development of the past thirty years, and one led by politicians. However, this chronological focus, which ties consultancy to the era of the "new managerialism" of Thatcher and beyond is problematic. It implicitly assumes that consultancy is inherently market-based. And by linking the use of management consultancy to political administrations it suggests that politicians were instrumental in its use. But consultancy's use by the state has its origins much before the swings to economic liberalism of the 1980s, and politicians are

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[120] Less hostile but nonetheless part of this broader literature is Anthony King and Ivor Crewe's history of major government blunders – see King and Crewe, *The Blunders of Our Governments*.

[121] National Audit Office, *Central government's use of consultants* (London: The Stationery Office, 2006); House of Commons Health Committee, *The use of management consultants by the NHS and the Department of Health* (London: The Stationery Office, 2009); National Audit Office, *Central government's use of consultants and interims* (London: The Stationery Office, 2010).

[122] An abridged version of the report by the Treasury interdepartmental working party, "Code of the Practice on the Use of Management Consultants in Government Departments", is available in *O&M Bulletin* 21, no. 4 (HM Treasury, 1966), 173-184. The second report was *Seeking help from Management Consultants* (London: HM Treasury, 1990).

frequently scathing of its benefits. Thatcher, for example, was heard to have fumed after meeting with the Management Consultancies Association that the MCA was on a "selling spree" and John Major has said that consultants were "bad…[and he was] against their use."[123] These accounts risk portraying "politicians", "civil servants" and "consultants" as monolithic groups, with simple "positive" or "negative" relationships with one another. By delving deeper into history, a far more nuanced relationship between consultants and state institutions and actors is consequently uncovered in this thesis.

A heterogeneous global industry

"It is notoriously hard to define consulting. There are strategy, change, brand, communications consultancies…it is very hard to draw the line and it's like comparing an apple with an orange with a chair with a cabbage with a tree."[124]

Ian Watmore

Permanent Secretary, Cabinet Office (2012), UK Managing Director, Accenture (2000-2004)

If Oxford Handbooks represent a "seal of approval" of the academic worthiness of a topic, management consultancy gained this status in 2012. *The Oxford Handbook of Management Consulting*, covering a diverse array of issues from the historical development of consultancy to the propagation of "management fashions" by consultants and the role of consulting in the "knowledge business" noted how consulting had become, "in a relatively short period of time…a thriving area of research" (though the *Handbook* featured nothing on the impact of consultants on governments).[125] This growth in academic research on management consulting has generated two commonly accepted views. First, though consulting is recognised as a diverse industry with "permeable boundaries" it is argued that it can nonetheless be analysed as a

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[123] Thatcher met an MCA delegation on March 10, 1982. "Notes on a meeting of the Public Sector Working Party", 16 April 1982, MCA archives, box 34; John Major, conversation with author at Churchill College, University of Cambridge, November 26, 2010.
[124] Ian Watmore, telephone interview by author, February 12, 2014. See Appendix for biography.
[125] Kipping and Clark, *The Oxford Handbook of Management Consulting*, 1.

coherent industry.[126]   And second, that consulting is a suspect endeavour which needs critical analysis of the motivations of those who undertake it and its proponents.

Early publications on consulting did not share these views. In 1963, the four largest consulting firms in Britain supplied data that resulted in an influential article by Professor J. Johnston of the University of Manchester. Entitled "The Productivity of Management Consultants", the article claimed that consultants had contributed "one quarter [0.5 per cent] of the annual productivity increase achieved [in the British economy] in recent years".[127]   The historian Michael Ferguson has erroneously claimed that beyond publication in an academic journal the article did not receive "any wider coverage".[128]   In fact, in the House of Commons in 1965, Graham Page (a Conservative Parliamentarian) heralded the "astonishing" conclusions of the report, and in 1969, the President of the Board of Trade partly justified a proposed £15 million grants scheme to encourage small firms to use consultants on the basis of Johnston's findings.[129]   In the US, Hal Higdon's 1969 *The Business Healers* was similarly positive on the role that firms such as Booz Allen Hamilton, McKinsey & Company and George S. May were having on American industry.[130]   In 1982, Patricia Tisdall's *Agents of Change* highlighted the challenges consultants faced following a difficult decade in the 1970s, though was largely positive about the "boundless opportunities" which consultants could advise on in the future.[131]

It was not until the 2000s, however, that management consulting became a popular source of academic focus.**[132]**   The 2002 compendium, *Critical Consulting*, by Timothy Clark and Robin

[126] Ibid., 2.
[127] J. Johnston, "The Productivity of Management Consultants," *Journal of the Royal Statistical Society* 126, no. 2 (1963): 237-49.
[128] Michael Ferguson, *The Rise of Management Consulting in Britain* (Aldershot: Ashgate, 2002), 134.
[129] House of Commons debate, *Clause 1. – (Research Councils)*, January 20, 1965 vol 705 cc283; TNA: T224/2045, memo by the President of the Board of Trade on "Consultancy Grants Scheme," 1969 [exact date unknown].
[130] Hal Higdon, *The Business Healers* (New York: Random, 1969).
[131] Patricia Tisdall, *Agents of Change* (London: Institute of Management Consultants, 1982), 157.
[132] For the literature on consultancy more generally, see Timothy Clark and Robin Fincham, *Critical Consulting* (Malden: Blackwell Publishers, 2002); M. Kipping and Lars Engwall, *Management Consulting:*

Fincham, focused on the various critiques which had been levelled at consultants: too much use of rhetoric and persuasion, a lack of authenticity in consultants' work, and that consultants acted as though their clients were "dupes."[133] A year later, Alfred Kieser made the significant claim that consultants treated their clients as "marionettes on the strings of their fashions."[134] In part, such critical have been generated by the perceived questionability of consultants' work (for instance, high-profile bestselling business books such as *In Search of Excellence*, by two McKinsey consultants, engendered a good deal of hostility from academics; the authors were attacked for their lack of rigour) and their perceived ubiquity (reinforced by the popular media).[135] Such contributions by the academic community, though not directly relevant to the relationship between consultants and the state, are important areas of enquiry for this thesis. In particular, the accusation made by Kieser is considered throughout.

Matthias Kipping, more than any other business historian, has sought to highlight the differences between consulting firms. Kipping initially proposed three distinctive "waves" of consulting firms in 2002 (scientific management firms; organisation and strategy firms; and IT-based networks).[136] In 2013, this time writing with Ian Kirkpatrick, the waves were updated to "types" and four were identified: "Traditional" (which focused on efficiency improvements and entered

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Emergence and Dynamics of a Knowledge Industry (Oxford: Oxford University Press, 2002); McKenna, *The World's Newest Profession*; Sheila Marsh, *The Feminine in Management Consulting: Power, Emotion and Values in Consulting Interactions* (Basingstoke: Palgrave Macmillan, 2009); Andrew Sturdy, *Management Consultancy: Boundaries and Knowledge in Action* (Oxford: Oxford University Press, 2009). The published literature devoted to consultancy in Britain consists solely of Ferguson, *The Rise of Management Consulting in Britain*. The work on consultancy in Britain's public sector comprises of one book (which is a comparative study of Britain, France and Canada and so is not even wholly dedicated to Britain) and two articles: Saint-Martin, *Building the New Managerialist State: Consultants and the Politics of Public Sector Reform in Comparative Perspective*, Kipping, "Between Regulation, Promotion and Consumption: Government and Management Consultancy in Britain", and Christopher D. McKenna, "Mementos: Looking Backwards at the Honda Motorcycle Case, 2003-1973," in *The Challenge of Remaining Innovative*, Steven Usselman et al. (Stanford: Stanford University Press, 2009), 219-242.

[133] See Clark and Fincham, *Critical Consulting*.

[134] Alfred Kieser, "Managers as Marionettes?" in *Management Consulting: Emergence and Dynamics of a Knowledge Industry*, ed. Matthias Kipping, Engwall, Lars (Oxford: Oxford University Press, 2002), 14.

[135] Highlighted in Walter Kiechel, *The Lords of Strategy : The Secret Intellectual History of the New Corporate World* (Boston, Mass.: Harvard Business School Press, 2010), 243.

[136] Matthias Kipping, "Trapped in Their Wave: The Evolution of Management Consultancies," in *Critical Consulting:*, 38.

the market in the 1930s); "Accounting" (which focused on finance and administration work and entered the market in the 1950s); "Strategic" (of largely American origins, emerging in the 1960s); and "IT" (dealing with data processing issues, and entering the market in the 1970s).[137] Kipping and Kirkpatrick use this taxonomy to correctly stress the different "pathways of change" which professional service firms can undertake in terms of their structure and development.[138] By using a refined and updated model of their taxonomy based around "generations" of consultancies (described below), this thesis is able to test whether the heterogeneity of the consultancy industry is so pronounced that the concept of a coherent consultancy industry is fundamentally flawed, thereby challenging the entire premise of the existing academic literature on consulting.

There are important limitations to this research when seeking to extend its conclusions beyond Britain. American ideas of governance and Americans consultancies frequently appear throughout this thesis, but the relationship between the American state and consultancy is different to the British one. This history is not a comparative one, though as suggested in the Conclusion, one between Britain and the United States would be beneficial. As such, it is important to highlight certain differences and similarities between the two histories.

In terms of differences, in the US the consulting market is – and has always been – significantly larger than in Britain. Data from the research company Source Global Research estimated the US consulting market to be worth $55 billion dollars in 2015, compared to a UK market of $10 billion.[139] The public sector consulting market has also been historically larger in the US (estimated at $6 billion in 2015) although in proportionate terms, the public sector is much

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[137] Matthias Kipping, Kirkpatrick, Ian, "Alternative Pathways of Change in Professional Service Firms," *Journal of Management Studies* 50, no. 5 (2013): 791.
[138] Ibid., 800.
[139] "US consulting industry grows strongly to market size of $55 billion", June 13, 2016, Consultancy.uk, last accessed 27 October 2016, http://www.consultancy.uk/news/12172/us-consulting-industry-grows-strongly-to-market-size-of-55-billion.

bigger for British firms than US ones; 20 per cent versus 11 per cent, respectively.[140] This focus on the private sector is reflected in the historiographical literature on US consulting firms. Walter Kiechel, former editor of *Harvard Business Publishing*, wrote *The Lords of Strategy* in 2010 which explored how "strategy…became the lynchpin for how we think about doing business in the modern corporate world", with a specific focus on the American consultancies McKinsey & Company, Bain & Company, the Boston Consulting Group and Monitor Company.[141] The business journalist Duff McDonald's *The Firm* posited that "McKinsey consultants have helped companies and governments create and maintain many of the corporate behaviours that have shaped the world in which we live", though the overwhelming focus of his book is on the "corporate sector", as from the 1970s onwards Duff claims McKinsey "was content to make its contributions to the world almost entirely through the corporate sector."[142] McKenna's *The World's Newest Profession* is the pre-eminent academic work on the history of the US consulting industry and though McKenna concludes "the 'hollowed-out' structure of the American contractor state owes its form not only to pragmatic public concerns about the growth of federal bureaucracy, but also to the long-term influence of management consultants", only one of the nine chapters is to devoted to this topic.[143]

There are two further differences to note. The first, on the consulting side, is the specific firms involved. Whilst many of the consultancies operating in the British state during the twentieth-century also had a presence in the US, companies such as Booz, Allen & Hamilton, the RAND Corporation (technically a non-profit organisation although with a consulting arm) and Arthur D. Little were far more utilised by the US federal government than by the British state in the twentieth-century; and inversely, McKinsey & Company proved more frequently engaged by the

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[140] Ibid; UK figures from author research, see footnote 17 for further detail.
[141] Walter Kiechel, *The Lords of Strategy: The Secret Intellectual History of the New Corporate World* (Boston, Mass.: Harvard Business School Press, 2010), 12.
[142] Duff McDonald, *The Firm: The Inside Story of McKinsey* (London: Oneworld Books, 2014), 12; ibid., 73.
[143] McKenna, *World's Newest Profession*, 80-110.

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British state than in the US.[144] The second difference is on the civil service side. Whilst in Britain from the era of Harold Wilson onwards special advisers (political appointments to the civil service, exempt from impartiality requirements) became more prevalent, they were never significant in number, with approximately 68 in 2007, for instance.[145] In the US, by contrast, political appointees to the federal government were estimated by Ernst & Young (a consultancy) to number between 3,000 and 4,000 in 2012.[146] As we shall see, the perceived impartiality of the civil service has been an important factor in the growth of consulting to the state in Britain, and so this difference with America is noteworthy.

Nevertheless there are important similarities. The management academic Robert J. David noted on the "growth of strategy consulting in the United States" in the postwar period, and the main reasons he cited included "the increased corporatisation of non-corporate sectors, the spread of business education…[and]…the increased complexity…of corporate organisations." This thesis will examine if these reasons could equally be applied to the British context too.[147] For instance, the journalist Joe Flood's investigation into the causes of the 1970s fires in New York City in part placed the blame for the devastation on Mayor John Lindsay's fascination with "numbers to help govern…and the resultant rise of scientific management and progressivism" which led to the ill-fated hiring of the RAND Corporation to advise on the fire department's operations.[148] This mirrors the rise of consulting to the British state in the 1960s and 1970s, which placed a similar faith in data and numbers in decision-making. Like in Britain, the consulting industry in the US has been viewed with hostility by the popular press, academic publications and

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[144] Daniel Guttman and Barry Willner, *The Shadow Government*, 1st ed. (New York: Pantheon Books, 1976), 14-24.

[145] "Numbers and Cost of Special Advisers", House of Commons publications, 22 November 2007, col148WS.

[146] Paul R. Lawrence and Mark A. Abramson, *Paths to Making a Difference: Leading in Government* (Washington, D.C.: Rowman & Littlefield, 2011).

[147] Robert J. David, "Institutional change and the growth of strategy consulting in the United States" in Kipping and Clark, *The Oxford Handbook of Management Consulting*, 77.

[148] Joe Flood, *The Fires: How A Computer Formula, Big Ideas, And The Best Of Intentions Burned Down New York City* (New York: Riverhead Books, 2010), 289.

politicians; for instance, Ralph Nader, the American political activist, wrote in 1975 of the "vast waste pyramided upon waste and the colossal incompetence and self-serving quality of so many consultantships."[149]   And again, as in Britain, consulting in the US never attained a formal level of professionalised status, as Christopher McKenna has highlighted.[150]   Remembering these similarities and difference should help guide us as we explore the generalities and peculiarities of the state-consulting relationship in Britain.

Definitions and frameworks

This thesis has deliberately chosen two highly problematic terms as being central to its enquiry: "management consultancy" and the "state". As a result of the fact that management consultancy is not a profession with formal qualifications such as law or accountancy, definitions frequently vary.   In the 1980s, the Management Consultancies Association adopted the following definition:[151]

> a person or firm whose principal activity is to provide to business, public and other undertakings, assistance in identifying and investigating problems and/or opportunities concerned with policy, organisation, procedures and methods, recommending appropriate actions and helping to implement those recommendations as necessary.[152]

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[149] Guttman and Willner, *The Shadow Government*, xiv.

[150] McKenna, *The World's Newest Profession*, 251.

[151] The Management Consultancies Association (MCA) since its formation in 1956, remains the only trade association for management consultancy firms in Britain. With strict guidelines for entry, member firms have represented between 55 per cent and 75 per cent of all management consultancy revenues in Britain during its existence.   In the absence of any universally accepted professional qualifications for management consultants in Britain, the MCA has played a key role in perceptions of the nature of management consultancy in Britain. Another trade association for management consultants also exists – the Institute of Management Consultants, formed in 1962 – although this represents individual consultants, not firms.

[152] MCA, *MCA Annual Report*, 1986, MCA: box 95.

Instructively, this definition was only used by the MCA from the 1980s to the mid-1990s.[153] Before and after this period (until the mid-2000s) no formal definition was adopted. This aptly reflects the changing and diverse nature of management consultancy. However, in a bid to provide quantitative evidence to this topic, this thesis has made substantial use of statistics (compiled and analysed by the author) relating to the use of "management consultancy". Here, whatever "management consultancy" meant to the agents recording the statistics at the time is accepted. Thus if a state department recorded the employment of a given firm as "management consultancy work", according to whatever definition they used then this research considers the work as such. This reflects the notion that management consultancy is in the eye of the beholder, and though this inevitably leads to some problems (for instance, departments' definitions of may differ) these are problems inherent in the heterogeneity of the industry, and are therefore important to acknowledge and consider rather than gloss over by imposing a retrospective, uniform definition.

The nature of management consultancy is complex and chaotic. Highlighting this point, hoping to simplify analyses of the industry, a 2008 MCA report grouped management consultancy firms operating in the UK into six different types. This differentiated between firms which offered: "pure" strategy or management consulting (10 per cent of all revenues of MCA member firms in 2007); management consulting, accounting, tax and corporate advisory services (21 per cent); management consulting and IT consulting (9 per cent); management and engineering consulting (3 per cent); management consulting and outsourcing (1 per cent); and combined management consulting, IT systems development and outsourcing (57 per cent).[154] A driving investigation of this thesis is whether it is sensible to view "management consultancy" as a homogenous entity. For the purposes of examining the period from the 1960s onwards a division of the five most

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[153] *MCA Annual Reports*, 1964 to 2013. Reports for 1964 to 1998 available in MCA: box 95. More recent reports accessed on visit to MCA offices on July 4, 2014.

[154] Fiona Czerniawska, "The UK Consulting Industry 2008: Trends from 2007 and Outlook for 2008," (London: MCA, 2008).

significant "generations" of consultancies operating at the time is suggested in Table 1. This generational split is chosen because it brings clarity to attempts to understand the nature of the industry and because it highlights how traditional, discrete chronological splits do not capture the subtleties of the industry, as the work which consultancy firms did for the state transcended political administrations.

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Table 1: Five generations of management consultancy firms in Britain

Generation	Origins	Entry into UK state sector	Principal service offerings	Leading firms
"British"	1900s-1930s Arising from Edwardian-era interest in Taylorism and scientific management	1940s Some limited interwar work although much more in the postwar period as a result of the Board of Trade's sponsorship	Shop-floor productivity increases using scientific management techniques	AIC Limited; PA Management Consultants; P-E Consulting Group; Urwick Orr & Partners
"American"	1920s-1930s Mixture of developments in the industrial engineering industry and post-Great Depression regulatory changes in the US banking system	1960s Originally looking to set up beachheads in Europe to serve American clients and subsidiaries but quickly recognised a clamour for work from UK state bodies	High-level management issues such as organisational structure and corporate planning	Arthur D. Little; Boston Consulting Group; Booz Allen Hamilton; McKinsey & Co.
"Accountants"	1960s-1970s Response to increased competitiveness in audit work and global recession forcing firms to diversify their services	1960s-1970s Initially small scale quantitative studies but as state interest in automation grows they quickly adapt to this market opening	Technology focussed work such as operational research; cost-benefit analysis; and (later) information systems design and installation	Arthur Andersen; Coopers & Lybrand; Peat, Marwick, Mitchell & Co.; Touche Ross
"Data processors"	1980s Technological developments and greater networked connectivity led to substantial market for advisory work on IT systems	1980s-1990s Supported large computerisation projects, for example, the automation of tax receipts for the Inland Revenue	Large-scale IT implementation offerings	CapGemini; HP; IBM Global Services; Fujitsu; CSC, Logica
"Outsourcers"	1990s-2000s Move towards greater competition in public service delivery and an opening up to non-state providers created service demand	2000s Predominantly through large-scale IT outsourcing	Running back-up support functions with some advisory work	EDS; Capita Consulting; Serco Consulting

These five generations were not the only firms operating in the British state sector at the time. There were also firms which specialised in recruitment, personnel management, and marketing. But these generations dominated the general consultancy market and perceptions of the nature of management consultancy in this period. Whilst there were material differences in their origins, recruitment policies, the type of work they undertook, their fees, client perceptions and perceptions of themselves, the generations were also highly influenced by each other's presence in the consultancy market. For instance, at the start of this period the British generation – with their focus on achieving productivity increases on the shop-floor via scientific management techniques – were the market leaders. But by the end of the 1970s their traditional client base and market offering had eroded with the onset of British deindustrialisation, a growing desire to emulate perceived American commercial and industrial successes, and a rising interest in bringing technological developments into both industry and the state. Reacting to market pressures each generation sought to copy the successes of their competitors. Thus, the British generation began offering information technology services in response to the success of the accounting generation. This process of copy and convergence led to a scenario that by the 2010s, of those consultancy firms still operating from these distinct generations, the overlap in their principal service offerings was greater than ever before.

The use of the term "state" is even more problematic. As discussed earlier, here, a pragmatic version Benthamite common-sense is used to define the "state".[155] The "state" is taken as representing the institutions of the executive (central) government and its ancillary bodies, as well as the elected and non-elected officials who govern these institutions. The "state sector" is understood as being largely coterminous with the "public sector" and therefore includes local

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[155] Skocpol et a;., "On the Road toward a More Adequate Understanding of the State," in *Bringing the State Back In*, 347-66; for Bentham's views see Skinner, "A Genealogy of the Modern State," 325-70. As Jose Harris has argued, most Britons would agree with Bentham's belief that the state is the government of the day. See Jose Harris, "Society and the State in Twentieth-Century Britain," in *The Cambridge Social History of Britain*, 67.

government and bodies such as arms-length bodies, agencies, the nationalised industries, BBC, National Health Service, and Bank of England. Conversely, for analytical cleanliness, the "non-state sector" is taken as the "private sector" – consultancy income data is only split into public and private sectors – and so this includes charitable, voluntary and philanthropic groups too. These are, in other studies, often referred to as the "third sector". As such, where appropriate, known issues with this simplified public/private demarcation are highlighted. Of course, the public/private supposed dichotomy is itself problematic, and so in an attempt to bring clarity to this division, here the "public sector" is defined as the parts of British gross domestic product resulting from public finances.[156] Consequently the "state sector" is seen as forming three connected bodies: the central executive (predominately Westminster and Whitehall-based) government, which is responsible for the overall *administration* of the "state sector"; the local executive government (local authorities) which both *administer* and *deliver* many local services (such as local authority-maintained schools or refuse collection); and the wider non-executive state bodies (such as arms-length bodies, the nationalised industries and NHS) which are concerned with *service delivery* in the "state sector", mandated by the central and local executives, which have varying degrees of autonomy.

This definition is adopted for three reasons. First, by defining different elements of the state we can understand how it connects together; for example, much executive government legislation has a direct impact on bodies in the wider public sector, and when this leads to reforms management consultants are often called in. Second, in this period consultants did not consider

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[156] A commonly accepted definition of the "public sector" is "any part of the economy which is either under government ownership or contracted to the government, or any institution that is heavily regulated or subsidised in the public interest." From Norman Flynn, *Public Sector Management*, 5th ed. (London: SAGE, 2007), 2; using the public sector as a proxy for government activity may be the norm but it is still a contentious practice, as described in Joanna Innes, "Forms of 'Government Growth', 1780-1830," in *Structures and Transformations in Modern British History*, ed. David Feldman, Lawrence, Jon, (Cambridge: Cambridge University Press, 2011), 99. For a more general – and helpful – discussion of the problem of the public/private dichotomy see Simon Susen, "Critical Notes on Habermas's Theory of the Public Sphere", *Sociological Analysis* 5 no. 1 (2011): 38-42

the "state" or "government" to be one particular entity or power base. Rather, they differentiated between the "public" and "private" sector and recorded their work as being in either of these areas. Third, by viewing the state in this manner we can compare the ways in which its different elements used management consultants. Only by firmly demarcating our boundaries of analysis of the state can we begin to comprehend what the "state" really means.

In short therefore, by the "British state" we mean the bodies and those individuals who govern them which are wholly (or as our period of enquiry progresses, almost wholly) financed by public expenditure and wield power over the territory of the British Isles.

As discussed above, historiographic debates still exist regarding the nature of the British state. However, it is apparent from the evidence and literature that the postwar British state *did seek external views* from a variety of informal (such as individual advisers) or formal (such as advisory committees) means; that the state was *much more than a few streets in Whitehall*, rather, it extended through the United Kingdom, with the majority of its staff outside of London; and, lastly, the state was *much more than just the "elite" administrative class* – it involved all types of grades of individuals, not just executive and clerical, but professionals such as scientists and technicians, industrial as well as non-industrial civil servants. Setting out what we know about the British state as our starting point for analysis in this manner provides the backdrop against which the history of management consultancy and the state can be layered upon.

Structure of the thesis

In this "Introduction", the major historical questions of research have been considered, and placed within the context of current readings of the British state, state power and consultancy. A detailed reconstruction of all public sector consultancy expenditure since 1963 has been

presented, and the methods, sources and analytical frameworks which are used to address the proposed research questions have been shared.

"Chapter I: Planning, 1960s-1970s" considers how the concept of "planning" in the 1950s led to the emergence of a dynamic and growing management consultancy industry, dominated by the "Big Four" firms which were all "British generation" consultancies: Urwick Orr & Partners; Production Engineering; Personnel Administration; and Associated Industrial Consultants. The postwar boom in interest in "planning" is shown to have ushered consultants into the public sector. But, through researching Harold Wilson's own papers and correspondence, Wilson's reforming zeal and suspicions of the civil service are highlighted as critical in the creation of a state market for consultancy. Though seldom noted, management consultants from AIC Limited undertook the majority of the influential Fulton Committee on the Civil Service review; and so the subsequent indelible impression the British generation left on the civil service is considered in this chapter. The role consultants played in advising departments on how to revive British industry during the challenging decade of the 1970s is also focused on.

"Chapter II: Reorganising, 1970s" demonstrates how the reorganisation of major state bodies such as British Rail, the Bank of England and the Atomic Energy Authority heralded the emergence of the "American generation" of consulting firms. Set against a backdrop of fears of British economic decline, the perceived superiority of American management "know-how" is demonstrated as a purported solution to Britain's ailments. The ubiquity of McKinsey & Co. in particular was such that there was talk of the term "to be McKinseyed" entering into the Oxford English Dictionary in this period.[157] American consultancies, actively – and with considerable success – sought to build relationships with state officials through infiltrating and mimicking "elite" networks. This chapter presents the first of two detailed case studies; McKinsey & Company's support for the 1974 NHS reorganisation. This case study is specifically chosen for

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[157] Quoted in McKenna, *World's Newest Profession:*, 182.

three reasons. First, because the National Health Service, since its inception, has proved central to conceptions of the postwar British state.[158] Second, because of the only partially fulfilled attention it has solicited from historians. Both Christopher McKenna and Glen O'Hara have proposed this episode as one for investigation by future researchers, yet – to date – this has not materialised.[159] And third, because the source material is abundant; archives abound in The National Archives in Kew, and materials relating to the reorganisations can be found in the National Archives of Scotland in Glasgow and National Archives of Ireland in Dublin too. In this case study, the work of McKinsey in developing a new structure for the National Health Service is analysed. Particular focus is placed on the cross-party continuity behind the reforms, which challenges long-held assumptions regarding the adversarial nature of British politics. In addition, the peculiar geographic boundaries of the NHS – highlighted by the work of the consultants – and how they are demonstrably not coterminous with the British Isles is highlighted. This therefore challenges conceptions of a coherent "British state" and highlights the need for a more subtle and granular analysis of twentieth-century Britain.

Amidst the backdrop of post-OPEC I oil and economic crises, "Chapter III: Automating, 1980s" concerns itself with the divergence of many accounting firms into consultancy services (giving rise to the "accountancy generation"). This led to an era in which Arthur Andersen dominated the British state market, providing large-scale computerisation support for numerous departments. The chapter also explores how the consultancy industry began to change in nature with greater numbers of firms offering long-term IT support to state departments seeking public sector efficiencies, as the "data processing generation" of consultancies such as Logica, CSC and others entered the state market in the 1970s and 1980s. The second case study of this thesis rests here, covering Arthur Andersen's work on the "Operational Strategy". This case study was

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[158] For more on this see Chapter II: Reorganising, 1970s: The 1974 National Health Service Reorganisation and McKinsey & Company.
[159] The reorganisation is discussed in ibid.

also chosen for three reasons: the sheer scale of the "Operational Strategy"; how it is almost completely absent from accounts of the modern British state; and the diversity of sources available to interrogate its significance – from archives, contemporary publications, and first-hand participants in the programme.[160] In this case study, the American firm's work supporting the Department of Health and Social Security's computerisation of social security benefits throughout the 1980s is addressed. The case study highlights how influential the historically under-researched cadre of executive and clerical civil servants were in driving the Operational Strategy, and how they formed close bonds with the external consultants. Particular attention is placed on the political rationale for the Operational Strategy, and how the automation of the machinery of government was used to quell public unrest.

"Chapter IV: Delivering, 1990s-2000s" reflects on the fragmented consultancy market from the late 1990s onwards. Whilst the most high-profile state assignments were still undertaken by "American" or "accountancy" firms (such as McKinsey's support in the target-setting and delivery of New Labour's public sector reforms during the second Blair administration), new market entrants specialising in outsourcing services were growing in influence (the "outsourcing generation"). Companies such as Serco and Capita began to form a novel relationship with the state to previous generations of consultancies. In this chapter, the work of the influential Prime Minister's Delivery Unit (itself a progenitor of Heath's Central Policy Review Staff and Thatcher's Efficiency Unit) and the work of outsourcing firms for local authorities are analysed in detail.[161] Where consultancies had hitherto largely confined themselves to *advisory* or *implementation* work, by the twenty-first century the outsourcing generation of consultancies commenced providing *service delivery* functions to the state, representing a significant discontinuity from historical precedent. By moving to providing state functions, rather than just advising on

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[160] See Chapter III: Automating, 1980s: Arthur Andersen and the Operational Strategy.
[161] Much of the work of the Prime Minister's Delivery Unit is detailed in the memoirs of the head of the Delivery Unit, Michael Barber, who later joined McKinsey & Company – Barber, *Instruction to Deliver*; the work of outsourcing firms, by contrast does not yet have its own history – yet.

how to provide them, the change brought about by the "outsourcing generation" raises materially different questions about the state-consultancy relationship than previous generations of consultancies had done.

The Conclusion draws together the chapters and considers the analytical questions and frameworks raised in the Introduction, as well as pointing to potential areas of future historical enquiry. This final section also answers the particularly salient contemporary question as to the overall benefit management consultancy firms have brought to the state and the broader question of what causes states to reform. In particular, two concepts – raised throughout the thesis – are explored at length which help to explain the rise of state consulting in this period: the "governmental sphere", where private and public agents discoursed on the best means of *governing* organisations; and the "hybrid state", where the boundaries between public and private blurred with respect to the operations and powers of the British state.

Throughout the chapters and appendices, tables are presented with samples from the unique database of consultancy assignments for the state which I have collated. This gives a greater sense of the scale and scope of the state-consulting relationship than the necessarily precise focus of the chapters can provide, and at the same time hopefully provides fertile research ground for future scholars. A selection of assignments are provided in each chapter, with the more detailed databases contained within Appendix B: Detailed selection of consultancy assignments by generation. Where appropriate, brief biographies of significant individuals are presented either in the text or in Appendix A: Key characters by chapter . Critical to understanding the rise of the "governmental sphere" is the development of networks in Britain which were interested in the practice of *governance*. These biographies provide important context to help understand the nature and origins of the networks.

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Methods and sources

"Even with full access to the original consultants' own and official records, what is critical is a frequently unrecorded story. The arguments at the time, over the proposals, conclusions, implementation and value received, between Departmental heads and Ministers, and with agencies, trade unions and local authorities, tended not to be filed [in the archives] if they would cause embarrassment."

Alcon Copisarow, November 7, 2010[162]

Worldwide Managing Director, McKinsey & Co. (1966-76), senior UK civil servant (1942-66)

Attention in this thesis is focussed on the largest consultancy firms; smaller firms and individual management consultants are largely excluded from the enquiry. There is simply insufficient space to give attention to them all. This has important repercussions for the conclusions reached. Small firms and individual consultancy practitioners form a substantial component of the consultancy industry, and the power dynamics between these agents and their clients is substantially different from those between clients and large, prestigious firms.[163]

This research relies heavily on five varied and distinct types of primary source: archival; oral history; gathered quantitative data; contemporary newspapers, company publications and trade reports; and official government reports. Each comes with their own challenges. For example, archival (either state or private) records may be incomplete or selective; oral histories can be incorrect or deliberately misleading; quantitative analysis necessitates assumptions to mask the lack of comprehensiveness in the datasets; contemporary newspaper articles, company publications and trade reports are unlikely to be wholly unbiased in their reporting; and official government reports, similarly, often have political agendas to meet. Yet I argue that the sum value of using these sources collectively far outstrips their challenges. These challenges are nonetheless important to acknowledge and address, and so below I consider each in turn.

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[162] Alcon Copisarow, letter to author, November 7, 2010. See Appendix for biography.
[163] For more on power and authority discourses in consultancy see Marsh, *The Feminine in Management Consulting*, 243.

For archival sources, my main focus has been on the official archives at The National Archives in Kew (in particular, cabinet papers and specific departmental papers). My initial methodological approach involved searching the digitised records (which also gives returns for other archives such as local government records offices, university archives, or certain organisations, such as the Tate) for terms such as "consultancy", "consultants", "management consultants" and variations thereof. This returned nearly 2,000 results and, for fear of missing out on an important discovery, I was thorough in checking each result. It is for this reason I have been able to construct the aforementioned database of consultancy assignments. From these 2,000 results, I was able to hone in on the most relevant files, consulting each in turn. Of course, by digging deeper into the archival materials more names, files, or references were unearthed which would lead me to consult further files in turn. As I outline below, however, such an approach did not seem sufficiently comprehensive given the new historical terrain which was being explored: several other archival institutions were consulted too.

An additional reason for this was that the archival sources of The National Archives appear to have been somewhat sanitised. Alcon Copisarow, who led several state assignments for the American consultancy firm McKinsey & Co. has viewed what remains of the documentation of his work in the National Archives and notes substantial omissions. As his quote demonstrates, this particularly relates to any documents which may have embarrassed the government or state officials.[164] By comparison, my review of management consultancy assignments in the Irish National Archives found in-depth descriptions by state officials of heated arguments and clashes with management consultants. For example, Brendan Earley, a senior official in the Department of Justice in Ireland wrote detailed notes to his colleagues (and to himself) on the actions of Michael McNamara, Partner-in-charge of Stokes, Kennedy, Crawley's, during the firm's

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[164] Alcon Copisarow, letters to author, between November 1, 2010 and May 1, 2011.

eighteenth-month long project on the reorganisation of the operating structure of the Garda Siochana. One memo recalls how in one meeting:

> Mr McNamara's manner was abrupt and unfriendly. When we were discussing the need for the application of cost-benefit principles...Mr McNamara's reply was "are you aware of the up-to-date thinking on cost-benefit?" but did not expand on this implication. (I have since ascertained from the Department's Cost Accountant that there has been no radical change in thinking in this area recently.) Long before that meeting I had come to the conclusion that the consultants were incompetent and that their examination and recommendations would be of no value.[165]

Similarly, my visit to the National Archives of Scotland found correspondence between consultants and civil servants engaging in social and personal communiqués including arranging joint holiday plans along with their partners.[166] Sadly, no such personal correspondence was found from my considerable trawl through the National Archives in Kew, though fascinating material still exists of a more formal nature; outline project terms of reference, correspondence regarding commercial arrangements, though only occasionally the actual project reports themselves. The lack of specific details on the *actual work* of the consultants – what they intended to do, how they did it, problems they encountered, and so forth – is, however, a significant impediment to this research. Where available, I have included such details throughout this thesis to give a sense of the day-to-day realities of consulting in postwar Britain. However, at best this thesis can only aim to give an indication of the work of the consultants; by contrast, there is more extant material on reactions to consulting contributions from politicians and civil servants, as well as the reasons for their employment.

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[165] National Archives of Ireland (hereafter NAI): 2006/132/245. "Brendan Earley memo to Mr Olden, March 25, 1976."

[166] See correspondence between Jimmy Robertson of the Scottish Office Computer Service and Leon Fuller of Arthur Andersen between 1976 and 1980 in National Archives of Scotland (hereafter NAS): SOE 5/66. "Review by Arthur Andersen and Company of Scottish Office Computer Services."

In this pursuit of breadth and depth, this research has been generated through visiting many other archives across the UK also; including the Bank of England, Oxford University, Bradford University, Churchill Archives, LSE Archives, Manchester People's History Museum, and the Warwick Modern Records Centre – as well as accessing professional services firms' archives, such as those of McKinsey & Company, in the US. In addition, a visit to the New York City Municipal Archives enabled a transatlantic point of reference to this research, uncovering dozens of studies for New York City undertaken by McKinsey & Company, Booz, Allen & Hamilton and the Boston Consulting Group in this period. In each archival visit, the value of digitised indexes for archives has been made abundantly clear; every archival visit of mine, where possible, was preceded with an online search of relevant files using key consultancy-related search terms. Management consultancy, to date, has not generated a rich vein of archival research and so there is great value to be had in mining as many archives as possible.

Consequently, considerable research has also been based on over thirty interviews and conversations with consultants, senior politicians (including secretaries of state and a prime minister) and state officials of the time. All interviews were conducted in adherence to research-related ethical considerations. Regarding methodological approaches, attention must be drawn to the fact that these interviews were from a necessarily self-selecting pool of individuals. Whilst I endeavoured to select interviewees with rigour, the very nature of interviews limits this. In terms of selecting civil servants and politicians for interviews, David and Gareth Butler's *British Political Facts* and other reference texts were invaluable in naming key individuals in the period.[167] For selecting consultants, this was done through a combination of spotting names appearing in source material and word-of-mouth (essentially, consultants recommending I speak to other consultants – thereby reinforcing any "network" effects). A combination of *Who's Who*, personal internet sites and social media channels such as *LinkedIn* might then provide me with contact

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[167] For more on reference texts, see Bibliography.

details for these individuals (if, of course, they were still alive or able to be interviewed freely). Whether individuals chose to respond to my request for interviews – which involved a standard script regarding the nature of the research, my institutional affiliation, and the method I would employ (telephone conversation or face-to-face meeting) – was entirely up to them. I was, during this process, reminded of Anthony Sampson's observation in 1962 that almost any senior figure in Britain he sought to interview granted him a hearing.[168] I, on the other hand, approached over one hundred individuals for interview and had a success rate of slightly less than one in three (which, before rereading Sampson, I felt was a rather good return). Once an interview took place (sometimes recorded electronically, other times not – for instance, a number of environments forbade this), I would then write this up and share with the interviewee to check for any factual errors.

It is also worth noting that of the interviews which did take place, a number took place in the gentlemen's member clubs of "Clubland" in Pall Mall, or similarly "elite" establishments. This gives an indication of the types of environments and networks which consultants and civil servants fraternised in. Copisarow reminisced that in 1971 he gained a high-profile assignment for McKinsey to review the management structure of Hong Kong whilst at the Athenaeum Club – the future governor of the province was a fellow Club member and approached Copisarow for help.[169]

As mentioned, to give a sense of the backgrounds of the key individuals of this history, biographies of all interviewees are included as an Appendix. I am particularly grateful for the time and hospitality of all those interviewed. (All dates, location and format of interviews are included in the footnotes.) There are of course problems associated with oral history; of

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[168] Sampson, *Anatomy of Britain*.
[169] Alcon Copisarow, interview with author, Athenaeum Club, London, February 16, 2011.

accuracy, bias, and misrepresentation.[170]   As such, oral histories are checked against official archival records or newspaper accounts as far as possible – these are reflected in the footnotes. In a bid to reconstruct this forgotten history the drawbacks of oral history are surely outweighed by the humanising effect it can provide.

It is hoped that the quantitative data compiled in this research will substantially enrich the scholarship on management consultancy in two ways. First, since the emergence of management consultants operating in the machinery of the state, several official government reports have tried and failed to quantify the scale and cost of public sector consultancy. The 1994 Efficiency Unit Report, which cost £210,000, concluded that "mapping this unchartered terrain was not a straightforward process, since we discovered that many Departments and Agencies did not hold information on their use of external consultants."[171] The report could only provide details of public expenditure on MCA members since 1985.[172] This thesis, using the archives of the MCA (which presumably the Efficiency Unit did not request access to – my review of the MCA's archives over the period of the report shows no correspondence requesting access), has succeeded in reconstructing all state activity by MCA firms from 1963 to 2013, and I have provided estimates for total public sector consultancy expenditure in this period too (see Figure 1). This longitudinal reconstruction of expenditure on consultancy has implications for historical and contemporary understandings of the multi-billion pound consultancy industry.   The openness and transparency of the MCA in this respect is a source of particular gratitude; their

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[170] For more on oral history, see Paul Richard Thompson, *The Edwardians: The Remaking of British Society*, 2nd ed. (London: Routledge, 1992), xiv-xvi and Elizabeth Tonkin, *Narrating Our Pasts* (Cambridge: Cambridge University Press, 1992).

[171] Efficiency Unit, *The Government's Use of External Consultants: An Efficiency Unit Scrutiny* (London: H.M.S.O., 1994), 1; ibid., 26. The lack of effective archival filing may not seem immediately surprising, but it is worth reflecting that the need to maintain a central register of consultancy assignments was explicitly stated in a 1965 memorandum by a Treasury working party, sent to all Permanent Secretaries, and one of the explicit tasks of the Civil Service Department – set up in 1968 – was to maintain such a database.

[172] The MCA's reaction to the report is chronicled in MCA: box 54. The Executive Director, Brian O'Rorke was interviewed on "The World Tonight" on BBC Radio 4 on August 4, 1994. O'Rorke concluded that the "report is…basically criticising the government and saying although consultants do a great job it could be even better."

archives have not been consulted for nearly twenty-five years, and never with a specific focus on state assignments. (Incidentally, the MCA initially did not feel it had an archive worthy of historical enquiry and was kindly concerned that my quest for material would be in vain. This emphatically has been proved not to be the case.) The data unearthed from the MCA archives are even more significant when one considers the well-acknowledged secrecy of the management consultancy industry.[173] Highlighting this point, this thesis has also benefited greatly from the recorded oral histories within McKinsey & Company's archive. But as Bill Price – keeper of the firm's archives – has noted, with the exception of the oral histories the archives have been entirely purged of client-sensitive information.[174] However, there are important caveats to be made with regards to the MCA data. The MCA has never been wholly representative of the British consultancy industry (see notes to Figure 1), and with the exception of AT Kearney, none of the major American consultancy firms operating in Britain have been members of the MCA. Thus whilst the MCA figures can be taken as a broad guide to the state of the UK consultancy industry, they are at best a proxy. This has implications in limiting our understanding of the generation of consultancy firms missing from the MCA – the Americans. These limitations must be kept in mind whenever MCA figures are quoted, not just in this thesis, but in government, academic and popular publications too.[175]

The second major contribution to academic enquiry into the state's relationship with external agents is found in tables in Appendix B. Here a selection of consultancy assignments in a variety of state bodies are provided. No database of this kind exists elsewhere, and the assignments included are merely a selection of the database that the author has assembled through substantial

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[173] See for instance David Craig, *Rip-Off!* (London: Original Book, 2005).

[174] Bill Price, Keeper of McKinsey & Company's archives, correspondence with author between October 1, 2011 and May 1, 2011.

[175] MCA member earnings are often quoted as representing the size of the UK consultancy industry in contemporary publications. See for instance Gill Plimmer, "Whitehall cuts consultancy bill by a third", *Financial Times*, May 1, 2011, accessed April 12, 2015, http://www.ft.com/cms/s/0/4dcc56c4-7433-11e0-b788-00144feabdc0.html#axzz3Sw4tZ5vq

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archival research and a combination of the other primary sources mentioned. It is hoped that this too will be useful for scholars of the subject, highlighting the extent of consultancy work in the period, as well as offering substantial opportunities for in-depth case study analysis. Again, though, there are important caveats to make regarding the database. State recording of consultancy projects was most detailed during the 1960s and 1970s, as responsibility for this rested with a single body, the Civil Service Department. However, when this was abolished in 1981, recording diminished in quality until it formally ceased in 1987 in any centrally co-ordinated manner, until restarting in the 2010s.[176] As such, the database is not a comprehensive list of all state consultancy assignments; it is merely as comprehensive a list as possible of all the *recorded* state consultancy assignments which my research has uncovered. For example, many of the assignments included in the database are for central government departments. This is not because the majority of public sector consultancy work was for government departments in this period. In fact, much more work was undertaken for local authorities, the NHS, arms-length bodies and the nationalised industries. However, central government work was internally recorded by the civil service whereas management consultancy work in ancillary bodies was not. Work in these central bodies has also been registered in government archives and elicited the most press attention. It is therefore central government assignments which have been easiest to recover and their histories to reconstruct. Contemporary publications, newspapers and journals have also been consulted extensively to support or challenge, as well as to enhance the understanding of the other sources used. Archives have also been used to populate the database, but the "thirty-year rule" inevitably means our understanding will increase with time. Finally, as public sector expenditure grew in scale throughout the twentieth-century, the emergence of supervisory bodies such as the Public Accounts Committee and National Audit Office frequently

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[176] "Changes in the public service since 1967," Parliament.UK, accessed August 18, 2015, http://www.publications.parliament.uk/pa/ld199798/ldselect/ldpubsrv/055/psrep07.htm.

reviewed the work of consultants. Their data, and conclusions, provide an important input into this history.

Chapter I: Planning, 1960s-1970s

In September 1965, a Treasury inter-departmental working party published a rather dry pamphlet entitled, "The use of Management Consultants."[177]   Circulated to all permanent secretaries by Laurence Helsby, Permanent Secretary of the Treasury, the publication advised departments on "when to use", "how to use", and "how to select" management consultants.[178]   The response from departments was muted. For instance, C.H.A. Duke, Under Secretary at the Ministry of Agriculture and Fisheries, expressed a degree of scepticism at the proposals, whilst acknowledging that the Treasury were encouraging the use of consultants. Duke commented to colleagues:

> I think we are all agreed that at the present time we can see no scope for the use of consultants in this Department. But on the other hand…there may be the odd occasion where they would be useful. I would not be in favour of an exploratory approach to the firms concerned at this stage as we might well find they get around our necks. I think the thing to do is to take note of the Treasury philosophy on this…and [review this] every six months or so.[179]

Despite Duke's underwhelming support, the document marked a turning point in the British state's relationship with management consultants. Whilst since 1945 government had possessed its own in-house consultancy – the Treasury "Organisation and Methods" team – the report was the first time the state had proactively facilitated, encouraged and recommended that departments consider the use of external consultants.[180]

The purpose of this chapter is to understand what caused this change by tracing the development of this relationship from the 1920s through to the 1970s, focusing on the critical

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[177] *O&M Bulletin* 21, no. 4 (1966): 173-184.
[178] TNA: MAF 331/45, "Use of Management Consultants by Goverment Deparments." Memo from W.G. Boss, October 25, 1965.
[179] TNA: MAF 331/45. Memo from C.H.A. Duke, November 29, 1965.
[180] Brech, Thomson, and Wilson, *Lyndall Urwick*, 213.

decades of the 1960s and 1970s. In doing so, five questions are addressed. Why did demand for management consultancy services emerge from the state in the mid-1960s? For what reasons were predominantly British consulting firms used up until the mid-1970s, over foreign – and in particular – American ones? Why were these firms approached for support, and what were reactions by the state to the use of these external agents? How does the state's use of British consulting firms during this period contribute to historiographical debates around planning, decline and the Americanisation of British approaches towards productivity? And finally, why did this generation of British consulting firms lose market pre-eminence? To answer these questions, this chapter covers the emergence of management consulting and scientific management thought in Britain in the first half of the twentieth-century; highlights the extent to which the British generation of consulting firms successfully established themselves in domestic and international markets; demonstrates how the concept of planning – popular in 1960s Britain – helped to facilitate the entry of consultants into the state market; and shows how Harold Wilson's distrust of the civil service gave consultants an opportunity to embed themselves in the workings of the state.

Scientific management and the emergence of management consulting in Britain

"The advisers of a republic and the counsellors of a prince are undoubtedly in a difficult position; for, unless they recommend the course which in their honest opinion will prove advantageous to that city or to that prince regardless of consequences, they fail to fulfil the duties of their office, while, if they recommend it, they are risking their lives and endangering their position, since all men in such matters are blind and judge advice to be good or bad according to its result."

Niccolò Machiaevelli, *The Discourses*[181]

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[181] Niccolò Machiavelli, Bernard Crick, and Leslie J. Walker, *The Discourses* (Harmondsworth: Penguin, 2003), 501.

The use of external advisory services by the state goes back much further than the twentieth-century. The advice of Aristotle of Stagira to Alexander the Great on approaches towards non-Greeks or the pronouncements coming out of the Orti Oricellari directed at the late fifteenth-century Florentine rulers could be deemed early forerunners of the work for states conducted by management consultants in the twentieth-century. In 1597, for instance, Francis Bacon wrote of the "inseparable conjunction of counsel with kings."[182] There was not uniform support for this state of affairs, however. Whilst Bacon praised the value which external advisors brought through "the wise and politic use of counsel" in his essay "Of Counsel", he also acknowledged its drawbacks – especially "the danger of being unfaithfully counselled."[183] Here, Bacon was invoking long running suspicions of external advisors, warned of by both Aristotle and Erasmus. Thomas Hobbes argued that accountability ultimately rested with the decision-maker (king), not the counsellor. Machiavelli's quote decried the misfortune that may befall those who gave counsel. As the historian Christopher McKenna has noted, "this pattern of pragmatic acceptance of the value of advisors, twinned with persistent concerns over their intensely political nature, has characterised the perception of professional and administrative expertise for more than 400 years."[184]

In Britain, the first recognisably professional (as opposed to merely counselling) advice to the state occurred in the early eighteenth-century when Charles Snell was asked by Parliament to investigate the financial affairs of a business belonging to a director of the South Sea Company.[185] It is unsurprising that this emergent use of external professional service coincided with increased spending on the administrative functions of the newly formed Union of England

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[182] Cited in McKenna, *World's Newest Profession*, 11.

[183] Francis Bacon, *Essays, Civil and Moral* (New York: P.F. Collier & Son, 1909), XX, Of Counsel.

[184] McKenna, *World's Newest Profession*, 11.

[185] Derek Matthews, Malcolm Anderson, and J. R. Edwards, *The Priesthood of Industry: The Rise of the Professional Accountant in Business Management* (Oxford: Oxford University Press, 1998), 121.

and Scotland.[186]   Following the Victorian "growth of government", engineers were frequently

called upon by the state, highlighted by the industrialist William Armstrong's work in the

ordnance factories.[187]   Around the turn of the twentieth-century the use of external experts

became more common; William Beveridge joined the Board of Trade in 1908 in an advisory role

and efficiency experts were used in the rationalization schemes of the interwar years.[188]   The

historian J.I. Grieves has shown that Eric Geddes, strongly influenced by scientific and analytical

management techniques, undertook several independent consulting roles for the state both

during the First World War and in the 1930s for the Lancashire Cotton Corporation.[189]   In the

1940s Stafford Cripps used consultants for a high-profile state-sponsored assignment on

efficiency in cotton mills, and there was use of consultants by the Conservatives during the 1950s

too.[190]   Michael Weatherburn has demonstrated how British consultancy firms specialising in

work measurement techniques were used extensively by the Ministry of Aircraft Production,

Ministry of Supply, Royal Ordnance Factories and National Filing Factories during the Second

World War.[191]   However, despite the development of a recognisably professional management

consultancy industry in Britain in the 1920s, what differentiates the pre-1960s period and after is

the formalisation of the use of management consultants by the state in the 1960s.   This use was

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[186] For this data, see ukpublicspending.co.uk, Last accessed: August 27, 2015, http://www.ukpublicspending.co.uk/

[187] For a more general discussion on this see: Chris Otter, *The Victorian Eye: A Political History of Light and Vision in Britain, 1800-1910* (Chicago, Ill. ; London: University of Chicago Press, 2008), 12-14.

[188] See Jose Harris, *William Beveridge: A Biography* (Oxford: Clarendon Press, 1977), 136-40; Peter Hennessy, *Whitehall*, Rev. ed. (London: Pimlico, 2001), 53-56; for more on the use of experts for the rationalisation schemes in the interwar years see J.H. Bamberg, "The Rationalization of the British Cotton Industry in the Interwar Years", *Textile History* 19, no. 1 (1988): 83-102 and J.I. Greaves, "'Visible Hands' and the Rationalization of the British Cotton Industry, 1925-1932", *Textile History* 31, no.1 (2000): 102-122.   Intriguingly, in the interwar cotton rationalization schemes the government placed responsibility for the programme under the Bank of England.   Facing increasing competition from Japanese and Indian trade, under Governor Norman Montagu the Bank put pressure on cotton factories to form horizontal mergers – the most famous being the creation of the Lancashire Cotton Corporation in 1929. Management consultants do not appear to have been used extensively in these interwar schemes, which have been the subject of considerable retrospective criticism.

[189] Keith Grieves, *Sir Eric Geddes: Business and Government in War and Peace* (Manchester: Manchester University Press, 1989), ix-xi.

[190] See Table 16.

[191] Weatherburn, "Scientific Management".

no longer ad hoc in nature; explicit processes and mechanisms were set up by the state to facilitate the procurement of consultancy firms.

To understand these developments, first one must trace the emergence of consultancy. Consultancy first appeared in Britain when a number of individual practitioners primarily from engineering backgrounds began to offer "consultancy" services to businesses in the late nineteenth-century; these – such as the work of Geddes or the engineer Alexander Hamilton Church – were largely concerned with increasing worker productivity and efficiency and improving cost accounting in organisations. Church, for instance, reorganised the "costing and financial accounting methods" and improved the "management methods" of the B.&S. Massey Company in Manchester around the turn of the century.[192] State interest in scientific management reached new heights in the First World War. On January 5, 1917, a Directorate of Labour was established to coordinate the work of 400,000 unskilled and semiskilled labourers. The Directorate was run by Colonel E.G. Wace, an arch adherent of the principles of Frederick Winslow Taylor.[193] Taylor, a mechanical engineer from Philadelphia, enshrined the concept of "scientific management" in his influential 1911 monograph *The Principles of Scientific Management*.[194] This was concerned with standardisation and improving production efficiency through conducting shop-floor audits and incentivising workers through rewards payments.

Despite this early interest in Taylorism in the First World War, a large body of historiography has emerged which claims that in the interwar period, British industry in general rejected Taylorism.[195] The claim is made that whilst Europe embraced Taylorism, Britain did not.[196]

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[192] Ferguson, *The Rise of Management Consulting*, 26-27.
[193] Nicholas J. Griffin, "Scientific Management in the Direction of Britain's Military Labour Establishment During World War I," *Military Affairs* 42 no. 4 (1978): 197-198.
[194] Frederick Winslow Taylor, *The Principles of Scientific Management* (New York: Harper, 1911).
[195] See Kevin Whitston, "The Reception of Scientific Management by British Engineers, 1890-1914" *The Business History Review* 71, no. 2 (Summer, 1997): 207-229.
[196] Charles S. Maier, "Between Taylorism and Technocracy," *Journal of Contemporary History* 5, no. 2 (1970): 27.

British elites were supposedly "antimodernist", whilst trade unions were hostile to the concept.[197] Yet the emergence of consulting in the interwar period provides a stark challenge to this received wisdom. The first recognisably professional consultancy outfit was set up in London by the American-naturalized Frenchman Charles Eugène Bedaux in the mid-1920s.[198] Bedaux's offering was firmly grounded in the scientific management movement spearheaded by Taylor.[199] The Bedaux Company emerged against a backdrop of growing interest in management theory highlighted by the Liberal Party's *Yellow Book* of 1927 which called for the formation of an institute of management, and the World Economic Conference in Geneva (1927) where the concept of "rationalisation" was proclaimed as a revolutionary tool of systematic management.[200] In this period a number of British consultancy firms were set up, many with direct links to Bedaux (see Figure 2). One of the first of these (which did not have Bedaux connections) was Harold Whitehead and Staff Limited, formed in 1929. The Whitehead Company was concerned with salesmanship, sales management and marketing.[201] One of the earliest known consulting assignments for a state body was undertaken by the Whitehead Company for the Post Office in the company's inaugural year, providing advice on business organisation and sales training.[202]

During the 1930s, Bedaux left an indelible imprint on the development of consulting in Britain. Inspired by the pioneering work on scientific management by Taylor and Frank and Lillian Gilbreth, Bedaux set up his first consultancy in the United States in 1916.[203] Bedaux's offering to American factories became known as the "B unit" – a method which built on the Gilbreths'

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[197] See Mauro F. Guillén, *Models of Management : Work, Authority and Organization in a Comparative Perspective* (University of Chicago Press, 1994), 264.
[198] Ferguson, *The Rise of Management Consulting*, 41.
[199] Ibid., 254; see *Principles of Scientific Management*
[200] Feruson, *The Rise of Management Consulting*, 14.
[201] Ibid., 75.
[202] Tisdall, *Agents of Change:*, 23.
[203] Kipping, "American Management Consulting Companies in Western Europe," *The Business History Review* 73, no. 2 (1999): 198.

concept of rest allowance and standardized human labour into a single unit of measurement.[204] By measuring the output of workers, the "B unit" encouraged factory managers to incentivize workers to maximise their output via a payment-by-results system.[205] *Pace* the historiography on the resistance of British industrialists to Taylorist techniques, Bedaux opened his first office in London in 1926 at Bush House, Aldwych, and by 1931, 30 plants in the British Isles had adopted the "B unit" system, rising to 225 plants in 1937.[206] This represented a not inconsiderable penetration of plants: to contextualise, between 1932 and 1938 there were an estimated 1,400 plants in Greater London.[207]

Figure 2: The origins of the 'Big Four'[208]

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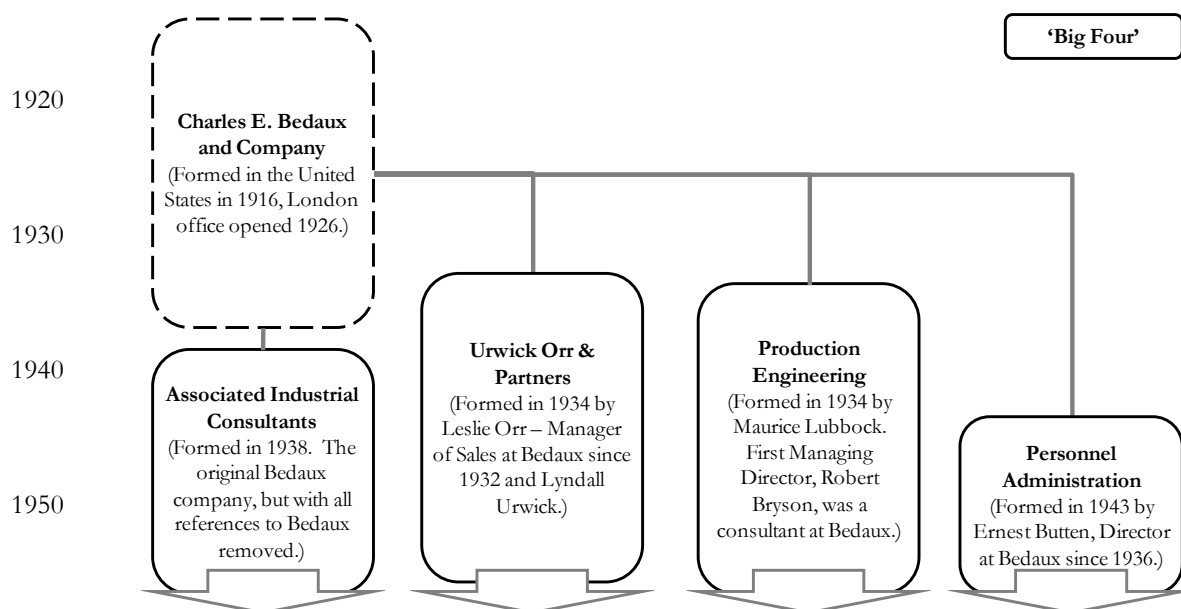
[204] Tisdall, *Agents of Change*, 25.

[205] Ferguson, *The Rise of Management Consulting*, 44-54.

[206] For British resistance to Taylorism, see Aaron Lawrence Levine, *Industrial Retardation in Britain, 1880-1914* (London: Weidenfeld & Nicolson, 1967), 60-61; Laura Lee Downs, "Industrial Decline, Rationalisation and Equal Pay: The Bedaux Strike at Rover Automobile Company," *Social History* 15, no. 1 (1990): 45-73; the rejection of the Bedaux system at Rover Co. in 1930 is described in Wayne Lewchuk, "Fordism and British Motor Car Employers, 1896-1932," in Howard F. Gospel and Craig R. Littler eds., *Managerial Strategies and Industrial Relations* (London: Heinemann, 1983), 82-110; the adoption of the "B unit" system in Britain is described in *Kipping*, "American Management Consulting Companies," 198.

[207] Number of plants taken from Peter Scott, *Triumph of the South: A Regional Economic History of Early Twentieth Century Britain* (Aldershot: Ashgate, 2007), 105.

[208] Dates and connections derived from *Kipping*, "American Management Consulting Companies", 201-203.

As we shall see, Bedaux is critical to the history of management consultancy and the state in Britain because as Figure 2 shows, by the 1960s each of the four major British consulting firms had their origins in the Bedaux Company. These firms – known collectively as the "Big Four" – dominated the consulting market in Britain in the 1950s to the extent that in 1956 they accounted for three-quarters of total British consulting revenues (estimated at £4m) and consulting staff (which totalled 1,000).[209] See Table 16 for state consulting assignments undertaken by British firms during this period.

Politicians actively pursued policies for improving productivity after the war using management consultants. In 1942 Stafford Cripps, when Minister of Aircraft Production and a member of the wartime coalition, set up the Production Efficiency Board and invited leading consultants of the day, including Anne Shaw (who had set up the Anne Shaw Organisation consultancy), to sit on its Council. The Board funded a £150,000 grants scheme for businesses to use consultancy firms which continued until 1947.[210] In 1947 Cripps, now serving in the Labour administration, also set up the British Institute of Management, again inviting leading consultants such as Urwick to sit on its first Council, which kept a register of all British consultancy firms and encouraged industrial organisations to use them.[211] Working in conjunction with the Cotton Board, Cripps also instigated a high-profile project using the British consultancy firm Production Engineering in the Musgrave cotton mills in Lancashire. Its results, which led to an increase in production per man hour by thirty-nine per cent whilst reducing the number of operatives by twenty-one per cent, were proclaimed across national newspapers as further evidence of the role management consultants could play in increasing productivity in Britain. *The Times* even expressly endorsed the use of consultants to generate further improvements, with an editorial stating: "what is needed more than anything else is a rapid increase in the number of persons with practical

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[209] Tisdall, *Agents of Change*, 9.
[210] Ibid., 26.
[211] Ibid., 9; the BIM register is available at the Warwick Modern Records Centre, "British Institute of Management," MSS. 200/F/T3/25/6.

experience [in this field]…there may be room here for a training scheme [with] which perhaps the industrial consultants and the principal technical institutes might be associated."[212]

Despite the opposing claims of the historians Corelli Barnett, and Stephen Broadberry and Nicholas Crafts, it is hard to argue that Clement Attlee's Labour government of 1945-1951 was not deeply concerned with achieving economic efficiency.[213] The state-sponsored use of British consulting firms in this period which sought to increase productivity in the private sector demonstrates this. Yet, with a change of government, state interest in management consultancy in the 1950s seemed to cool, supporting the economic historian Jim Tomlinson's claims that the Conservatives had a rather sceptical approach to "modernisation".[214] Nevertheless some notable work was undertaken by management consultants in this period which shows that the influence and standing of the profession continued to grow. In 1952 the Colonial Office hired Urwick Orr & Partners to reorganise – in its entirety – the government and governance of Britain's Singapore colony, which it had reclaimed from the Japanese in 1945. Over two years and 29 reports, Urwicks advised on diverse topics including foreign exchange control, the "formation of the department of commerce and production", receipt and payments procedures to government, land and office revenue collection, an index of taxpayers, and electoral registration.[215] Urwicks also undertook an assignment for the British Transport Commission to improve the morale and training of staff in the North Eastern Region which lasted from 1960 to 1965.[216] A consortium

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[212] See for instance "Deployment of Cotton Workers," *The Times*, April 1, 1948, 2.

[213] For more on this debate, see Jim Tomlinson, "Understanding Mr. Attlee: the Economic Policies of the Labour Government, 1945-51," *ReFresh* 27 (1998): 1-4; Another fascinating case study on this is the work of Ian Mikardo, a Labour MP who in this period forwarded the concept of 'radical productionism' – which sought to increase unions' understanding of management in order to improve productive efficiency. For more on this see Nick Tiratsoo and Jim Tomlinson, *Industrial Efficiency and State Intervention: Labour 1939-51* (London: LSE/Routledge, 1993), 124-25.

[214] See for instance, Jim Tomlinson "Conservative Modernisation: Too little, too late?", *Contemporary British History* 11, no. 3 (1997): 18-38.

[215] See TNA: CO 1022/314-316. "Reports on the reorganisation of Government administration in Singapore by Urwick, Orr & Partners".

[216] TNA: AN174/1196. "Training programme in collaboration with Messrs Urwick, Orr & Partners Limited and North Eastern Region." Urwicks' work demonstrates how consulting assignments were won in this period. In 1960, Urwicks undertook a free piece of consultancy work "to review the present

of firms from the recently formed Management Consultants Association (1956) – the trade association for management consultancy firms in Britain which initially comprised of just the "Big Four" British firms – was successful in winning a series of high-profile assignments for government bodies. As described in the Introduction, in the late 1950s, the consortium carried out several studies into improving productivity in administrative areas such as utilities and cleaning in a number of hospitals for the Ministry of Health. The response from the Ministry was underwhelming. The Minister of Health, Derek Walker-Smith noted apologetically to Rolf Cunliffe, Treasurer and Chairman of the Board at Guy's Hospital (one of the hospitals involved in the study), "As you know, I am keenly interested in all activities which can promote efficiency in hospital services…[though] the present exercise may not have produced all we should have liked."[217] Cunliffe was not opposed to the use of consultants *per se*, merely concerned that the "industrial experience" of the MCA consultants was not well tailored to understanding hospital services.[218] The project nonetheless highlighted the MCA's ability to make itself and its services known to key state officials.[219] Indeed, in the seven years to 1963 the then nine MCA member firms recorded over 178 different local authorities as their clients.[220] Significantly though, no substantial quantities of work were recorded for any central government departments.

As we shall see, a key difference between the pre-mid-1960s period and after is that in the latter period the state actively encouraged the use of management consultancy firms on a regular basis, whereas before it had done so on a piecemeal one. In 1965 the Treasury released the aforementioned "Code of the Practice on the Use of Management Consultants in Government

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training methods and to study personnel arrangements relating to traffic grades at station level" for the North Eastern Region of British Railways. The General Manager of the region, H.A. Short, thought the report "of a high order and 'pulls no punches'" and forwarded it, with "pleasure" to A.R. Dunbar, Manpower Adviser at the British Transport Commission. On the basis of Short's encouragement, Dunbar proceeded to hire Urwicks – this time for a fee – to improve the training quality and morale of staff across the North Eastern Region. See H.A. Short memo to A.R. Dunbar, "My dear Dunbar…" February 23, 1960.

[217] TNA: MH/427. Walker-Smith memo to Cunliffe, 13 May 1960

[218] Ibid. Cunliffe to Walker-Smith, 19 May 1960.

[219] See TNA: MH/427; TNA: MH/428.

[220] Calculated by author from company annual returns in MCA: box 22.

Departments", and in 1968 a government department – the Civil Service Department – was established with a remit to act as a conduit between government and management consultancy firms.[221] Thus the arrival of management consultancy into the state was effectively facilitated and sanctioned in the turning point of the mid-1960s.

The rise of the British generation

"I have the highest regard for the work of management consultants in this country."[222]

Henry Brooke, Chief Secretary to the Treasury and Paymaster General

House of Commons, May 17, 1962

Late on Valentine's Day 1944, Charles Eugène Bedaux committed suicide whilst under detention in Miami, Florida on suspicion of treason.[223] It was an ignominious end to the life of one of the most significant characters in the development of management consultancy not only in Britain, but globally. By the mid-1960s, though in decline, the British generation of consultancies had market pre-eminence. In 1967, the Big Four accounted for around 76 per cent of the total MCA consulting revenues but by 1974 this figure was down to 58 per cent and dropping.[224] Nevertheless, with regards to work for the state, the Big Four represented two-thirds of all consulting assignments for state bodies (188 in total) in 1967, and as such, attention focuses on these firms throughout this section (see Table 3).[225]

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[221] An abridged version of the report is available in *O&M Bulletin* 21, no. 4 (HM Treasury, 1966), 173-184.
[222] House of Commons debate, *Government Departments (Organisation and Structure)*, May 17, 1962, vol 659 cc1512-1522.
[223] "Charles Bedaux Dead: Suicide While in Custody," *The Times*, February 20, 1944. An American citizen, Bedaux was arrested on suspicion of assisting Nazi and Vichy officials; amongst various suspected offences, he was accused of passing sensitive American information to the Nazi regime from the files of the Bedaux Company in Amsterdam. He died from a large overdose of sleeping tablets.
[224] Based on data derived by the author from MCA archives. 1967 figures are based on company returns for annual revenues, MCA: box 23. 1974 figures are based on company returns found in MCA: box 22.
[225] Data derived by the author from MCA archives. Member firms were asked to give annual returns on their consultancy assignments, broken down by the Board of Trade's Standard Industrial Classification

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Table 2: Income of the Big Four[226]

Big Four	Total income (UK and overseas), £m			% of total MCA income		
	1967	1979	1984	1967	1979	1984
Associated Industrial Consultants	2.7	6.4	11.6	22%	12%	10%
Personnel Administration*	3.1	n/a	n/a	25%	n/a	n/a
Production Engineering	1.7	4.8	5.0	14%	8%	4%
Urwick Orr & Partners**	1.9	4.1	defunct	15%	8%	defunct
Total	**9.5**	**15.3**	**16.6**	**76%**	**27%**	**14%**

Amidst an era of "high-Keynesian" pursuit of demand-side measures to combat perceived economic decline, the quest for improved industrial productivity and competitiveness that Britain embarked upon in the 1960s was by no means guaranteed to lead to the use of the British generation of management consultants (or any management consultants, for that matter).[227] But, though unnoticed by historians, management consultancy could position itself as the answer to British decline because it was already a fast-growing and increasingly respected industry. By 1962 a staggering 91 per cent of the 119 largest industrial companies in Britain (those with over £10 million issued capital) were clients of the Big Four.[228] In the same year the MCA Chairman Ernest Butten (of PA Management Consultants) wrote in the *Financial Times* and *The Times* that:

> The 1960 Economic Survey of the United Nations shows the UK's annual rate of growth from 1950 to 1959 at only 2.5 per cent. This is an intolerable state of affairs – and an unnecessary one. Members of MCA firms know from experience what can be achieved in terms of increased output by the application of modern

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system. Here, the classification "Public administration and defence" is used as a proxy for state bodies. MCA: box 23.

[226] Notes:

* PA Management Consultants left the Management Consultants Association in 1975.

** Urwick, Orr & Partners was bought by Price Waterhouse for £500,000 in 1984. Source: "Idealism was not enough," *Financial Times*, June 25, 1984.

[227] Middleton, *The British Economy since 1945: Engaging with the Debate*, 88.

[228] *MCA Annual Report*, 1962.

management methods – and they know it is measured in terms of 10 per cent or 20 per cent, not in terms of 1 per cent or 2 per cent. To achieve this goal, however, three things are needed. First a proper government plan for efficiency and growth. Next, a genuine determination by management to set its house in order. Then, a readiness on the part of organised labour to eliminate all forms of restrictive practice.[229]

As the Chairman of the trade association of an up and coming industry, Butten's views carried some weight.[230]

Though Kipping has stressed the American origins of the Big Four, in practice these firms were at pains to point out their British identity and downplay their transatlantic heritage.[231] All Bedaux references were dropped when Associated Industrial Consultants was formed in 1938.[232] When representatives of three of the Big Four firms addressed the Royal Commission on Trade Unions and Employers' Associations as expert witnesses in December 1966, Brian Smith – Managing Director of PA Management Consultants – emphasised that "[in the forty years since Charles Bedaux] British consultancy has grown into an honoured profession...achieving results in a very much more ethical manner than Bedaux did."[233] And in 1968, in disgust at the American firm McKinsey & Co. being awarded an assignment at the bastion of Britishness, the Bank of England, Eric Lubbock MP – a former Production Engineering consultant – forced a debate in the House of Commons questioning why an American firm was chosen over a British one for the contract.[234] Whilst like all consulting firms the Big Four offered a portfolio of services, the

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[229] "Management Consultants Association," *Financial Times*, March 23, 1962, 4; "Management Consultants Association: Contribution to Higher Productivity," *The Times*, March 22, 1962, 20.
[230] *MCA Annual Report*, 1962.
[231] See Kipping, "American Management Consulting Companies", 201-202.
[232] Although political and commercial expediency also played a part here. Charles Bedaux was effectively *persona non grata* by the late 1930s in Britain, as described in footnote 223. Further details are in *Tisdall*, Agents of Change, 8; and *The Times*, February 20, 1944.
[233] TNA: LAB 28/16/15, "Royal Commission on Trade Unions and Employers' Association", December 6, 1966.
[234] House of Commons debate, *Public Bodies (United States Management Consultants)*, November 27, 1968, vol 774 cc 682-692; Eric Lubbock, Baron Avebury, correspondence with author between February 15 and February 27, 2011. See Appendix A for biography.

majority of their work was in "production" (47 per cent of combined Big Four revenues in 1967) and "finance and administration" (22 per cent of combined 1967 revenues) – see Table 4.[235] The work which these firms specialised in was very much born of their Taylorist and scientific management heritage. This contrasted sharply with the services delivered by the consultancy firms of American and accountancy origins, strategic reorganisation and computerisation, respectively. The question is therefore, why did a particularly British form of consulting hold pre-eminence for some time in the 1960s, as the country sought to address the problems of economic decline which had entered the public consciousness in the 1950s? The answer has much to do with the social context of the period. As Peter Mandler has written: "The late 1950s and early 1960s were years of growing cultural division and national self-criticism."[236] It is important to note here that this was not true of the 1940s (for examples of British self-confidence, one only needs to look at the creation of nationalised industries or institutions such as the National Health Service, British European Airways, British Transport Commission, National Coal Board, British Iron and Steel Corporation, Festival of Britain and Arts Council of Great Britain in this period).[237] And also, that this "*growing…*national criticism" was a process. For much of this time, British consultants were highly successful domestically and internationally; their fall from favour should be attributed as much to the subtle nuances of perceived national decline as to whether international competitors – especially American consulting firms – were simply better than them.

This feeds into an important historiographical debate. Much – such as the work of the economic historian Alan Booth – has been written on the extent to which American ideas around productivity and scientific management entered Britain in the first half of the twentieth-

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[235] Derived by author from company returns. MCA: box 23.

[236] Peter Mandler, *The English National Character* (London: Yale University Press, 2006), 215.

[237] Ibid., 214.

century.[238] More broadly the "Americanisation" thesis has gained academic credence, and largely

pinpoints the Second World War as a turning point in growing American influence.[239] Yet there

is a subtle riposte to this, which has most likely been ignored as it does not fit into the "declinist"

narrative: by the early 1960s, British consulting firms were highly successful internationally. By

1962, 37 per cent of the top hundred largest American companies were clients of the eight – all

British – Management Consultants Association (MCA) member firms.[240] And management

consultancy as a sector contributed £1.5m to Britain's balance-of-payments through its overseas

work. The work of consultants gained notable media attention. Lyndall Urwick's advice to the

US Army in 1938 that "continuous training" was needed to improve quality and morale in the

forces was featured in *The New York Times*.[241] In March 1964, the forecasts of Alec Houseman, a

director at Production Engineering Limited, that the Japanese food market (rising from an

estimated market size of $600 million in 1963) would soon be demanding more American foods

made US media headlines too.[242] This is chronologically significant, because at the same time as

British government departments had begun looking to American firms such as McKinsey &

Company for international advice (see Chapter II), America was doing precisely the reverse.

Despite MCA restrictions prohibiting consultancy member firms from formally advertising their

services, the MCA – in its role as a trade association – ensured consultancy was a well-promoted

service.[243] Letters to newspaper editorials from directors of the Big Four, such as Ernest

Butten's aforementioned pieces in the *Financial Times* and *The Times*, attest to this.

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[238] Alan Booth, *The management of technical change: automation in the UK and USA since 1950* (Basingstoke: Palgrave Macmillan, 2007). Of course, even more has been written on how American culture was transported in this period. For Hollywood, jazz and finance, see Phillip Blom, *Fracture: Life & Culture in the West, 1918-1938* (New York: Basic Books, 2015).
[239] See for instance Victoria De Grazia, *Irresistible Empire* (Cambridge, Mass.: Belknap, 2005).
[240] *MCA Annual Report*, 1962.
[241] "Army Idea Urged in Personnel Work; Continuous Training advised by Major Urwick," *New York Times*, October 6, 1938.
[242] "Gain Seen in Japan for U.S. Food Sales," *New York Times*, March 30, 1964.
[243] According to Patricia Tisdall in 1982, "consultants trace a dislike of full-blooded advertising to the reaction of the institute of Chartered Accounts (ICA) against the sales tactics used by George S. May, in

The bewildering growth rates of the industry – averaging 13 per cent nominal growth per annum from the MCA's foundation in 1956 to 1964, when total MCA annual revenues stood at £9.2 million – attracted considerable positive attention from parliamentarians.[244] Significantly, this interest came from all sides of the house. In 1962 the Conservative Roger Gresham Cooke pointedly asked the Treasury Secretary Sir Edward Boyle: "would it not be advantageous to the Government...to bring in outside management consultants?"[245] Two years later the Minister of Labour, Raymond Gunter (a Labour parliamentarian) proclaimed his certainty that "the special expertise and the concentrated attention which the consultant can offer to hard-pressed management can be of vital importance in tackling problems of labour utilisation."[246] And in 1966 the Liberal MP and former consultant Eric Lubbock urged the Minister of Transport to appoint consultants to settle a pay dispute.[247] On each occasion members of the House were referring to the British generation of consultancy firms, and the work they could do in either the nationalised industries or government departments (see Table 16 for further examples of work undertaken). These three incidents were far from isolated. Between 1964 and 1970, the use of "management consultants" by government departments and bodies was discussed on no fewer than thirty-two separate occasions in debates in the Commons or Lords; with one exception, always in positive terms.[248] (The exception was when in 1969 Keith Joseph (Conservative) attacked the President of the Board of Trade's "beloved management consultancy" in reference to the Board's proposed £15 million consultancy grants scheme.[249] This would prove to be somewhat ironic as three years later as Secretary of State for Social Services Joseph would hire the American consultants McKinsey & Co. to help devise a new management structure for the

1961" which led to a High Court tribunal case against an employee of the firm "for acts or defaults discreditable to a member of the ICA…[through] offering services by advertising." *Agents of Change*, 1, 64-65.

[244] *MCA Annual Report*, 1985.

[245] House of Commons (HoC) debate, *Organisation and Methods Staff*, June 29, 1962, vol 661 cc929.

[246] HoC debate, *Debate on the Fourth Address*, November 6, 1964, vol 701 cc555.

[247] HoC debate, *Labour Relations (Negotiating Machinery)*, February 18, 1966, vol 724 cc321-322.

[248] From author analysis of *Hansard* coverage.

[249] HoC debate, *Budget Resolutions and Economic Situation*, March 17, 1969, vol 781 cc1372.

National Health Service at a cost of £250,000 – see Chapter II.[250]) British management

consultants were more than willing to rise to the challenge of reversing economic decline. As

Hamish Donaldson was told at his training sessions at Urwick Orr & Partners in 1966:

> A good consultant can go into any medium sized organisation, improve the output
> and, at the same time, reduce costs by 10 per cent. A good consultant can go into
> any Government (or quasi-government) organisation and improve the output and,
> at the same time, reduce costs by 25 per cent.[251]

Consequently, even if the work which British consultancy firms undertook did not carry the

same prestige or weight as those of the American firms, these firms were nevertheless well-

known to state officials. This is significant, because as government policy became increasingly

dirigiste in nature in the early 1960s, British consultants had a sufficiently well-regarded reputation

to position themselves as being not only relevant, but vital to the modernisation of Britain.

Putting planning in the state

"Government policy planning in the economic field – regardless of the political party in power –
is accepted these days as an essential function of modern government. It was not by chance that
during the year under review there was a marked increase in the work of member firms of the
Association for government departments. We regard this considerable expansion of work for
government departments and nationalised industries as a significant feature of the year's
work."[252]

MCA, *Annual Report*, 1965

As Glen O'Hara has persuasively argued, "if there was one concept at the heart of the raised

expectations...of British politics in the 1960s, it was 'planning'."[253] In many ways, the emergence

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[250] "Mr Ennals scorns idea of "taxing sick" to save NHS," *The Times*, January 25, 1977.
[251] Hamish Donaldson, correspondence with author between March 3, 2011 and April 4, 2011. See Appendix for biography.
[252] *MCA Annual Report*, 1965.
[253] O'Hara, *From Dreams to Disillusionment*, 1. This is not to say that "planning" was not influential in earlier decades too, as has been shown for the 1930s in Britain in Daniel Ritschel, *The Politics of Planning:*

of planning was the critical factor in the rise of British consultancy firms as a tool of government policy. The overwhelming number of planning arrangements developed in the space of a few years overstretched the existing machinery of the state. Since Chancellor Selwyn Lloyd announced in his "little budget" of July 1961 that: "I am not frightened of the word [planning]...the time has come for better co-ordination of various [government] activities", a substantial number of planning arrangements or planning bodies were erected in bipartisan support for the concept.[254] The tripartite National Economic Development Council (1962), Hospital Plan (1962), Local Health and Welfare Plan (1963), National Plan (1965), Housing Plan (1965) and numerous regional plans and public expenditure surveys were all born amidst this planning boom.[255] The chronology of interest in planning is significant. Existing accounts of the entry of management consultants into the state stress the importance of the arrival of Harold Wilson at Downing Street.[256] However the fact that interest in planning pre-dates Wilson highlights how broader trends and pressures in the period were greater than any political figures in driving state reform and therefore the use of consultants.

Planning – described by the Department of Economic Affairs (DEA) as "specific targets, agreed with unions and employers, to bring about consistent growth" – was the bread and butter work of most members of the MCA.[257] According to the MCA's annual reports from 1963 and 1964, "the majority of members' work is concerned with the study of planning and organisation in all levels of industry and commerce" and "over the last 35 years we have had considerable success

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The Debate on Economic Planning in Britain in the 1930s (Oxford: Oxford University Press, 1997), but it was in the 1960s that the concept became most influential.

[254] HoC debate, *Mr Selwyn Lloyd's Statement*, July 25, 1961, vol 645, cc 220-221.

[255] Astrid Ringe and Neil Rollings, "Responding to relative economic decline: the creation of the National Economic Development Council," *Economic History Review* 2, (2000): 332; O'Hara, *From Dreams to Disillusionment*, 1-2.

[256] Saint-Martin, *Building the New Managerialist State*, 72.

[257] Quoted in Andrew Blick, "Harold Wilson, Labour and the Machinery of Government", in *The Wilson Governments 1964-1970 Reconsidered*, Glen O'Hara and Helen Parr eds. (London: Routledge, 2006), 43.

in co-operation with management and labour."[258] As Table 4 and Table 5 and the accompanying notes demonstrate, planning featured heavily in all aspects of the service lines undertaken by the British generation: five of the seven service lines they offered relating to "planning" (see footnote 260). In this respect, the work of the consultants operated on two related, but distinct, definitions of "planning". The first, was on a macro-level. The Big Four, for instance, sought to help improve the efficiency or output of the sectors in which they support their clients through setting targets and agreed goals. The second, was on a micro-level. The British consultants also support individual organisations such as factories to increase their output through professionalising the operations of the organisation. It is the first of these definitions which is the focus of this chapter.

It is also worth noting two other issues regarding the service lines. First, the relative homogeneity of the Big Four. In 1967, their work was broadly split along similar lines; only Associated Industrial Consultants appeared slightly different, with less of a focus on "Company development and policy formation" than peers, and a greater emphasis on "Finance and administration". The second noteworthy point is how fluid the industry was. In the space of just seven years, two new service lines appeared for the Big Four, and the companies changed in nature. Production Engineering led the way in "Management information systems and electronic data processing", for instance, and Associated Industrial Consultants radically increased its share of work along the lines of "Personnel management and selection" to the detriment of its share of "Production management" work. The Big Four, in short, offered fluid and rapidly changing service lines.

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[258] *MCA Annual Report*, 1963; *MCA Annual Report*, 1964.

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Table 3: Big Four company revenue split by service line as a % of MCA total (UK only), 1967[259]

1967

Big Four	Company development and policy formation	Production	Marketing	Finance and administration	Personnel and management development
Associated Industrial Consultants	3%	46%	8%	38%	4%
Personnel Administration	17%	51%	14%	13%	5%
Production Engineering	16%	52%	11%	13%	8%
Urwick Orr & Partners	20%	35%	12%	22%	11%

Notes:

The Management Consultants Association was the only trade association for British management consultancy firms in the twentieth century. In the 1960s it was estimated to represent around seventy per cent of the total UK consulting industry, though this proportionately dropped to around 50 per cent in the 1980s and 1990s before rising to seventy per cent again in the 2000s. Source: MCA Annual Reports, 1962 through to 2007. Reports for 1962 to 1999 in MCA: various boxes; reports for 1999 onwards in MCA offices, 60 Trafalgar Square, London, and from 2014 onwards in offices in 36-38 Cornhill, London.

In the early 1960s, in a desire to break with their past image as productivity experts working on the shop-floor, three of the Big Four changed their names. Associated Industrial Consultants became known as AIC, Personnel Administration became PA Management Consultants (and later PA Consulting Group), and Production Engineering became P-E Consulting Group. By the late 1960s AIC had merged with Inbucon to form Inbucon/AIC. PA Management Consultants left the Management Consultants Association in 1975. Urwick Orr & Partners was bought by Price Waterhouse for £500,000 in 1984. Source: "Idealism was not enough," Financial Times, June 25, 1984.

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[259] Source: Collated, compiled and analysed by author. Annual company returns found in MCA: boxes 22, 23, and 24.

Table 4: Big Four company revenue split by service line as a % of MCA total (UK only), 1974 [260]

1974

Big Four	Organisation development and policy formation	Production management	Marketing, sales and distribution	Finance and administration	Personnel management and selection	Economic and environmental studies	Management information systems and electronic data processing
Associated Industrial Consultants	10%	22%	9%	9%	44%	2%	4%
Personnel Administration	21%	29%	12%	13%	9%	6%	11%
Production Engineering	8%	42%	7%	11%	11%	5%	15%
Urwick Orr & Partners	26%	14%	4%	10%	35%	1%	10%

Definitions (source: *MCA Annual Report*, 1974):

Company development and policy formation/organisation development and policy formation: development studies; long-range planning; co-ordination and definition of management responsibilities; management counselling and development programmes; financial planning; rationalisation of services and products; diversifications, acquisitions and mergers; trading and business appraisals

Production/production management: layout for production departments; selection of plant and equipment; material handling; product design and value analysis; drawing office procedures and control; productivity and incentive schemes; work simplification and measurement; labour cost control; production control and group technology; quality control; materials waste control; planned and preventive maintenance including project management and tero-technology

Marketing/marketing, sales and distribution: Economic and market research, business forecasting; product planning and development; pricing and profitability; sales organisation and control; sales promotion; distribution; organisation of retail and wholesale outlets; warehousing, location and design; vehicle scheduling and determination of fleet size

Finance and administration: total financial controls - including management accounting and budgetary control systems, profit planning and capital and revenue budgeting; financial ratios and models; capital investment evaluation; costing and estimating techniques; organisation and method, including clerical procedure studies, office equipment evaluation and selection (see also Management Information Systems)

Personnel management and selection: personnel policy and organisation; manpower planning; executive development and selection; executive compensation programmes; salary and staff grading, productivity agreements; job evaluation and job description; industrial and human relations and internal communication; job enrichment, work structuring; training needs analysis and training courses for management, staff and operators, including the use of programmed learning; personnel advertising

Economic and environmental studies: urban and regional development planning; international economic research; analyses of development economics; land use and transportation planning; reorganisation and development studies for individual industries; cost benefit studies and social analyses; environmental studies - physical, economic, ecological and sociological

Management information systems and electronic data processing: definition of information needs; reporting and control systems for all functions of management; information services; computer feasibility studies and computer applications, including computer hardware evaluation; provision of software; systems analysis and design; electronic data processing; data banks; real-time systems; process control systems; operational research.

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[260] Source: Annual company returns found in MCA collated and analysed by author: boxes 22, 23, and 24.

The MCA *Annual Report* for 1965 noted with some pleasure that the list of state assignments received in the past year was a direct result of the increased emphasis on planning in government policy:

> Government policy planning in the economic field – regardless of the political party in power – is accepted in these days as an essential feature of modern government; Management Consultants can play an important role in assisting both the government and industry to plan for the future.

> It was not by chance this year that there was a marked increase in the work of the member firms for government departments. Important assignments were carried out for the Ministry of Defence, Ministry of Aviation, Board of Trade, Department of Economic Affairs, War Office, National Economic Development Council, Prices and Incomes Board, Ministry of Labour, British National Export Council, Ministry of Public Buildings and Works, Department of Scientific and Industrial Research, HM Stationery Office, GPO, Post Office Savings Bank. In the nationalised industries, too, a number of important assignments were carried out; these included work for the National Coal Board, several of the Regional Electricity and Regional Gas Boards, the National Dock Labour Board and British Rail. We regard this considerable expansion of work for government departments and the nationalised industries as a significant feature of the year's work.[261]

But if that was not a good enough year for an association which comprised of only eleven British firms totalling 1,321 UK-based consultants, the rise of indicative planning had also extended interest in consultancy work to local government and beyond:[262]

> It is of significance, too, that increasing interest in the work of Management Consultants is being shown throughout the country by Local Government Authorities...the clients of the member firms of the MCA number no less than 218 Authorities to date… [in addition] regional economic development and town planning have been areas in which several of the member firms of the Association have been actively engaged. Examples include extensive investigations in the

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[261] *MCA Annual Report*, 1965.
[262] Figures for consultant numbers found by author in MCA: box 22.

preparation of reports for the regional economic development of the South-western counties of England and also in town planning and development of the overspill areas in the North-West.[263]

The aggrandising terms used here are worth consideration. These were "important assignments". And the individualised listing of nearly twenty separate bodies was surely for effect: consultants did lots of work for organisations worth naming. Government work was attractive for consultants because it raised their standing; there was a positive association to be gained from working for the state. This need for external support in enacting planning arrangements arose because there was little internal knowledge or expertise on how to successfully conduct planning at the time. As Donald MacDougall, a senior economist at the DEA, recalls, "no-one [including himself] seemed to be sure exactly what [indicative planning] meant."[264] In addition, as George Cox remembers, movement of individuals (and therefore ideas) between the private and public sector was minimal in the early 1960s. Cox, was therefore unusual in that he could call upon his engineering experience with the British Airways Corporation or systems design and manufacturing planning work with Molins Machines when he conducted public sector consulting work for the Royal Ordnance Factories. As such, British consultants could act as "spreaders of knowledge", harnessing their understanding of planning from the private sector and putting it into practice in the state.[265]

One of the most high-profile of the early planning-based assignments was a study by a consortium of MCA members for the National Economic Development Office (NEDO) and Machine Tools Trades Association (MTTA). The assignment, which was commissioned in June 1964 and cost £10,000, split between NEDO and the MTTA, was for a survey "to widen

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[263] *MCA Annual Report*, 1965.
[264] Quoted in Blick, "Harold Wilson", 54.
[265] George Cox, interview with author at Bull Hotel, Hertfordshire on March 2, 2011. See Appendix for biography.

knowledge of the factors which determine decisions to invest in machine tools."[266] The survey highlighted the extent to which the three interested groups which NEDO represented (employers, government, and unions) were all broadly supportive of the use of management consultants in this period.[267] Significantly for the MCA, George Brown, Secretary of State for the DEA, decided to publish the report, feeling it was "important not only for the Machine Tool manufacturers, but for all their customers, and the implications for the understanding of tax allowance are so wide that I think we would lose a great deal if we did not publish."[268] This was undoubtedly a boon for the Association. Not only did the work of the MCA reach a wider audience than expected, it did so with explicit government patronage. This was a tactic the MCA had developed over several years. In 1963 a consortium of MCA members conducted a report for the General Practitioners' Association (GPA) which recommended the GPA lobby for the pay structure they successfully negotiated in the 1966 GP contract.[269] The GPA were sufficiently content with the report that it was officially published, thereby giving the MCA and the GPA a joint publicity platform.[270] Though the impact of these publications cannot be conclusively ascertained, as Table 16 shows, a considerable number of further studies were commissioned by the National Economic Development Council from the Big Four firms.

In fact, a high-degree of state-consultancy mutuality is apparent from much of the work done on planning by the Big Four firms. In 1969 John Humble, a director at Urwick Orr & Partners, was paid by the Foreign Office to give a three-week lecture tour in the United States on "Management by Objectives" (MbO).[271] Originally espoused by the Austrian-born management

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[266] Costs noted in "'Neddy' Plan to use management consultants," *Financial Times*, March 31, 1964, 1; see TNA: FG 2/254 for the publication *Investment in Machine Tools* (London: HMSO, 1965), 1.

[267] For a description of NEDO, see Ringe and Rollings, "Responding to relative economic decline", 332.

[268] TNA: FG 2/254. "George Brown note to Sir Peter Runge, Federation of British Industries," March 29, 1965.

[269] See TNA: MH 137/427 and TNA: MH 137/428 for details of Ministry of Health assignments; *The GPA report* (Watford: GPA, 1964).

[270] TNA: MH 137/427-8.

[271] *The Times*, 12 May 1967, 27.

writer Peter Drucker in his book *The Practice of Management*, Humble codified MbO into a marketable product for Urwicks which provided organisations with a planning methodology which revolved around gaining consensus between employers and employees on an organisation's objectives.[272] Humble's tour also highlighted one of the main reasons why British management consultants were used in this period – as a response to perceived economic decline. By sending Humble to the US the state was not only attempting to counter the commonly held belief that the standard of management in Britain was poor, it was suggesting that it could rival American management. As the rise of the American consultancy firms shows, this was not a belief which lasted long. Nevertheless, there appeared to be a high degree of government interest in the concept of MbO, demonstrated by the fact that Urwicks were contracted for at least eighteen assignments in the period 1964 to 1979 to install "MbO" methodologies in departments or state bodies.[273] (State work related to MbO represented nearly a quarter of the total MbO-related support Urwicks undertook in this period – highlighting that whilst state work was important, private sector work still formed the majority of the company's engagements.)[274] Perhaps of even greater lasting influence than this (though with probably some annoyance to Urwicks) the Management Consultancy Group for the Fulton Committee on the Civil Service (staffed with consultants from AIC, not Urwicks) also sought to install MbO principles in every government department via planning units.[275] Though the planning units did not immediately materialise, according to Bernard Donoughue, they were the progenitor of Wilson's 1974 Policy Unit (which Donoughue headed), which in a revamped form remains to this day, frequently staffed with former management consultants.[276] Though this was more due to accident than

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[272] George Cox, interview with author; John Garrett, *Managing the Civil Service* (London: Heinemann, 1980), 135. See Appendix for biography.
[273] See Table 16.
[274] Figures from Ferguson, *The Rise of Management Consulting*, 189.
[275] Garrett, *Managing the Civil Service*, 135.
[276] Hennessy, *Whitehall*, 199.

design, it does seem that the use of consultants by the state quite simply begat greater use of their services.

To what extent did consultants successfully reinforce the concept of "planning" with state officials, to their own profit-seeking ends? This, after all, is a critical consideration for understanding whether consultants were creators or reactors to state market opportunities. Whilst consultants could bring to government the benefits of applying industrial techniques to state services, it appears that at most consultants were just one set of actors contributing to the debate on "planning". Glen O'Hara's work in this field has identified a multitude of influences on political discourses on "planning"; Scandinavian models, French economic planning, and earlier, Soviet-planning.[277] As Jon Davis has highlighted, at Macmillan's Cabinet meeting of September 21, 1961 the decision was made to undertake planning (which the Wilson governments continued), and discussions were had on the importance of learning from "both sides of industry [employers and trade unions], the commercial world and elsewhere".[278] Undoubtedly, the presence of a successful British consulting industry which had adopted and put into practice Taylorist planning techniques contributed to the credibility of the concept. But there was not a simple, linear connection between consultants and state; consulting, dissemination of international models of governance, policy legacies from the interwar period, and an economic orthodoxy which favoured state intervention all combined to contribute to the rise of planning.

It is here I wish to introduce a concept to aid our understanding of state-consultancy relationships: the "governmental sphere." In this "governmental sphere" – a particular development of the second half of the twentieth-century – a plurality of voices from diverse backgrounds joined together to discuss means and methods of *governing* both the state and private

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[277] See in particular, O'Hara, *Governing Postwar Britain*, 28-52.
[278] See Davis, *Prime Ministers and Whitehall 1960-74*, 16; See TNA: CAB 128/35/51. "Conclusions of a Meeting of Cabinet," September 21, 1961.

enterprise. The influence of external factors was strong; in this case the aftermath of the Second World War, growing American influence, and perceived national decline. Within this sphere, these factors were discussed, debated, internalised, and remedies – such as planning – prescribed. Clearly consultants where part of this sphere; but they were not the only agents engaged in it. It is a concept we return to throughout this thesis.

Distrust of the Civil Service

"[In the Civil Service] working-class lads become undervalued professionals or executive or clerical officers, while the nobs become administrators and acquire the power."[279]

Harold Wilson, Prime Minister

Over the past two and a half decades, historians have rehabilitated the reputation of Harold Wilson. Contemporaries had juxtaposed the national embarrassment of sterling devaluation in 1967 with Wilson's heady rhetoric of modernisation at the start of the decade, and concluded – in the words of Richard Crossman, a Cabinet Minister under Wilson – that the Prime Minister had suffered the "most dramatic decline" in reputation of any premier, from which he never recovered.[280] Since then, historians such as Richard Coopey, Steven Fielding, John Young and Nick Tiratsoo have sought to bring back to centre-stage Wilson's modernising zeal and decouple the implications of the International Monetary Fund bailout from the intention and application of Wilson's policy.[281] In 1992, Ben Pimlott, Wilson's biographer, provided a sympathetic portrait of his study. More recently, O'Hara and Parr have provided a sharper analytical focus on the Wilson governments' motivations and intentions for change and sought to understand why the concept of "modernisation" gained such significance in the period.[282] Andrew Blick, in particular, has studied Wilson's attempts to reform the civil service, and highlighted Wilson's

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[279] Ben Pimlott, *Harold Wilson* (London: Harper Collins, 1992), 517.
[280] O'Hara and Parr, *The Wilson Governments 1964-1970 Reconsidered*, viii.
[281] Ibid., ix.
[282] Ibid., x.

motivation for achieving "social justice…economic growth… and modernisation in its own right."[283]   Most recently, a collection of essays on Wilson edited by Andrew Crines and Kevin Hickson have continued the rehabilitation, concluding: "Wilson and his governments deserve more praise than has been customarily bestowed upon them."[284] Here I propose an additional, and hitherto underappreciated point to be included in this revisionism of Wilson; the extent to which Wilson had a deep suspicion of the civil service, and looked to outsiders – including management consultants – to reform it.

As Gerald Kaufman – a Labour MP since 1970 – noted when interviewed in 2011, it is likely that much of Harold Wilson's antipathy towards the civil service stemmed from his own experiences as a proto-consultant working at the Board of Trade in the Second World War.[285]   Wilson felt, with deep frustration, that Whitehall was "excessively dominated by an upper middle-class mandarinate" that had paid little heed to him during his time as an economic specialist in the civil service.[286]   As Prime Minister, Wilson was spurred on by his confidante and adviser, the Hungarian-born economist and staunch Fabian Thomas Balogh who in 1959 published a stinging attack on the perceived amateurism of the generalist Oxbridge-educated mandarin, "The Apotheosis of the Dilettante".[287]   Those near to Wilson were highly conscious of his problematic relationship with the civil service.   As his political secretary, Marcia Williams, wrote in her memoirs: "some of us who were very close to him were worried it would be the civil servant who would dominate him".[288]

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[283] Andrew Blick, "Harold Wilson, Labour and the Machinery of Government," in eds. O'Hara and Parr, *The Wilson Governments*, 79-98.

[284] Andrew S. Crines and Kevin Hickson, *Harold Wilson: The Unprincipled Prime Minister? Reappraising Harold Wilson* (London: Biteback, 2016), xxix.

[285] Gerald Kaufman, interview with author at House of Commons, March 8, 2011. See Appendix for biography.

[286] Pimlott, *Harold Wilson*, 515-19.

[287] Ibid.

[288] Davis, *Prime Ministers and Whitehall 1960-74*, 37.

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Thus the Wilson governments, in what must be assumed to be at least in part a reaction to the Prime Minister's personal dislike of the administrators in the civil service, heralded the emergence of numerous economic and special advisers in government circles. Though this had occurred previously during times of crises, their use in peacetime was a uniquely Wilsonian development.[289] This is well documented.[290] Less well known, however, is that Wilson explicitly endorsed the use of management consultants by government departments, telling the Secretary of State for Wales in 1967:

> I have, as you know, paid much attention to the machinery of Government, and I have not hesitated to make major changes when I thought they were needed...The techniques used by management consultants in industry can certainly be applied within Departments, and are increasingly being used.[291]

Wilson's background at the Board of Trade may well have been instrumental in creating his positive attitude towards British management consultants. Wilson took over from the pioneer of consultancy usage – Stafford Cripps – as President of the Board just in time to enact a £150,000 five-year consultancy grants scheme in 1947 and to oversee the formation of the British Institute of Management (BIM).[292] At the BIM Wilson would undoubtedly have come into contact with Lyndall Urwick who was one of the vice-chairmen of the BIM's first council.[293]

Urwick, Balogh, and Wilson all disliked their time in the civil service and diagnosed the same problem of the amateurism, elitism and narrow-mindedness in the administrative class which sat at the apex of the service's hierarchy. This brings into question claims that the amateurism of the civil service has been exaggerated; clearly if contemporaries believed there was a problem, at

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[289] See Bodleian Library, Oxford (hereafter BOD): Wilson papers, "March of the Whitehall economists", box Wilson c. 769.
[290] See for instance O'Hara and Parr, *The Wilson Governments 1964-1970 Reconsidered*, ix-xii.
[291] BOD: Wilson papers. Box Wilson c.1594. Wilson memo to the Secretary of State for Wales entitled, "The Machinery of Government," December 6, 1967.
[292] Tisdall, *Agents of Change*, 36-37.
[293] Ibid.

the very least there was a perceived problem.[294] As the cooling of interest in management consultancy services in the 1950s suggests, whilst the state may have been willing to use scientific and technical advisers in this period, management advisers were less keenly favoured. Therefore whilst there were factors larger than Wilson's reforming agenda that facilitated the entry of consultants into the state (hence consultants were used before Wilson), Wilson's desire to bring in external expertise clearly served as a catalyst for the increased use of management consultants.

However, Wilson's most explicit endorsement of British management consultants was indirect. In Labour's election manifesto, Wilson declared that "the machinery of government needs to be modernised" (a declaration which largely seemed to rest on plans to spread the economic power of the Treasury to other parts of Whitehall).[295] Whilst the early years of his premiership focused on the creation of new departments such as the Department of Economic Affairs, Ministry of Technology and Ministry of Overseas Development, Wilson had not yet turned attentions to the operations of actual civil servants.[296] With encouragement from the Chancellor of the Exchequer, Jim Callaghan,[297] in February 1966, Wilson announced that the "Committee of Inquiry into the Civil Service", which would "examine the structure, recruitment and management, including training, of the Home Civil Service, and to make recommendations", would be chaired by Lord Fulton, Vice-Chancellor of the newly formed Sussex University.[298] Tellingly, Wilson had known Fulton from their time as temporary civil servants in the Board of Trade.[299] Under Fulton's chairmanship were three dons, four high-ranking civil servants, two MPs, two leading industrialists, and one trade unionist.[300] One of these dons was the relatively undistinguished Dr Norman Crowther Hunt, Fellow of Exeter College (the wrong Norman

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[294] See for instance Edgerton, *Warfare State:*, 108.
[295] See Davis, *Prime Ministers and Whitehall 1960-74*, 24.
[296] O'Hara and Parr, *The Wilson Governments 1964-1970 Reconsidered*, ix.
[297] See Davis, *Prime Ministers and Whitehall 1960-74*, 52.
[298] TNA: BA 1/60, *Fulton Report Vol. 1,* (London: HMSO, 1968) 2.
[299] Hennessy, *Whitehall*, 199.
[300] Fry, *Reforming the Civil Service*, 11.

Hunt was almost invited to sit on the Committee as Norman Crowther Hunt was not in *Who's Who*), who, according to Geoffrey Fry, "owed his place on the Fulton Committee to the friendship that he had formed with Harold Wilson at the time of the *Whitehall and Beyond* broadcasts".[301]

Hunt was determined for an external management consultancy firm to undertake an independent study of personnel management in the civil service.[302] No doubt aware of the high-profile failure of the modernisation efforts of the Plowden Committee in the face of civil service obstructionism only a few years earlier, Hunt was adamant that the study should not be undertaken by civil servants.[303] As Tony Benn recalled in his memoirs:

> Norman Hunt came to see me this afternoon. He is on the Civil Service Commission and had thought of suggesting to the Commission that they should engage McKinsey's (*sic.*) to do a job evaluation. In strictest confidentiality I lent him a copy of the McKinsey report on the Post Office [as Postmaster General Benn had commissioned a report by McKinsey & Co. – see Table 17] and he took it away, promising to bring it back by hand.[304]

The Treasury, following the practice for hiring consultants set out in the 1965 report on "The use of Management Consultants", wrote to four firms of consultants inviting them to tender for the work on July 13, 1966.[305] Highlighting the difference between American and British consultancy firms in this period, although McKinsey were Hunt's preferred choice to undertake the job evaluation study they ruled themselves out of the assignment.[306] McKinsey refused to

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[301] Ibid., 17-18.

[302] TNA: BA 1/2. "Minutes of the second meeting of the Fulton Committee." 15 March 1966.

[303] The "outsiders" staffing the Plowden Committee all had previous government experience. By contrast, none of the consultants who staffed the Management Consultancy Group had any previous connections with the Civil Service or government. See Rodney Lowe, "Millstone or Milestone? The 1959-1961 Plowden Committee and its Impact on British Welfare Policy", *Historical Journal* 40, no. 2 (1997): 471.

[304] Tony Benn, *Out of the Wilderness: Diaries 1963-67* (London: Arrow, 1987), 410.

[305] *O&M Bulletin* 21, no. 4 (1966): 173-184; Fry, *Reforming,* 60.

[306] Quoted in Fry, *Reforming the Civil Service*, 60; also in TNA: BA 1/20. "Michael Simons report to Committee."

work in a team headed by Dr Hunt (though McKinsey were also substantially more expensive). The American company wanted "a McKinsey investigation producing a McKinsey report with full responsibility for the results resting solely with the firm".[307] However, there may have been a more parochial point at play: the Fulton Committee's Assistant Secretary, Michael Simons, noted concerns regarding the impression it would make hiring an American firm, writing in an internal memo that "though [McKinsey] were stimulating in some respects…we did not think that it would be very right to employ an American consultant alone."[308] The three other invited firms were members of the Big Four and had no concerns with working under Hunt: Urwicks, who were ruled out on cost; PA Management Consultants, who were ruled out as they charged on a time basis; and AIC, who were accepted on the grounds they would charge a fixed price.[309]

The views of Hunt strike at the heart of the relationship between consultancy and the state.[310] The sociologist Weber, influentially, posited that one of the benefits of the bureaucratic civil service was that its permanence made it impartial in its advice.[311] Yet Hunt's insistence on an external consultancy conducting the review rather than the civil service challenges this claim; at the very least, the civil service was not *perceived* to be impartial, whereas external consultants were. Since these perceptions were acted upon, surely this is what ultimately matters for our understanding of the state. Admittedly, whether the civil service possessed the competency to undertake such a review was another consideration made when bringing in AIC, yet this was seemingly not Hunt's prime concern.

The subsequently formed Management Consultancy Group (MCG) consisted formally of: Norman Hunt, E.K. Ferguson from British Petroleum, John Garrett of AIC (intriguingly,

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[307] Ibid.
[308] TNA: BA 1/71. Memo by Michael Simons on "Committee on the Civil Service: Investigation using management consultants – note by Secretariat." September 23, 1966.
[309] Quoted in Fry, *Reforming the Civil Service*, 60; original document available in TNA: BA 1/20.
[310] More on Hunt's perceived obstructionism of the civil service 'mandarins' towards the Fulton Committee can be found in Lowe, *Official History of the British Civil Service*, 121-125.
[311] Described in Saint-Martin, *Building the New Managerialist State*, 207.

Garrett later became a Labour MP), and S.D. Walker of Treasury Organisation and Methods Division; and informally also Dr R. Ferguson, also of AIC.[312] In total AIC were paid £14,332 10*s* for their services.[313] The MCG interviewed over 600 civil servants and produced a report on the staffing structure of the civil service which was published as a complementary volume alongside the official Fulton Report. According to Lord Shackleton, then Minister without Portfolio in Wilson's government, the MCG report was "far and away a more important document [than the main report]".[314]

The findings of the main Fulton Report were heavily influenced by the MCG study and though many of the 158 recommendations were never realised, they made a significant impact on the way in which outside experts were viewed by the civil service, highlighting the two-way nature of the consulting-client relationship. The report called for a "central management consultancy unit in the civil service" to be established – this became the Civil Service Department (which Shackleton became the Minister for) which acted as the key conduit between government departments and consultancy firms. It also recommended the establishment of planning units with accountable management in government (a progenitor of Thatcher's Financial Management Initiative), and that there should be "greater mobility between the civil service and other employments."[315] The latter recommendation led to a rise in secondments between consultancy firms and the civil service, and vice versa. As covered in Chapter II, this development may have been an important factor in why there was such little hostility towards consultants from civil servants.

The Fulton Report itself sought, according to Hunt, to "carry out its own investigation of what civil servants were actually doing" and understand the field of "management theory" in the

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[312] TNA: BA 1/60, *Fulton Report Vol 2* (London: HMSO, 1968)*, 100.

[313] TNA: BA 1/72, D.C. Lee memo to Mr. Wilding, "Fulton Committee – Management Consultants." April 6, 1967.

[314] JGarrett, *The Management of Government*, 150.

[315] TNA: BA 1/60, *Fulton Report Vol 2*, 79; quoted in Hennessy, *Whitehall*, 195.

private sector, and how it could be applied to the civil service.[316] Such investigations were to be undertaken by management consultants. At a meeting at Sunningdale on June 5, 1966, Ivor Young – himself a management consultant seconded from Urwick, Orr and Partners – advised the nascent Fulton Committee on how to procure consultants and who to approach.[317] From October 10, 1966 to April 6, 1967, the subsequent MCG undertook "fieldwork" to fulfil Hunt's desired investigation. Aiming to survey the work of a sample large enough to represent 10,000 civil servants, the consultancy group studied 23 "blocks" of work including visits to:

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[316] Davis, *Prime Ministers and Whitehall 1960-74*, 60.

[317] TNA: BA 1/70. "Committee on the Civil Service. Sunningdale Conference – the nature and requirements of Civil Service work. Note by the Secretary." Memo on Sunningdale Conference by Richard Wilding, Committee Secretary. June 15, 1966.

Ministry or department	Fields of Activity Examined		Number of staff interviewed
Agriculture, Fisheries & Food	Sugar, Tropical and Manufactured Foodstuff Division		21
Defence (Naval)	Civil Establishment Division	}	60
	Organisation & Methods Division		
	Stores Department		58
Education & Science	Architects & Buildings Branch		34
	Accountant General's Branch	}	37
	Automatic Data Processing Unit		
Health	Establishment & Organisation Division		28
Housing & Local Government	Planning Division A and related Planning Services Section		35
Power	Gas Division		14
Public Building & Works	Secretariat Division D (Navy Works) & related professional sections in the directorate of General Works		18
Social Security	Central Office, Newcastle		38
	North Western Reg. (Pensions & Nat. Insurance)	}	25
	North Western Reg. Office (Supplementary Benefits)		
	Local Offices: Wigan (Pensions, Nat. Insurance & Supplementary Benefits)		18
Technology	Contracts Division		39
	Royal Aircraft Establishment		37
Trade	Companies Registration Office		26
	Distribution of Industry Division		32
Transport	Highways 4 Division (Special Roads A & B Divisions & Motorway Engineering A & B Division)	}	41
	Transport Planning Urban Division		
Treasury	Public Enterprises Division		15
		Total:	576

The twenty-three blocks were chosen by the two Permanent Secretaries who sat on the Fulton

Committee, Sir Philip Allen and Sir James Dunnett, based on suggestions from the Pay Research

Unit, Staff Side of the National Whitley Council, Treasury and other permanent secretaries.[318] There was a clear recognition by Hunt and the Fulton Committee of drawbacks to this approach, but they defended it staunchly. In a letter, dated August 26, 1966, to the permanent secretaries of the departments of the blocks under investigation, Hunt wrote: "the result, as the Committee realise, will necessarily be impressionistic, and there is obviously a risk here of drawing inferences from one programme of work which would not have been chosen on equally valid grounds. But the Committee's eyes are open to this risk; they think that it is still worth taking in order to get as good a feeling for the work on the ground as they can within the time available, and I think this is right."[319]

The MCG took as its terms of reference for investigation a note composed by Hunt to:

"examine in detail a number of small blocks of work in the Civil Service. The team would concentrate particular attention on the following:

a. The amount and kind of responsibility held by each officer within the block

b. The specialist content of the work and the way in which specialist skills are brought to bear

c. The nature of the supporting services provided

d. The qualities and skills which the work calls for

e. The previous training which it calls for and how much those concerned have had

In part the operation would be a detailed consideration of Civil Service work and practice matched against the knowledge possessed by members of the team of the work and practice in efficient business firms.

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[318] TNA: BA 1/71. "Committee on the Civil Service. Management Consultancy Group – Interim Report." May 7, 1967.

[319] TNA: BA 1/71. "Letter to the Permanent Secretaries" by Norman Hunt. August 1966.

The hope would be that such an investigation would throw light on:

a. What precisely are the actual tasks performed by the Administrative Class

b. The nature of the division between Administrative and Executive Class functions

c. Whether there are the right number of grades in the hierarchy

d. The relationship between administrators and specialists

e. The extent to which an individual's skills and abilities match the needs of his job

f. Whether there is scope for the application of business methods of personnel management

g. The extent of the burdens imposed by accountability to Parliament and how that affects the nature of the jobs

h. Whether the pattern of responsibilities and expertise really is best designed to secure the efficient achievement of the block's objectives

As a by-product the survey could well through some light on:

a. New *trends* in Civil Service work

b. Problems of interchange between the Civil Service and business

c. Frustrations at all levels."[320]

At the risk of anachronism, what is stunning to note is the leading nature of the questions posed by the Committee; this approach *assumed* "problems of interchange" or whether "the pattern…*really is* best designed." Contemporaries, such as the Committee's Assistant Secretary, Michael Simons, viewed Hunt as seeing himself as "the leader of the team and its principal

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[320] Fry, *Reforming the Civil Service*, 59.

figure."[321] Another, Richard Wilding, the Committee's Secretary, noted on December 21, 1966 that Hunt "has turned out to be so much the dominant figure in the team that it is not practicable (as was originally intended by all concerned) for it to function in his absence."[322] This is important, because notionally consultants are supposed to bring external insight and objectivity to a study: in this instance, the work of AIC could plausibly be claimed to be confirming the biases of the lead client, Dr Hunt. Indeed, in AIC's proposal for the Fulton work the firm made this explicitly clear, stating: "the objective of the consultants in each [of the 23] block[s] would be to develop a model of the current work and practice of the group of officers in that block, *as to provide Dr Hunt with the necessary information* [to formulate recommendations]."[323]

The primary work of the MCG appears to have been to take the blocks of work studied, and compare how private sector organisations or management theory would advocate conducting such work.[324] As E.K. Ferguson, one of the group members, ventured in 1989: "what we recommended was the introduction into the civil service of attitudes of mind and practices that were common in private industry and commerce and the adoption of which we believed would make for a more efficient civil service."[325] The MCG team were well placed to take a view on such matters: Ferguson was on secondment from British Petroleum; Garrett and R.F. Ferguson from AIC had worked across industries in the private sector, and S.D. Walker, interestingly, had worked his way up as a Clerical Officer at the Board of Customs and Excise in 1935 to Chief Executive of the Treasury's Organisations and Methods I Division. Garrett also had

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[321] Ibid., 63.

[322] TNA: BA 1/72. "Fulton Committee – Management Consultants" by Michael Simons. December 19, 1966.

[323] TNA: BA 1/70. "Committee on the Civil Service. Proposals for participation by Associated Industrial Consultants Ltd." August 5, 1966.

[324] Fry, *Reforming the Civil Service*, 65.

[325] Ibid., 65-66.

transatlantic experience at as Visiting Fellow at the Graduate Business School of the University of California in Los Angeles.[326]

This desire to emulate private sector best-practice also becomes apparent from two of the major recommendations made by the MCG and incorporated into the Fulton Report: abolition of the class structure and the development of "accountable management" in the civil service. With regards to the first, intriguingly, British Petroleum was chosen as a specific case study, despite the fact the oil company was 49 per cent state-owned at the time. The main reason for this may have been Hunt's desire to abolish the class system and instead implement a unified grading structure in the civil service. Tellingly, British Petroleum also operated on such a structure.[327] With regards to accountable management, as E.K. Ferguson recalled "the MCG meant accountable management not in terms of heads rolling but in terms of personal responsibility for an area of work. Somebody carries the can when things go wrong."[328] Such a concept had become popular in management theory since Peter Drucker's book *The Practice of Management* in the 1950s, and for the committee member Robert Sheldon "it was inherent in appointing the MCG that it would advocate accountable management."[329] In addition, an extensive review of other bureaucracies was also undertaken, with France, the United States, Holland, Sweden, West Germany and Canada also analysed.[330] Testimonies were invited: Richard Crossman, then Leader of the House of Commons witheringly ventured that his experience in government had reinforced – not diminished – his support for Balogh's "Apotheosis of the Dilettante."[331]

Wilson, for reasons of considerable speculation amongst his colleagues, had a deep passion for the findings of Fulton and their subsequent implementation. As Richard Crossman wrote in his

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[326] TNA: BA1/71. Memo on MCG team composition by Michael Simons. September 23, 1966.
[327] Fry, *Reforming*, 66.
[328] Ibid., 68.
[329] Ibid., 70.
[330] Ibid., 63.
[331] Ibid.

diary: "I'm pretty sure that the reason he has committed himself to this report so early and so personally is partly because he has a strong liking for Fulton and Norman Hunt and partly because he thinks this way he can improve his image as a great moderniser."[332] Wilson's commitment to Fulton, and in particular his desire to remove from the civil service what he believed were its worst traits of the stuffy "nobs and administrators" (as he described them) is clear in the papers. Michael Halls, his Principal Private Secretary, wrote to Wilson, summarising the penultimate draft of the report in 1968:

> The Fulton Report is…seeking to establish a Service with opportunities for all (eliminating the defects of what is in fact, at present, "class snobbery") and a new found professionalism…my own personal view is that it is just the kind of radical reform that is essential.

Next to "my own personal view", Wilson scribbled enthusiastically: "And mine."[333]

Wilson was determined to push through as early as possible two of the main recommendations of Fulton: the abolition of the tripartite class system of personnel structure and the creation of the Civil Service Department (CSD), which would take control of management improvement in the Civil Service out of the Treasury – where it used to be part of the Management Services Division – and into a new department. (Ironically, though Wilson had a deep distrust of the Treasury, through its constant search for economies it favoured his view regarding the use of management consultants. In 1965 Sir Laurence Helsby, as Head of the Home Civil Service, told his colleagues: "in our efforts to achieve the highest efficiency in Departments, we cannot afford to neglect any worthwhile source of expert help...I think that the [Treasury] working party is right in concluding that there may be greater scope for using management consultants."[334])

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[332] R. H. S. Crossman and Anthony Howard, *The Crossman Diaries* (London: Magnum Books, 1979), diary entry for 20 June 1968, 506.
[333] Described in Davis, *Prime Ministers and Whitehall 1960-74*, 64.
[334] TNA: MAF 331/45. "Treasury note on management consultants." Sir Laurence Helsby to Sir John Winnifreth, October 15, 1965.

Wilson was thwarted in his attempts to abolish the class system, but succeeded in the creation of the CSD.[335]

William Armstrong, Head of the Home Civil Service, speaking a few months after the anniversary of the CSD's creation, described its purpose as two-fold:

> First, to "manage" the Civil Service i.e., to keep it running as a going concern. Second, to carry out a programme of reforming the Civil Service, with the object of improving its efficiency, and its humanity. The Fulton Report…has demanded…a root and branch examination of the tasks of the Civil Service and the way it is staffed and organised.[336]

The new focus on *efficiency* and *staffing* were well-evidenced within the year. The staffing of the CSD demonstrably made an effort to move away from the civil service "philosophy of the amateur", as the Fulton Report described it; Armstrong cited "25 scientists, 13 engineers, 3 economists, 6 accountants and auditors; 23 people from outside the Civil Service, including 8 from universities and 10 from private industry, including 5 from management consultants" worked in the CSD.[337] And the CSD took little time in hiring consultants; within the first year AIC Limited were procured for "a study of the pay structure at the highest levels of the Civil Service" and PA Management Consultants undertook a "review of catering services" across government.[338]

Therefore the Fulton Report had a great bearing on the future of management consultancy and the state. Not only did this create a stand-alone government department tasked, amongst other responsibilities, with promoting the use of consultancy firms in the civil service, through his

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[335] Hennessy, *Whitehall*, 199.
[336] William Armstrong, "The Civil Service Departments and Its Tasks," *O&M Bulletin* 25, no. 2 (1970), 63-79.
[337] Ibid, 79; *Fulton Report Vol 1*, 104.
[338] For more assignments see Table 16.

explicit endorsement of Fulton and the work of the MCG, Wilson immeasurably furthered the standing of management consultancy firms within the British state.[339]

Whilst the Heath government of 1970-1974 did not explicitly endorse management consultancy firms to the same extent as Labour had, Heath too had suspicions about the competence of Whitehall mandarins. Heath had long-held plans for reforming the civil service which were influenced by American consultancy firms.[340] These were articulated in the 1970 White Paper *The Reorganisation of Central Government*. As made clear in the Conservative's 1970 election manifesto: "Some present government activities could be better organised using competent managers recruited from industry and commerce."[341] By noting the benefits that could be achieved from private sector agents being brought into the machinery of the state, they demonstrated similar attitudes to external expertise as their Labour counterparts. As demonstrated in the next chapter, most of the major state consulting assignments in the early 1970s were undertaken by American consultants and were related to state bodies outside of the central government departments. Nevertheless, in the heart of the state Heath created the Public Sector Research Unit (PSRU), Businessmen's Team and Central Policy Review Staff; the latter in a bid to fill "the hole in the centre" (as Lord Hunt, Cabinet Secretary 1973-79, described it)[342]. It seems that this was largely motivated by a distrust – similar to Wilson – of the civil service in general, and Treasury in particular.[343] The units set up by Heath were overwhelmingly influenced

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[339] Kipping and Saint-Martin have suggested that the CSD served as a bulwark to management consultancy usage as it also contained its own internal consultancy practice to be used across the Civil Service. However this seems to overstate the significance of the CSD in reducing consultancy use. As Figure 1 shows there were nonetheless a substantial number of consultancy assignments in this period and the CSD also hired many consultants on a secondment basis within its own consultancy unit. Kipping and Saint-Martin, "Between Regulation, Promotion and Consumption", 458; "The Civil Service Department and Its Tasks", *O&M Bulletin* 25, no. 2 (May 1970): 63-79.

[340] Hennessy, *Whitehall*, 210-11.

[341] *A Better Tomorrow*. Available on: http://www.conservative-party.net/manifestos/1970/1970-conservative-manifesto.shtml, accessed May 14, 2011.

[342] See Davis, *Prime Ministers and Whitehall 1960-74*, 117.

[343] Ibid., 116.

by American business ideas and discussions with consultancies.[344] The PSRU was also inspired

by Ermest Marples, a former business and Conservative MP, who in 1969 wrote of his "hatred

of bureaucracy…and the modern assumption…that the solution to every problem must be a

government solution." Heath had commissioned Marples to research the machinery of

government, and his proposed solution, the PSRU, was to create a unit with "analytical

capability" to advise on government planning (and provide an alternative source of expertise to

the Treasury).[345] Operating whilst in opposition, the PSRU hired RTZ Consultants for a study

on government decision-making and Arthur D. Little for work on public procurement.[346] Once

in government the PSRU provoked discussions which led to the establishment of the Central

Policy of Review Staff in 1971, led by Victor Rothschild, to promote long-term planning in

government. And in 1970, a Businessmen's Team (see Chapter II) was run by Richard Meyjes, a

prominent figure from industry.[347]

Heath's organisational changes are significant for three reasons. First, they highlight a political

consensus across both Labour and Conservatives of mistrust of the civil service, yet confidence

in the advice of outsiders. Second, though government departments continued to use British

consulting firms in this period (see Table 16), Heath's main focus was on American

consultancies; elite interest in management reform had begun to look away from British firms.

And third, the units were largely staffed with outsiders, secondments from consultancies, or

former consultants, and consultancies themselves, further highlighting the extent to which a

plurality of agents were involved in discussions around *governing* in this period.

Here, a political prism is helpful to differentiate between Wilson and Heath. Both had a genuine

interest in modernisation. But their motivations were acutely different. Wilson believed a

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[344] Hennessy, *Whitehall*, 210-11.
[345] Davis, *Prime Ministers and Whitehall 1960-74*, 88-89.
[346] Geoffrey K. Fry, *Policy and Management in the British Civil Service* (London: Prentice Hall/Harvester Wheatsheaf, 1995), 25.
[347] See Appendix for biography of Richard Meyjes.

technocratic breakthrough could move the state away from the amateurism he had experienced both at the Board of Trade as a proto-consultant and as a Minister. Heath, on the other hand, believed that a more business-like approach to the governance of the state would help to address economic growth. That the means Wilson and Heath chose to achieve their desired ends – both were influenced by, and supported the use of, management consultants – were similar tell us much about the chameleon-like role consultants played in the postwar British policy-making process. But it is important to note that their motivations and ends were quite distinct.

The Management Consultant's Lament

> We showed them how to maximise the Branch's optimality,
> How micro-economics had become a stern reality;
> They listened with politeness but preferred their old autonomy,
> Their faulty input-budgeting and massive diseconomy.
> Evaluative charting could not penetrate their fallacies;
> They could not see the logic of cost-benefit analysis;
> Their data-handling system was in urgent need of focussing;
> They had not learned the rudiments of information-processing.
> Their output was unprogrammed, their retrieval was minimal;
> Their information-network was so crude as to be criminal;
> We gave the multi-access on a scheme multi-dimensional:
> Their coldness was so cutting that it might have been intentional.
> Our trees and algorithms were rejected with acidity;
> It really is heartbreaking to encounter such stupidity.
> If cybernetic doctrine cannot change their methodology,
> Can't they at least be men enough to learn the terminology?

J.M. Ross, Home Office, February 1968[348]

How did civil servants view this British generation of consultants, and vice versa? J.M. Ross' poem describing the trials and tribulations of a management consultant working in the public sector in the late 1960s helps to deepen our understanding of civil service–consulting relationships. Ross' poem suggests a more nuanced picture than one of outright hostility. With reference to the "Branch's optimality", it is most likely Ross worked on PA Management

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[348] *O&M Bulletin* 23, no. 1 (Feb 1968).

Consultants' "review of the structure and organisation of the Metropolitan Police" from 1965 to 1967.[349] There is much in Ross' writing to give credence to the closed civil service thesis: lamentations of how "they listened with politeness but preferred their old autonomy" [*they* are presumably the disinterested civil service], for instance. Around the same period, responses in the Ministry of Agriculture and Fisheries towards the Treasury's suggested use of consultants were similarly cool; C.H.A. Duke's comments at the start of the chapter attest to this. Yet there is a twist to the story: Ross was in fact a civil servant.

Since the mid-1960s, it had become commonplace for civil servants to work jointly on consulting projects. The Treasury explicitly endorsed this approach in its 1965 directive, stating: "wherever possible, it should be part of the arrangements for engaging a consultant that an officer or officers of the Department capable of benefitting technically from experience of the consultant's methods should work with the consultant."[350] It is most likely therefore that Ross – a career civil servant in the Home Office (later gaining an OBE for his work as head of the Nationality Division) – was part of these "arrangements."[351] Ross' language is all the more fascinating as a result, because when he writes, "we showed them", the "we" is a civil service-consulting partnership, and "they" are the civil service. The poem betrays emotions of deep mutuality in this partnership; the civil service "had not learnt" what he and PA Management Consultants knew – its stupidity was "heartbreaking."

The language of Ross is striking for its technocratic terms: "micro-economics"; "input-budgeting"; "a scheme multi-dimensional"; "cybernetic doctrine." Whilst the possibility that Ross is being entirely ironic should not be discounted, it is highly plausible that this was a

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[349] *O&M Bulletin*, 23, no. 1 (Feb 1968).
[350] O&M, *Use of Management Consultants*, 179.
[351] For Ross' unpublished paper on his work see TNA: HO 213/1595. "Naturalisation history: including author's notes for The History of Naturalisation by J.M. Ross." From a Cabinet memo where J.M. Ross was secretary it is apparent he worked in the Home Office in 1939 too: TNA: CAB 52/7, "Defence Regulations Sub-Committee."

language familiar to him, and represented the emergence of a "new technical middle class" in Britain; with professional expertise in engineering or science. As Edgerton has pointed out, this was a new class, one which the social historian Harry Hopkins described in the 1960s as "men in grey pullovers and grey raincoats...their alma mater more likely to be redbrick than Oxbridge...shamelessly talking in highly miscellaneous accents their unintelligible shop".[352] The recruits of PA consultants and the British consultancies more generally fitted this profile, as they sought – in the words of Ernest Butten, founder of PA – men who were "young – say 28; very ambitious, frustrated by slow progress in industry; of high but not brilliant intelligence; from a grammar school; and climbing socially from a modest home."[353] George Cox, who worked for Urwick Orr & Partners on a review of the Royal Ordnance Factories in the early 1970s, matched this profile: educated at Quintin School before studying engineering at Queen Mary College, University of London and then working for British Airways Corporation and then Molins Manufacturing before moving into consulting to "go up the manufacturing ladder faster."[354] The mutuality between this non-elite level of civil servants and consultants is well-evidenced. M.R. Gershon who worked in Treasury Organisation and Methods in the mid-1960s noted "similarity of method and similarity of purpose", and Cox recalled of relationships: "On a personal level it was all very good. At the Royal Ordnance Factories we got on very well with the mid-level civil servants we worked with".[355]

This mutuality underscores an important point regarding the changing nature of both the civil service and British society in this period. Figure 3 highlights the rise of this class, and Figure 4 chronicles the growth in its complementary category; managers – the ultimate contacts of consultants. In fact, in 1971, Britain's top rank of civil servants had the highest proportion of

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[352] Quoted in ibid., 174.
[353] Quoted in Tisdall, *Agents of Change*, 51.
[354] George Cox, interview with author.
[355] M.R. Gershon, "Working with a Management Consultant," *O&M Bulletin* 21, no. 2 (1966), 64-68; George Cox, interview with author.

science, engineering and mathematics graduates (26 per cent) from a study of Britain, Germany (14 per cent) and Italy (10 per cent): in sharing the background and education of many consultants there was clearly receptive ground for many of the ideas and methodologies of such outsiders.[356]

Figure 3: The growth of the technical class[357]

Constituents of Class 1A (Higher professionals), 1911-1951 (000s)
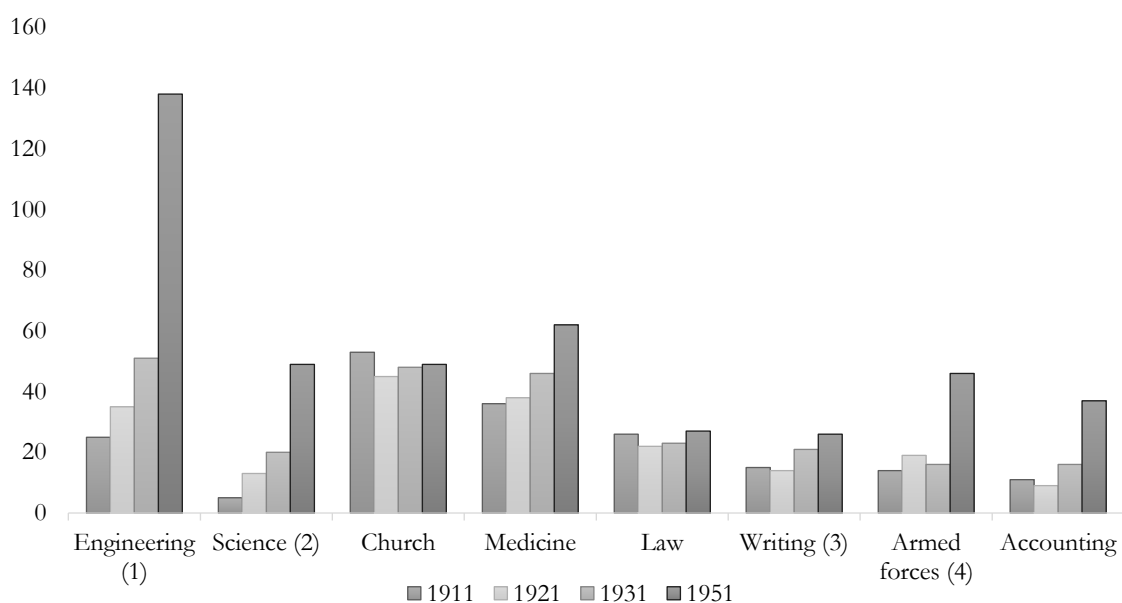
[356] Edgerton, *Warfare State:*, 190.
[357] Data from Guy Routh, *Occupation and Pay in Great Britain 1906-60* (Cambridge: Cambridge University Press, 1965), 15. Notes on data: (1) includes surveyors, architects and ship-designers; (2) includes statisticians and economists; (3) includes editors and journalists; (4) commissioned officers.

Figure 4: The rise of managers in Britain[358]

Managers and senior administrators, 1911-2001 (000s)
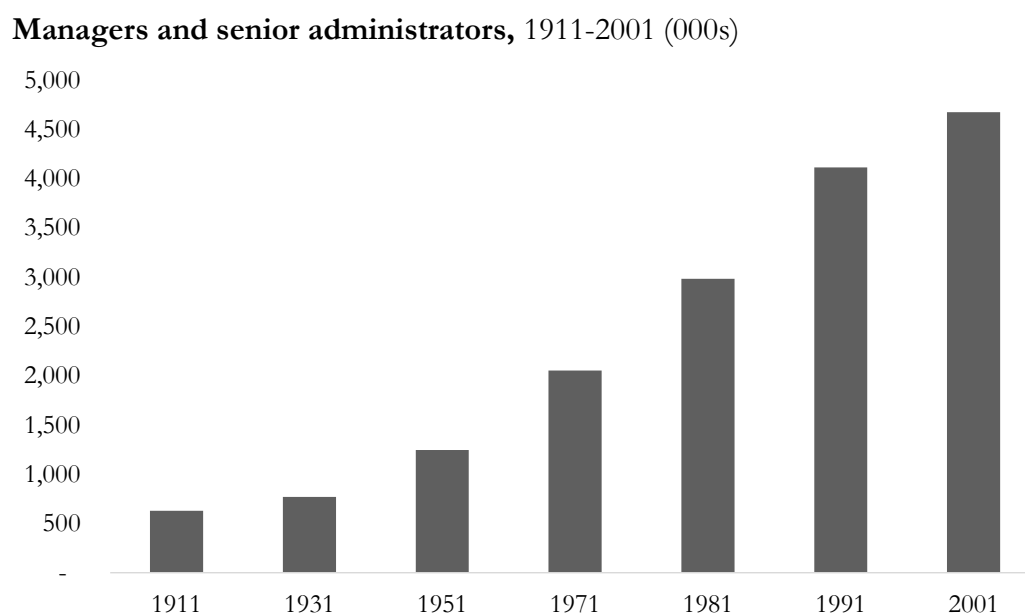
Of course, it would be dangerous to generalise that state-consulting relationships were uniformly positive, or that civil servants and British consultants shared exactly the same backgrounds. With regard to the middle rank of civil servants, the executive class, as the publication *O&M (Organisation & Methods) Bulletin* noted in May 1966, "recruits to management consultancy…are almost always university graduates or holders of roughly equivalent professional qualification. Normally there is no similar qualification expected of Civil Service O and M [the in-house consultancy in the Treasury] though some have them."[359]   And of the qualifications which consultants held, a number were from Oxbridge: R.D.S. Swann who at the age of 44 was appointed from PA Management Consultants by the Home Office in 1965 to "reshape [the] gaol industries" was educated at Marlborough and then Cambridge.   But Swann read mechanical sciences; a far cry from the arts and humanities graduates in the civil service which Balogh derided.[360]

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[358] Data from J. F. Wilson and A. W. J. Thomson, *The Making of Modern Management* (Oxford: Oxford University Press, 2006), 18.

[359] Gershon, "Working with a Management Consultant," 68.

[360] See "Expert to reshape gaol industries," *The Times*, June 4, 1965, 8.

Regardless, it appears that there was a high degree of positive working between sections of the civil service and consultants and, even if it was not immediately forthcoming, trust could be gained. For example, Vic Forrington, a consultant at the time, recalled that for Urwicks' support for the Royal Ordnance Factories (which had as its terms of reference "to recommend a computer strategy for the total organisation, involving sites throughout the UK embracing the manufacture of explosives, ammunition, small arms, fuses, field guns and military vehicles including the Chieftain tank") the advice of the consultants (who also had civil servants seconded into their team from the Home Office) alone was not enough to convince the main client, the Secretary of the Royal Ordnance Factories.[361] In Forrington's recollection:

> Our recommendations were largely accepted, although we had to demonstrate through introductions to private sector companies, including Smiths Industries and Plessey that they did not involve any too radical or controversial thinking which could possibly rebound on the reputations and careers of those able public servants who had commissioned our work.

This supports the view of another consultant who was present at the time – George Cox – that Urwicks' role (and the role of consultants more generally) was to act as "spreaders of knowledge" from private to public sectors.[362] But this view, if we are to assume Forrington's recollection is correct, also raises three further issues to consider.[363] First, that civil servants, even if initially sceptical, could be convinced by consultants, provided that appropriate evidence was demonstrated, to support recommendations. Second, that the public sector in this period

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[361] Vic Forrington, correspondence with author between March 3, 2011 and March 30, 2011. See Appendix for biography.
[362] George Cox, interview with author, March 2, 2011.
[363] The archival material available certainly supports Forrington's recollection that there was initial reticence in adopting Urwicks' proposals. The consultant report concluded: "in our discussions we have been made aware of the major problems that will inevitably arise as part of implementation of the proposals…[however] we consider that despite the strategic and special significance of the subject, many of the improvements needed to ensuring meeting the future requirements of the Services and Sales can be achieved." Unfortunately, the archives shed no further light on whether these recommendations were fully implemented as the consultants envisaged. TNA: DEFE 68/8, Urwick, Orr & Partners Ltd, "Ammunition Production Organisation Study," March 2, 1970.

was clearly receptive to ideas from outside, and especially from the private sector. And third, to demonstrate the validity of the recommendations, the consultants had to make *connections* with private sector companies – thereby highlighting the importance of both networks of individuals and ideas around public and private sector governance, as well as the extent to which consultants helped broker these networks.

Reviving British industry

"I would stick my neck out and say that this country's existing labour force could produce thirty per cent more without spending money on capital investment."[364]

G. Wood, management consultant at Urwick Orr & Partners, Evidence to Royal Commission on Trade Unions and Employers' Association, December 6, 1966

Throughout the 1960s and 1970s successive governments wondered how to revive British industry in the face of heightened international competition. Since its inception, the Ministry of Technology had sought how to encourage British companies to use management consultants. By 1966 several organisations existed to facilitate this: the British Productivity Council; British Institute of Management (which kept a register of all consultancy firms); Industrial Society; and the Ministry of Technology's own consultancy unit the Production Engineering Advisory Service.[365] In 1969 the Board of Trade even proposed a £15 million national five-year grants scheme encouraging small firms to use consultants, extending its successful £500,000 pilot scheme in Glasgow and Bristol which had seen over 200 companies use (overwhelmingly British) consultancy firms.[366]

Clearly, the Wilson governments of 1964 to 1970 believed that state intervention was needed to fix the problems of industry. In a memo to the Secretary of State for Scotland, Wilson expressed

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[364] TNA: LAB 28/16/25. "Evidence to Royal Commission" Association," 15.
[365] TNA: LAB 10/2759. Ministry of Labour note, December 1, 1965; TNA: LAB 10/2759. "The use of management consultants by smaller firms." February 1966.
[366] TNA: T 224/2045. Board of Trade memo on "Industrial Efficiency and the Consultancy Grants Scheme." July 22, 1969.

his concerns regarding the un-governability of the expanding nationalised industries: "The nationalised industries represent such a large sector of the economy that a comprehensive audit of their efficiency cannot be done by a single unit of the type that was established in the National Board for Prices and Incomes."[367] It is with these concerns in mind that the Labour government's support of British consultancy firms must be viewed. As the Paymaster General Judith Hart told the House of Commons in 1968:

> Management consultancy in this country has made striking progress in recent years; and rightly so. Skilled work of this kind makes a valuable contribution to the achievement of greater management effectiveness and industrial efficiency, and therefore to the higher productivity which is essential to us as a competitive industrial nation.[368]

Thus the 1969 proposed consultancy grants scheme sought "to bring about an improvement in the efficiency of individual firms, thus benefiting the economy", and represented an attempt to plug the "serious gap in our effort to improve the competitiveness of British industry."[369] Though Wilson was known to favour the scheme, the pressing economic situation meant the Treasury refused to provide the funds until after the forthcoming general election.[370]

The Conservatives seemed to share Labour's concerns with industrial efficiency (and specifically, industrial management), promising in their 1970 election manifesto that: "We will encourage wider and better provision for management training [as] good management is essential not only for efficiency and the proper use of capital resources, but also for the creation of good industrial relations." [371] However despite Heath's modernising zeal, his government did not seem to view British consultants as being the answer to the problem of productivity and industrial efficiency.

[367] BOD: Wilson. c. 1594, Wilson memo to Secretary of State for Scotland, November 6, 1967.
[368] House of Commons debate, *Public Bodies (United States Management Consultants)*, November 27, 1968, vol 774 cc682-692.
[369] TNA: T 224/2045. Note on "Consultancy Grants Scheme", July 1969.
[370] Ibid.
[371] *A Better Tomorrow*, http://www.conservative-party.net/manifestos/1970/1970-conservative-manifesto.shtml, accessed April 11, 2011.

As detailed in Chapter II, Heath seemed more interested in the offerings of American consultancy firms and the advice of business experts than the work of the traditional British consultancy firms. It is quite likely that this was because though "planning" began under the Conservatives, it was Labour who were more committed to its principles. Thus the proposed Board of Trade consultancy grants scheme was dropped, and no direct government support was made by the Conservative administration to encourage the use of consultants by industry.

On returning to power, Labour continued its interest in external consultants as a solution to Britain's industrial problems. Tables 16 and 17 details many of these; one can ascertain from the table that the majority of studies were undertaken by British consultants. In 1975 a Labour Research Department memorandum considered the "need to improve the performance of British industry [via] a State Management Consultancy Service."[372] Three years later, the 1978 White Paper on Nationalised Industries stressed: "The government expects that, in the normal exercise of their management functions, the industries will continue to take the initiative in calling management consultants to undertake special studies when necessary."[373] However despite the rhetoric which suggested consultants were central to the revitalisation of British industry, political practicalities highlighted the fact that the advice of consultants was just that – advice, which could be disregarded as the government saw fit. In 1978, one of Tony Benn's struggling co-operative ventures – Kirby Manufacturing and Engineering Company (KME) in Merseyside – called in PA Management Consultants to help make the case for further government assistance. PA advised Alan Williams, Minister of State for the Department of Industry, that KME could break even within the year and return to profitability in two, though this would require a further £2.9 million of government assistance (KME had previously

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[372] Manchester People's History Museum (hereafter MPHM): Labour Research Department Memoranda, RE 163. "A state management consultancy service." Memo by John Garrett, May 1975.
[373] TNA: CAB 129/199/13. "White Paper on the Nationalised Industries," 1978.

received £5.4 million).[374] But despite PA's report, the government, which had adopted a tighter monetary policy since Callaghan's 1976 Labour Party Conference speech in Blackpool, would no longer consider further industrial bailouts.[375] KME was allowed to go under in a Cabinet meeting which Benn recalled as being a "most unpleasant discussion".[376]

The decline of the Big Four

"Most work was shop floor stuff; solving problems and improving operational efficiency. By the time I left there was a certain amount of strategic board level work, but the Americans had come in and grabbed most of that."[377]

Antony Graham, Production Engineering Ltd, 1960-1972

In the 1960s and 1970s, management consultancy firms of British origin seemed to answer some of the main challenges of the era: introducing planning into state bodies; reforming an amateurish civil service; and revitalising British industry. But by the end of the 1970s, the great experiment in state sponsorship of these British firms seemed to have failed from both sides. By 1979, this generation of British consultancies had suffered substantially from the emergence of new generations of consultancy competitors from very different origins – American consultancy firms and the consulting divisions of accountancy firms. Not only was Britain in the throes of a long-run of deindustrialisation, the original Big Four firms had changed beyond all recognition. From 1967 to 1974, the proportion of AIC's revenues which came from "production" work decreased from 46 per cent to just 22 per cent; Urwicks' dropped from 35 per cent to just 14 per cent; and the story was similar for the other two British firms.[378] Increasingly the Big Four sought to abandon their heritage of working on issues of industrial productivity and tried to

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[374] TNA: CAB 128/63/18. "Kirby Manufacturing and Engineering Company." May 11, 1978.

[375] Bernard Donoughue, *Prime Minister: The Conduct of Policy under Harold Wilson and James Callaghan* (London: Cape, 1987), 82.

[376] Tony Benn, *Conflicts of Interest: Diaries 1977-1980* (London: Hutchinson, 1990), diary entry for May 11, 1978, 300.

[377] Antony Richard Malise Graham, correspondence with author between February 15 to February 20, 2011.

[378] Figures derived and analysed by the author from MCA: box 23.

emulate their competitors. Where the Big Four had been at the vanguard of a blossoming British consultancy industry in 1964, by 1979 they were languishing behind two very different types of consultancy firms: the American strategists who took some of the most high-profile state assignments in the 1970s and offered high-level organisational advice; and the accountancy firms, which by the late 1970s were receiving lucrative fees for work concerned with management information systems and computer technologies. The British firms were looking increasingly irrelevant and marginalised. Only PA Consulting survived the recession of the 1970s with buoyant finances, but it now resembled a completely different firm: internationalist in outlook – having left the MCA in 1975 – and focused on computer technologies.

As Table 3 shows, although the majority of MCA revenues were ascribed to the Big Four in this period, the decline of the British consulting firms was marked and rapid. It also represents a truly forgotten path not taken in the history of the British state. This neglected history is deeply intertwined with the rise of American influence on the West, and panics around British decline. As a result, American consultancies in particular began to be used to a far greater extent than before the late 1960s by the state. As explored in the next chapter, American consultants were particularly effective in infiltrating and emulating the British elite and succeeded in winning assignments with overwhelmingly "British" institutions, such as the National Health Service.

Chapter II: Reorganising, 1970s: The 1974 National Health Service Reorganisation and McKinsey & Company

"The study I have to say in retrospect was a disappointment…I really was naïve in thinking that we could have had as big an impact as I thought we might have." [379]

Henry Strage, Partner-in-Charge of NHS study, McKinsey & Company, 1987

The National Health Service Reorganisation Act (England and Wales) gained Royal Assent on July 5, 1973. It was a product of decades of political wrangling, involving two Green Papers, one Consultative Document, one White Paper, dozens of reports, and by the time the Act was implemented the question of reorganisation had been considered by four Ministers or Secretaries of State.[380] The Act sought to unify healthcare in England and Wales. At the Act's core was the belief that the "tripartite" structure of care – hospital services, primary care, and community services (see Figure 7) – in place since 1948 was inefficient and placed too great an onus on expensive hospital care.[381] What is of interest about this piece of administrative reform is its specific concern with "management efficiency," and that the American consultancy firm McKinsey & Company and a management studies team from Brunel University were charged with addressing this concern.[382]

Whilst the reorganisation is important as a piece of – surprisingly overlooked – technical administrative history, it is even more insightful as a case study which illuminates major questions regarding the modern British state.[383] The Conservative politician, and former Chancellor of the Exchequer, Nigel Lawson famously likened the NHS to the "closest thing the English have to a religion" and in constituting around one-fifth of total public sector expenditure

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[379] McKinsey & Company archive, oral history interviews (hereafter McK): Henry Strage, May 20, 1987. See Appendix for biography.
[380] Webster, *The Health Services since the War, Volume II*, 778-79.
[381] Steven Jonas and David Banta, "The 1974 Reorganization of the British National Health Service: An Analysis", *Journal of Community Health* 1, no. 2 (Winter 1975): 91-105.
[382] Webster, *The Health Services since the War, Volume II*, 464.
[383] The major – and largely unchallenged – interpretation of the reorganisation is ibid.

during this time period, it can be claimed to represent a major element of the British "state". [384] And so through understanding how the NHS operated and was influenced by external private sector agents we gain an important understanding of what the state is. Consequently this chapter is primarily concerned with what the use of the consultancy services of McKinsey & Company during the 1970s NHS reorganisation in England tells us about the nature of the British state and state power.[385]

The case study in this chapter focuses on the specific political and administrative debates surrounding the NHS Reorganisation Act 1973 (England and Wales), its implementation the following year, and in particular how the services of McKinsey & Company were procured and used in this process. Developments are also considered in Scotland, Northern Ireland, and Ireland, with a recognition that the NHS has different operational models across Britain's jurisdictions. Indeed, their separate workings go some way to questioning the notion of a single "British" National Health Service, or even state.[386] At all times, the definitions of the "state" and "state power" applied are as described in the Introduction to this thesis. However, before we embark on this specific case study, two questions are addressed which provide essential context: how did an American generation of consultancy firms enter into British consciousness; and what benefits did contemporaries believe these consultancies were bringing?

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[384] Nigel Lawson, *The View from No. 11: Memoirs of a Tory Radical* (London: Bantam, 1992), 613; Webster, *The Health Services since the War, Volume II*, 801.

[385] See Introduction for more on definitions regarding states and state power.

[386] For instance, in Rudolf Klein's *The New Politics of the N.H.S.*, Harlow, 4th edn., 2001, p. ix, he apologetically writes that a "little Englander approach" has been adopted in his analysis. However, this blind-spot has been correctly noted by John Stewart, "The National Health Service in Scotland: 1947-1974: Scottish or British?", *Historical Research* 76, no.193, 2003, 389-420, David J. Hunter in "Organising for Health: The National Health Service in the United Kingdom", *Journal of Public Policy* 2, no. 3, August 1982, 263-300, and H. Welsham, "Inequalities, Regions and Hospitals: The Resource Allocation Working Party", in Sally Sheard and Martin Gorsky (eds.), *Financial Medicine: The British Experience since 1750*, London: Routledge, 2007, 221-241.

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The arrival of the Americans

"We operated in a different stratosphere to Urwicks, PA and the rest [of the British firms]."[387]

Barry Hedley, Boston Consulting Group, 1970-1976

Overcoming initial apprehension from its directors, in April 1959 McKinsey & Company established its first London office on 4 King Street.[388] The company had originally viewed the creation of a "beachhead" in Europe as being a gateway to helping "domestic [US] companies in expanding their international businesses".[389] However, once the London office had opened (from where the firm undertook a study assisting Royal Dutch Shell to change its organisational form to a multidivisional model), the company quickly recognised the desire from British companies to acquire McKinsey's services. By 1966, McKinsey had worked for an impressive array of high-profile British companies: Imperial Chemical Industries, Cadbury-Schweppes, English Electric, English Steel, Rio-Tinto, Philips Electric, Rolls-Royce, Shell-Mex-BP, Unilever and Vickers.[390] By 1968, it was believed that McKinsey's seventy-four consultants in its London office were bringing in revenues of £1.8 million. This may have represented only 12 per cent of total MCA revenues in the period, but McKinsey, with their far higher fees, averaged £24,300 in revenues per consultant, compared with an MCA average of £7,000.[391] McKinsey were not the only American consultancy firm operating in the UK in this period; Arthur D. Little, Boston Consulting Group, Booz Allen Hamilton, H.B. Maynard, Emerson Consultants, and others had all established offices or were undertaking work in the country too.[392] However, as highlighted in Table 17, only the first four of these firms had a substantial working practice in government or

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[387] Barry Hedley, interview with author at Gonville and Caius College, University of Cambridge, March 18, 2011. See Appendix for biography.

[388] Marvin Bower, *Perspective on McKinsey* (McKinsey & Company internal publication, 1979), 92.

[389] McKinsey & Company minutes, "Minutes of Planning Committee Meeting", 5-6 April 1956, 7. Quoted in McKenna, *The World's Newest Profession*, 172.

[390] Bower, *Perspective*, 93-94.

[391] McKinsey earnings quoted in "They cried all the way to the Bank," *The Sunday Times*, 1968, exact date unknown, found in TNA: T326/1040; MCA revenues calculated by author from MCA annual returns, MCA: box 22.

[392] "Quality Control for the Management Consultants," *Financial Times*, July 18, 1966, 10.

state bodies in this period, and such was the ubiquity of McKinsey that *The Sunday Times* even coined a verb to cover their work. Writing in 1968, the journalist Stephen Aris explained:

> "McKinsey" as: "1. V. To shake up, reorganise, declare redundant, abolish committee rule. Mainly applied to large industrial companies but also to any organisation with management problems. See: British Broadcasting Corporation, the General Post Office and Sussex University. 2. N. An international firm of American management consultants."[393]

Consequently attention is focussed on these four firms throughout this chapter, and McKinsey – the first of these to develop a significant presence in Britain – in particular in the case study.

As Barry Hedley's comment highlights, in every conceivable way, the American consultancy firms sought to differentiate themselves from their British consultancy counterparts. Myth and reality blur here, although on balance there were significant differences between the two generations. As McKenna has conclusively shown, the origins of the American firms that came to dominate the British headlines and concepts of "consultancy" in the 1960s and 1970s lay not in the time and motion studies of Taylorism (unlike the Bedaux Company and its Big Four offshoots), but rather in the regulatory changes of the US Glass-Steagall Act of 1933. McKenna has shown how the separation of commercial and investment banking led to a demand for investment surveys for banks which firms like James O. McKinsey & Co. met.[394] In terms of recruitment practices, clear differences also emerge. In the 1950s, British firms such as Personnel Administration sought recruits who were: male, young, of grammar school education and "high but not brilliant intelligence."[395] McKinsey, in the words of their influential managing director Marvin Bower in 1979, on the other hand, believed: "in those early London days, to

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[393] Stephen Aris, "Super managers," *The Sunday Times*, September 1, 1968.
[394] McKenna, *The World's Newest Profession*, 17-37.
[395] Quoted in Tisdall, *Agents of Change*, 51; see Chapter I.

establish a staff equivalent in calibre to our US staff [most of whom had MBAs from business schools such as Harvard] we needed honours graduates of Cambridge and Oxford."[396] Similarly, as David Giachardi recollected from his time consulting in the 1970s, the Boston Consulting Group also recruited "solely from Oxbridge", and Bernard Doyle, a consultant in the late 1960s, was hired by Arthur D. Little after leaving Harvard Business School.[397]

Especially in terms of work undertaken, the Americans sought to distinguish themselves from the Big Four. As we have seen in the previous chapter, although in 1967 the majority of the Big Four's work was in "production" or "finance and administration", 13 per cent of their work was in "company development and policy formation" – exactly the type of work which the American firms became famous for.[398] Yet as the American firms increasingly became known for high-level "strategy" work ("strategy" was a term made popular by the applied mathematician Igor Ansoff's 1965 book *Corporate Strategy*, though with a protean definition – in this period it broadly meant using an analytical and rationalist approach to the organisation of business affairs),[399] the British firms struggled to convince that they too were capable of high-profile strategy assignments.[400] As the *Financial Times* summarised in 1966:

> All the [British] Big Four consulting firms have their origins in industrial engineering, time and motion study, bonus schemes, and a variety of other techniques designed to improve productivity in the manufacturing process. "They did an excellent job on the shop floor", says an American consultant, "but they have never got out of that rut."[401]

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[396] Bower, *Perspective* , 95.

[397] David Giachardi, telephone interview with author, March 9, 2011. See Appendix for biography; Bernard Doyle, telephone interview with author, February 16, 2011. Doyle, however, had studied at the University of Manchester (BSc Hons) and been educated at St Bede's College, prior to his time at Harvard.

[398] Calculated by author from MCA: box 23.

[399] For more on the differing interpretations of "strategy" in the 1960s, see Lawrence Freedman, *Strategy: A History* (Oxford: Oxford University Press, 2013), 499.

[400] H. Igor Ansoff, *Corporate Strategy. An Analytic Approach to Business Policy for Growth and Expansion* (New York: McGraw-Hill Book Co., 1965).

[401] *Financial Times*, July 18, 1966.

Such impressions stuck amongst McKinsey clients. Whilst discussing whether or not the Fulton Committee should approach McKinsey, Michael Simons was advised – following advice from Ronald German who had worked with the consultants on the study of the Post Office in 1966 – that "McKinseys (sic.) tend to specialise in the field of higher management organisation. Their greatest value is probably as catalysts to get people thinking about their own problems. Their reports largely take the form of charts and graphs and they do not write very much."[402]

The ability of the American firms to position themselves as high-level management advisers meant they took on the most significant and prestigious state assignments in this period. In this respect, they were greatly helped by an increasing obsession with American "know-how", a virtuous cycle of high-profile assignments furthering their standing and reputation, and some smartly constructed friendships in elite circles. The work they undertook was of long-standing significance in the development of the state in the 1960s and 1970s; changing management structures in a large number of state bodies, and providing international perspectives on Britain's problems.

American "know-how"

"Is Britain a half-time country, getting half-pay for half-work under half-hearted management?"[403]

William W. Allen, American management consultant, *The Sunday Times,* 1 March 1964

Two years after the former US Secretary of State Dean Acheson issued a *zeitgeist*-capturing critique of Britain's lost sense of direction, another American launched an assault on the national psyche. William W. Allen's double-page spread in *The Sunday Times* (which proved so popular the paper took the unusual step of publishing it as a pamphlet) shocked readers by claiming that:

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[402] TNA: BA1 /70. Mary Loughanne, initial Secretary to the Fulton Committee, "Note for the record." Michael Simons. April 18, 1966.
[403] *The Sunday Times*, March 1, 1964, 15-16.

"for each person needed to produce a ton of steel in America, three are needed in Britain; ships could be constructed with 40 per cent fewer men if labour were employed efficiently; it takes three to six times as long to build a house in Britain as it does in America."[404] British management consultants tried to diffuse the positive attention Allen received, replying: "Let us not be deluded into believing that North American management has a monopoly on brains and 'know-how'."[405] As explored in Chapter I, in 1960s Britain there were two competing solutions to Britain's malaise: a British one and an American one. Whilst the British solution has been long neglected in histories and was more successful than hitherto appreciated, ultimately the American version triumphed. The British turn to American solutions in the 1960s was borne of complex factors, but changes to Britain's empire status, introspection arising from a national and international backlash against the Suez episode and a growing fascination with the perceived "American miracle", meant that the interest with American "know-how" which been burgeoning since the mid-1950s and was growing in fervour.[406]

Central to the conditions of American financial assistance for postwar reconstruction was an emphasis on European countries learning from the successes of the American economy. In total, direct foreign assistance came to around $15 million, which Britain matched and used to help form the Anglo-American Council on Productivity, the European Productivity Agency and the British Productivity Council.[407] As Nick Tiratsoo has noted, as "Washington saw it, unless the Europeans changed economically, they would not be able to withstand the challenge of Communism."[408] The Anglo-American Council on Productivity was one of the most celebrated

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[404] Ibid.
[405] "Letters to the editor," from C.W. Bocock of Associated Industrial Consultants Ltd, *The Sunday Times*, March 8, 1964.
[406] For more on the "American miracle" see Leslie Hannah, "The American Miracle, 1875-1950, and After: A View in the European Mirror", *Business and Economic History* 2, no. 2 (1995): 197-220.
[407] Jim Tomlinson, *The Politics of Decline*, 18; Nick Tiratsoo, "Limits of Americanisation: The United States Productivity Gospel in Britain", in Becky Conekin, Frank Mort and Chris Waters eds., *Moments of Modernity*, (London: Rivers Oram Press, 1999), 112-3.
[408] Ibid, 112.

of these initiatives. Set up by Stafford Cripps in 1948, the Council sought to "promote economic well-being by free exchange of knowledge in the realm of industrial organisation, method and technique, and thereby to assist British industry to raise the level of its productivity".[409] A delegation of the Council led by Lyndall Urwick extensively studied the American management consultancy industry, which by the early 1960s collected total revenues of around $300m and had been by far the largest in the world since the late 1940s.[410] However according to Tiratsoo, these attempts to spread the American "gospel of productivity" into Britain in the 1950s failed as a result of "entrenched management culture and institutional resistance", with "those who ran British companies continuing to believe vehemently that they knew best."[411]

By contrasting Tiratsoo's descriptions of British management attitudes towards American "know-how" in the 1950s with the list of British clients McKinsey served between 1959 and 1966, it is clear something dramatic must have occurred between the early years of the 1950s and the mid-1960s. It is likely that inimical attitudes towards American firms were not as entrenched as first supposed, and that the increasingly alarmist concerns about the state of the British economy in the 1950s and early 1960s forced a quick reappraisal. It is also clear, from the previous chapter, that at the same time as the pro-American approach was gaining traction, there was an influential, but nonetheless declining pro-British approach too. As the economic historian Deirdre McCloskey has shown, British entrepreneurial failures were frequently contrasted with American successes in the late 1950s, and in particular the American adoption of the multidivisional model of corporate structure, which McKinsey was fêted for introducing to many American firms.[412] Thus by the early 1960s, with incomes policy, wage bargaining, and a spate of bestseller publications questioning "What's wrong with Britain?" all at the forefront of

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[409] Iron and Steel AACP Report (1952) in BOD: Macmillan papers, MS.Macmillan dep.383.
[410] *MCA Annual Report*, 1965.
[411] Tiratsoo, "Limits of Americanisation", 112-113.
[412] Quoted in Tomlinson, *The Politics of Decline*, 74.

political and commercial concerns, productivity was at the heart of the discourse about how to revive Britain.[413] The American consulting firms were only too aware of the potential work this entailed. As Hugh Parker, who led McKinsey's London office noted, in the 1950s and 1960s "we believed the Atlantic was five years wide...[we sought] to give our clients competitive advantage by closing this gap, even though the concept of competitive advantage did not even exist in Europe at the time."[414]

Consequently, whilst the American generation of consultancies originally arrived in Britain expecting to serve American firms and their subsidiaries, they quickly readapted their service offerings to meet the demand from British clients for their unique brand of American "know-how". Their clients were keenly aware of the significance of their American origins. As we have seen, in 1966 Norman Hunt was averse to hiring "an American consultant alone" on the Fulton Committee, when considering McKinsey. Two years later James Selwyn (Selwyn was an Adviser to the Bank of England) wrote on July 22, 1968 regarding the appointment of management consultants to analyse the Bank of England's operating procedures:

> The first problem is whether we should consider American consultants, or whether we should rule them out on the grounds that we "ought to buy British". The best known consultants here are McKinsey and they are probably the only ones we would need to consider. They have had some important assignments, e.g., ICI, Shell, BP, Lever Brothers, Post Office, and more recently the BBC and British Railways Board. Information seems unanimous that American consultants are good [and one view is] that the Americans are several years ahead in their techniques.[415]

When the Governor of the Bank, Leslie O'Brien, asked the Chancellor of the Exchequer in 1968 whether the potential political fall-out from hiring an American firm rather than a British firm

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[413] Jim Tomlinson, "The British "Productivity Problem" in the 1960s", in *Past & Present* 175, no. 1 (2002): 194; the 1968 Brookings Institute report edited by Richard E. Caves, *Britain's Economic Prospects* (London: The Brookings Institute, George Allen Unwin, 1968) summarised many of these critiques.
[414] Quoted in Henry Strage, *Milestones in Management: Essential Reader* (Oxford: Blackwell, 1992), 7.
[415] Bank of England archive (hereafter BoE): E 4/67. Paper by James Selwyn, "Management Consultants in the Bank", 22 July 1968, 6-7.

could be justified, the answer was clear. In a private Bank memo to the Treasury, a senior official confided: "the Governor personally consulted the Chancellor [Roy Jenkins] and was encouraged to go for the best, even though this might mean McKinseys (*sic.*). In making our choice we were fully aware of the reaction it was likely to provoke amongst British firms."[416] The hiring of McKinsey dealt a sharp blow to the confidence of the British firms; at a time of national introspection, it was clear that even the most august state bodies favoured American "know-how" over British. Even the press took a similar view about the American-ness of McKinsey compared with their British counterparts. As the cartoon below shows, McKinsey – here visually displaying the moniker the "McKinsey mafia" which would come back into fashion and reverberate around Whitehall circles in the 1990s – were viewed in patently un-British ways.[417]

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[416] TNA: T 326/1040. A.A. Stevens memo to D.M. Thomson, "Private and confidential." November 5, 1968.
[417] Jenkins, *Thatcher and Sons*, 276-77.

Figure 5: "They say they're the American efficiency experts"[418]

They say they're the American efficiency consultants.

Friends in high places

"The Firm was fortunate in having Hugh [Parker] as resident manager [in the London office]. A graduate of Cambridge University, he understood the British and had the added advantage in Britain of having rowed for the University."[419]

<div align="right">Marvin Bower, Managing Director, McKinsey & Company, 1950-1967</div>

A large part of McKinsey's success in winning the "plum" state assignments that its competitors (and especially the Big Four) yearned for was due to the firm's marketing strategies.[420] The first significant move was to build connections with senior state officials. In this respect, it seems clear that in seeking to build a market for their services, McKinsey diagnosed (like Anthony

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[418] (c) Associated Newspapers Ltd. / Solo Syndication, British Cartoon Archive, University of Kent, Trog (Wally Fawkes), *Daily Mail*, October 30, 1968.

[419] Bower, *Perspective*, 90.

[420] For more on this see, "McKinsey plum chokes Britain's own consultants", *The Daily Telegraph*, 30 October 1968.

Sampson had done in 1962) that power in the British state lay in an elite cadre of well-connected civil servants.[421] In 1966, Marvin Bower and David Hertz (another McKinsey partner) approached Alcon Copisarow with a view to joining McKinsey. Copisarow had led a distinguished career as a civil servant and, when interviewed on the matter in 2011, recalled being reluctant to be seen in the civil service as a "quitter".[422] However after discussing the offer with others, including Tony Benn (who had employed McKinsey previously and whom Copisarow had worked for) and being advised that they had done a "good job" for Benn, Copisarow decided to accept and become the first non-American worldwide director of the firm.[423] At least two highly significant state assignments arose as a result of Copisarow's connections. The first was the establishment of British Gas. As Copisarow recounted:

> Sir Henry Jones, Chairman of the [Gas] Council, who I'd known for many years [through sharing the train to London from our homes in Great Missenden] and whose advice I had sought initially on the advisability of joining McKinsey, asked if I could help tackle the entirely new problems and opportunities that lay ahead for his industry, which was now being nationalised.

The second assignment was even more high-profile – the reorganisation of the management structure of the Hong Kong government.[424] Again Copisarow's personal connections proved vital:

> In 1971, Murray Maclehose, a colleague with whom I had served at the Paris Embassy in the 1950s...came up to me at the Athenaeum [a prestigious London members' club] and said, "You know, Alcon, I'm off to Hong Kong shortly as Governor...Hong Kong has management problems we need to solve, they will be my

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[421] Sampson, *The Essential Anatomy of Britain: Democracy in Crisis*, 37.
[422] Alcon Copisarow, interview with author at the Athenaeum Club, London, February 16, 2011.
[423] Ibid.
[424] See TNA: FCO 2/254. "McKinsey Report on strengthening the machinery of the Government of Hong Kong," 1973.

problems and I don't know the first thing about management. Come out and help."[425]

McKinsey subsequently did indeed support the Hong Kong government over most of 1972 to "strengthen the machinery" of government. Based on in-depth interviews with senior official, reviews of practices in the UK, United States and Sweden, and observations of senior officials' activities, the consultancy made four recommendations: to introduce annual operating plans; to formalise the process and extend the coverage of long-term programme plans; to formalise the process and extend the coverage of resource plans; and to introduce processes for measuring performance against plan. In addition, McKinsey proposed a number of "trials" to be evaluated, covering improvements to the Medical and Health Department, the Royal Hong Kong Police, and the development of secondary education.[426]

Copisarow's connections also helped the assignments he undertook. Recalling his work in charge of McKinsey's study of the operations of the Bank of England, Copisarow noted: "Fortunately I had personal contacts...[in order] simply to learn how the Treasury and the Bank worked together with a view to regulation, the explanations of two former civil service colleagues, Sir Douglas Allen and Robert Armstrong, were very helpful".[427] The personal friendships of well-connected individuals (many of whom were members of elite London members' clubs such as the Athenaeum) appeared to have been a key factor in the emergence of American consultancy firms in the 1960s.[428]

Copisarow's decision to move to McKinsey helps to shed further light on the postwar British "warfare state" which David Edgerton has written on. In Edgerton's view, the Wilsonian "white heat" moment marked the "ending rather than the beginning of an overweening enthusiasm for

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[425] Alcon Copisarow, interview with author, February 16, 2011.

[426] TNA: FCO 40/10, "Strengthening the Machinery of Government report by McKinsey & Company, Nov 1972".

[427] Alcon Copisarow, correspondence with author, from which was shared: Alcon Copisarow speech at Eton College on "The Bank of England: Then and Now", December 1, 2009.

[428] David Vincent, *The Culture of Secrecy: Britain, 1832-1998* (Oxford: Oxford University Press, 1998), vi-x.

national technology. Labour ended many large-scale techno-national projects and was hostile to many that survived…this was the end of the state research corps as a growing self-confident sector."[429] Copisarow's experience reinforces this view, and shows the growing esteem in which consultants were held. Educated at Imperial College of Science and Technology, Copisarow was emphatically a scientist working within the warfare state. In turn his roles included: Scientific Counsellor at the British Embassy in Paris; Director of the Forest Products Research Laboratory in the Department of Scientific and Industrial Research; Chief Technical Officer at the National Economic Development Council; and finally Chief Scientific Officer in the newly formed Ministry of Technology. Reminiscing in 2014, Copisarow recalled his initial excitement at the creation of the Ministry of Technology (MinTech), "[with a] remit to guide and stimulate a major, all-embracing national effort to bring advanced technology and new processes into industry." However this enthusiasm soon dissipated in the face of "recruitment [problems]", a lack of influence – "it was wrong to have a Ministry of Technology with no say at all in the government's largest stake of all in technology, our aircraft industry" – and failure to address what Copisarow perceived to be the key problems at the time: "managerial effectiveness, the attitudes of labour, inadequate skills and training, the size and structure of firms and under-investment." Implicitly agreeing with Edgerton's description of the ending of the "enthusiasm for national technology", Copisarow ultimately concluded that "the 'white heat' election manifesto was a winner, but in office it amounted to little."[430] More significantly, by leaving his senior civil service post for McKinsey, Copisarow clearly felt he was better placed to achieve his goal of "making industry competitive and managers to be dissatisfied with the status quo" *outside*, rather than *inside* the civil service, despite the supposed new dawn of the "white heat"

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[429] Edgerton, *Warfare State*, 264-266.
[430] Alcon Charles Copisarow, *Unplanned Journey* (London: Jeremy Mills Publishing, 2014), 158-160

movement. According to Copisarow, even Tony Benn, his minister at Mintech, agreed, telling him: "You must accept [McKinsey's offer]."[431]

The second area in which McKinsey (and their fellow American firms) succeeded in furthering their reputation was in aiming for the most high-profile assignments. As the *Financial Times* noted, "most consultants agree that even if State work is not the most profitable it certainly carries prestige value."[432] More than this, it is clear state work brought with it much publicity. For instance, Barry Hedley believed the Boston Consulting Group's work for the Department of Industry was a "great opportunity to get paid to set out what we did".[433] The work which McKinsey & Company undertook for the British Transport Docks Board highlighting the "development of the container movement" was praised in the Commons by Barbara Castle.[434] Castle pronounced, "I seriously recommend the House to read the McKinsey Report, because it has significant lessons for us throughout the whole of transport."[435] The subsequent debate proceeded to refer to the report on no fewer than sixteen occasions. Such high praise was likely to lead at the very least to further interest in the firm, if not actual work. As Copisarow recalled, McKinsey were "delighted" with the publicity when a debate was forced in the Commons on whether the government could overturn the Bank of England's decision to hire an American company (which it could, although chose not to).[436]

Networks of senior state officials also meant that word of mouth was likely to be another positive means of securing further assignments. For example, Hugh Parker believed that:

> The steel corporation study [see Table 17]…led to the next major nationalised
> industry client and that was the British Railways Board. I don't know this for a fact,

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[431] Ibid., 178.
[432] *Financial Times*, January 10, 1977, 2.
[433] Author interview with Barry Hedley.
[434] For a description of the report see McK: Hugh Parker, April 4, 1986. See Appendix for biography.
[435] For Castle's praise see House of Commons debate, *Bus Operators, Road Hauliers and Ports and Docks Industries (Nationalised)*, July 18, 1967, vol 750 cc1725-17853.
[436] Alcon Copisarow, interview with author, February 16, 2011.

but I surmise that the chairman of the British Railways Board, Sir Henry Johnson, had obviously talked with Melchett [of the steel corporation], presumably got a good report on us and then invited us to talk to them about a study for the British Railways Board.[437]

Such referrals were not confined to state industries only. Barry Hedley recalled when interviewed in 2011 that BCG's work for ICI's Plastics Division in the early 1970s led the Deputy Chairman of the Plastics Division, Norman McLeod, to introduce BCG to the senior civil servant Peter Carey, then the Deputy Secretary at the Department of Industry. Hedley recalled how Carey "immediately liked our stuff and saw national implications for the work we were doing...it was clear to me Peter Carey was the mover to make things happen and wanted BCG".[438] The validity of this impression can be ascertained by the fact that in 1975, BCG were asked to undertake a study on the future of the British motorcycle industry for the Department of Industry, where Carey was now Second Permanent Secretary.

Case study: The 1974 NHS Reorganisation

This case study addresses five questions concerning the British state. First, why were management consultants used during the NHS reorganisation? Second, what does the use of consultants tell us about how state reform was influenced by political parties in this period? Third, what light does the NHS reorganisation case study shed on the nature of state power, and in particular the concept, forwarded by R.A.W. Rhodes, that the state is "hollowed-out" by consultancy firms?[439] Fourth, what do the differing NHS reorganisation experiences in England,

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[437] McK: Hugh Parker, oral history, April 4, 1986.
[438] Barry Hedley, interview with author, March 18, 2011. Biography for Peter Carey in Appendix.
[439] For more on Rhodes' "hollowing-out" thesis see Dennis Kavanagh, *British Politics*, 5th ed., 3-63.

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Wales, Scotland and Northern Ireland imply for the concept of a coherent British state? And fifth, what has been the lasting impact of the reorganisation on the state?

The histories of the National Health Service have largely categorised the 1974 reorganisation as a failure. The four leading historians of the health service have criticised the change as being at best an adequate compromise yet one which heralded an exponential increase in bureaucracy. For Geoffrey Rivett, the reorganisation created a "bureaucratic structure of mind-boggling complexity", though the "outcome remained the best available compromise".[440] Charles Webster found it "scarcely credible that such an unsatisfactory result as the 1974 reorganisation should have emanated from a lengthy planning exercise."[441] Rudolf Klein, like Rivett, acknowledged the unenviable conflicts of interest at play and felt the "reorganisation can be seen as a political exercise in trying to satisfy everyone [while reconciling] conflicting policy aims: to promote managerial efficiency but also to satisfy the professions, to create an effective hierarchy for transmitting national policy but also to give scope to managers at the periphery."[442] Rodney Lowe humorously described the reorganisation as leading to a "Byzantine structure in which there were too many tiers of administration and in which senior executive officials were responsible to authorities which might include among their members one of their subordinates."[443] More recent assessments have claimed that the 1970s changes represented a period of "consolidation" for the health service, one during which "more ambitious reforms were avoided."[444] Scant evidence exists to justify a rehabilitation of the reorganisation.[445] The analyses of Klein, Webster and Rivett remain largely sound. By contrast, this case study seeks to

[440] Geoffrey Rivett, *National Health Service History*, www.nhshistory.net. Accessed October 1, 2015.
[441] Charles Webster "National Health Service Reorganisation: Learning from History", L*ecture to the Socialist Health Association*, 1998
[442] Rudolf Klein, *The New Politics of the National Health Service*, 4th ed. (Harlow: Prentice Hall, 2001), 71-72.
[443] Rodney Lowe, quoted in Andrew Denham and Mark Garnett, *Keith Joseph* (Chesham: Acumen, 2001), 216.
[444] Neil Robson, "Adapting not adopting: 1958-1979. Accounting and managerial 'reform' in the early NHS", *Accounting, Business & Finance History*, Volume 17, no.3, 2007, 445-467.
[445] A recent witness seminar largely reasserted this view: "Witness Seminar: The 1974 NHS Reorganisation" (The University of London in Liverpool, November 9, 2016).

understand the historiographically neglected, though significant, relationship between the National Health Service, the state, politicians and consultants involved in the reorganisation. In doing so, this chapter considers whether Klein is correct that McKinsey & Company's influence on the changes was minimal, "reflected chiefly in the rhetoric of reorganisation – in the jargon that clothed the proposals and in the small print of the administrative changes."[446] This chapter also considers what light this particular episode sheds on future developments in the NHS' relationship with management consultants. And it also challenges a number of commonly held historiographical shibboleths regarding the British state, in particular; if there is such a body as a "British" state, and if the role of politicians in public sector reform has been exaggerated.

There are four dominant views regarding consultancy and the NHS. First, contemporary accounts of why the National Health Service procures the services of firms such as McKinsey & Company propose the following rationalisation: self-interested collusion (the so-called "revolving door syndrome") and an often grudgingly made suggestion that such consultancies may possess "expertise" in the fields of organisational change which are not held within the procuring organisation.[447] This latter position appears to be largely the view held in the 1970s, with numerous contemporary figures pre-echoing later claims.[448] As a consequence, the notion that civil servants in the Department of Health and Social Security would both actively solicit external advice and prioritise developments in an area so technical as "management efficiency" seems clearly at odds with views of an elitist, closed civil service, and instead points to a civil service receptive to external managerial expertise. [449]

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[446] Klein, *The New Politics*, 71.

[447] See Peter Davies, "Behind closed doors: how much power does McKinsey wield?", *British Medical Journal*, 2012; 344e2905.

[448] See, for example, Peter Draper and Tony Smart, "Structure of the NHS," *The Times*, August 9, 1972.

[449] See for instance, Sampson, *The Essential Anatomy of Britain,* 37; Heclo and Wildavsky, *The Private Government of Public Money*, 1-3.

Second, British histories are dichotomised by political partisanship. Almost every study of post-twentieth-century Britain divides itself into chronological segments driven by the electoral cycle.[450] Buttressing this explicative framework is the belief that post-1960s Britain was an era of political conflict and discord, which shunned away from the consensus which founded the welfare state. Thus the writings of the historians Keith Middlemas, Peter Kerr and others emphasise the discontinuities of the Wilson and Heath administrations. And of course, within this narrative of conflict lies the claim that Thatcherism marked a dramatic shift in the nature of British politics; radically departing from all that went before it.[451] However, as this case study explores, the fact that the NHS reorganisation passed through the care of multiple political administrations challenges this politically dichotomised view of Britain.

Third is the concept of the hollowed-out state.[452] Both contemporary and academic accounts of the period allude to civil servants and politicians blindly accepting the recommendations of consultants, giving credence to Alfred Kieser's claim that consultants treat their clients like "marionettes on the strings of their fashions."[453] Other theories of state power have suggested that "path dependency" on consultancy services started in the 1960s and that this development helps to explain the large sums spent on consulting in the twenty-first century.[454] Here we test how accurate Kieser's claims are, as well as whether "path dependency" is a useful prism through which to view state relationships with external private sector agents.

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[450] For example: Kynaston, *Austerity Britain, 1945-1951*.

[451] On lack of consensus in postwar British politics, see Peter Kerr, "The postwar consensus: A woozle that wasn't?" in David Marsh et al. eds., *Postwar British Politics in Perspective* (Oxford: Blackwell, 1999), 66-85. For the breakdown in response to economic decline and decline of "corporatism" see Keith Middlemas, *Politics in Industrial Society: The Experience of the British System since 1911* (London: Deutsch, 1980).

[452] On the "hollowed-out state" see Kavanagh, *British Politics*, 53-63.

[453] Cited in Kipping and Engwall, *Management Consulting*: 14.

[454] See Saint-Martin, *Building the New Managerialist State*.

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Fourth, the history of the reorganisation of the National Health Service engages with J.G.A. Pocock's "New British History" concept of "three kingdoms" in British histories.[455] Whilst twentieth-century historians such as Peter Hennessy, Rodney Lowe, Peter Clarke and others may write celebrated histories of "Britain", the uncomfortable fact that the jurisdictions of the United Kingdom have materially different histories and cultures is usually spared little more than a few paragraphs of apologia.[456] Yet older, medieval, and early modern histories of Britain such as Pocock's consider these differences. The Pocockian influence is most keenly felt in pre-twentieth-century accounts. Yet modern British historiography still abounds with "British" histories which deem developments in Scotland, Wales and Northern Ireland to be largely coterminous with those in England. This is particularly true in accounts of state reform: Michael Burton's *The Politics of Public Sector Reform* describes how "there are some differences between the way [public] services are managed in England, Scotland, Wales and Northern Ireland but in the main I provide an overview across the United Kingdom", for instance.[457] Through analysing "Britishness" through the lens of this case study we can unpick how diverse the four jurisdictions are in operations and structure, and whether this conflicts with accounts of a "coherent" state.

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[455] J.G.A. Pocock, "British History: A Plea for a New Subject", *The Journal of Modern History* 47, no. 7 (1975): 601-621.

[456] See for instance: Rodney Lowe, *The Official History of the British Civil Service*); Peter Hennessy, *The Hidden Wiring: Unearthing the British Constitution* (London: Gollancz, 1995); P. F. Clarke, *Hope and Glory: Britain 1900-2000*, 2nd ed. (London: Penguin, 2004). Dominic Sandbrook, for instance, writes that "I am conscious that my books betray a marked basis towards England…I am painfully aware of everything – and everybody – I have had to leave out." Dominic Sandbrook, *State of Emergency. The Way We Were: Britain, 1970-1974* (London: Allen Lane, 2010), ebook loc Preface. Accounts of devolution are an exception to this observation. See for instance Vernon Bogdanor, *Devolution in the United Kingdom*, New ed. (Oxford: Oxford University Press, 2001).

[457] Burton, *The Politics of Public Sector*, 11; Accounts of devolution are an exception to this observation. See for instance Bogdanor, *Devolution in the United Kingdom*.

Chronology of the reorganisation

The formation of the National Health Service in 1948 saw the coming together of over 1,000 voluntary hospitals, 3,000 public hospitals, and numerous GP practices into an umbrella organisation which divided healthcare into three elements: the hospital services, community services, and general practitioners (GPs). Whilst this achievement was momentous, it did not take long before its organisational form was called into question. The 1956 Guillebaud Report, though primarily focussed on analysing the costs of the health service, contained a report on the structure of the NHS by Sir John Maude.[458] Maude, previously Permanent Secretary in the Ministry of Health during the Second World War, criticised the health service structure and recommended that control of the service revert to local government. This presaged debates regarding local authority versus medical profession influence on the NHS that would arise during reorganisation planning. A few years later another influential report castigated the structure of the service, this time recommending a different solution. The 1962 Porritt Report, from the British Medical Association and chaired by the president of the Royal College of Surgeons, proposed that the tripartite division of services be unified under single area boards. Area boards would emphatically *not* be under local authority control and the medical profession would be strongly represented on the boards. To this end Arthur Porritt recommended that the board be run by a chief officer, who was also a doctor. Porritt's surgical career and the report's BMA-backing led to this view becoming the prevalent one amongst the medical profession.[459] Providing yet a different solution, the Farquharson-Lang report (published only in Scotland) of

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[458] Ministry of Health and Scottish Home and Health Department. *Report of the committee of enquiry into the cost of the National Health Service* (London: HMSO, 1956); David Owen, *Our NHS* (London: Pan Books, 1988).

[459] Arthur Porritt, "A Report of the Medical Services Review Committee", *British Medical Journal*, 1962: 2, 1178-86.

1966 proposed that regional and local health boards should employ a chief executive to run them, who need not have medical qualifications.[460]

Reports criticising the status quo abounded. The 1956 National Institute of Economic and Social Research Report, 1959 Cranbrook Report, 1962 Hospital Plan, 1963 Gillie Report, 1963 Development of Community Care Review, 1966 Salmon Report (also published in Scotland only), 1967 Cogwheel Report, 1967 King's Fund Report, and 1968 Seebohm Report to varying degrees also critiqued the "tripartite" structure. These reports claimed that the structure led to gross inefficiency and an over-focus on the acute hospital care element of the health service rather than the preventative community and GP setting. They also criticised the management and running of hospitals.[461] By the end of the 1960s, there was a question mark hanging over the future structure of the National Health Service which would prove hard for civil servants and politicians to ignore.

The genesis of this drive for reform can be found in the wider context of the era. Planning, management and organisational reform became highly fashionable from the 1950s onwards.[462] The pressure for NHS reform was significantly increased during the 1960s as the Local Government Commission (followed by the Redcliffe-Maud Royal Commission) emphasised the need for reform of the structure of local government. Given the inherent interlinking between the health services and local government, the Commission's existence made it almost inevitable that the NHS would face similar treatment. Within the health service, by January 1967 key figures such as Sir Arnold France, Permanent Secretary at the Ministry of Health, and Sir George

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[460] "Administrative Practice of Hospitals Boards in Scotland", (Edinburgh: HMSO, 1962).

[461] Webster, *The Health Services since the War, Volume II*, 330; *The shape of hospital management in 1980? : the report of a Joint Working Party set up by the King's Fund and the Institute of Hospital Administrators* (London: King Edward's Hospital Fund for London and the Institute of Hospital Administrators, 1967); Ministry of Health and Scottish Home and Health Departments, *Report of the Committee on Senior Nursing Staff Structure (The Salmon Report)* (London: HMSO, 1966); Ministry of Health, *First Report of the Joint Working Party on the Organisation of Medical Work in Hospitals (The Cogwheel Report)*, (London: HMSO, 1967).

[462] See O'Hara, *From Dreams to Disillusionment*.

Godber, Chief Medical Officer, actively supported plans for reform broadly along the lines of the Porritt report.[463]

Despite these internal and external pressures, it was not until November 1967 that Kenneth Robinson (Minister of Health from 1964 to 1968 when the Department of Health and Social Security was formed) publicly acknowledged the need for reform of the NHS. Up until this point, Robinson had shared the Ministry of Health's reluctance to change, instead espousing a policy of "improving cooperation" between the different elements of the Service.[464] Robinson and the Ministry were likely to have been wary of opening the Pandora's box of conflicting vested interests that would (and did) arise from reorganisation. However, the combination of the swell of high-profile reports in favour of reform coupled with planned local government changes meant the policy of "cooperation" would not be sustainable in the long-term. On November 6, Robinson acknowledged to the House of Commons that "the tripartite structure is unwieldy" and the he would be undertaking studies into improving this situation which would "entirely relate to the administrative pattern [but not financial pattern]" of the health service."[465] Thus from November 1967 onwards, Robinson and the Ministry began the task of understanding how to reorganise the structure of the health service's 14 regional hospital boards which oversaw 377 hospital management committees (teaching hospitals were overseen separately by 36 Boards of Governors), 177 Executive Councils which bore responsibility for over 22,000 General Practitioners, and 174 local authorities which delivered community care (see Figure 7).

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[463] Webster, *The Health Services since the War, Volume II*, 336-37; For more on the role of the Chief Medical Officer in the NHS see Sally Sheard and Liam J. Donaldson, *The Nation's Doctor: The Role of the Chief Medical Officer 1855-1998* (Abingdon: Radcliffe, 2006).

[464] Charles Webster, *The National Health Service: A Political History*, 2nd ed. (Oxford: Oxford University Press, 2002), 87.

[465] Department of Health and Social Security, *The Future Structure of the National Health Service* (The Crossman Green Paper), (London: HMSO, 1970); David Owen, Bernie Spain, and Nigel Weaver, *A Unified Health Service* (Oxford: Pergamon, 1968), vii-viii.

The result was the 1968 Green Paper. Here, Robinson's proposed unification of the health service was broadly along the lines of the Porritt Report's recommendations for area health boards – of which there would be between 40 and 50. These would each be responsible for planning health services for between 750,000 and 2,000,000 people. Regional hospital boards would be abolished. The Green Paper was roundly criticised, particularly by the regional hospital boards, whose members felt that the areas would be too large to plan and operate services effectively.[466]

Consultation on the Green Paper coincided with the formation of the DHSS and Richard Crossman's move to Secretary of State of the department. Crossman took responsibility for continuing Robinson's work. Facing opposition to the first Green Paper, Crossman launched a second Green Paper in 1970, allaying some of the concerns raised by the first. In this iteration, the 14 regions (now entitled Regional Councils) were retained with planning responsibilities, and there were a greater number of area health authorities – 90 – which would be coterminous with the newly proposed local government boundaries. The boards of the area health authorities would be represented by one-third of appointments by the Secretary of State, one-third from local authorities and one-third from the health profession. This was a relatively palatable compromise for the various groups concerned with avoiding too much or too little local authority or medical profession representation.[467] Crossman's plans also included around 300 "district" areas, which would co-ordinate services at a local level but not be coterminous with local government districts, in a clear attempt to avoid further clamour for local government control of the health service. These plans were the brain-child of the influential Chief Medical

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[466] Rivett, nhshistory.net, section on: "Rationalisation and reorganisation"
[467] Owen, *Our NHS*, 54.

Officer, George Godber, and known as "Godber bricks".[468] Though progress appeared to be being made, the 1970 General Election disrupted consultation plans for the second Green Paper.

During the 1970 election campaign health service reform barely featured. However by the summer, Keith Joseph, the new Secretary of State at the DHSS noted that "the economic and other gains we want [from the health service] could not be secured without administrative unification of the whole of the National Health Service". Joseph's plans for reform barely deviated from the second Green Paper, with one significant exception. With a background in industry, Joseph diagnosed that the key to a more effective health system was "strong management" – this was symptomatic of the Conservative's general, and Ted Heath's particular, belief that "management" and making the state more "business-like" would lead ameliorate Britain's economic growth.[469] Joseph launched a hastily drafted Consultative Document in May 1971, with a White Paper following in July.

The Consultative Document of 1971 had already predetermined the broad structure of the NHS; there would be regions and areas and districts, with areas being coterminous with local authority boundaries.[470] The precise question of how the management arrangements of these bodies were to work in practice (for example: how the areas would report to the regions; how the areas would plan and manage their services; and how the districts and areas would work with local authorities) was deemed an "intractable problem" by officials, and one best left to "experts" on the subject.[471] For their perceived management expertise, the consultancy firm McKinsey & Company were therefore called in to support a "Management Study Group" (MSG), working alongside a team from Brunel University. McKinsey developed hypotheses which were tested through interviews, reviewing existing policy, and comparing experiences from other health

[468] Sally Sheard, *The Passionate Economist: How Brian Abel-Smith Shaped Global Health and Social Welfare* (Bristol: Policy Press, 2013), 246.
[469] Ibid., 453.
[470] Webster, *The Health Services since the War, Volume II*, 498.
[471] TNA: BN 13/194. Sir Clifford Jarrett memo, February 13, 1970.

services; these hypotheses ultimately attempted to answer what the most efficient management arrangements would be to enable "satisfactory integration all three branches of the Service."[472] Producing the "Grey Book" which outlined their findings in 1972, the recommendations of the Study Group were accepted in full by the Government in February 1973. McKinsey's work was scheduled to run from July 1, 1971 to December 31, 1972, though was slightly extended to March 1973. The consultants' work formed the core of the MSG chaired by the Assistant Secretary of the Department, Francis David Kennard Williams. The MSG reported to the reorganisation steering committee chaired by the second permanent secretary of the department, Philip Rogers.[473] Though the study cost a total of £143,760, owing to McKinsey's high fees the team was relatively light in numbers. Henry Strage (Engagement Director), Roderick Taylor (Engagement Manager), Christopher Stewart (Engagement Manager), and Robert Maxwell, James Lee, John Banham, Michael Brandon and David Henderson-Stewart served the department over the eighteen-month period.[474] In terms of the consultants' backgrounds, Strage held an MBA from Columbia University; Banham held a First in Natural Sciences from Cambridge and was educated at Charterhouse School; and Henderson-Stewart was educated at Oxford and Eton. These three examples serve to underscore the importance McKinsey held of the purported "calibre" of their hires, as highlighted by Bower earlier. It seems likely the consultants would have felt at ease with their direct civil service counterparts; Williams, the day-to-day link for McKinsey was educated at Stoneyhurst College and Oxford, before joining the Ministry of Health as a Principal in 1961. And Rogers was educated at William Hulme's Grammar School in Manchester before obtaining a First Class degree from Cambridge in history and economics. Rogers, through serving in the Colonial Office as an establishment officer developed a keen interest in management, and specifically *personnel* management, which he

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[472] Webster, *The Health Services since the War, Volume II*, 497.
[473] TNA: MH 159/383. "Assessment of a management consultancy assignment" by D Owen to F.D.K. Williams, February 7, 1974.
[474] Ibid.

continued throughout his career, becoming second permanent secretary in the newly formed Civil Service Department in 1969 before joining the DHSS as its permanent secretary in 1970.

McKinsey's terms of reference were set out as to: "[take] the basis of the Government's consultative document on NHS reorganisation, and taking account of other relevant studies commissioned by the Secretary of State, to make recommendations on management systems for the services for which regional and area health authorities will be responsible and on the internal reorganisation of those authorities."[475] In practice this meant the consultants had to take as a given the recommendations of the 1971 Consultative Document regarding the structure of the NHS, and focus solely on the management arrangements within the new structure.

The consultants split their study into three phases; the first, to develop "working hypotheses" for the future management arrangements; the second, to "test" these hypotheses in representative regions; and the third, to finalise the hypotheses into recommendations and syndicate the findings. As Figure 6 below demonstrates, McKinsey's approach involved taking the Consultative Document as the starting point of "hypothesis development", and working through the pre-determined structure, developing deeper levels of details for "responsibilities, structures and management processes" within the new framework for the health service.

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[475] BN 13/169 "NHS Reorganisation (Conservative Administration) - Management Study". c.1972.

Figure 6: McKinsey study team work plan[476]

NHS REORGANISATION PLAN OF WORK FOR STUDY TEAM
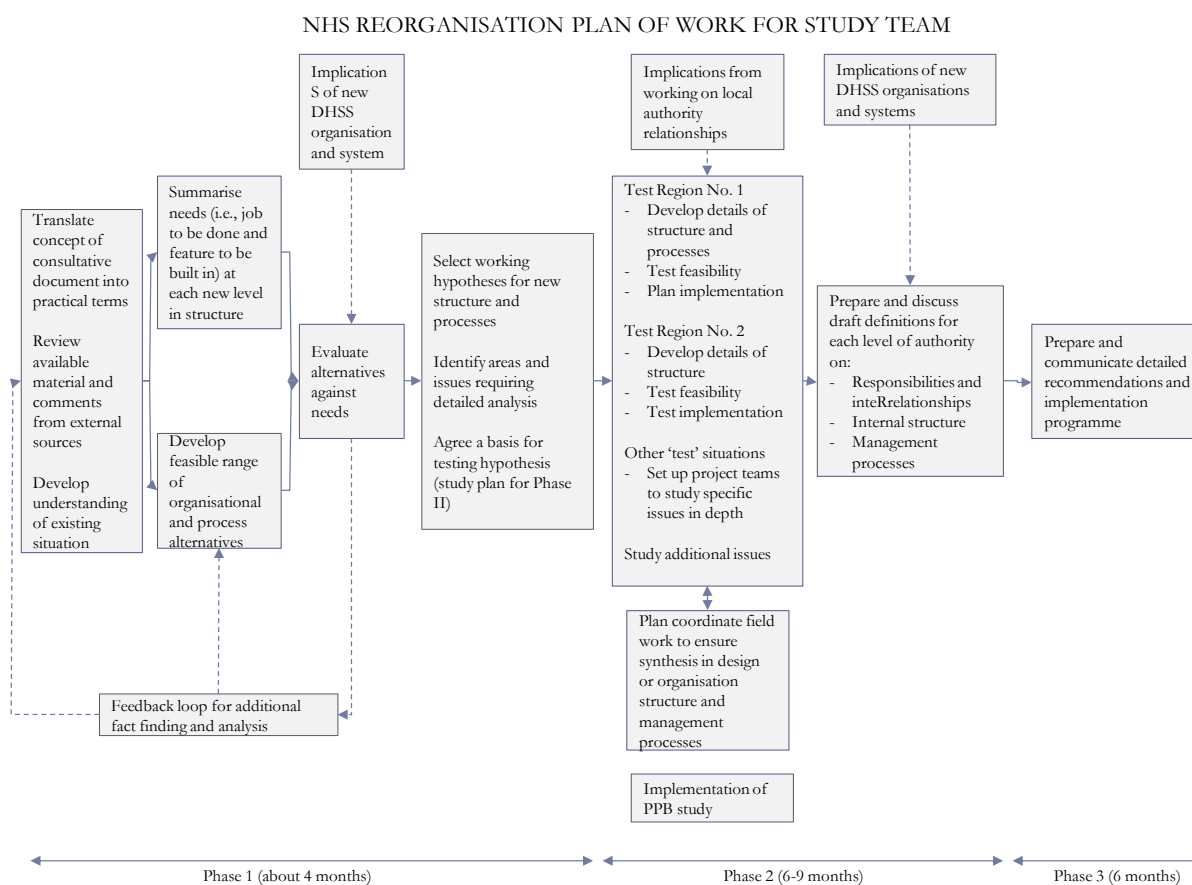
This approach was standard for the consulting firm. As Marvin Bower, wrote in 1979, McKinsey consultants' "principal activity on a study is solving problems. It calls for defining the real problem, gathering and analysing facts and opinions, developing and testing creative hypotheses, and choosing one of the hypotheses as a solution. Although performed collectively by a team, problem solving is an intellectual activity that requires individual analytical skill, creativity, and judgement."[477] In practice, the Study Group seemed to find the approach confusing. In the January 1972 Steering Committee, the McKinsey consultants stressed that "during Phase 1 of the study which began on July 1, 1971 hypotheses have been developed and written to open up discussion of controversial issues. They are therefore stated in an often bold and uncompromising manner. Nevertheless, they are still tentative and incomplete. In some

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[476] TNA: MH 159 / 384. "Meetings of Steering Committee." November 11, 1971.

[477] Bower, *Perspective*, 182.

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cases alternatives are put forward; but even where a single hypothesis is stated, it is equally tentative, and remains to be tested against the facts of the actual situations that will be examined in Phase 2 now beginning in the areas selected as typical. Final proposals will be put to the steering committee in June 1972." The emphasis on the "bold and uncompromising manner" is likely to have been instructive.[478] As McKinsey developed "hypotheses" on the nature and size, management responsibilities, and operations of proposed regional health authorities, area health authorities, district management teams, and supporting bodies, some Steering Committee members were clearly uncomfortable, having to be reminded by the chair in the November 11, 1971 committee that members were asked only to "approve continued investigation of hypotheses", not specific points per se.[479]

During the second phase of McKinsey's support, the consultants sought to "develop detailed working descriptions of the proposed planning process…getting people to change the way they carry out their jobs, make decisions, allocate resources and control their activities. We need to develop practical, live examples with a few selected units. Once fully tested, these models will serve as a basis for preparing detailed guidelines and providing others with concrete examples of what is expected."[480] McKinsey, in conjunction with other members of the Study Group, undertook such "field-testing" in Berkshire, Doncaster, Hillingdon, Lambeth and Southwark, Nottingham and Oxford over the period from March to June 1972.[481] Such field testing was a consultative process; according to the report on field-testing in Oxford, "representative groups", "local working parties", "individual specialist groups" and "patient groups" were formed with whom the proposals were tested.

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[478] TNA: MH 159 /383.
[479] TNA: MH 159/384.
[480] TNA: MH 159/383. "Outstanding problems to be done". Henry Strage to Philip Rogers, July 31, 1971.
[481] TNA: BN 13/169

In most instances, the "early hypotheses" were adopted, however – demonstrating the consultative nature of the approach – in Lambeth and Southwark the proposed creation of an Area Health Authority (AHA) in the region was rejected. The Study Group found "the proposed area has been consistently challenged throughout the study; indeed no one interviewed in any of the three parts of the health services in Lambeth and Southwark supports the concept. Therefore, AHAs in London should be larger than the department proposes the outer boundaries of the AHA should be, as far as possible. Coterminous with borough boundaries, but 'exceptions should be made.'"[482]

After testing the hypotheses, the McKinsey team set about writing up the study which would form the so-called "Grey Book". However, intriguingly, the third phase of their support also included extensive "speaking engagements" which the DHSS was charged for. As Henry Strage wrote to F.D.K. Williams on April 18, 1973, "John Banham and James Lee 'have given talks to over 20 NHS integration courses and senior management courses." Strage was at pains to point out the additional expenses such talks to universities and interest groups was incurring, although the department seemed willing to accept the cost. This is important, because the department could have chosen internal staff to deliver such talks. The fact it did not sheds light on the extent to which McKinsey were both seen externally as the authors of the Grey Book, and implicitly, the degree to which the department felt capable or willing to declare the Grey Book its own work.[483]

Following the production of the Grey Book, the 1973 NHS Reorganisation Act received Royal Assent and was implemented on April 1, 1974 in England and Wales. This created 14 Regional Health Authorities (RHA) and 90 Area Health Authorities (AHA). The AHAs were "accountable to the RHAs for the effectiveness and efficiency of their service provision".

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[482] MH 159/388. "Lambeth and Southwark Fieldwork".
[483] MH 159/383. Henry Strage "Billing notes" to F.D.K. Williams, Assistant Secretary at DHSS. April 18, 1973.:

Service provision would be "managed and co-ordinated" through 205 District Management Teams. 207 Community Health Councils were formed to represent the views of the public to the AHAs. GPs would deliver their services via Family Practitioner Services, which were overseen by 90 Family Practitioner Committees (see Figure 8).[484] In Scotland, reorganisation, along the lines of the prior Porritt Report, was settled in 1972 with the issues of local government representation which delayed much of the reorganisation process in England and Wales failing to provoke strong feelings. In Northern Ireland, owing partly to the government of Stormont ceding control to Westminster in 1972 but also because in Northern Ireland health services and local government had been relatively integrated since 1948, no structural reorganisation took place.[485]

The legacy of the 1974 reorganisation was weak, however. The reorganisation was lambasted by the press, political classes, much of the medical profession, and even the consultants who worked on the study. By 1982 much of the 1974 reforms were repealed and by 1997 the structure – though just about recognisable in nature as there were still regions, special areas, and areas – was manifestly different from only twenty years earlier (see Figure 9). Yet the 1974 reforms marked a turning point in the history of the NHS, from a state of no reform since inception to almost continuous structural revolution.

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[484] Department of Health and Social Security, *Management Arrangements for the Re-organised Health Service: The Grey Book* (London: HMSO, 1972), 9-24.
[485] Hunter, "Organising for Health: The National Health Service in the United Kingdom", 263-300.

Figure 7: The "tripartite" structure of the NHS in England and Wales, 1948[486]
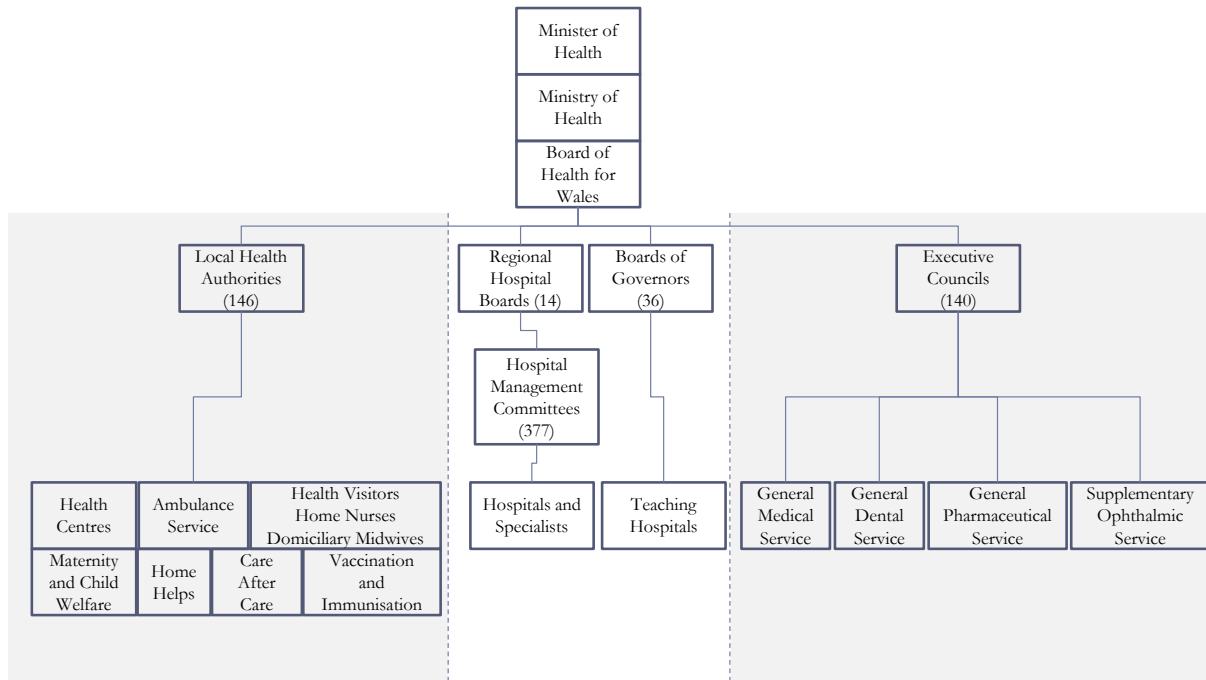
[486] Adapted from Webster, *The National Health Service: A Political History*, 21.

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Figure 8: The reorganised National Health Service in England, 1974[487]

Legend:
- Corporate accountability
- Individual officer or joint team responsibility
- External relationships

Boxes: Secretary of State for Social Services / Department of Health and Social Security; Regional Health Authorities (14); Boards of Governors of London Postgraduate Hospitals; Joint Consultative Committees; Area Health Authorities (90); Community Health Councils(207); District Management Teams (205); Hospital, Specialist, and Community Health Services; Family Practitioner Committees (90); Family Practitioner Services.

Side labels: AREA, REGION, DISTRICT

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[487] Adapted from ibid., 108.

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Figure 9: The National Health Service in England, 1997[488]
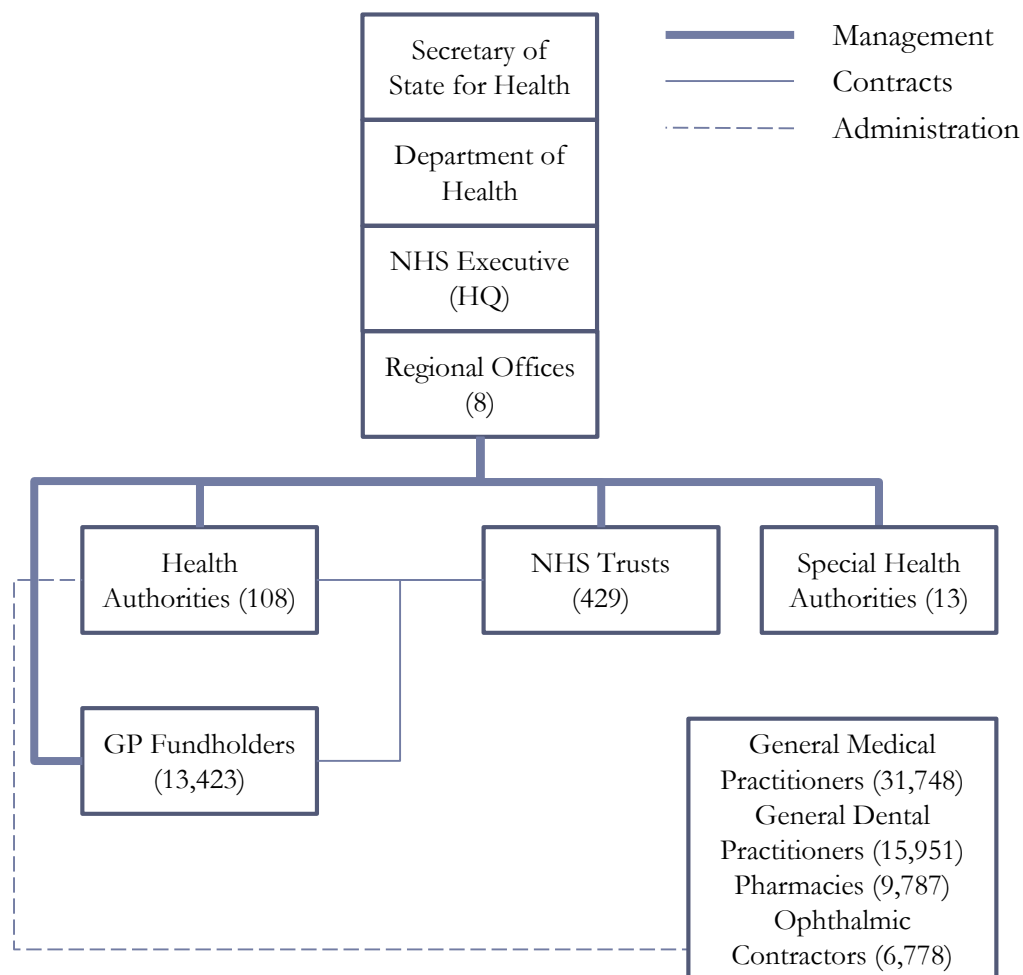
A highly receptive state

"We have no doubts about the soundness of the proposed programme nor about the quality of the consultants"

F.D.K. Williams, Permanent Under-Secretary DHSS, 1972[489]

Like other public sector bodies in the period, the health service was no stranger to the planning

boom of the late 1950s and early 1960s.[490] During this period the Oxford Region set up a work

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[488] Department of Health, *Departmental Report* (London: The Stationery Office, 1997), Annex E.
[489] TNA: MH 159/383. F.D.K. Williams memo to John Archer, Head of Civil Service Department, June 15, 1971. See Appendix for biography of F.D.K. Williams.

study unit in conjunction with Westminster Hospital and the Work Study Department of ICI. A greater focus on management efficiency was encouraged by influential bodies such as the Action Society Trust, Nuffield Provisional Hospitals Trust and King's Fund.[491] The Ministry of Health procured a number of management consultancy assignments via the Management Consultants Association during 1959, and in the same year, on the recommendation of the Royal College of Nursing, established an NHS Advisory Council for Management Efficiency, which operated alongside the Ministry's own Organisation and Methods Unit.[492] As Lord Owen, Minister of State for Health between 1974 and 1976, said of the Department of Health Social Security, "the department was in no way a feisty, fussy place" and was instead welcoming of external advice.[493] In short, the health service was anything but inimical to management ideas or methods.

The Treasury's drive for greater financial efficiency – and its growing fear of the scale of health expenditure – also meant that it actively sought to instil a strong management ethos within the NHS. During evidence for the Fulton Commission in 1966 – supported by management consultants from AIC Limited – "acrimonious and unfruitful exchanges between the Ministry of Health and Treasury" took place, with the Treasury resurrecting plans espoused by Lord Taylor, a former medical journalist, to "devolve the management of the NHS to a separate national board or public corporation."[494] Such pressure from the Treasury continued during 1968. Whilst commenting on the first Green Paper on reorganisation by Ken Robinson, officials critiqued the composition of the proposed area health boards on the grounds that they "obscured the role for effective management". The Treasury instead proposed that the area board be formed of full-time managers, under supervision from civil servants.[495]

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[490] O'Hara, *From Dreams to Disillusionment*, 1.
[491] Webster, *The Health Services since the War, Volume II*, 454.
[492] Ibid; TNA: MH 137/427-8. "Management consultancy assignments for health minister."
[493] David Owen, interview with author in Mayfair, December 12, 2013.
[494] Webster, *The Health Services since the War, Volume II*, 335.
[495] Ibid., 343.

Civil servants were well disposed towards instilling greater management discipline in the health service, and to look to outside expertise in this regard. As Sir Clifford Jarrett, Permanent Under-Secretary of the DHSS, noted on the rationale for bringing in McKinsey:

> It hardly needs to be said that the scope and depth of the review will be unusually great and that the problems of organising the…management of anything so large and multifarious as the new NHS are extremely difficult. Indeed, I myself have never experienced an organisational problem anything like so daunting. Mainly for this reason, but partly also for presentational reasons, we believe it would be right to obtain the help of a well-known management consultancy firm in conducting the review.[496]

Jarrett's comments are instructive about a *"problem… so daunting"*. Consultants had long-defined themselves as "problem-solvers", and it is revealing that their clients shared this view and echoed their language.[497] More practically, it is notable that Jarrett felt "help" was needed, and that this help should be external. F.D.K Williams, the civil servant in charge of the Management Study Group which the consultants reported to, on appraising the work of McKinsey, noted that it "was necessary for the study to be conducted with assistance from outside the DHSS and NHS".[498] In other words, the use of consultants, at least presentation-wise, was believed to signify impartiality – in stark contrast to the Weberian claim that only permanent bureaucracies could claim to be unbiased.[499] It is also significant that it was believed that an external consultancy could actually be "helpful". An appraisal by David Owen in 1974, by then Minister of State for the DHSS (and only the second doctor to hold the position), on the work of the consultants noted that: "the Study had to 'be expert' – this implied participation of people with knowledge of the NHS and its relation to the central department and also people with general knowledge of solutions to organisational problems. The consultants fulfilled this

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[496] TNA: BN 13/194. Sir Clifford Jarrett memo, February 13, 1970.
[497] See for example, E. J. Kahn, *The Problem Solvers: A History of Arthur D. Little, Inc*, 1st ed. (Boston: Little, Brown, 1986).
[498] TNA: MH 159/383. F.D.K. Williams memo on March 2, 1972.
[499] As discussed in Saint-Martin, *Building the New Managerialist State*.

latter role. Additionally they had the necessary expertise in programming [in other words, planning the management and timescales for] the study and communicating the ideas."[500] Owen's view that the consultants were "experts" was shared by Williams. In June 1972, when discussing whether to extend McKinsey's contract, their perceived value to the Study Group was made clear. Williams wrote: "If we decide to discontinue the engagement of McKinsey's (*sic.*) after the end of July, it seems to me to follow that the whole Study should be formally wound up (for the Study Group would be without a feature that makes it 'expert')."[501]

Owen's political predecessors held McKinsey – and seemingly the value of consultancy in general – in similarly high regard. During a meeting in May 1971 in 10 Downing Street between Joseph, Ted Heath, the departmental Permanent Secretary (Philip Rogers), and Cabinet Secretary (William Armstrong), the use of consultants was explicitly discussed. Whilst addressing the issue of disappointingly low levels of reductions in staff (and therefore smaller than anticipated cost reductions), Heath was assured that "consultants were being brought in to help" as part of the review of the reorganisation.[502] Significantly, Joseph was at ease in presenting the use of McKinsey by his department positively to the highest levels in the state. The DHSS had first hired McKinsey in January 1971 to review its internal operations with anticipated manpower reductions. In a personal note to the Prime Minister, Joseph explained how on his arrival at the department (following the Conservative's election victory in 1970): "the Permanent Secretary had already set on foot an examination of the organisation of the Department in the field of Health and of the Professional Social Services. This has now got into full swing and we have engaged McKinseys (*sic.*) in a joint effort with our own staff in a very thorough examination."[503] The positive affirmation of a "very thorough examination", along with the fact that the use of

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[500] TNA: MH 159/383. David Owen memo on January 30, 1974.
[501] TNA: MH 159/383. "Management Study: Use of Consultants." F.D.K. Williams memo to Mr Dodds. June 5, 1972.
[502] TNA: BN 13/94. "Note for the record." May 5, 1971, 4.
[503] TNA: BN 13/194. "Civil Service Manpower." Keith Joseph note to Edward Heath. January 6, 1971, 4.

McKinsey was even noted in the July 27 Cabinet papers suggests that the use of consultants was at the very least implicitly supported by the Prime Minister.[504] Moreover, it was – and remains – highly unusual for the work of consultants to be discussed in Cabinet.

This may be partially explained by the personal preferences of Heath – and certainly gives credence to Hennessy's aforementioned claim that Heath was the "most managerially-minded Prime Minister of modern times."[505] However, it is also important to recognise the broader connections developing between the Conservative Party and the American generation of consultancies in this period. The Conservative-leaning journalist and industrial editor of the *Financial Times*, Michael Shanks (author of the 1961 book *The Stagnant Society* which criticised trade unions for their role in British 'decline') declared the need for a "Whitehall McKinsey" in a 1970 article in *The Times*, on the basis that "the problems of creating and running large organisations…is a field where the Americans have more experience than us, and consequently do better."[506]

The Conservatives had made use of another American consultancy – Booz Allen Hamilton – whilst in opposition to advise on the role of businessmen in government and, perhaps entirely coincidentally but nonetheless symbolically, in 1972, the Conservative MP Christopher Tugendhat was awarded the McKinsey Foundation award for his book, *The Multinationals*.[507] Within both the civil service and political cadres, the value of the American generation seemed clear. As the DHSS official M.W. Joyle wrote (coping-in Kenneth Ronald Stowe of the Cabinet Office, and later the DHSS Permanent Secretary from 1981 to 1987) on the alternative of using civil servants instead of hiring of McKinsey for the NHS reorganisation: "in any event 'internal' support (and whether it comes from DHSS or CSD seems immaterial for this purpose) would

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[504] TNA: CAB 129/158/19. "The Dispersal Review." July 27, 1971, 2.

[505] Peter Hennessy et al., "Routine Punctuated by Orgies," 6-17.

[506] Michael Shanks, "A Whitehall McKinsey," *The Times*, July 24, 1970; for more on Shanks see Peter Dorey, *British Conservatism and Trade Unionism, 1945-1964* (Surrey: Ashgate, 2009), 117.

[507] "Business Diary," *The Times*, June 7, 1972; "Well managed," *The Times*, May 31, 1972.

not command public confidence in the same way as would the employment of consultants…it seems eminently sensible and defensible to use McKinseys (*sic.*) and our Secretary of State shares this view."[508]

Though McKinsey were the most expensive consultancy by some distance during this period (see Table 5), it was believed by the civil servants who hired them that they represented a sensible investment.

Table 5: Management consultancy fees, 1971[509]

Organisation	Level	Per diem (£)
Cooper Brothers	Director	77
	Supervising consultant	65
Deloitte Robson Morrow	Partners	95 - 150
	Managers	85 - 100
Price Waterhouse and Company	Partner	87
	Senior Consultant	60
Peat Marwick Mitchell	Partner	93
	Manager	70
McLintock Mann and Whinney Murray	Partner	90
	Senior Consultant	70
Binder Hamlyn & Company	Partners	120
	Managers & Associates	56
McKinsey	Engagement Director	229
	Engagement Manager	146

F.D.K Williams, Under-Secretary at the DHSS, reassured John Archer, Head of the Civil Service Division, when the former proposed hiring McKinsey, that "we have no doubts about the

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[508] MH 159/383. M.W. Joyle memo on "NHS Reorganisation." April 28, 1971; "Sir Kenneth Stowe, civil servant – obituary," *The Telegraph*, September 8, 2015.
[509] TNA: BA 22/660. "Payment of fees to outside consultants." March 23, 1971.

soundness of the proposed programme nor about the quality of the consultants."[510] Williams

had been advised on this basis by another DHSS civil servant, M.W. Joyle, who stated that "[on]

the logic of using McKinsey's (sic.) [it] seems to us...there is…intrinsic value of their experiences

gained in their recent study of the Irish Health Service and of hospitals in the USA as well as in

our own NHS (in which they seem to us to have the edge on other leading consultants)."[511]

It is instructive that Joyle noted McKinsey's perceived expertise with health services outside of

England. A major factor behind the increased use of foreign consultancies in Britain in this

period was due to the high value placed on the "economies of knowledge" (in the terminology of

Christopher McKenna) that consultants give clients in transferring insights from one geography

or industry to another.[512] Over the course of the first half of 1970, McKinsey undertook three

studies for the New York City Health and Hospitals Corporation: covering the development of

the corporation, the provision of abortion services to the poor, and consolidating administrative

functions in the corporation.[513] As part of the work, McKinsey developed a detailed

understanding of healthcare services across the US, establishing the income and costs of such

services, the "socioeconomic profiles" of the "people [the hospitals] served" and the utilisation

and occupancy rates of such services. It was this study which M.W. Joyle was explicitly referring

to when discussing the company's procurement for the NHS reorganisation. And so whilst the

use of American consultancies in this period did promote some concern about "not buying

British", politicians at the highest level did not feel this justified sacrificing quality for

nationalism. By 1975 McKinsey had twenty-one offices across Europe, North America, and

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[510] See footnote 489.

[511] MH 159/383. M.W. Joyle memo on "NHS Reorganisation." April 28, 1971.

[512] McKenna, *World's Newest Profession*, 8.

[513] New York City Municipal Archives: NYMA H36.95/su. "Starting up the New York City Health & Hospitals Corporation." March 1970; NYMA H365.95/pas. "Providing abortion services to the poor in New York City: [memoranda to] New York City Health and Hospitals Corporation." June 1970; NYMA H36.11/caf. "Consolidation of administrative functions: [N.Y.C] Health Services Administration." 1970; NYMA H36.95/pib. "President's initial briefing: [facts and figures ... summarized as an aid to the President of the New York City Health and Hospitals Corporation]." July 1970.

Asia, and so it is unsurprising that they would be viewed as possessing these international "economies of knowledge".[514] It is clear that McKinsey's work with international health services was believed to be of major benefit, rather than any hindrance, to their work on the NHS reorganisation plans.[515]

Indeed, the DHSS' decision to use McKinsey for their international experience followed the lead of the Department of Trade and Industry (later the Department of Industry continued this trend), who had looked to outside expertise in the form of American consultancy firms to provide strategic advice on the prospects of the nationalised industries (see Table 17). In 1971 McKinsey were asked by the Department of Trade and Industry for a report on the British Steel Corporation and in 1973 Booz Allen Hamilton's report on the UK ship building industry for the department was published. In 1975 the Department of Industry, now under Tony Benn – a huge proponent of consultants who first hired McKinsey for a review of the Post Office in 1965 – commissioned the Boston Consulting Group to produce a report on the future of the British motorcycle industry; and in the same year, McKinsey produced a joint-study with the Central Policy Review Staff for the unit on the future of the British motor car industry.[516] Though

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[514] "Bain & Company, Inc.: Growing the Business", Harvard Business School Case Study, 28 September 1990.

[515] The literature on the diffusion of American management techniques in the immediate postwar period is quite well-developed. See for instance, Marie-Laure Djelic, *Exporting the American Model: The Postwar Transformation of European Business* (Oxford: Oxford University Press, 1998); M. Kipping and Ove Bjarnar, *The Americanisation of European Business: The Marshall Plan and the Transfer of US Management Models* (London: Routledge, 1998); and Jonathan Zeitlin and Gary Herrigel, *Americanization and Its Limits: Reworking US Technology and Management in Postwar Europe and Japan* (Oxford: Oxford University Press, 2000). De Grazia, *Irresistible Empire:* uses a "Market Empire" thesis to cover the postwar and late-twentieth century period. De Grazia focuses on how Hollywood, advertising and mass commodity sales amongst other services helped to make Europe more "America-like" – though professional services are not explicitly covered in de Grazia's work, this thesis indicates they certainly should be.

[516] Tony Benn was a keen proponent of consultancy studies. In 1965, as Postmaster General, he asked that the Director General allow him to hire McKinsey to look at the "problem" of upper management structure. As he recounted in his diaries: "He [the Director General] agreed that McKinsey should be invited to look at this. This is all I wanted. But in saying this the Director General said he recognised that I was unhappy and felt that the Civil Service was obstructive." During the study, when McKinsey discovered that staff at the clearing offices in London were not working at night as they were contracted to do so, yet getting paid as if they were, the firm was rather surprised by Benn's reaction. As the Partner-in-Charge of the study, Roger Morrison recalled: "When Wedgewood Benn found this out, he

British firms also tendered for the work (PA Management Consultants conducted similar studies on the ship repairing industry and the UK carpet industry for the Department of Industry in 1973), American firms were usually favoured.[517] Antony Graham, a consultant at P-E Consulting Group, recalled in 2011 that his firm's chairman David Nicholson – a pioneer of management consultancy in the ship building industry – was furious that P-E did not win the Booz Allen Hamilton assignment.[518]

M.W. Joyle was consequently not alone in expressing a clear respect and appreciation for external expertise. When tying together the terms of reference for the MSG, it became apparent that delineating responsibilities between the Brunel University Group and McKinsey was "reaching an impasse." Though this was eventually resolved, both Richard Meyjes (a marketing expert, formerly of Shell, and Head of Heath's Businessmen's Team, who also sat on the Steering Committee for the MSG) and Sir Philip Rogers, the DHSS Permanent Secretary, "in the last resort preferred to rely on McKinseys (sic.) alone", should the need arise. Seemingly the prospect of working with McKinsey proved more enticing than working with Elliott Jacques' – a Canadian organisational psychologist – Brunel Health Services Organisation Research Unit (HSORU) (which was largely funded by the DHSS).[519] This is likely to have been for two reasons. First, since the HSORU was funded by the DHSS its involvement could have lacked the impartiality that McKinsey could provide. And second, McKinsey quite simply had the

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then called in the labour unions and read them the riot act. This was a rather notable achievement given that he was probably one of the greatest allies of the labour movement in Britain. Yet he acted as though he were a chief executive with capitalistic inclinations in spite of his strong socialistic tendencies." Despite (or perhaps even because of) Benn's observation that McKinsey's report on the Post Office "said practically nothing that I hadn't said but we are paying [them] thousands of pounds a month to say it with greater authority", he sanctioned the joint McKinsey and CPRS study and his department procured a further eleven consultancy assignments in 1975 alone". McK: Roger Morrison, oral history; Benn, *Out of the wilderness*, diary entry for July 28, 1965.

[517] See Table 17.

[518] Antony Graham, correspondence with author between February 15 and February 20, 2011.

[519] Alan David Bacon, *The Conservative Party and the Form of the National Health Service, 1964-1979,* (Brunel University: Doctoral Thesis, 2002), footnote 268. See Appendix for biography of Elliot Jacques.

greater reputation for organisational reform, having already worked with major national and international organisations.

Civil service enthusiasm for McKinsey may also have been borne out of the potential for career development that working alongside consultants offered. Writing jointly in the *Management Services in Government* magazine following the reorganisation, Robert Maxwell, a consultant at McKinsey (who also had been heavily name-checked in McKinsey's proposal for the review owing to his experiences of health systems in New York, Ireland, Holland, Italy and at the United Oxford Hospitals), and R.S. Matthews (Under-Secretary at the DHSS) glowingly noted the benefits of "partnership working" between consultants and civil servants (such as gaining the benefits of "external independence and objectivity" whilst avoiding the "anxiety" of employing "outsiders").[520] Bearing in mind the relatively poor career prospects outside Whitehall for civil servants at the time, the notion of working with external agents may well have been appealing.[521]

In terms of career prospects within Whitehall, civil servants were also incentivised to work constructively with consultants. The 1968 Fulton Report and changed the promotion procedure for all ranks up to Under Secretary. As a consequence all departmental permanent secretaries would be assisted during promotion considerations by a small "paper board" committee consisting of a representative of the Civil Service Department.[522] Given that the permanent secretary of the department was ultimately accountable for all consultancy assignments, and that the Civil Service Department actively encouraged the use of consultancies and acted as the broker for departments in facilitating their usage, it was prudent for civil servants to be seen to be working harmoniously with consultants. It is with this in mind that one can best interpret how R.S. Matthews described his working relationship with McKinsey and Company: "ultimate

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[520] R.S. Matthews and R.J. Maxwell, "Working in Partnership with Management Consultants", *Management Services in Government*, 1974, 27-39.

[521] Greater use of secondments was recommended in the Fulton Report. See TNA: BA 1/60, *Fulton Report Vol 2*, 79.

[522] *Fulton Report Vol 2*, Chapter 3, 41.

responsibility for technical leadership [of the study rested] with the management consultants…and all members of the team loyally accepted this position."[523]

Partnerships between consultants and civil servants also developed in the boundaries between the professional and the social. During the MSG's work, Sir Philip Rogers, the DHSS Permanent Secretary gave a speech at a prestigious McKinsey dinner for its consultants. And on receiving the Knight of the Grand Cross (GCB) Rogers received a special note from Henry Strage, the McKinsey Partner-in-Charge of the study, effusively congratulating his friend, the "man for all organisations". Strage wrote that "I have been privileged to work with many outstanding and distinguished people [and] I can honestly say that the brief period during which we worked together was a highlight of my professional career in England" and noted that he looked forward to working with Rogers again.[524] Rogers, with an expertise in management and personnel development, had spent the two years before his promotion to the DHSS implementing the Fulton Report's recommendations whilst at the Civil Service Department (CSD).[525] These recommendations called for a more professionalised approach to management in the civil service and, as discussed earlier, actively encouraged the transfer of private sector skills into the service via the use of management consultancy firms. It is therefore highly likely that Rogers felt at ease working with McKinsey and Company, and in particular Strage, who though American (having studied Engineering at Worcester Polytechnic Institute before gaining an MBA at Columbia University) had been working for McKinsey in London since 1962. Clearly, strong bonds were formed, either through career-beneficial or socially-beneficial networks between consultants and state agents.

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[523] Matthews, Maxwell, "Working in Partnership", 32.
[524] BOD: Sir Philip Rogers papers: MS. Eng c.2194. Strage note to Rogers, June 24, 1975. See Appendix for biography.
[525] See Appendix A: Key characters by chapter

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A depoliticised National Health Service

"There were certain aspects of the possible solution to the problem which had been predetermined and preagreed by both [political] parties before we started" [526]

Henry Strage, McKinsey & Company, 1987

Since its conception, political parties have frequently asserted that the NHS "cannot be trusted" with their opponents.[527] Popular historiography has also dichotomised the NHS by political parties.[528] However, in two respects, this portrayal of the NHS being the minefield of politicians is erroneous. It is in fact more "political" than high politics alone. As Klein's earlier comment highlighted, the 1974 reorganisation was the product of much broader trends than politics. Since the 1962 Porritt Report, which called for unification of the health services, reorganisation had been on the agenda of numerous interested parties.[529] What is most revealing about the nature of the reforms is that despite so many iterations, the general principle of unification of the health service remained consistent throughout.[530] Whilst there were disputes regarding the degree of local authority representation on area health boards, there appeared to be no markedly party-political emphasis to these.

In fact, the only clearly "political" contribution to the reorganisation debates is cited to be the Conservatives' in general, and Keith Joseph's in particular, focus on "managerial efficiency", to the extent that the term "management" was used thirty times in Joseph's 1971 Consultative Document. The document itself became sarcastically famed for its "jargon-ridden" ambition that "throughout the new administrative structure there should be a clear definition and

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[526] McK: Henry Strage, May 20, 1987.
[527] During 2010 to 2013, an unofficial Labour Party slogan was "You can't trust the Tories with the NHS". See for instance, Mary Riddell, "The NHS is not a creaking relic, whatever the Tories may say", *The Telegraph*, July 16, 2013.
[528] Webster, *The Health Services since the War, Volume II* is divided in chapters by political party attitudes to the NHS, not chronology.
[529] "Report of the Medical Services Review Committee. Summary of conclusions and recommendations", *British Medical Journal,* 1178-86.
[530] Stephen M. Shortell, Geoffrey Gibson, "The British National Health Service: Issues of reorganisation", *Health Services Research*, Winter 1971.

allocation of responsibilities, that there should be *maximum delegation downwards matched by accountability upwards*, and that a sound management structure should be created at all levels *[emphasis added]*."[531]   Whilst it is true that only a few months after taking office Joseph recommended, whilst musing on the NHS reorganisation, that "ought we, urgently, to call in management advice?", this should not be confused with a uniquely Conservative focus on management efficiency in the era.[532] Two years prior, Roy Jenkins, the Labour Chancellor of the Exchequer, had chastised his colleague Kenneth Robinson for failing to give "greater priority to improvement of management" in his NHS Reorganisation Draft Green Paper.[533] And whilst between 1971 and 1973 Keith Joseph approved £250,000 to be spent on the services of McKinsey, in just 1969 – when in opposition – he had criticised the Board of Trade's "beloved use of management consultancy". As we have seen, it was in fact a Labour politician – Anthony Wedgewood Benn – who first sanctioned the use of McKinsey for a major state body.[534]

The very nature of the political cycle inevitably means that drawn-out reforms are likely to pass through various parties. As seen, the reorganisation plans were disrupted by elections and passed from Labour to Conservative back to Labour. David Owen (who was Minister of State for Health when the Reorganisation Act was finally implemented in April 1974) reflected that he and Barbara Castle (then Secretary of State at the DHSS) "actually considered halting the whole reorganisation but concluded…that we had no alternative but to implement legislation we had, in important respects, opposed in the House of Commons… [because]…the health service was hard enough to run without attempting to reverse the reorganisation."[535] Clearly, Owen felt powerless to stop a reform he had not started but would have to implement. Even though

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[531] Webster, *The National Health Service*, 109; 'National Health Service Reorganisation: Consultative Document', (London: HMSO, 1971); Peter Draper and Tony Smart, "Structure of the NHS", *The Times*, 9 August 1972.

[532] TNA: BN 13/165. Keith Joseph memo on "National Health Service Reorganisation: A Regional Tier." September 26, 1970.

[533] Webster, *The Health Services since the War, Volume II*, 344.

[534] House of Commons debate, *Budget Resolutions and Economic Situation*, March 17, 1969, vol 781 cc1372.

[535] Owen, *Our Nhs*, 55.

Owen believed his and Castle's decision was "wise...in retrospect", the "traumatic experience" left him and "many others deeply sceptical of further wholesale administrative reform of the NHS."[536]

Politicians were therefore only one of a number of interested parties who held influence over the NHS. The Royal Colleges, think-tanks, and the BMA were others – taking us back to the concept of a "governmental sphere", where parties interested in the governing of organisations would discuss and debate means and methods. The development of Richard Crossman's second Green Paper over the course of 1970 was highly multidisciplinary. As Brian Abel-Smith's (an influential health adviser to the Labour Party) biographer, Sally Sheard, notes, Abel-Smith regularly held dinners at his terraced house on Elizabeth Street in Belgravia which "played a key role in the development of…the NHS reorganisation Green Paper". Invitees to these dinner-based discussions included Crossman, Baroness Serota (Minister for Health), Jerry Morris (Professor of Public Health at the London School of Hygiene and Tropical Medicine), John Revans (Senior Administrative Medical Officer for Wessex Regional Health Board) and Jim Sharpe (Assistant Commissioner to the Redcliffe-Maud Commission).[537] Yet again, here is another clear example of the "governmental sphere" in action.

Consequently, it would appear that politicians were little more than equal voices amongst these parties. For example, Keith Joseph always favoured a chief executive to be in charge of the regional tiers. Joseph sought support in this proposal from the Civil Service Department, writing to the department that "unless there was one person with ultimate responsibilities, there was unlikely to be enough drive and purpose injected into the organisation."[538] Richard Meyjes also supported the concept, although in the face of opposition from senior health officials, Joseph

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[536] Ibid.
[537] Sheard, *The Passionate Economist*, 146; ibid., 243.
[538] Webster, *The Health Services since the War, Volume II*, 461.

was persuaded to refer the proposal to the MSG's enquiries.[539] When the MSG considered the issue, the team from Brunel, headed by Elliot Jacques, worked with Meyjes to build the case for chief executives. However, even though Joseph remained convinced of the value of the proposal, in the face of growing hostility from the DHSS, Joseph rejected the recommendation for chief executives. Embarrassed and humiliated, Meyjes resigned from both the MSG and from his role in Heath's administration.[540] Thus, even when politicians felt strongly about particular changes, it is hard to see the NHS as being firmly within their gift of influence. All changes were ultimately a compromise between interested parties. The most politicians could do was guide the winds of change, imparting as much influence as circumstances permitted.

The mirage of consultant power

"The consultants took responsibility for devising and controlling the study programme…their strong points were a methodical approach and effective time-taking."[541]

David Owen, Minister for DHSS, January 30, 1974

As in the study for the management arrangements of the Irish Health Service which McKinsey also conducted, the company was specifically *not* requested to give advice on the geographical span or organisational structure of the regional health boards, area health authorities, or district management teams in the reorganised NHS.[542] In England and Wales the organisational structure had already been predetermined in the 1971 Consultative Document (which McKinsey played no part in), which in turn had been greatly influenced by the findings of the Seebohm proposals on local government, which in effect decided the number and geography of the area

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[539] Ibid., 462-63.
[540] Ibid., 502-03.
[541] TNA: MH 159/383. David Owen memo. January 30, 1974.
[542] For the Irish Health Service Report see *Towards Better Health Care: Management in the Health Boards*, Vols 1-4 (McKinsey & Company, 1971); "National Health Service Reorganisation: Consultative Document", (London: HMSO, 1971).

health authorities.[543] Significantly, McKinsey had already become known for high-profile studies on organisational reform both internationally and domestically, and indeed even for public sector bodies such as the British Railways Board in 1968.[544] However, these changes were outside of their remit in this instance; as Webster described, the 1971 Consultative Document had already "pre-determined the management framework" of the NHS.[545] Whilst it is correct to state the recommendations from the MSG (published in what became known as the "Grey Book") were accepted almost in entirety by the government in February 1973, this should not give the impression of consultant power.[546] The sole lasting influence of the "Grey Book" was its emphasis on "consensus management" – that "no particular profession should be seen to be in a dominant position on any management team" – in the District Management Teams, which were to manage and co-ordinate health service delivery in the future structure.[547]

The McKinsey and Brunel teams supported a Study Group of 16 (excluding the consultants) which was headed by F.D.K. Williams of the DHSS, three non-DHSS members and 6 DHSS civil servants, and six members from the full Management Study Steering Committee. The Steering Committee itself was composed of the Chair, Sir Philip Rogers, 22 non-DHSS members, and 17 DHSS members.[548] Such was the seniority and numerical superiority of the non-consultant contingent that anything controversial – such as the proposal of chief executives in the regional tiers – could easily be outvoted (as the chief executive plan was).

Despite the hefty fees involved – McKinsey were paid a total of £143,760 for their work, which used eight consultants over 19 weeks – the relatively low influence of the consultants on the

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[543] Webster, *The Health Services since the War, Volume II*, 487.
[544] TNA: AN 124/195. "Restructuring the Railway Field Organisation," British Rail/McKinsey & Co. report, April 1971, 4.
[545] Webster, *The Health Services since the War, Volume II*, 498.
[546] Ibid., 497.
[547] The "Grey Book" was formally published as *Management Arrangements for the Reorganised National Health Service* (London: HMSO, 1972).
[548] TNA: BN 13/167. "Membership of the Management Study." Undated, likely 1972.

study was recognised by all parties.[549] On reporting back to the Civil Service Department on McKinsey's work, David Owen accepted that "ideally their study should have been undertaken at an earlier stage [before most decisions were taken]" and that, perhaps as a consequence, "with two exceptions the consultants' work tended to be superficial."[550] F.D.K. Williams was somewhat more generous in claiming that the "the results [of the MSG] were as good as could be expected and this was to a large extent due to McKinsey's successful collaboration with the Brunel Health Services Research Unit." Nevertheless, Williams concurred with Owen that "if political convictions [had not interfered] the study ought to have been mounted at an earlier stage."[551] Henry Strage, likely mindful of the high-profile impact McKinsey had already had on a number of British organisations as we have seen earlier, felt the study had not worked out as intended:

> … The study I have to say in retrospect was a disappointment …. We worked to a steering committee of some 60 interested people who came together once a month for a whole day, or maybe it was once a fortnight. It was quite clear that there were lots of vested interests and in talking to a lot of the politicians at the time, including the Prime Minister, it became clear that there were certain "no go" or "no no" areas. I really was in retrospect I think probably naïve in thinking that we could have made as big an impact as I thought we might have. So what we were able to do is I think give the whole system a jolly good shake-up, but there were certain aspects of the possible solution to the problem which had been predetermined and preagreed by both parties before we started. I remember going to see Crossman, who was the Labour Minister of Health, in his office, which was a very interesting meeting because he kind of leaned back in his chair and for about three hours explained to us how the British government really worked, and how it seemed to work. I would say honestly that probably we did

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[549] TNA: MH 159/383. "Assessment of Management Consultants Assignment." David Owen, January 30, 1974.

[550] TNA: MH 159/383. F.D.K. Williams memo to the CSD on "The Use of Management Consultants by Government Departments." March 2, 1973.

[551] Ibid.

30 percent of what we could have done. But we were trying to work in an area where at a certain point objectivity ceases.[552]

As explored later, McKinsey had a very different recommendation for the challenges facing the NHS, yet it was not within their remit to enact these. The Boston Consulting Group encountered similar challenges during their review of the British motorcycle industry in 1975. BCG's knowledge of the Japanese market (a knowledge which British consultancy firms did not possess) was crucial in their selection for the report. The study was commissioned against a backdrop of Britain's declining share of North American motorcycle exports. Where in 1968 Britain claimed 70 per cent of the North American market and the Japanese none, by 1974 the Japanese had spectacularly taken 70 per cent of the market, with the British down to a mere 10 per cent.[553] The report, which one BCG consultant at the time believed highlighted the "sheer desperation of British industry [in comparison to Japan]", proved a shocking indictment of British management for those who read it.[554] As Barbara Castle recalled in her diary: "I had got quite stirred up as I waded thought the 18 page summary of the consultants' report...the picture of British management is so appalling."[555]

Gerald Kaufman, Minister of State in the Department of Industry from 1975 to 1979, welcomed such consultancy studies. As he opined, you "needed to have an outside view from people with no vested interests, no political dividend. Consultants were a challenge to political ideology."[556] Kaufman's comment is instructive. Not only did he clearly believe that consultants were politically independent, he also stressed that consultants provided a "view" – not recommendations.[557] As explained in the Commons when Booz Allen Hamilton were commissioned for the 1973 ship building study: "The consultants' terms of reference excluded

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[552] McK: Henry Strage, May 20, 1987.
[553] TNA: CAB128/57/8. "Cabinet Conclusions: minutes and papers." July 29, 1975.
[554] David Giachardi, interview with author, March 9, 2011.
[555] Bradford University (hereafter BRAD): Barbara Castle diary notes, entry for July 29, 1975.
[556] Gerald Kaufman, interview with author, March 8, 2011.
[557] Ibid.

them from making recommendations on policy, though in the final part of the report they describe five hypothetical situations resulting from different courses of action. The Government are not in any way committed to any of these courses, nor do they at this stage accept any of the financial or employment implications drawn by the consultants."[558] Similarly, BCG were specifically requested not to make recommendations to the government on the British motorcycle industry, only to comment on particular "strategy alternatives".[559] Consequently, it seems impossible to view management consultancy in this period as anything other than a tool of government, rather than a "shadow government" as some commentators have claimed.[560] Indeed, there is an important counterfactual here that must be considered. Perhaps in a bid to discredit the increasingly troublesome Tony Benn (the British motorcycle industry was heavily reliant on one of his co-operatives, Meriden Motorcycles), or perhaps as a result of tightened government purse strings post-OPEC I, the Wilson government decided against supporting the British motorcycle industry further.[561] However as the consultant in charge of the BCG report emphatically stressed, had BCG been asked to make recommendations they would have encouraged financial support; most probably consolidating British efforts in a high-specification Norton Commando motorcycle.[562] Had the consultants actually held power, the future of British motorcycle industry may have looked very different.

In 1976, when McKinsey Director John Banham expressed to *The Times* his views on the NHS reorganisation he suggested that there was "at least one management tier too many" and, more generally, that the longer-term solution for the NHS should be a "properly funded Social Insurance Scheme."[563] Two years later, John Banham was invited to give evidence to a Royal Commission on the NHS. Reflecting further on McKinsey's support, Banham restated that it

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[558] House of Commons debate, *Shipbuilding (Booz-Allen Report)*, May 16, 1973, vol 856 cc348.
[559] Barry Hedley, interview with author, March 18, 2011.
[560] See for instance Daniel Guttman and Barry Willner, *The Shadow Government*.
[561] BRAD: Barbara Castle diary notes, "Today was retribution day for Wedgie", July 29, 1975.
[562] Author interview with Barry Hedley.
[563] Cited in Bacon, *Conservative Party and NHS*, footnote 153; ibid, 234.

would have been better to have fewer management layers and to "test the reorganised management structure in one region before adopting the plans nationally."[564] However this was well beyond the terms of reference for which McKinsey were commissioned to work on during the reorganisation, and so their views on this were largely moot.

The caricature of consultants and clients is typically that of puppet-master to puppet; plunderer to plundered; thief to fool.[565] The 1974 reorganisation case study and experiences of the Boston Consulting Group, however, suggest that a reversal of roles in the aforementioned descriptions may be more apt. In practice, McKinsey – and the team from the work study unit from Brunel University – were the puppets of the politicians and civil servants. Their narrow terms of remit had already been set in the 1971 Consultative Document, and the MSG Steering Committee neutered their recommendations. Thus, on the whole, during the reorganisation McKinsey were very expensive puppets, which Charles Webster appropriately identified as being merely "in reality employed to make some kind of coherent pattern out of the tangled web of existing policy decisions and apply a patina of management respectability to the documentation associated with reorganisation."[566]

A disunited kingdom

"'Britain' doesn't mean anything in terms of the National Health Service"[567]

David Owen, 2013

Histories of the NHS have tended to focus on the concept of a "British" health service, though recent work by John Stewart and John Welshman has gone some way to highlighting this

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[564] TNA: BS 6/3511. 'Discussion with Mr J Banham of McKinsey & Co.' June 13, 1978, 2.
[565] See Alfred Kieser quote, footnote 22; see also Craig and Brooks, *Plundering the Public Sector*; "The management consultancy scam," *The Independent*, August 20, 2010; "Masters of illusion: The great management consultancy swindle," *The Independent*, September 17, 2009.
[566] Webster, *The Health Services since the War, Volume II*, 498.
[567] David Owen, interview with author, London, December 12, 2013. See Appendix for biography.

inadequacy.[568] The 1974 reorganisation is a case in point as to why this view does not do justice to the realities of the NHS, or indeed the "British state". Each jurisdiction reorganised in different ways and at different times. Northern Ireland did so only in terms of management arrangements in 1973. England, Scotland and Wales reorganised more structurally in 1974, with the Scottish changes having a far lesser focus on management arrangement and proving relatively uncontentious. In Scotland, this was largely because local government representation was not as pressing a political issue as in England or Wales. Scotland did not adopt the principle of "consensus management" in district teams which England did. In Wales and Scotland there were no regional tiers.[569] In Northern Ireland, since 1948 health services were already more closely integrated with local government services than in England, so the driving principle of unification was far less radical than in England.[570] With regards to consultancy, even here arrangements differed. Whilst Wales had a very similar study to England (known as the "Red Book" and also conducted by McKinsey), there was no report into Scotland's management arrangements, and Northern Ireland's report was undertaken by a different consultancy firm, Booz Allen Hamilton, in 1972.[571]

Despite their differing paths, the impact of these consultancies on the four jurisdictions of the United Kingdom fostered a more unified concept of the state in terms of how they managed their health services. Like in England, in Wales McKinsey were not commissioned to report on the structure of the health service, rather just its "management arrangements". As a result, though Wales, owing to its size (then a population of 2.7 million), did not develop Regional Health Authorities, it did develop Area Health Authorities, and significantly, Health District

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[568] For more discussion on this incorrect perception, see Hunter, "Organising for Health: The National Health Service in the United Kingdom", 263-300.

[569] Ibid.

[570] Ibid.

[571] *Management Arrangements for the Reorganised National Health Service in Wales* (Cardiff: HMSO, 1972); Booz Allen Hamilton, *An integrated Service: The Reorganisation of Health and Personal Social Services in Northern Ireland* (London: HMSO, 1972).

Teams, the latter of which had the same roles, responsibilities and accountabilities ascribed to them in Wales as the District Management Teams in England.[572] Most intriguingly, even in Northern Ireland, where Booz Allen Hamilton (not McKinsey) were commissioned to report on the "corporate principles" for operation of the health service (whose broad structure had already been confirmed to remain as previously in the 1971 Consultative Document) "District Units" were proposed by the consultancy to "manage and deliver services" in an almost identical fashion to the responsibilities McKinsey had outlined in England and Wales.[573]

The close alignment of management disciplines recommended by consultancies in England, Wales and Northern Ireland was even more pronounced when Scotland is considered. Since no management report was made in Scotland and no consultants used, it seems highly plausible that, as the historian John Stewart writes, the reason for the "weaker acceptance of managerialism in Scotland in the NHS in the 1980s [than in the rest of the United Kingdom]" can in part be attributed to the lack of change in the jurisdiction's management operations in the 1970s, in which consultants were key in other parts of the United Kingdom.[574]

It is here that our earlier explanatory frameworks for the "state" and "state power" are instructive. First, the fact that there was no "British" reorganisation of the NHS – experiences were different across territories – indicates that if we believe (using Mann's thesis) that what constitutes a "state" is its centralised power over a given territory, then we cannot speak of a coherent "British state" with regard to the reorganisation; potentially an English and Welsh one, but certainly not one which includes Scotland and Northern Ireland. On this definition, there can be no "British state" if the geographic jurisdictions which it constitutes were all reorganised in different ways. And second, our framework for "state power" helps to show what impact

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[572] *Reorganised NHS in Wales*, 2-8.
[573] *An integrated Service*, 2-5.
[574] For comments on the uniqueness of Scotland, see: John Stewart, "The National Health Service in Scotland: 1947-1974: Scottish or British?", *Historical Research* 76, no.193, 2003, 389-420.

consultants had on the state. McKinsey's and Booz Allen Hamilton's influence is most apparent in changing the *administrative power*, that is, the structure and organisation of the NHS in England, Wales, and Northern Ireland. Indeed, the two consultancies changed this power in remarkably similar ways. However it was only this typology of "state power" that consultants had an impact on. Legal, fiscal, functional and coercive powers were not affected in any material way by the consultants.

Consequently, both the operational experiences and the experiences of using consultancy firms in each of the United Kingdom jurisdictions highlights the need for the rehabilitation of the Pocockian emphasis on "three kingdoms" with regard to twentieth-century Britain.[575] It is clearly unhelpful and overly simplifying to speak of a coherent "British" National Health Service. Given the significant proportion the NHS constitutes of state expenditure, this challenges the concept of a unified British state, and instead suggests the need for a more nuanced and geographically differentiated approach to state theory. When this is adopted, it becomes apparent that whilst the jurisdictions share common traits in terms of healthcare – population-based and financed nationally – they have differing histories and legal frameworks for reform.[576] In this instance, however, the development of new "management arrangements" and ways of working in the health service – which in part were disseminated by consultancies – actually helped to create a more uniform approach to managing the health service across England, Wales and Northern Ireland (notably, excepting Scotland), and as a consequence a more standardised method of state management across geographies. As explored later, this was largely the case in Britain, up until devolution in the late 1990s.[577] In short, the jurisdictions reorganised at different times and for different reasons, and so we cannot speak of a "British NHS reorganisation",

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[575] Pocock, "British History: A Plea for a New Subject", 601-621.

[576] For more on the similarities in the health services across the jurisdictions see N. W. Chaplin, *Health Care in the United Kingdom: Its Organisation and Management* (London: Kluwer Medical, 1982), 83.

[577] Since devolution the jurisdictions have again taking differing paths of NHS reform. See NAO, *Healthcare across the UK: A comparison of the NHS in England, Scotland, Wales and Northern Ireland* (London: HMSO), June 2012.

however the dominant management theories of the time meant that England, Wales and Northern Ireland actually reorganised in a similar fashion. This highlights how, despite being unintentional, management arrangements can serve as means of unifying different geographies.

Path dependency, consultancy and the National Health Service

"I am sure that if we discontinued the assignment at the end of July we should not yet have got optimum value out of our investment."[578]

F.D.K. Williams, Permanent Under-Secretary DHSS, 1972

Between 2006 and 2010 the Department of Health spent £30m on the services of McKinsey & Company, though their perceived impact and influence is commonly cited as being greater than the sum of the monies spent.[579] Neil Bennett's cartoon in *The Times* highlights how the use of McKinsey was well noted at the time (see Figure 10).

Figure 10: "I'm the medical consultant - the others are management consultants"[580]

"I'm the medical consultant - the others are management consultants"

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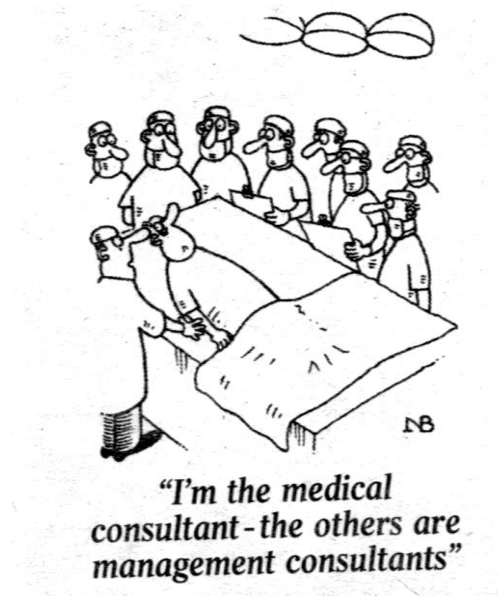
[578] TNA: MH 159/383. Memo from F.D.K. Williams on May 23, 1972.
[579] Davies, "Behind Closed Doors", *BMJ*, 2012.
[580] (c) New UK, British Cartoon Archive, University of Kent, Neil Bennett, *The Times*, April 8, 2006.

A compelling thesis for the growth of the use of consultancy firms since the 1960s has been the emergence of "path dependency"; that the use of consultancy services largely begets further use.[581] This case study supports this thesis in two ways. First, one of the prime motivations for hiring McKinsey for the MSG work was that they were already supporting the DHSS in a £110,000 contract to review the department's organisational headquarters. As M.W. Joyle wrote on the issue: "the management structure of the NHS must be complementary to that of the Department and this can most easily be achieved if the same consultants are working with us on both."[582] Second, whilst the MSG review was provisionally due to last 18 months during three six-month phases, civil servants within the DHSS and CSD were keen to remove McKinsey's services early on the basis that they represented "very poor value for money". Whilst this thesis goes some way to correcting claims that the civil service has been strongly opposed to external advice, this correction should not be overplayed. Indeed, some civil servants felt that "there is no view in the Department that McKinseys [*sic.*] have any great contribution to make that we cannot make ourselves."[583] However, F.D.K. Williams responded to the civil servants by acknowledging the value in not continuing the assignment any longer than necessary but also stating that: "I am sure that if we discontinued the assignment at the end of July we should not yet have got optimum value out of our investment" and "McKinsey's [*sic.*] could play a necessary part…in the intensive communications and training programme [associated with roll-out of the reorganisation changes]".[584] Williams was backed up by another official, J.P. Dodds, who also expressed a desire not to extend McKinsey's stay longer than required, but noted that there was no other resource in the department to carry out their work.[585] In essence, McKinsey remained due to the problems of transaction costs – a classic hallmark of path dependency. Had the

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[581] See Saint-Martin, *Building the New Managerialist State.*
[582] TNA: MH 159/383. M.W. Joyle memo on April 29, 1971.
[583] TNA: MH 159/383. R. Gedling memo to Sir Philip Rogers, "Continued Employment of McKinsey & Co." May 25, 1972.
[584] TNA: MH 159/383. Memo from F.D.K. Williams on May 23, 1972; and TNA: MH159/393. Memo from Beyfield on May 25, 1972.
[585] TNA: MH 159/383. Memo from J.P. Dodd. June 6, 1972.

DHSS replaced McKinsey with another consultancy or had to train up individuals in-house this would have taken up civil service resource; this was deemed to be an inferior option than continuing the use of consultants.

In addition, on agreeing the contracts for the study, McKinsey were obliged to sign the Official Secrets Act (OSA) and sign a non-press disclosure agreement.[586] This is intriguing, and plays into the thesis of the historian David Vincent, that from the Victorian era onwards Britain developed a "culture of secrecy". This culture developed both informally (in Vincent's description, in English society gentlemen "do not reveal our own secrets nor those of others") and formally (for Vincent, the OSA involved the elites of the British state in "secret relationships [which] are bound together by the sharing of secrets").[587] By signing the OSA, McKinsey effectively became partner agents of the state, forming a hybrid of public and private sector working; and this in turn increased the transaction costs involved in finding different consultants.

One of the ironies of the 1974 reorganisation is that whilst it created a specific dependence on McKinsey's consulting services it also created a boom in managerial numbers within the NHS. In theory this increase in internal managers could have supplanted the need for external consultancy services. Between 1968 and 1979 there was a tripling of administrative and clerical staff in the health service – a direct result of the 1974 reforms.[588]

On the one hand, the increased dependence on consultancy led to what the management theorist Michael Porter would describe as a loss of "core competencies" in the NHS, particularly in the field of management organisational expertise.[589] For example, when the Merrison Royal Commission met in 1977 to discuss the NHS' organisational structure, McKinsey were called in

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[586] TNA: MH 159/383. R. S. Swift memo confirming McKinsey appointment. December 18, 1970.
[587] Vincent, *Culture of Secrecy*, 42; ibid., 135.
[588] Webster, *The National Health Service*, 110.
[589] Michael E. Porter, *Competitive Strategy: Techniques for Analyzing Industries and Competitors* (New York: Free Press, 1980).

as subject matter experts, despite themselves criticising their work during the hearing.[590] Yet on the other hand, the very reforms McKinsey helped enact led to many more managerial staff in the NHS. The reason why additional numbers of managers did not lead to diminution in management consultancy usage, but instead the reverse, plays to the heart of what consulting is: it is external (and often perceived to be objective) advice. Thus no matter how great the numbers of internal staff, the demand for an external perspective remained, and one could argue that in the case of the NHS, the increased numbers of managerial staff may even have led to an increase in potential purchasers (and thereby demand) for consultancy services.

Whilst McKinsey's work was largely derided in the press as "ghastly", "impenetrable" and "jargon", the impact of the assignment on the firm's reputation was undoubtedly positive.[591] Henry Strage recalled that one of the outputs of the work was:

> [That] we produced a lot of facts [and] one of the byproducts of that was probably one of the first best sellers that McKinsey produced – not quite as popular as "In Search of Excellence." [An international bestselling book on the cultural traits of leading corporate organisations.] But we had to collect some comparative data, and we had to do some pretty basic juggling around with national data comparing the health service here with around the world. When we put it all together somebody said, "Why don't we put it into a book?" which we did, a pamphlet really of about 100 pages… Eventually it got sort of passed around and, to my surprise, one day shortly after we published it we got a request from some university for 200 copies… we hadn't realized that up until that time even the World Health Organization, which produced a lot of statistics, had never bothered to put them together in a meaningful manner. So our book on health care became, if not a best seller, certainly a very popular book in health courses all around the world.[592]

In fact, the book, written by Robert Maxwell, one of the McKinsey consultants on the MSG study was even discussed in the House of Commons as a "remarkable and important document,

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[590] TNA: BS 6/3511. "Discussion with Mr J Banham of McKinseys (*sic.*) & Co. Inc." June 13, 1978.
[591] For reactions see Webster, *The Health Services since the War, Volume II*, 574.
[592] McK: Henry Strage, May 20, 1987.

worthy perhaps of a debate on its own", by the Conservative MP Edward du Cann.[593] McKinsey's reputation, as it had been through the Bank of England study, was undoubtedly enhanced by the high-profile nature of its work, in spite of their lack of influence. An additional by-product of McKinsey's knowledge development work, such as Maxwell's book, was to help position consultancy as an extra voice in the knowledge industry, alongside organisations such as the King's Fund, to the extent that the driving agenda of the NHS from 2010 to 2015 to save £20 billion in "efficiency savings" was directly supplied by a report from McKinsey & Company for the Department of Health.[594]

Legacy

"Does the enigmatic McKinsey and Company have undue influence over UK health policymakers?"[595]

Peter Davies, *BMJ*, 2012

At the start of this case study, five questions were posed regarding what this case study illuminates about the relationship between management consultancy and the state. First, it is apparent that consultants were hired by the DHSS for three reasons: to give advice on a subject they were deemed to possess expertise in (management efficiency); to give a perception of objectivity and external review to the study; and because the civil service was largely actively willing to work with outside agents. This NHS reorganisation history also demonstrates the extent of the power networks shared by both civil servants and external consultants and their mutual interest in the vogue concept of management efficiency.

Second, the 1974 reorganisation highlights the extent of broad cross-party consensus involved in major state reform. This is significant not only in terms how political administrations reform the

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[593] Rob Maxwell, *Healthcare: The Growing Dilemma* (McKinsey & Company, 1972); Hansard, HoC debate, July 29, 1972, vol 878 cc 123-51.
[594] Davies, "Behind closed doors", *BMJ*, 2012.
[595] Ibid.

state – noting that it was the first Wilson government which tackled the idea of reorganisation with intent, the Heath government which created the blueprint, and the second Wilson government which actually implemented this political hybrid of a plan – but also in terms of how political parties viewed external advice (both the Conservatives and Labour sanctioned the use of McKinsey's services) and both shared a belief in the power of management to improve public services. Whilst debates between Labour and the Conservatives on the NHS were real and positions distinct, the majority of the pressures for reform were extra-political: impending local government reform and a growing cultural emphasis on managerialism fused to create a pressure for change which political parties were only partial agents in. This helps to highlight how major state reform is driven by factors greater than politics alone.

Third, the reorganisation is an exemplar of how state power lies predominantly in the permanent bureaucracy. The Steering Committee which governed the MSG was dominated by civil service interests, and when a contentious topic – such as management of the NHS by chief executive – was proposed and even supported by an elected politician, it was relatively easy for the civil service to dismiss this. As this case study has demonstrated, in reality the management consultants had few issues of material importance to consider, and extremely little scope for influence – a point acknowledged by the civil servants, politicians and consultants working on the study. When considering our typologies of state power, it is apparent that consultants only directly influenced the *administrative power* of the state, and even then their impact was relatively weak. In practice therefore, the consultants were merely tools of their civil service masters, and in this particular instance, one could plausibly claim a reversal in the power dynamics of Kieser's aforementioned allegory of puppets and puppet-master.

Fourth, the experiences of the four different jurisdictions of the United Kingdom imply it is time for a more sophisticated and geographically nuanced approach to the "British state". Through analysing "Britishness" through the lens of this case study, it is apparent that not only did

Scotland and Northern Ireland chart different courses to England and Wales in terms of the practical implementation the NHS reform, the jurisdictions also exhibited different attitudes to management efficiency. Notably – excepting Scotland – Northern Ireland, Wales and England each had their own separate consultancy reports on management arrangements for their geographical healthcare needs during this period, by differing consultancy firms. However despite these differences, management changes helped to bring the jurisdictions closer together. Where consultancy firms were used, their recommendations helped to foster a standardised approach to managing the health service, and in turn create a more standardised approach to state management.

And finally, the lasting impact on the state of the reorganisation was twofold. There was an increased emphasis on management in the health service. This was both numerically, in terms of administrative and clerical staff (as greater numbers of individuals were needed to staff the new management tiers), and also philosophically, in terms of an approach to management based around "consensus" between professional groups. There was also an increased acceptance that consultants were legitimate sources of managerial expertise and contributors to the knowledge industry which helped inform debates regarding what the NHS is, and how it should be. However the use of McKinsey also meant an external consultancy became expert in attempts to reform the state, not the state itself. Thus when future reviews on the subject were undertaken, consultants were relied upon. As reforms grew in number and frequency, so too did the frequency of the use of consultancy firms. This, as explored later, over time, led to the development of a state where the boundaries and roles of public and private sector agents became increasingly blurred, especially with regards to the *administrative powers* of the state.

Chapter III: Automating, 1980s: Arthur Andersen and the Operational Strategy[596]

"Many DHSS offices are rather squalid and understaffed places and poor and underprivileged people often have to wait in long queues for hours before receiving attention and being handed their benefit."

Baroness Turner of Camden, December 19, 1988[597]

Visiting a local social security benefit office in 1980s Britain was a pleasant experience for few. Dingy, smoke-filled offices were littered with signifiers of a lack of trust between benefit clerks and claimants; ash-trays were pinned down to prevent theft, protective screens were in place to minimise attacks on staff.[598] Claimants would visit their Local Office (LO) or Unemployment Benefit Office (UBO) to collect or request a bewildering array of benefits (see Figure 11 and 17) which had to be requested and processed on a benefit-by-benefit basis, requiring repeated queuing or multiple visits to offices. Long waits for claimants were the norm.[599] The experience was little better for officers. As the *New Society* recounted in a piece on the Department of Health and Social Security's (DHSS) operations in 1982:

> A civil servant goes to open the social security offices in the Birmingham suburb of Erdington, sees about 8 people in the queue outside – and promptly collapses in tears.[600]

After receiving their giros or chequebooks on departing the local office, it would not be unusual for a claimant to walk past a newsagent and be confronted with headlines warning of "scrounger

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[596] Arthur Andersen's consulting wing split (though remained part of the same legal entity as Arthur Andersen) in 1989 and became Andersen Consulting. For the purposes of clarity the consultancy is referred to as Arthur Andersen throughout, unless quoting a source. In a similar manner, in 1988 the Department of Health and Social Security split and became the Department of Social Security and Department of Health. In this instance, the appropriate departmental name is used in the context of the period being discussed.

[597] House of Lords debate, Dec 19, 1988, vol 502 cc1125-6.

[598] Cited in Beatrix Campbell, *Wigan Pier Revisited: Poverty and Politics in the Eighties* (London: Virago, 1984), e-book.

[599] Keith Butterfield, "Social Security Local Offices", *Management in Government* (London: HMSO, 1982) vols 37-8, 96.

[600] *New Society* 62 (New Society Limited, 1982): 168.

mania" and the rise of "work-shy leeches" – benefits claimants who were accused of threatening the fabric of British society by "feeding off hard-working, ordinary [people]".[601]

The infrastructure which administered the three types of benefits in Britain (insurance-related, such as pensions; non-contributory, tax-supported, such as Child Benefit; and means-tested supplementary, such as income support) was large, unwieldy, and bureaucratic. It was, importantly, entirely state owned and run, and based almost exclusively outside of Whitehall, with centres in Newcastle (as the primary centre), Reading, and Fylde. In the financial year 1981-1982, £1.4 billion was spent on administration costs. These costs went towards delivering 1.2 billion payments covering £27 billion in benefits (of which there were at least 30 different types of benefits) to an estimated 29 million beneficiaries. The service required 117,000 staff, the bulk of whom worked on the front-line at one of the 1,050 UBOs or 780 LOs. Confusingly, ultimate responsibility for delivering benefits lay with the DHSS, although it worked closely with the Department for Employment which was responsible for the staff who administered unemployment benefits.[602] In the words of the DHSS' Second Permanent Secretary at the time, Geoffrey Otton, the administrative architecture resembled the "flamboyant elaboration of a Gothic Cathedral".[603]

From 1977 to 1991 the DHSS (and its successor, the Department of Social Security (DSS)) sought to simplify the administrative process of delivering benefits through a programme of work called the "Operational Strategy". In 1991, it was described by the Secretary of State for Social Security, Ann Widdecombe, as the "biggest and most ambitious computerisation programme in Europe".[604]

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[601] Campbell, *Wigan Pier Revisited* quoting from a 1977 Daily Mail article.
[602] *Social Security Operational Strategy: A brief guide* (London: DHSS, 1982), 2-3.
[603] Geoffrey Otton, "Managing social security: Government as big business", *International Social Security Review* 27, no. 2 (1984): 161-166.
[604] Ann Widdecombe, House of Commons debate, April 15, 1991, vol 189 c9.

Antonio E. Weiss, Birkbeck College, University of London

Figure 11: DHSS expenditure on social security benefits, 1982-3[605]
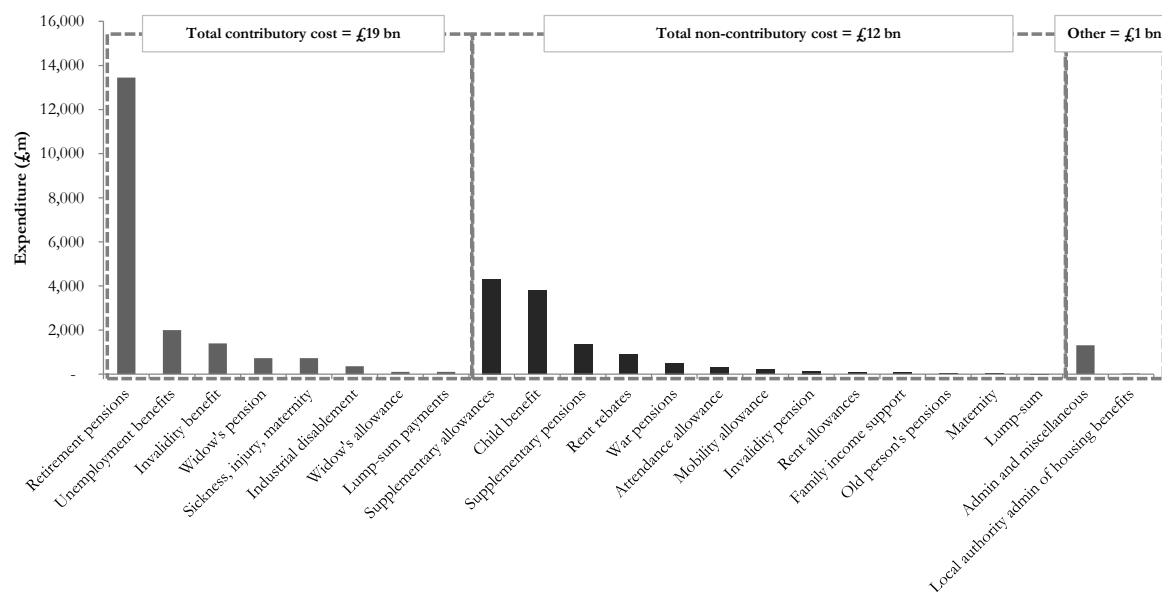
The Operational Strategy aimed to "achieve greater efficiency in the administration of social security operations, better service to the public and more satisfying work for staff". In total, this endeavour cost £2.6 billion (at 1993 prices). [606] Of this amount, at least £315 million was believed to have been spent on external consultancy firms, with the vast majority of this sum paid to Arthur Andersen, an American consulting firm specialising in computerisation and operational work.[607] At the peak of its earnings, the firm – which was the world's largest consultancy in the 1990s – generated around £100 million in revenue in a single year for its work, and, until the company changed its name to Accenture in 2001, the DHSS was its biggest single client in its nearly ninety-year history.[608]

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[605] CAB 129/215/3, "Public Expenditure: Objectives for 1982 Survey", Memo by Chief Secretary, Treasury, July 8, 1982, 122-123.
[606] House of Commons Committee of Public Accounts, "Twenty-fourth Report: Department of Social Security Operational Strategy" (London, 1989), v; "Government IT: What happened to our £25bn?," *Computer Weekly*, October 29, 2006.
[607] Ibid.
[608] "Life still tough for the IT consultants," *Financial Times*, October 21, 1992; author interview with Mark Otway, Managing Partner of Operational Strategy, Andersen Consulting, 1982-2000, March 18, 2014.

Table 6: DHSS expenditure on social security benefits and claimant numbers, 1982-3[609]

Category	Benefit	Expenditure (£m)	Recipients (000s)
Contributory (i.e., paid from National Insurance Fund)	Retirement pension	13,449	9,040
	Unemployment benefits	1,999	450
	Invalidity benefit	1,397	610
	Widow's pension	722	450
	Sickness, injury, maternity	720	530
	Industrial disablement	355	195
	Widow's allowance	102	35
	Lump-sum payments	99	-
Non-contributory (i.e., those met from voted expenditure)	Supplementary allowances	4,311	1,950
	Child benefit	3,796	13,120
	Supplementary pension	1,366	1,700
	Rent rebates	888	-
	War pensions	508	330
	Attendance allowance	324	310
	Mobility allowance	205	230
	Invalidity pension	141	180
	Rent allowances	83	-
	Family income support	71	115
	Old person's pension	38	40
	Maternity	19	-
	Lump-sum	5	-
Other	Admin and miscellaneous	1,310	-
	Local authority admin of housing benefits	28	-
Total		**31,936**	**29,285**

The history of the Operational Strategy raises a number of questions about the British state. What were the political aims of the Operational Strategy? Why were consultants used for the work? How did the state react to such a major and sustained use of consultants? In order to answer these questions, this chapter briefly reflects on the current historiographical verdict on the Operational Strategy, before (in acknowledgement of the relative paucity of coverage on the history to date) a detailed chronology of the computerisation work is laid out. After this, three major areas of interest are explored: the relationship between the civil service and consultants; the political significance of the computerisation of benefits; and the issue of where accountability

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[609] Data from TNA: CAB 129/215/3. Cabinet paper on "Public Expenditure: Objectives for 1982 Survey" by Leon Brittan. Recipients may have received more than one benefit.

and leadership of the Strategy lay. Finally, the implications of the Strategy and Arthur Andersen's role in it are considered in the wider context of the question of how the state has been changed by the use of consultants.

However, before embarking on an analysis of the Operational Strategy, this chapter first addresses two issues: where this accounting generation of consultancies emerged from, and why the British state turned to outside expertise for automation.

The accounting generation emerges

"We weren't the white-shoe type of consultants like McKinsey; we implemented and got things done."[610]

Keith Burgess, Managing Partner, Andersen Consulting, 1971-2000

"Accountants muscle in [to UK consultancy market]."[611]

Financial Times, January 29, 1971

By 1984 the MCA, once the bastion of the British generation of consultancy firms, was dominated by the consultancy divisions of major multinational accounting firms (of both British and American origins). In 1967 the income of the Big Four (Associated Industrial Consultants, Personnel Administration, Production-Engineering and Urwicks) represented 76 per cent of all MCA revenues. Just twelve years later the major accounting firms – known collectively at the time as the "Big Eight" – were all members of the MCA and constituted 51 per cent of all MCA public sector UK revenues. Table 9 shows how total income for this new generation grew rapidly from 1967 to 1984.

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[610] Keith Burgess, interview with author in Sloane Square, London, March 9, 2011. See Appendix for biography.
[611] *Financial Times*, January 29, 1971.

Table 7: Income of the Big Eight[612]

Big Eight*	Total income (UK and overseas), £m			% of total MCA income		
	1967	1979	1984	1967	1979	1984
Arthur Andersen	n/a	3.6	12.2	n/a	7%	10%
Arthur Young	n/a	n/a	3.1	n/a	n/a	3%
Coopers & Lybrand	0.9	6.8	20.3	7%	13%	17%
Deloitte, Haskins & Sells	n/a	1.8	6.2	n/a	3%	5%
Ernst & Whinney	n/a	0.4	3.3	n/a	1%	3%
Peat Marwick Mitchell	0.5	4.1	7.3	4%	8%	6%
Price Waterhouse	0.2	2.9	18.4	1%	5%	15%
Touche Ross	0.2	1.3	4.1	1%	2%	3%
Total	**1.7**	**20.8**	**74.8**	**13%**	**39%**	**63%**

Notes: "Big 8" includes: Arthur Andersen, Coopers & Lybrand, Price Waterhouse, Arthur Young, Peat Marwick Mitchell, Deloitte, Haskins & Sells, Touche Ross, and Ernst & Whinney. All included in 1984 figures, Arthur Young not included in 1979 figures. "State" work in 1967 is defined as work undertaken for "Government departments", "Local authorities" or "Miscellaneous services" according to the Board of Trade Industrial classification scheme. "State" work in 1979 and 1984 is defined as "public sector" work, as recorded in MCA company returns.
All figures noted are for consultancy revenues only; no accounting revenues are included. Where figures are not available firms were not MCA members. 1974 figures for Deloitte, Haskins & Sells are for Deloitte, Robson, Morrow.
* The Big Eight were not only the accounting firms whose consultancy divisions were members of the MCA. In 1979 other accounting firm members included: Atkins Planning; Binder, Hamlyn, Fry & Co; and Thornton Baker & Associates. Source: Company returns, MCA: box 22.

In 1979 the Big Eight collected £2.3m in revenues from the British public sector. By 1984 this had risen to £20m; three-quarters of all MCA public sector income (see Table 18 for assignments undertaken by these firms).[613]

Where British firms had traditionally specialised in achieving productivity increases through efficiency studies, this latest generation of consultancy firms of accountancy origins had gained pre-eminence through computer technologies and devising and installing financial information systems (see Table 8).

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[612] Source: Collated, compiled and analysed by author. Annual company returns found in Management Consultants Association archives; boxes 22, 23, and 24.
[613] Calculated by author from company returns in MCA: boxes 22, 23, and 24.

Table 8: Big Eight company revenue split by service line as a % of MCA total (UK only), 1974[614]

1974

Big Eight	Organisation development and policy formation	Production management	Marketing, sales and distribution	Finance and administration	Personnel management and selection	Economic and environmental studies	Management information systems and electronic data processing
Arthur Andersen	0%	15%	4%	37%	0%	0%	44%
Arthur Young	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Coopers & Lybrand	20%	4%	4%	23%	3%	8%	38%
Deloitte, Haskins & Sells	6%	0%	1%	55%	1%	6%	31%
Ernst & Whinney	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Peat Marwick Mitchell	22%	6%	5%	29%	5%	10%	24%
Price Waterhouse	13%	2%	0%	50%	8%	2%	26%
Touche Ross	6%	3%	1%	50%	12%	0%	28%

The connection between computers and accountancy was long held. Arthur Andersen & Co. were the first firm to install the UNIVersal Automatic Computer I (UNIVAC) computer for General Electric in 1953. In doing so, they automated processes for payroll, material scheduling and inventory control, order service and billing, and cost accounting tasks.[615] Other accounting firms were quick to catch up on Andersen's computer expertise. In 1963 Price Waterhouse had helped to install computers for 60 clients; by 1967 this had risen to 275.[616]

Like the British and American firms, this new generation of consultancies also shared highly distinctive origins and identities. Accounting firms had provided advisory services to their

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[614] Source: Collated, compiled and analysed by author. Annual company returns found in MCA: boxes 22, 23, and 24. See definitions in footnote 612.

[615] Paul E. Ceruzzi, *A History of Modern Computing*, 2nd ed. (Cambridge, Mass.: MIT Press, 2003), 32; McKenna, *World's Newest Profession*, 21.

[616] Edgar Jones, *True and Fair: A History of Price Waterhouse* (London: Hamish Hamilton, 1995), 294.

clients throughout the Victorian era, and thereafter. Most notably, in the second half of the nineteenth-century William Welch Deloitte's firm (the forerunner of Deloitte Touche Tomahatsu) undertook a series of assignments investigating fraudulent transactions in the Great Northern Railways, Great Eastern Steamship Company, and London and River Plate Bank. According to Derek Matthews et al., this work was "indistinguishable from latter-day management consultancy".[617] But critically, this work was ad hoc and unusual; hence it was termed "special work".[618] It was not until the 1960s (for reasons addressed later) that accountancy firms formally developed internal departments which provided "Management Consultancy Services" or "Management Advisory Services".[619] In terms of staffing arrangements too, the accountancy firms were considerably different in nature. Where the Big Four often recruited individuals with industrial experience and the American firms sought Oxbridge or business school graduates, in the early years at least, the accounting firms' consulting divisions were largely staffed by qualified accountants or computer specialists.[620] Similarly, potential clients viewed these three types of consultancy firms distinctly. As James Selwyn wrote when considering bringing management consultants into the Bank of England in 1968 (he was not considering American consultants at this point for fear of the potential political fall-out, although McKinsey was eventually hired):

> They have varied origins, some having developed through..."time and motion" and others from accountancy. Those of accountancy origin...are probably stronger on financial control, cost analysis and organisation of management [than the Big Four firms].[621]

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[617] Matthews et al., *Priesthood of Industry*, 104-05.

[618] Ibid.

[619] See Jones, *True and Fair*, 292; Mark Stevens, *The Big Eight* (New York: Macmillan, 1981), 108.

[620] Jones, *True and Fair*, 293. 55 per cent of Price Waterhouse's "management consultancy" staff were qualified accountants in 1975; see TNA: T374/97, "Career Summaries for the Consultants We Plan to Assign to the Project." Arthur Andersen to HM Treasury, April 9 1976, for a selection of biographies of Arthur Andersen's consultants.

[621] Bank of England archives (hereafter BoE): E4/67. James Selwyn paper, "Management Consultants in the Bank," 1968.

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Accounting firms first entered the British consultancy market in 1966, when the six major British firms joined the Management Consultants Association: Annan Impey Morrish; Binder, Hamlyn, Fry & Co.; Cooper Brothers & Co.; Peat, Marwick, Mitchell & Co.; Price Waterhouse & Co.; and Robson, Morrow & Co. (Arthur Andersen were eventually admitted in 1969 after an earlier attempt was rejected).[622] The MCA addressed the rather controversial issue of admitting the "management consulting division of the accountancy profession" by asserting "we believe it is in the best interests of our profession and our clients", though it did not elaborate on the point.[623] However despite this relatively early entry into the consulting market, the computer work which the accounting firms sought to provide was already well catered for by the specialist divisions of existing British firms. Urwick Diebold (UD), the computer and systems division of Urwick Orr & Partners, was a leading provider of computer consultancy services by the late 1960s. In 1969, UD was selected to advise the newly instituted Open University on the use of computers in the areas of administration, student computing, computer-assisted learning and academic research.[624] A few years later, a team of four from UD also advised the Royal Ordnance Factories on a "computer strategy for the total organisation, involving sites throughout the UK which embraced the manufacture of explosives, ammunition, small arms, fuses, field guns and military vehicles including the Chieftain tank."[625] As the case of Urwicks shows, despite their early origins in production engineering and time and motion studies, the Big Four reacted to the growing demand for computer consultancy work positively. PA, P-E and Inbucon all established computer divisions and information technology service lines in the 1960s.[626] The high-profile assignments undertaken by Urwicks highlight the fact that in the late 1960s, it was

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[622] *MCA Annual Report*, 1965; Kipping and Saint-Martin discuss Arthur Andersen's admission in "Between Regulation, Promotion and Consumption", 454.

[623] *MCA Annual Report*, 1965; *MCA Annual Report,* 1966.

[624] Vic Forrington, correspondence with author.

[625] Ibid.

[626] "Another difficult time expected," *Financial Times*, January 10, 1977.

the British firms that dominated the state market: in 1967 the Big Four still undertook 85 per cent of all "public administration and defence" assignments recorded by the MCA.[627]

However by 1979, Arthur Andersen took earnings of £734,000 from the public sector and Coopers and Lybrand £646,000, compared with Urwicks' £441,000. Three factors help to explain how the accountancy firms overtook the British firms. The first highlights the precarious nature of consultancy. The economic recession and oil shocks of the 1970s hit consultancy firms particularly hard. Total MCA revenues fell by 7 per cent, staffing numbers were cut by 12 per cent and client numbers fell by 4 per cent from 1971 to 1972.[628] Three years later it was reported that PA suffered a "traumatic and sizeable reduction in the number of consultants employed."[629] As Figure 1 shows, a substantial dip in public sector revenues is noticeable post-IMF bail-out. The original Big Four firms were worst hit precisely because they were the market leaders; during the so-called "halcyon days" of consulting in the 1960s the firms had over-expanded and over-recruited.[630] The second and related reason the accounting firms were able to benefit from the British difficulties is because they were much better placed to weather the storm in the consulting market. Unlike the British firms, due to their split revenue streams of accounting and consultancy (and often tax work too), when the consulting market was badly hit the accounting firms could consolidate their efforts in their other practices. Price Waterhouse did just this after the secondary banking crisis of 1973, concentrating their efforts in accounting work or consultancy work for international agencies, primarily in Africa.[631] Similarly, the American consultancy firms such as McKinsey & Company also suffered badly in the 1970s, but their global reach meant they were more immune to region-specific market shocks. Third, accounting firms already had long-standing relationships with the British state. Accounting firms

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[627] Calculated by author from MCA: box 23.
[628] "Where the consultants are going," *Financial Times*, June 9, 1972.
[629] "Another difficult time expected," *Financial Times*, January 10, 1977.
[630] Ibid.
[631] Jones, *True and Fair*, 294.

had previously offered proto-consultancy services in the form of "special work". However from the 1970s onwards these services became a formalised company offering, as opposed to ad hoc undertakings usually aimed at satisfying unusual requests from existing clients. Similar to "special work", most of these new consultancy assignments were for existing audit clients from accounting work. For instance, in the 1960s, 72.5 per cent of Price Waterhouse's "systems development" work (later renamed "management consultancy services") was for current audit clients.[632] This is highly significant, and gives an insight into how the accounting firms established their presence in state work. As Arthur Andersen reminisced on the early systems work for his eponymous company:

> The idea in creating the so-called systems work was to bring the suggestions of having gone through all the records and all the company's affairs and that, out of that, there should be a lot of observations [of the company] that your knowledge would bring to the fore.[633]

Consequently, it seems likely that the consultancy divisions of accounting firms benefitted hugely from the connections forged from accountancy work. The 1972 Local Government Reform Act also had a significant impact in increasing the amount of local government work for accountants; by 1974 for instance, Price Waterhouse were the sole auditors to the City of Birmingham and by the 1980s the vast majority of the firm's public sector consultancy services were for local authorities.[634] The increasing use of accountants for state work had a substantial knock-on effect on the ease in which they could offer their expanding consultancy services.[635] Not only had relationships already been developed through the audit work of accountants, clients could save on the inevitable transaction costs associated with hiring new professional service providers.

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[632] Ibid., 292.

[633] Quoted in Leonard Spacek, *The Growth of Arthur Andersen & Co., 1928-1973: An Oral History* (New York: Garland, 1985), 162-63.

[634] Jones, *True and Fair*, 296-316.

[635] This point is also raised in Saint-Martin, *Building the New Managerialist State*, 49.

In addition to the accountancy links, Arthur Andersen – the main focus of the case study – had further links with the British state, developed in the 1960s and 1970s through the field of operational research (OR). The networks from OR would prove critical in giving Arthur Andersen an entry into the world of British elites, and in particular, elites at the vanguard of scientific analysis. According to the economic historian Maurice Kirby, operational research was the "application of the methods of science to complex problems arising in the direction and management of large systems of men, machines, materials, and money in industry, business and defence."[636] OR gained prominence during Allied efforts in the Second World War as part of the British Bomber Command's strategy of aerial attacks on German main cities. In the postwar period, there were efforts to apply its techniques beyond the military to central and local government, and the nationalised industries, from which Andersen benefited.[637]

Significantly for our concerns here, Arthur Andersen had developed a small but modestly successful operational research service to government departments, setting up a Government and Operational Research Division headed by David Kaye in the early 1970s.[638] Through several studies for the Ministry of Defence, Home Office, and then the Department of Health and Social Security (see Table 18), Andersen's work became known to the civil servant Peter Turner who worked in the OR branch of the Civil Service Department.[639] In 1973, Turner was promoted to head the joint Treasury and Civil Service Department Operational Research Unit.[640] In this same period, confidence in the Treasury's system for planning and controlling public expenditure – the Public Expenditure Survey Committee (PESC) – was in shreds.[641] The large

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[636] Maurice W. Kirby, *Operational Research in War and Peace: The British Experience from the 1930s 1970s* (London: Imperial College Press, 2003), 3.
[637] For more on this, see Kirby, *Operational Research*.
[638] Keith Burgess, interview with author, March 9, 2011. For a biography of David Kaye, see Appendix A: Key characters by chapter.
[639] Keith Burgess, interview with author, March 9, 2011.
[640] Ibid.
[641] Colin Thain and Maurice Wright, "Planning and controlling public expenditure in the UK, Part I: The Treasury's Public Expenditure Survey," *Public Administration*, Vol 2 (1992), 6.

shifts in prices and wage-rates and subsequent rapidly accelerating inflation rates which Britain had experienced since 1972 had rendered the PESC's forecasting plans largely irrelevant. In 1975 the government overspent by £6.5bn compared to the PESC forecast.[642] Such was the lack of confidence in PESC that in 1975 the Select Committee on Expenditure concluded: "The Treasury's present methods of controlling public expenditure are inadequate in the sense that money can be spent on a scale which was not contemplated when the relevant policies were decided upon."[643]

This was something Turner had long noted. Reminiscing on this period in 2011, David Kaye, who knew Turner from the "OR fraternity" recalled that Turner had "decided that Treasury had no effective means of monitoring spending departments to take into account inflation – the system was broken."[644] In response to this loss of expenditure control, a system of cash-limits – defined as "an administrative limit on the amount of cash that the Government proposes to spend on certain services, or blocks of services" – was imposed on the PESC.[645] To determine what these cash-limits needed to be, a new financial information system (FIS) was proposed for monitoring the cash-flow of each expenditure programme. Firmly embedded in the OR network, Arthur Andersen were invited to tender for the work, won the project and undertook the development and installation of the system through a team composed of consultants from Arthur Andersen and executive Treasury officers.[646] As Kaye recollected, this time in 2013, the work – for which Arthur Andersen received £276,000 – was highly prestigious, and undoubtedly helped build the case for Andersen's eventual work on the Operational Strategy. As Kaye

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[642] Maurice Wright, "Public Expenditure in Britain: The Crisis of Control," *Public Administration*, Vol 55, No 2 (1977), 143-150.
[643] Thain and Wright, "Planning and controlling," 1.
[644] David Kaye, interview with author at Landmark Hotel, Marylebone, London, November 11, 2011; the historian Rodney Lowe also ascribes the conception of the FIS to Turner. See Lowe, *The Official History of the British Civil Service*, 470, endnote 109.
[645] Wright, "Public Expenditure in Britain," 148.
[646] TNA: T 374/97, "FIS: Proposal for Arthur Andersen and Company for remaining stages." F. E. R. Butler memo, April 8, 1976.

described, "having the Treasury on your corporate CV is very good – you don't get any higher [in terms of reputation]."[647]

It is worth reflecting on the nature of the OR "fraternity" here, and its implications for our understanding of different generations of consultancies and how they interacted with the state. Though there were differences between the accounting and American generations, Arthur Andersen, like McKinsey, operated firmly within the British elite. For example, Patrick Rivett, Arthur Andersen's American Head of Operational Research from 1961, was invited to the Athenaeum Club in 1963 by the Earl of Halsbury to meet with the recently appointed Vice-Chancellor of (the newly formed) University of Lancaster, Sir Charles Carter, and its Chairman of the planning board, Sir Noel Hall.[648] Rivett was offered the role of chair of OR in the university and accepted; despite a salary drop from £5,500 per annum at Andersen to £3,200 at Lancaster.[649] Rivett's standing in OR networks helped raise Arthur Andersen's profile in the state. In 1968, Rivett was party to the discussions with William Armstrong, Permanent Secretary of the Treasury, which led to the creation of the Operational Research Unit – the same unit which Peter Turner headed when he turned to Andersen for support in the FIS implementation some seven years later.[650] Of course, within these elite, scientifically-minded networks, there were important subtleties. Whilst McKinsey targeted the "Oxbridge" network initially, Arthur Andersen, with their focus on OR in Britain, aligned more closely with "red-brick" universities. OR, for instance, was most prominent in the universities of Birmingham, Lancaster, Imperial College and Strathclyde.[651]

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[647] David Kaye, interview with author at Royal London Homeopathic Hospital on February 14, 2013.
[648] Kirby, *Operational Research in War and Peace*, 383.
[649] Arjand A. Assad and Saul I. Gass, *Profiles in Operations Research: Pioneers and Innovators* (New York: Springer, 2011), 485-6.
[650] Kirby, *Operational Research in War and Peace*, 346.
[651] Ibid., 384.

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The British firms, with the exception of PA Consultants, never recovered from the trauma of the 1970s. Inbucon/AIC had already been bought by the computer consultancy Leasco in the late 1960s and no longer resembled anything like the Bedaux Company from which it was born.[652] In 1986 in search of economies of scale it merged with P-E (then called P-E International), and ten years later the new entity was purchased by the IT services company Lorien.[653] Urwicks was eventually bought by Price Waterhouse for a mere £500,000 in 1984.[654] Throughout the 1980s PA consolidated their efforts abroad and in computer consultancy, becoming more and more like the accounting firms who they increasingly viewed as their competitors. Yet by the early 1980s the glory days of the British Big Four were long gone, and the accountants were on the rise.

During this same period, our fourth generation of consulting firms emerged: "data processing" (see Table 19 for a detailed breakdown). As Matthias Kipping has described, this generation – specialising in information technology – diversified into consulting from IT services from the 1970s onwards. Most of these companies were either UK-based or with a long-standing presence in the UK, such as CSC, Capgemini Sogeti, ICL, IBM, Computer Management Group or Logica. In Kipping's words, "all of these firms gradually evolved [from hardware of software services] towards the higher value added activities of outsourcing and IT-related consulting, often involving the implementation of large-scale management information systems and related organisational changes."[655] As demonstrated in the Operational Strategy case study, during this period the blurring of lines demarcating the work of different generations began; Logica, for instance, worked closely with Arthur Andersen on the Operational Strategy, highlighting how these firms began to work more as partners than competitors for the first time.

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[652] Tisdall, *Agents of Change*, 50.
[653] Kipping, "Trapped in their wave", 32.
[654] "Idealism was not enough", *Financial Times*, June 25, 1984.
[655] Kipping, "Alternative Pathways of Change in Professional Service Firms: The Case of Management Consulting," 792.

Losing the lead in computerisation

"[I had] a virtual complete lack of any technical understanding which I was not much minded to rectify."[656]

Sir John Herbecq, Under Secretary, Civil Service Department (1968-81)

"Different parts of the Civil Service used [different] consultants at different times, and for different reasons. There were maybe three phases. In the 1960s and 1970s, there was some opening up, but limited only to some parts of Whitehall, not whole tracts. In the 1980s, there was more use, but only by some departments, and probably to get around Mrs T's manpower limits. There was much more use of [Rayner] scrutinies and the Efficiency Unit. Later on, the main way consultants came in was through technology."[657]

Richard Wilson, Baron Wilson of Dinton

Secretary of the Cabinet and Head of the Home Civil Service (1998-2002)

In order to understand the background to the Operational Strategy, first we must trace the history of state automation. In the second half of the 1960s, British government computer policy was focussed on establishing a fully mechanised state adopting the latest computer technologies using internal state resources.[658] The verdict on the state's performance in this regard is mixed. The state certainly did modernise its computational capacities during this period. A Civil Service Department (CSD) report observed in 1978 "how greatly the main administrative operations of central government now depend on computers".[659] However the journey was riddled with failures and botched projects. As the CSD noted earlier in the decade, "there is some validity in the criticism that departments have slipped from their earlier position

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[656] Churchill Archives Centre: MISC 84.1. Sir John Herbecq papers, "Memoir," 224. Quoted in Lowe, *Civil Service*, 514 n.124.
[657] Richard Wilson, interview with author at C. Hoare & Co., March 6, 2014. See Appendix A for biography.
[658] TNA: HN 1/22. "Computers in central government – report." November 7, 1969.
[659] Quoted in Helen Margetts, *Information Technology and Central Government : Britain & America* (London: Routledge, 1999), 25.

as national leaders in computer development."[660] The use of management consultants for large-scale computerisation projects sheds light on how the state tried to remedy this.

As Figure 12 highlights, the modernising nature of the Wilson governments placed a high emphasis on technology and innovation. A memorandum from the Chancellor, James Callaghan, in 1965 demonstrates how information technology was at the heart of the first administration's aims. Callaghan ordered "a quick review of the favoured ADP [automatic data processing] programs for government departments [with regard] to the scope for accelerating and expanding the existing programmes."[661] Up until the late 1960s, this modernisation took place through use of the government's in-house resources – the Treasury's Organisation and Methods (O&M) team.[662] In 1955 there were 356 O&M officers of "middle-level executive-class" rank in the Treasury, who were there to serve either government departments or the nationalised industries. By 1958, the O&M officers had installed or ordered computers for seven government departments, and by 1965, 45 computers were installed across government and a further 200 to 300 installations envisioned within the decade. In this period, according to Jon Agar, "official visitors from overseas and from industry, commerce and local government came to learn from O&M". However by the early 1970s O&M began to retreat in influence; no longer at the heart of the "mechanisation" and modernisation drives of government. Agar, who has written on the use of computers by the British government, finds this retreat "difficult to explain".[663]

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[660] Quoted in ibid., 34.
[661] Quoted in Jon Agar, *The Government Machine: A Revolutionary History of the Computer* (Cambridge, Mass.: MIT Press, 2003), 331.
[662] Brech et al, *Lyndall Urwick*, 213.
[663] For computer installation figures see Agar, *The Government Machine*, 293; for accounts of these official visits see ibid., 315; Agar's describes this "retreat" in ibid., 339.

Figure 12: "For the Man Who Has Everything...the Fabulous Desiccated Calculating Machine"[664]
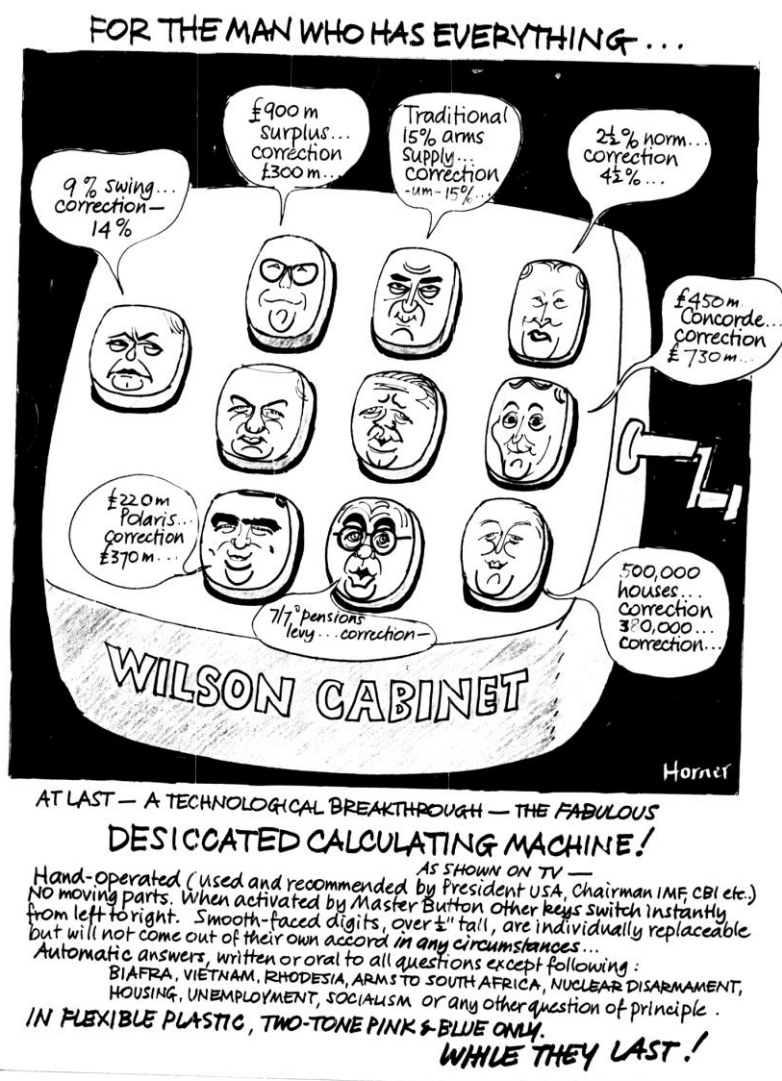
This can in fact be explained by a deliberate government policy to turn to outside expertise instead of using in-house resources. Agar is right to note the substantial work that a small number of executive officers achieved – there were around 750,000 civil servants in the 1960s by comparison with the small number of O&M mechanists.[665] However the work that Treasury O&M officers undertook – automation of routine tasks such as punch cards – was very different in nature to the large-scale installation of mainframe computers in regional centres and the

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[665] Agar, *The Government Machine*, 6.

increasing use of connected terminal computers inside departments that computerisation entailed in the 1970s.[666] By 1972 there were 4,640 trained information technology staff in central government, but in practice this was still insufficient to computerise the entire machinery of the state.[667] Within government and civil service circles this problem became increasingly apparent. In a report on the future of computers in government in 1969, Reay Atkinson (the future head of the Central Computer Agency) noted the "severe" shortage of internal computer specialists within the civil service.[668] Furthermore, as Rodney Lowe has highlighted, there was, on occasions, antipathy within the upper echelons of the Service towards technical changes.[669] Acknowledging, with considerable regret, the need for external resources to be brought in, Atkinson was rebuked by a specialist government adviser for his attitude. Clive De Paula responded to Atkinson's otherwise highly praised report by stressing:

> This attitude to expert professional advice – that it is a last resort to be turned to "in extremis" – runs contrary to the approach of many of the most successful users of computers. In such a highly technical and rapidly changing field [government should] make continual use of the best professional assistance they can get...[Getting] suitably qualified outside consultancy firms...would have the added benefit of bringing in outside experience, and providing cross-fertilization with standards used in this connexion in industry and commerce.[670]

Confronting the issue of the cost of hiring consultants head-on, de Paula invoked private sector comparisons: "The Prudential [a British insurance company] operates on a scale comparable to that of most Government departments...it does not seem to be put off by high [consultant] fee

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[666] Margetts, *Information Technology and Central Government: Britain & America*, 2.
[667] Cited in ibid., 21.
[668] Atkinson quote cited in TNA: HN 1/22: "Computers in Central Government – Ten Years Ahead; some observations on the report." F. Clive de Paula, September 1969, 1-8. See Appendix for biography
[669] Lowe, *The Official History of the British Civil Service*, 340-46.
[670] TNA: HN 1/22. "Computers in Central Government – Ten Years Ahead." September 1968, 7-8.

rates, probably because it does not confuse the price of something with its value."[671] The message from de Paula was clear: computer consultants were the answer to the government's internal resource deficiencies.

As a result of the Fulton Committee's findings, internal government computer specialists (staffed almost exclusively in Treasury O&M) were relocated in the Management Services (Computing) Division of the Civil Service Department.[672] (As a side issue, taking O&M out of the Treasury into the oft-sidelined CSD may have inadvertently diminished the standing of O&M in government.) At the same time, it seems that de Paula's advice was adhered to. In 1973 the CSD published a "Code of Practice for the use of Computer Consultants and Software Houses by Government Departments", similar to the 1965 Treasury "Code of Practice on the Use of Management Consultants".[673] The guide noted that "departments are likely to make greater use of the specialist resources of the software industry to satisfy their computing requirements", and that "government benefits from close contact with outside experts [consultants] and their work and the software industry benefits from greater experience in large and advanced government projects with advantage to its work elsewhere at home and abroad."[674] The emphasis on the mutual benefits served to underscore the rationality of the new policy – it seemed no one could lose from it. As Figure 13 shows, consultants were well placed to profit and maximise from this opportunity; and did so. By 1976 when Arthur Andersen were implementing the Financial Information System, it was apparent that the civil service did not have the skills necessary to undertake the work. The civil servants' writings on the issue betray a palpable sense of mild desperation. Though the project was ostensibly a joint Treasury and Andersen effort, Robin Butler – who led the work as Assistant Secretary in the Treasury, and during 1971-2 had worked

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[671] Ibid.
[672] Ibid., 6-8.
[673] Civil Service Department, Central Computer Agency, *Code of Practice for the use of Computer Consultants and Software Houses by Government Departments.* (London: HMSO, 1973).
[674] Ibid., 2.

in the CPRS and was a keen advocate of consultants – wrote to colleagues on the subject of extending Andersen's work and that the use of Treasury staff could help in a "substantial saving of money", but highlighted that there were simply insufficient staff with the computer expertise required to plausibly join the project.[675] Whilst five of the seven Andersen consultants had specialisms in "computer systems" or "data processing" (the other two had expertise in "financial control systems"), Butler proposed "Cobol courses" (a computer programming language) to train the civil servants before joining the project.[676] Whereas the civil service was proposing ad hoc training courses for non-computer specialist staff, Andersen's staff were experts in this area: the gap in skills between the state and private sector was clear.

Figure 13: IT services by MCA member firms, 1973-1996 (selected years)[677]

Information technology as a proportion of total MCA revenues

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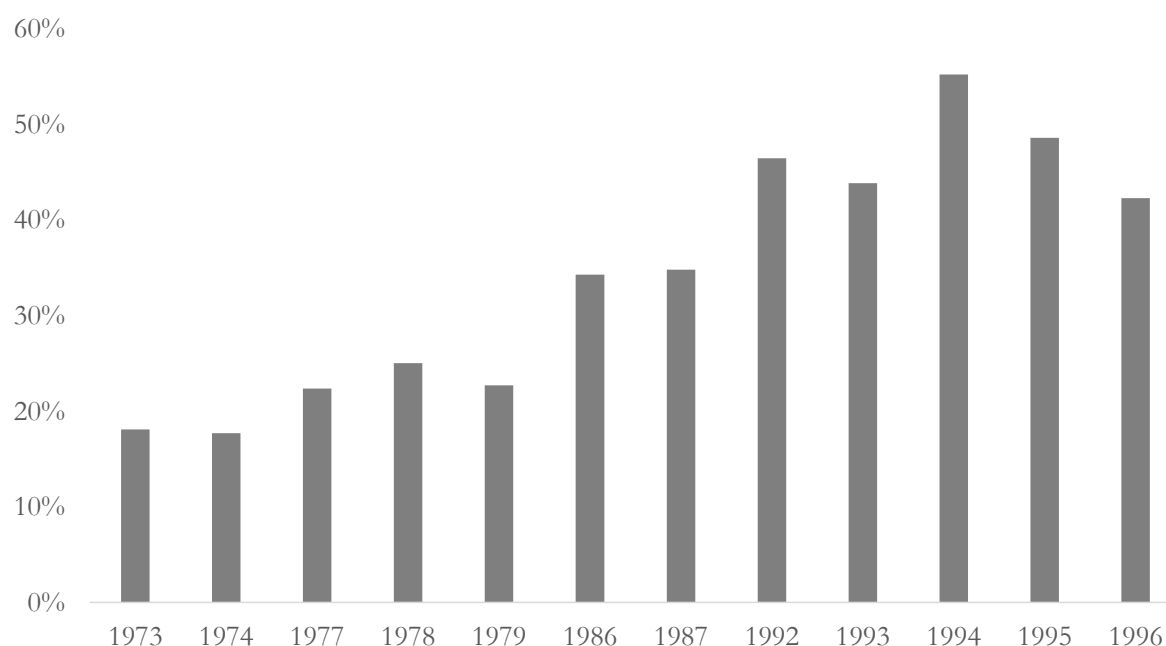
[675] Lowe, *The Official History of the British Civil Service*, 227; TNA: T 374/97, "FIS: Proposal for Arthur Andersen and Company for remaining stages." F. E. R. Butler memo, April 8, 1976, 1-3.

[676] Ibid.; TNA: T 374/97, "Career summaries for the consultants we plan to assign to the project." Arthur Andersen & Co. memo to M. P. Brown, April 9, 1976.

[677] Author calculations from MCA annual reports.

Such developments in the 1970s should be seen as a major factor in Britain's loss of state computerisation competence. These episodes are critical to the history of the Operational Strategy, and coincided exactly when plans for the Strategy first emerged.

Case study: the Operational Strategy

Four accounts exist of the Operational Strategy, from a diverse array of sources: the media; official reports; reflections by consultants; and academic studies of information technology. The input of professional historians is conspicuous by its absence. Of the four accounts, the assessment from the popular press and media has been by far the most critical. Through the Operational Strategy's fourteen-year undertaking the media was intermittently vocal in lambasting it for financial mismanagement and a failure to deliver on promised outcomes. On a slow Christmas Eve for news in 1983, when the Strategy was still in its early planning stages, *The Guardian* was quick to mock the managerial "Blandspeak" of government documents which described the Strategy.[678] Thereafter, coverage was minimal, save for describing the findings of the Public Accounts Committee or National Audit Office reports on the Operational Strategy.[679] However, at the turn of the millennium (with computers a particularly vogue topic in a media concerned with the eventual non-appearance of the "Millennium Bug"), *The Guardian* passed the final judgement on the Operational Strategy as being an "unsuccessful attempt…[by] the social security department…to get automated"; in short, a reflection of "computing that doesn't compute."[680]

The Guardian's negative assessment was far from unique. *The Times*, in 1999, described the Strategy as "[one of a] catalogue of computer disasters" and a few years earlier *The Independent*

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[678] "Whitehall's blandishments win war of the words," *The Guardian*, December 24, 1983.
[679] "High-tech benefits cost DSS £1 billion more," *The Guardian*, July 6, 1989.
[680] "Computing that doesn't compute," *The Guardian*, December 22, 1999.

passed a similar verdict, judging it to be "a great computer cock-up."[681]   Even specialist periodicals such as *Computer Weekly* failed to find much to praise in the Operational Strategy, as a 2006 review of government computer projects assessed it as a "disaster" (amongst many others) and pointedly asked "what happened to our [taxpayer money]?"[682]

On the whole, media coverage focused on the costs of the Operational Strategy, which were highlighted by its second major source of historical accounts: official government reports. Two National Audit Office (NAO) reports in 1984 and 1989, and one Public Accounts Committee report in 1989 oversaw progress of the project. (The NAO was only established in 1984 along with a suite of other Thatcherite drives to modernise government, including the Derek Rayner scrutinies, Financial Management Initiative, and four White Papers on the subject from 1981 to 1984.)[683] The 1984 NAO report offered little assessment of the overall Strategy, bar providing the yardstick by which all future judgements would be based: the financial implications of the Strategy. In the 1982 DHSS paper "Social Security Operational Strategy: A Framework for the Future", these were stated as costs over 15 years of £700 million and projected savings over 20 years of £1,900 million.[684] The 1988/9 Public Accounts Committee report, though recognising "that the Operational Strategy is a large enterprise currently making significant progress", voiced concerns about "management processes… substantial extra costs [from]… earlier delays… [and the lack of]…detailed post-implementation reviews."[685] The 1989 NAO report similarly concluded that many of the "delays and substantial cost increases…were due to [the] complexity of the tasks undertaken and some factors outside of the Department's control" but that there

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[681] "New computers are a passport to chaos," *The Times*, July 3, 1999; "Great computer cock-ups," *The Independent*, January 24, 1997.

[682] "Government IT: What happened to our £25bn?," *Computer Weekly*, October 29, 2006.

[683] For a consultant's view on the early years of the Thatcher administration's drive to modernise government see Colin Sharman, Partner at Peat, Marwick, Mitchell & Co., "Value for money auditing in the Public Sector", Dutch-British Workshop, Amsterdam, September 20-21, 1986.

[684] NAO, *Report by the Comptroller and Auditor General: Administrative Computing in Government Departments* (London: HMSO, 1984), 5.

[685] Public Accounts Committee Report 1988/9, vii.

were "weaknesses in the… fields of planning, monitoring and resource utilisation. There were also significant weaknesses in financial management and control."[686] The NAO paid particular attention to the financial implications of the Strategy, concluding: "between 1982, when the first broad estimates were made, and 1988, the estimated costs of the Strategy from commencement to 1998-9 rose from £713 million to £1,749 million in real terms (an increase of 145 per cent) while net savings fell from £915 million to £414 million in real terms (a fall of 55 per cent)."[687] Despite acknowledging that the Strategy would not be fully implemented until the early 1990s, it received no subsequent government evaluations (bar a brief mention in a 1994/5 Social Security Committee report that as a result of the Operational Strategy "customer satisfaction is at an all-time high").[688] As a result, the official evaluation of the Strategy – and that which the media therefore covered most keenly – was one of caveated failure.

The third type of account is the smallest and most intriguing. In 1993, the former deputy editor of *The Sunday Times*, Ivan Fallon, wrote *The Paper Chase: A Decade of Change at the DSS*. The book chronicled the "heroic" feats of the Operational Strategy; the challenge of delivering history's "largest civil computerisation project" and the unlikely camaraderie formed between consultants and civil servants.[689] Written on the encouragement of Keith Burgess, the Arthur Andersen partner-in-charge of the project, the book represents effectively the "consultants' view" of the work. Whilst the literary impact of the book was relatively modest – brief reviews in *the Guardian*, *The Sunday Times* and *The Herald* and citations in two books and two articles – it is

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[686] National Audit Office Report by the Comptroller and Auditor General, *Department of Social Security: Operational* Strategy (London: House of Commons, 1989), 5-6.
[687] Ibid., 2.
[688] Ibid., 1; "Social Security Committee: Fifth Report 1994/5", (London: House of Commons, 1995), 97.
[689] Fallon, *The Paper Chase: A Decade of Change at the DSS*.

nonetheless valuable for the analytical purposes of this chapter to compare and contrast the extent to which real "partnership working" between consultants and civil servants took place.[690]

Fourth, a number of academic studies of the Strategy have emerged with an Information Technology (IT) focus.[691] All highlight the issue of undelivered financial benefits that the NAO and Public Accounts Committee (PAC) reports raised, whilst also adding concerns regarding the risks of large scale computer projects in government, such as a lack of "organisational [IT] expertise", "consultancy bankruptcy", and the "separation of policy-making and IT".[692] Notwithstanding, the overall assessment of the Strategy is one of muted praise, as Helen Margetts (whose published doctorate concerned itself with comparing government computerisation projects in America and Britain) wrote: "it must be viewed as a considerable feat to have installed machines in all offices… however, the DSS has not achieved any of the other objectives it set itself."[693]

These four accounts represent a spectrum of views on the Strategy: from outright success (the consultant's view) to relative success (IT academic view) to relative failure (NAO and PAC) to outright failure (media). What is most interesting from the perspective of the broader history of the state is the lack of a fifth historiographical voice: histories of modern Britain. None of the major works on the welfare state or civil service devote significant attention to the Strategy. Only one contemporary, popular tome by two journalists considered what the Strategy meant for

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[690] Ibid; "Security alert," *The Sunday Times*, August 1, 1993; "Bookbytes," *The Guardian*, July 29, 1993; "Hail to Britain's very own SS," *The Herald*, July 24, 1993; author Google Scholar search, last accessed 3rd April 2014.

[691] Margetts, *Information Technology and Central Government*; Helen Margetts and Leslie Willcocks, "Information Technology in Public Services: Disaster Faster?", *Public Money & Management* 13, no.2, 1993; P.H.A. Frissen (ed.), *European Public Administration and Informatisation: A comparative research project into policies, systems, infrastructures and projects* (Amsterdam: IOS Press, 1992); M. O'Higgins, "Computerising the Social Security System: An Operational Strategy in Lieu of a Policy Strategy" in D. Pitt and B. Smith (eds.), *The Computer Revolution in Public Administration* (Brighton: Edward Elgar, 1984); Agar, *The Government Machine*.

[692] Helen Margetts and Leslie Willcocks, "Information Technology in Public Services: Disaster Faster?", *Public Money & Management* 13, no. 2 (1993): 49-56.

[693] Margetts, *Information Technology and Central Government : Britain & America*, 52.

the state (Duncan Campbell and Steve Connors' *On the Record*), but this was exclusively framed in terms of data protection.[694]

This chapter was developed through consulting the now archived original Strategy plans, interviewing central characters in its formulation and development, and analysing the Strategy's impact on welfare recipients. In doing so, throughout, this chapter is able to situate the Operational Strategy within the broader history of 1980s Britain. At the end of the chapter, I propose where on the aforementioned spectrum of assessment the Strategy most sensibly should rest, by understanding better what "success" for the Strategy should reasonably mean.

Chronology of the Operational Strategy

In 1959 the Ministry of Pensions and National Insurance (MPNI) became the first state department to use mechanical computers to automate social security tasks. The systems were developed in "batch mode", meaning that information was held in large computers in central offices – based in Newcastle, North Fylde and Livingstone – which could only be retrieved through physically printing out the required knowledge and manually transmitting it to whichever local office had raised a query. Information flowed into the computers in the reverse direction, with paper reports sent to the central offices where they were manually processed, usually overnight.[695]

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[694] See Nicholas Timmins, *The Five Giants: A Biography of the Welfare State* (London: HarperCollins, 1995); *The Welfare State in Britain since 1945* (Basingstoke: Macmillan, 1993); Lowe, *The Official History of the British Civil Service*; *The Welfare State in Britain since 1945* (Basingstoke: Macmillan, 1993); Hennessy, *Whitehall*.. An exception is Duncan Campbell and Steve Connor, *On the Record: Surveillance, Computers and Privacy : The inside Story* (London: Michael Joseph, 1986), 89.

[695] Helen Margetts, "The Computerisation of Social Security: The Way Forward or a Step Backwards?", *Public Administration* 69 (1991): 326; Fallon, *The Paper Chase*, 2.

By the mid-1950s, the social security budget constituted under £2 billion, and the infrastructure of the MPNI proved sufficient to cater for the dominant payments demanded of it: pensions. However, as the Welfare State, and expectations of it, developed throughout the 1960s, more and more benefits flowed from state to citizen. In 1961 the Conservatives implemented a graduated pensions scheme, soon modified by Labour in 1964; in 1966 national assistance – claimed by two million people – was updated as supplementary benefit; and in 1971, in response to fiscal retrenchment which accompanied Sterling's devaluation in 1967, Heath introduced family income supplements.[696] Each additional benefit compounded administrative complexities. Social security recipients could no longer easily be categorised into pensioners, sick or disabled; growing unemployment meant claimants could easily be young, and receiving supplementary benefits, child benefits and, or, unemployment benefits. The nature of the batch system infrastructure meant each claim was held on a benefit-by-benefit basis, and had to be claimed as such. Personal data of individuals was held on average five times across different systems, which were unwieldy, inefficient and error-prone in administration.[697] This was hardly surprising given the sheer volumes of papers, tasks and claimants involved: 8,000 internal non-standard and 12,000 external forms were required to administer the entire social security operation for the state.[698]

In 1977, in the wake of Barbara Castle's technically complex earnings-related pensions programme, the Department of Health and Social Security gave approval to commence the Computerisation and Mechanisation of Local Office Tasks pilot scheme (known as CAMELOT). The aim of the pilot was to automate the processing of supplementary and short-term benefits in local offices. The pilot was to be in Reading, the site of a previously failed project to computerise pension payments in local offices some ten years previous. The resources

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[696] Ibid., 1-5.
[697] Michael O'Higgins, "Computerizing the Social Security System: An Operational Strategy in lieu of a Policy Strategy?" *Public Administration* 62 (Summer 1984): 202.
[698] Fallon, *The Paper Chase*, 9; Agar, *The Government Machine*, 374.

for the project were government computer experts based in Newcastle, who were held in high regard by their counter-parts in London.[699] Yet by 1981 it became apparent that CAMELOT was not working. Interoperability of disparate systems was the issue; the computer programmes written to connect the processes together simply did not function cohesively. At the behest of Michael Partridge, Permanent Secretary of the DHSS, consultants were called in to review progress on the project and judged it "fundamentally flawed."[700] By December 1981, the project was formally closed down, with a subsequent NAO report decreeing that after £6 million of expenditure, "CAMELOT as…concept could not result in a useful or operable system. The DHSS consider that the main cause of failure lay in the quality of computer programming."[701]

Three important points arose from these Reading pilots: first, in both instances the DHSS refused to look to outside computer experts for advice until the end of the project (Hoskyns computer consultants undertook a post-mortem of the first Reading pilot and others were called in to evaluate CAMELOT); second, many of the Newcastle-based computer experts who were brought down to Reading for the pilots left soon after their completion to join private sector firms, thereby leading to a loss of internal computer expertise in the state; and thirdly, the high-profile failure of CAMELOT – the project was formally abandoned in December 1981 – severely undermined faith in the DHSS's ability to meet the challenge of social security computerisation.[702]

By the early 1980s, social security accounted for 30 per cent of all public sector expenditure and entailed 10 per cent of central government staff. Pensioners constituted nearly 9 million recipients, unemployment benefit reached over 1 million and those receiving basic

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[699] Stephen Hickey, interview with author, Wimbledon, London, February 27, 2014. See Appendix A for biography.

[700] Fallon, *The Paper Chase*, 18-20.

[701] NAO, *Report by the Comptroller and Auditor General: Administrative Computing in Government Departments* (London: HMSO, 1984), 5.

[702] Fallon, *The Paper Chase*, 10; Agar, *The Government Machine*, 374-75.

supplementary numbered nearly 2 million.[703]   As Figure **2**14 shows, it required 85,000 DHSS employees and 30,000 more from the Department of Employment to administer these benefits. Of these, 65,500 rested in Local Offices and were clerical staff dealing with "millions of paper records held in rows of filing cabinets." These staff were the initial contact point with the DHSS for the general public. Around half the staff calculated paid supplementary benefit, with the rest dealing with sickness, invalidity and other benefits. 27,300 staff handled unemployment claims in UBOs, which were administered by 500 staff in computer centres in Reading and Livingston which paid unemployment benefits. 12,000 staff were based in the Newcastle Central Office, recording contributions for the whole working population whilst also paying retirement, widow's pensions and child benefits. And 2,900 staff were based in the North Fylde central office, catering for war pensions and various disablement benefits.[704] Yet, as Geoffrey Otton, Second Permanent Secretary at the DHSS described, the system and its "junior workforce who [are] not highly paid could [barely] cope". Of all the staff, "about 5,000 are employed simply to move pieces of paper around offices and link up incoming mail with casepapers…the missing casepaper is everyone's nightmare." Thus in the face of increasing technical complexity, increasing error rates in benefits payments, a recognition that opportunities in simplifying administration were being opened up by technological developments, and – as explored in detail below – public hostility towards DHSS officials increased as the economic situation in Britain became more challenging, the department recommended exploring ways of automating social security benefits. As Otton told the Royal Institute for Public Administration in a 1983 lecture, it was his aim for "staff to be able to use computers to do their calculations speedily and without error."[705]

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[703] Fallon, *The Paper Chase*, 17; Agar, *The Government Machine*, 374.
[704] *Social Security Operational Strategy: A brief guide* (London: DHSS, 1982), 3.
[705] Geoffrey Otton, "Managing social security: Government as big business", *International Social Security Review* 27, no. 2, (1984): 165-168.

Figure 14: Social security organisational structure and staff numbers, October 1981[706]

Key: (staff numbers)
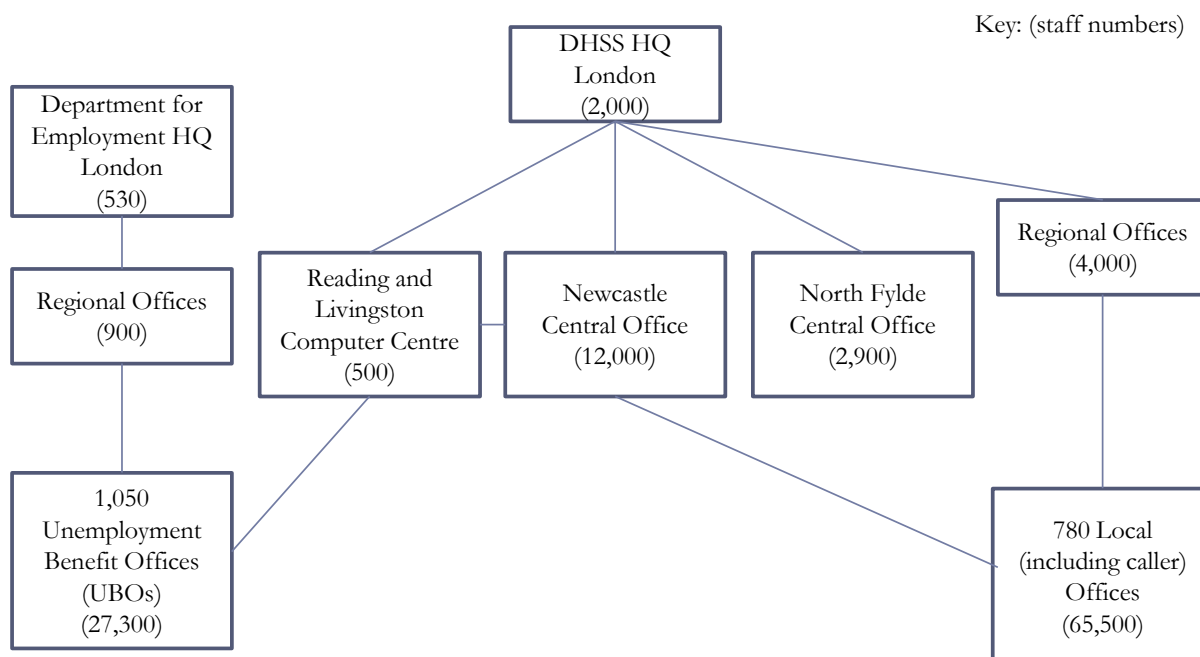
A November 1980 Green Paper, with a foreword by the then Minister of State, Patrick Jenkin, laid out the challenge: to computerise the operational delivery of thirty-four distinct cash benefits, the pensions scheme, recasting the earnings-related contributory scheme and the means-tested supplementary benefit scheme.[707] An important feature of this challenge was to adopt a "whole person" approach to benefits payment which would overcome the "tendency to treat individuals in a compartmentalised, benefit-by-benefit way" and instead:

> One claim would lead to the combined payment of all the benefits to which that person was entitled; advice about all benefits would be available at a single point; and information about changes of circumstances reported to one specific point would be applied without further action by the beneficiary to all processing points.[708]

Whilst the concept of "holism" on which the "whole person approach" rested was nothing new (echoing education policy debates in the 1940s) in terms of organisational structures it bore its

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[706] Derived from ibid.
[707] Fallon, *The Paper Chase*, 18; Department of Health and Social Security, *A Strategy for Social Security Operations* (London: HMSO, 1980).
[708] *A Strategy for Social Security Operations* (London: DHSS, 1982), 7.

antecedents in the "general systems theory" popularised in the 1960s by the Austrian-born biologist Karl Ludwig von Bertalanffy.[709] Intriguingly, the "whole person" approach was also adopted in the United States' efforts to computerise its Social Security Administration, which had commenced in 1978. As a panel of private sector organisations advised the SSA in 1979: "the [computerisation should] incorporate the 'whole-person' concept – the integration of all the records of each individual client in order to make it possible to transact all current business and render all applicable services to a client in a coherent manner."[710] It was almost certainly the SSA that the Operational Strategy Working group visited during 1977 to 1980. This was described as a "main activity" of the Working group in the 1980 Green Paper: "visits have been made to the United States and other countries to examine the technology which is or may become available and to consider what may be learned from foreign experience in social security operational planning."[711] This transatlantic importation of American management ideas chimes with the work of Victoria de Grazia, which posits the "Americanisation" of Britain through the medium of consumer-oriented capitalism culture, and this example builds on de Grazia's thesis by suggesting this "Americanisation" process was further enhanced by the transference of a particularly American-derived, management-oriented approach to the governance of capitalist societies too.[712]

During 1981 a newly formed "Operational Strategy Steering Committee" met to outline the broad plan to meet the challenge set in the 1980 Green Paper. With input from two consulting firms – Software Sciences and Logica – the 1982 document "Social Security Operational Strategy: A Framework for the Future" set out the three objectives of the programme: reducing costs,

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[709] See for instance, House of Lords debate, February 17, 1942, vol 121 cc852-66 where the Lord Archbishop of Canterbury stressed the need to consider the "development of the whole personality"; Ludwig von Bertalanffy, *General System Theory: Foundations, Development, Applications* (London: Allen Lane, 1968).

[710] The National Research Council, *Second Review of a New Data Management System for the Social Security Administration* (Washington: National Academy of Sciences, 1979).

[711] *A Strategy for Social Security Operations*, 1.

[712] De Grazia, *Irresistible Empire*, 458-80.

improving quality and increasing job satisfaction.[713] In this report, a high-level plan was articulated for how the current and future computer structures would look, as shown in Figure 15. This would involve integrating the current siloes of the ILOs and UBOs, whilst also providing fast telephone links between all units, replacing overnight data and postal links. The key database holding all this information together would be the Departmental Central Index – a record of all claimant details held in one location: Newcastle.

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[713] Margetts, "Computerisation", 327.

Antonio E. Weiss, Birkbeck College, University of London

Figure 15: Existing and proposed computer structure for the Operational Strategy[714]

Existing computer structure

Proposed computer structure

Visual Display Units (VDUs)/micro-computers in local offices
Note: all teleconmmunications use fast telephone / digital links
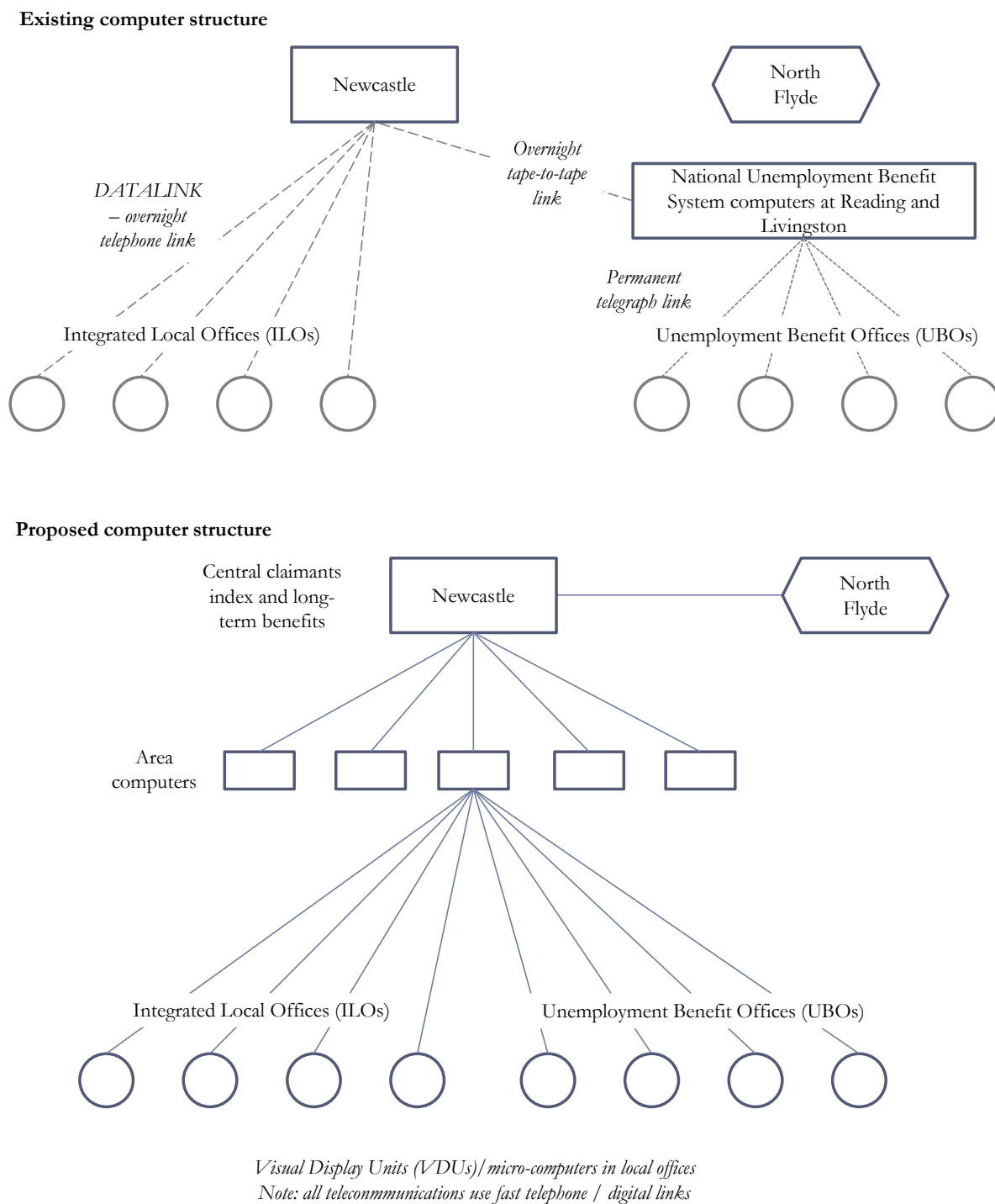
The 1982 report in many respects also provided the proverbial rod by which the Operational

Strategy would subsequently be beaten. In estimating costs (all at 1987 prices) of £713 million

and total savings of £1,628 million and a subsequent net benefit of £915 million to the

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[714] Derived from *Social Security Operational Strategy: A brief guide* (London: DHSS, 1982), 9-11.

Exchequer (equivalent to staff savings of 20,000 posts), the 1982 document ensured the Operational Strategy always had a benchmark by which its effectiveness would be assessed.[715] In practical terms, it was expected that the programme would result in making the benefits details of all claimants accessible on-line to all social security offices (via the Departmental Central Index). This transformation of social security processing was to be undertaken through fourteen distinct but related projects, known collectively as the "Operational Strategy" (the 1982 paper stressed the need to break down programmes into manageable projects as an important learning point from the failed CAMELOT programme). As detailed earlier, the Strategy was based around the "whole person concept" approach to managing benefits information – all benefits information would be focussed around the person, as opposed to the type of benefit. This would require the installation of 33,000 visual display units in 450 local offices, all connected via a three-tier structure of local offices, area centres and the central database centre in Newcastle.[716] With good reason the NAO noted with some amazement the size of the undertaking.[717]

Helen Margetts and Leslie Willcocks have usefully categorised the Operational Strategy as broadly comprising three periods. A planning and design phase, from 1982 until June 1985, during which point in 1984 the Public Accounts Committee noted concern at the lack of progress. A readjustment phase from 1985 to 1987 when the government's Social Security Act (1986) necessitated a reworking of plans. And a "fast and furious" implementation phase from 1987 to 1991 when the Strategy finally came into effect. At all points, external consultants were actively used in the design, planning and implementation of the Operational Strategy, and most extensively these consultants were from Arthur Andersen. Whilst the relationship between state and consultants is the primary focus of the analysis which follows, it is worth highlighting early on that – similar to McKinsey and Company's work on the NHS – Arthur Andersen were only

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[715] Ibid., 327.
[716] Agar, *The Government Machine*, 375.
[717] The project was claimed to be the "largest computerisation project in Europe" in NAO, *Report by the Comptroller and Auditor General. Department of Social Security Operational Strategy* (London: HMSO, 1989), 1.

hired *after* the outline of the Operational Strategy (and its stated aims and implied cost reduction) had been published in 1982. Furthermore, Andersen were not the only consultants used – Computer Sciences Corporation were hired to run the Local Office Project, a related but separate project to the broader Operational Strategy. The use of consultants was to prove particularly controversial during the Operational Strategy, in large part due to the investigations of the Public Accounts Committee on the matter, which wryly noted that the Operational Strategy spent £22 million on consultants alone during the financial year 1987/8 – some five times the cost of equivalent in-house resource.[718] However, beyond the failure of CAMELOT in 1982, a counter-factual scenario was never envisaged where the Operational Strategy could have happened without external expertise.

At a December 1982 Operational Strategy Steering Committee seminar at the Civil Service College, Sunningdale, it was agreed "to appoint a team of 4 or 5 management consultants who could give advice on the overall management programme and act as a sounding board."[719] The consultants duly appointed – via a competitive tender against four other consultancies – were Arthur Andersen. Andersen had experience of state work before – their lead partner on the project, Keith Burgess, worked on installing the Treasury's Financial Information System during the mid-1970s – and the company had expertise in large-scale computerisation work from projects with the British Overseas Airways Corporation and the Worcester Bosch Group.[720] Whilst the project started as relatively small in nature for Andersen, as technical difficulties – outlined below – became apparent, it quickly expanded. Whereas in January 1983 there were 5

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[718] Helen Margetts and Leslie Willcocks, "Information Technology in Public Services: Disaster Faster?", 52.
[719] *Social Security Operational Strategy: Sunningdale Seminar December 1982 Report* (London: DHSS, 1982), 5.
[720] See Table 17; Mark Otway, interview with author at Institute of Directors, Pall Mall, London, March 18, 2014. See Appendix A for biography.

Andersen consultants working on the Strategy, by 1984 there were thirty, and at its peak there were 350.[721]

Burgess, who had experienced working for the NHS and Department of Trade and Industry, as well as the Treasury, since joining Andersen in 1971, predicted the Operational Strategy could be a large income generator for the consultancy. Burgess was completing a project for the building company Wates when the Operational Strategy appeared on his radar, and as he recounted to the journalist Ivan Fallon, "I was in the market for a nice, new interesting client or project." Yet, as another Andersen consultant recalled more candidly to Fallon: "One of the braver things that Keith did was that he committed two partner for three years [on the project] … if you're a partnership of 16 partners, which we were, and you take an eighth of your partnership away for a client who is only supporting another four people, then that's not very good economics. As it happened it wasn't a problem, but that was the bet that Keith made. And that was a special piece of thinking."[722]

Competing against fourteen consulting firms who had been approached by the department, Andersen were informed of their success in the run up to Christmas in 1982.[723] As the Operational Strategy Steering Committee was informed: "The scale and nature of the strategy mean that firm central control is essential to ensure consistent and economic development. The DHSS has, therefore, appointed a senior Director to manage the Operational Strategy and the Departmental ADP resource both in support of existing observations and the development of new ones. External consultants have been appointed to key design and management posts, bringing into the strategy the skills and experience necessary to undertake large interactive

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[721] Ibid.
[722] Fallon, *Paper Chase*, 34-35.
[723] Ibid., 35.

network projects."[724]   Over the course of the following eight years, the work of the consultants was broadly focused on three areas: defining the project structure; creating the overall technical architecture of the Operational Strategy; and managing, and at times providing, technical input into the Strategy itself.   In the first instance, in early 1983 Burgess created a management plan which broke down the strategy into discrete, mutually exclusive streams of work with goals, timescales and teams staffed to deliver on those goals.   In Burgess' words, "we had to define an enterprise-wide view – an enterprise architecture, so that each component, when built, will be able to take its place in the jigsaw. [This jigsaw approach was necessary] because what you might want to do is to take one component out and replace it with new technology, but you can't let the whole system fall down if that is happening. We have to have a concept which will allow replaceable bricks."[725]   The surviving archival material on the Strategy neatly demonstrates Burgess' approach, which resulted in fourteen interdependent, but separate workstreams which ran in parallel to help deliver the Strategy.[726]

In the second main Andersen task, Mark Otway, a thirty-four year old junior partner with a degree in national sciences and chemical engineering from Cambridge, led the way. In July 1983, Otway created the technical architecture which would form the backbone of the Operational Strategy. It comprised of four novel components: a central index of all benefits claimants; a series of national branch office systems; an open systems interconnection (OSI) network to link the branches; and four data centres to underpin the data storage of the architecture. Figure 15 summarises the approach Otway set out, and delivered over the remainder of the project. At inception, the technical architecture was a necessarily theoretical construct – no such approach had been tried anywhere before. Whilst Otway was aware of the work CSC had done for the

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[724] TNA: BN 13/297. "The Social Security Operational Strategy: Background working papers." May 1984.

[725] Fallon, *Paper Chase*, 41.

[726] See for instance TNA: BN 120/62/1, "Operational Strategy Directorate – Progress Report – April 1985." May 10, 1985; or TNA: BN 136/32, "Critical Strategy Projects – A Summary of Key Milestones." March 1988.

Inland Revenue in the early 1980s, Andersen had not been involved in the project. This was a new endeavour for both the civil service and Andersen.[727]

In terms of managing and delivering the project, the only evidence available to detail this is from those close to the Strategy interviewed by Fallon. From this, the picture which emerges is one of close cooperation between consultants and civil servants. Andersen's role was to work alongside the department's officials in delivering the workstreams; by 1988, for instance, the consultants had over 200 staff working on Operational Strategy projects in Lytham, Newcastle, Reading, Livingston and London.[728] As Eric Caines, Director of the Operational Strategy, recalled to Fallon: "We were very suspicious of consultants and the way they operated. Out in the field the idea was that consultants sat alongside people who worked in the Department and transferred their skills to them, but the responsibility lay with the person to whom the skills were being transferred. The consultants took no direct responsibility for anything. But Andersens didn't ever do that. They felt some responsibility and stuck with it." Similarly, Martin Bankier, a computer specialist based at the department's North Fylde site recalled "[Andersen] brought in that increased feeling of: we work from half-past eight in the morning till half-past ten at night, if necessary, and that's what we're paid for, which rubbed off onto all the civil servants. You'd find the civil servants doing exactly the same. The motivation rubbed off."[729]

By 1991, the Operational Strategy had broadly delivered its targeted computerisation aims – 35,000 terminals had been installed in 1,000 local offices – though questions abounded in the national media as to whether this represented "value for money" and whether job satisfaction and quality had really improved.[730] Most problematically for the programme however, was its

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[727] Fallon, *Paper Chase*, 46.
[728] Ibid., 103.
[729] Ibid., 67-69.
[730] For a sense of comparison of scale, Jon Agar has suggested that 25 years earlier there were 1,000 computer terminals in all of Britain in Agar, *The Government Machine*, 331; for critiques, see for instance, "Great computer cock-ups," *The Independent*, January 24, 1997; Margetts, "Computerisation", 332.

frequent downward revision of estimated cost savings and upward revision of costs: the former dropping from £915 million in 1982 to £175 million in 1989, and the latter rising from £713 million in 1982 to an eye-watering £2.6 billion in 1989.[731] Moreover, the Strategy largely failed in its aim for "whole person care"; users still had to log-in to different systems at terminals for different benefits.[732] Despite these figures, in 1989 the Comptroller and Auditor General summarised that the then Department of Social Security had made:

> Significant progress in developing the Strategy to replace costly clerical systems with [an] on-line computerised system. This is a large and innovative undertaking at the forefront of new technology and information-technology management. Although the NAO investigation has identified some delays and substantial cost increases, many of these were due to the complexity of the tasks undertaken and . . . factors outside the Department's control.[733]

The transformation of the administration of social security in Britain did not stop in 1991, the official "end" of the Operational Strategy. Three major developments occurred beyond this point. First, social security was "spun-off" into an Executive Agency as a result of the 1989 Next Steps Initiative. This deliberately distanced benefits delivery from social security policy.[734] Second, the Texas-based computer company Electronic Data Systems (EDS) took over the entire Livingston Computer Centre in 1989. The rationale was based on the high-levels of industrial action in Livingston as a result of the Operational Strategy's planned redundancies and as part of the Thatcher administration's desire to contract-out non-core public services.[735] As one Andersen consultant put it, this "outsourcing" of benefits services "probably marked a watershed moment" in the history of the public

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[731] Margetts and Willcocks, "Disaster Faster", 50-1.

[732] Ian Watmore, interview with author, February 12, 2014.

[733] NAO, *Report by the Comptroller and Auditor General. Department of Social Security Operational Strategy* (London: HMSO, 1989), 5.

[734] Margetts, *Information Technology and Central Government*, 64.

[735] Ibid., 61.

sector, as it heralded the first major outsourcing arrangement in the British state.[736]   David Butler, who headed the British IT consultancy Butler Cox, recalled in 2011 that in this period "big companies [in the private sector] were moving in the direction of outsourcing, and there was a feeling that government had to catch up, or risk looking foolish by comparison."   In Butler's opinion, this led to an "uncritical acceptance of huge systems without adequate piloting of [whether they were appropriate]."[737]   And third, numerous other public services soon followed suit in computerising their administrative functions; at roughly the same time as the Strategy the Inland Revenue underwent computerisation with the support of consultants from Computer Sciences Corporation, and child support, tax credits, family subsidises and others soon joined supported by a variety of consultancies including CapGemini, Siemens, EDS, Accenture and Arthur Andersen too.[738]   These developments necessarily increased the extent to which the public sector relied on the private sector for state reform.

Chalk and cheese

"Andersens and the [DHSS] computer guys were utter chalk and cheese"

Stephen Hickey, Principal at DHSS during the Operational Strategy[739]

This thesis has sought to put to bed the claims that British civil service was for much of the twentieth-century dominated by a closed class of civil servants, hostile to external influences.[740]   The history of the Operational Strategy helps to explode this myth further.   Not only was the *type* of civil servant who worked on the Operational Strategy wholly different to the archetype of the

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[736] Mark Otway, interview with author, March 18, 2014.
[737] David Butler, telephone interview with author, April 1, 2011.
[738] "Government IT; What happened to our £25bn?," *Computer Weekly*, October 29, 2006.
[739] Stephen Hickey, interview with author, February 27, 2014.
[740] See for instance Sampson, *The Essential Anatomy of Britain*, 37; Heclo and Wildavsky, *The Private Government of Public Money*, 1-3.

generalist, administrative class – the computer-focused civil servants who worked on the Strategy were almost uniformly clerical and executive Officer-class – they also formed strong bonds with the external consultants they worked with.[741] Importantly, for understanding the distinct "generations" of consultancies which operated in the state during the twentieth-century, the "accounting generation" (of which Arthur Andersen were firmly a part of) targeted relations with a distinct cohort of civil servant to those which the "American generation" (such as McKinsey and the Boston Consulting Group) focussed their attentions on.

As Stephen Hickey, who wrote the first Operational Strategy Green Paper and worked on the Local Office Project and Family Credit, reminisced, when the team of Arthur Andersen consultants went to work in Blackpool on Family Credit, they were like "utter chalk and cheese" with their civil servant counterparts:

> …culturally, most of the computer people in the civil service would have been Clerical-class and have left school at 16 with O-levels or Executive-class and left school at 18 with A-levels. The grading for computer people was quite junior then – Grade 5 would have been very senior [for a computer person]. Andersen were very different people… all 22 to 28 year-olds, very bright, many from Oxbridge. The Androids [the civil service nickname for Andersens] would all go skiing for the weekend with their plummy accents, which was a world apart from the IT guys. But they won the credibility and respect of the civil service… [I] was impressed by the hours they worked; always in early and [left] late. I didn't envy them at all.[742]

The recollection from the consultants' side is similar. Ian Watmore, an Andersen partner who worked on the Operational Strategy (and later became Permanent Secretary at the Cabinet Office) reminisced in 2014:

> …everyone got along, even though there was a huge contrast in lifestyles – the Andersen boys would drive up in their nice cars whereas the civil servants, whenever

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[741] Interview with Stephen Hickey; for more on friendships formed, see Fallon, *The Paper Chase*, xiv.
[742] Stephen Hickey, interview with author, February 27, 2014.

they had an event to go to in Whitehall, would stay in horrible hotels. [But] we realised they had fantastic people in the provinces who could do technology. We spotted the talent, which in Whitehall they had failed to see. We recognised mutual skills and had great teamwork which led to lifelong friends and colleagues.[743]

Watmore and Hickey's quotes are significant for three reasons. First, they back-up the consultants' historiographical view of the Strategy articulated in Fallon's *The Paper Chase* that the "Operational Strategy [story] is one of government and private sector working together, of friendships formed and tensions and conflicts ironed out in everyday working circumstances."[744] In fact, such were the warm relationships formed between Andersen and the civil service that in 1990 the consultancy "held a… joint disco party… in recognition of the successful achievements of the Operational Strategy... for its staff and those DSS staff, especially those in middle and junior grades, who had for several years been working long hours and under great pressure developing systems." This description of the disco party and its existence was defended in the Commons by the Secretary of State for the Department of Social Security, who noted there was "no cost to DSS".[745]

Second, the comments underscore subtle nuances of the British state. Major works on the civil service by Hennessey and Lowe, for example, focus on the "elite" Under Secretary and higher echelons of the state.[746] This class undoubtedly were involved in the Strategy – for example, Geoffrey Otton, Second Permanent Secretary at the DHSS and Michael Partridge, Permanent Secretary in the department for most of the Strategy were Oxbridge-educated career civil servants. Yet despite the fact that many Andersen consultants held similar backgrounds to them (Mark Otway and Ian Watmore, both Andersen Partners working on the Strategy, were Cambridge-educated) this was not the class of civil servant which was targeted as potential

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[743] Ian Watmore, interview with author, February 12, 2014.

[744] Fallon, *The Paper Chase*, xiv.

[745] House of Commons debate, March 12, 1990, vol 169 c73w. "Arthur Andersen roll-out party." The venue for this party is, sadly, unknown.

[746] See for instance, Lowe, *The Official History of the British Civil Service* and Hennessy, *Whitehall*.

clients by consultants in the manner that McKinsey & Company and the other American generation of consultancies operated, as described earlier in this thesis.[747] Furthermore, the "elite" class of civil servant had very little day-to-day involvement in actually implementing the Strategy. According to Mark Otway and Stephen Hickey, Phil Dunn, who by the end of the Strategy was Deputy Chief Executive of the Information Technology Service Agency (ITSA), "ultimately really drove the Strategy" and was instrumental in its success.[748] Yet Dunn was anything but the archetypal Oxbridge-generalist civil servant, and instead more closely resembled the "new technical middle class" of Britain outlined by David Edgerton's depiction of a "warfare state" Britain; Fallon describes Dunn as "joining the DHSS straight from school [having] spent the first three years of his career working in a social security local office…and an early adherent of computers."[749] It therefore becomes apparent that much of the Strategy was led by the historically-neglected technical class of civil servants. As Mark Otway recalled in 2014:

> We didn't really deal with the Secretary of State, Ministers, Permanent Secretaries etc…that wasn't really our sphere of influence. We worked *at most* at the Deputy Secretary, Under Secretary level; most of the people we worked with were Grade 4, 5 or junior IT people. They were predominantly non-Sisbys [civil service fast-streamers].[750]

Third, Hickey and Watmore's comments highlight the geographic dispersion of the Operational Strategy. As Figure 14 demonstrates, over 113,000 staff engaged in social security benefits delivery at the start of the Strategy were based *outside* of Whitehall.[751] The Strategy may have been initially conceived within the confines of DHSS headquarters in 1982, but its detailed architecture and implementation were generated in provinces seldom covered in state histories;

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[747] *Who's Who*, "Geoffrey Otton"; ibid., "Michael Partridge"; Mark Otway, interview with author, March 18, 2014; Ian Watmore, interview with author, February 12, 2014.

[748] Author interview with Mark Otway, March 18, 2014; Author interview with Stephen Hickey; Dunn's role is also described in Fallon, *The Paper Chase*, 53.

[749] Harry Hopkins, *The New Look: A Social History of the Forties and Fifties in Britain* (London: Secker & Warburg, 1963), 159; Fallon, *The Paper Chase*, 53.

[750] Mark Otway, interview with author, March 18, 2014.

[751] *Social Security Operational Strategy: A brief guide* (London: DHSS, 1982), 3.

Reading, Newcastle, Livingston, Fylde.[752]   As Hickey recalled, whilst characters such as Phil Dunn would travel to London to receive senior ministerial sign-off for large purchases or updates on progress, the real activity and developments happened outside of the capital. In fact, the Strategy was driven so much by the provinces that Dunn even once travelled down to Whitehall to receive ministerial permission for a large hardware purchase that *he had already made*, presumably confident in the knowledge that the centre would rubber-stamp the decisions of the expertise held outside it.[753]

Whereas the 1974 NHS reorganisation is intriguing for those parts of the state which it did not directly affect (Northern Ireland and Scotland), the Operational Strategy impacted on all the UK's jurisdictions. Not only does this demonstrate distinct models of state reform in terms of geographical impact, it also gives weight to an important recent claim about the nature of the British state. Patrick Joyce has argued that information and communication helped connect the fissiparous modern British state together, with particular relation to the impact of the mid-nineteenth-century Post Office. The Strategy's creation of the Departmental Central Index – which stored all information about British claimants in one single database – arguably reflects exactly the kind of connections Joyce is referring to, but over a century later, suggesting a universality about the value of information channels in generating state power.[754]

The Index also provides a useful means of highlighting the applicability of two major strands of thought regarding state and societal development to the impact of consultancy on the state: Bruno Latour's "actor-network-theory" and James C. Scott's critique of "high modernism". Using Latour's model, which seeks to understand how relationships between human and nonhuman actors are formed in networks, one can see how consultants and civil servants

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[752] Ibid.

[753] Stephen Hickey, interview with author, February 27, 2014.

[754] Joyce, *The State of Freedom*, 20; Christopher Hood has made similar claims about "nodality" being a vital tool of government policy – see Christopher Hood and Helen Margetts, *The Tools of Government in the Digital Age* (Basingstoke: Palgrave Macmillan, 2007), 3.

working on the Operational Strategy were the "material actors" who formed networks around the "semiotic concept" of "automation." Furthermore, the tools and processes at play in these relationships – the overhead slides Andersen consultants used to explain ideas and plans, the quantitative models underpinning the forecast costs and benefits, the written reports, and indeed the Index and the technological infrastructure developed through the strategy – enabled communication between these human "actants". In Latour's theory, these formed the "hardware" supporting the network.[755]

For the anthropologist and political scientist James C. Scott, some of the greatest disasters of the twentieth-century are attributable to a "high modernist" belief that state and society could be described, analysed and improved through "scientific laws". According to Scott this "high modernism" was flawed by its failure to appreciate local customs and practical knowledge – "metis", as he terms it – which resulted in major central state social planning disasters.[756] Whilst Scott's focus is on primarily developing countries, the Soviet Union and China, it is clear that the Index can also be viewed as an attempt by the British state to categorise its citizens in a central database, in other words, in accordance with "scientific laws." What is novel and pertinent to Scott's thesis here is that whilst Scott's focus is on the growth of "high modernist" thinking by state actors, adoption of the scientific approach was also apparent in the workings of non-state actors in this period: namely, management consultants.

Despite the "hardware" and the obvious joint-working involved in the Operational Strategy between consultants and the civil service, the legacy of this partnership approach was weak. There was little skills-transfer or retention of the computing expertise acquired from the work. Stephen Hickey came top of a computer course run by the Civil Service College and National

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[755] See in particular: Bruno Latour, *Pandora's Hope : Essays on the Reality of Science Studies* (Cambridge, Mass.; London: Harvard University Press, 1999); *Reassembling the Social: An Introduction to Actor-Network-Theory* (Oxford: Oxford University Press, 2005).

[756] James C. Scott, *Seeing Like A State* (London: Yale University Press, 1999), 1-8.

Computer Centre (which he undertook in a third of the recommended time) yet Hickey nonetheless noted that such was the complexity of the computer systems that though he ran part of the Local Office Project, he never fully understood the computerised payday calculations being implemented by the Arthur Andersen consultants and IT civil servants.[757] Indeed, the civil service appeared to have little interest in securing such computing skills for the future. A small number of civil servants were singled out by Arthur Andersen as being instrumental in the success of the Operational Strategy: Phil Dunn, Mike Fogden, Alan Healey and George Bardwell.[758] Yet Dunn, Fogden and Healey were eventually placed in Executive Agencies as Deputy Chief Executive of ITSA, Chief Executive of the Employment Service and Chief Executive of the Central Communications and Telecommunications Agency, respectively (Bardwell went on to advise foreign governments on IT). The significance of their roles is their position in the wider state structure. By moving to Executive Agencies which were concerned with "operational matters", the IT expertise of these individuals was lost from the central policy-making centre of Whitehall generally, and the Department of Social Security specifically, thereby divorcing IT expertise from the heart of government.[759] Furthermore, the move towards "buying-in" consultancy expertise into government was enhanced when in 1989 the National Audit Office endorsed the view that using external support (such as consultants) for computerisation issues in the civil service "did not necessarily represent poor value for money" – despite costing five times more than an in-house equivalent (deemed to be Senior Executive Officer-grade) – because "higher productivity [from the consultants] and [more] timely

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[757] Stephen Hickey, interview with author, February 27, 2014.

[758] Fallon, *The Paper Chase*, 6; author interview with Mark Otway.

[759] Phil Dunn's subsequent career is mentioned in ibid., 114-15; Mike Fogden's career is covered in his obituary in *Public Finance*, October 23, 2009, accessed November 12, 2014, http://opinion.publicfinance.co.uk/2009/10/obituary-mike-fogden-cb/; Alan Healey's post-DSS career is on his LinkedIn profile, accessed November 12, 2014, http://uk.linkedin.com/pub/alan-healey/25/257/614; George Bardwell's consultancy activities are recorded in "Support to Public Administration Reform Project 'Support to the Civil Service Office' (Slovakia)", *PAi report*, 2001; for more on Executive Agencies, see Department of Social Security, *Agency Study Report* (London: HMSO, 1989), 1-2.

implementation of projects [compared to using civil servants] might compensate for the additional cost."[760] Such a view effectively gave official endorsement to the forthcoming rapid increase in the use of consultants in the 1990s.

The turn from full employment

"The fact is that when wealth is created, the social service expenditures go up and have. There are some people who would rather have the social service benefits lower than they are provided the whole range of incomes in our economy was lower, and provided the whole standard of living was lower. We do not believe that you are able to help the weaker people by taking away from the talents and abilities of those who create the wealth."

Margaret Thatcher, Prime Minister, 8 June 1987[761]

During the late 1970s, as a result of the OPEC I oil crisis and escalating inflation levels, Britain made a conscious about-turn in a major area of public policy: sacrificing the pursuit of full employment for reducing inflation.[762] Thus in 1976 the then Labour Prime Minister James Callaghan famously told the Party's Annual Conference in Blackpool: "we used to think that you could spend your way out of a recession and increase employment by cutting taxes and boosting government spending. I tell you in all candour that that option no longer exists, and in so far as it ever did exist, it only worked on each occasion since the war by injecting a bigger dose of inflation into the economy, followed by a higher level of unemployment as the next step."[763] By 1984, the Thatcher administration had enthusiastically adopted this position, with the Chancellor Nigel Lawson telling an American journalist that, "economically and politically, Britain can get along with double-digit unemployment."[764] Just as the 1974 NHS reorganisation plans were endorsed by multiple political parties, there was remarkable cross-party consensus in the turn from full-employment. Nonetheless, there is a distinction to be made between rhetoric and

[760] NAO, *Department of Social Security: Operational Strategy*, 20.
[761] Margaret Thatcher Foundation, "General Election Press Conference," June 8, 1987.
[762] Middleton, *The British Economy since 1945*, 50.
[763] Labour Party, *Annual Conference Report* (London: Labour Party, 1976), 188.
[764] John Campbell, *Margaret Thatcher: Grocer's Daughter to Iron Lady*, Rev. ed. (London: Vintage Books, 2009), 235.

practice. Whilst under Labour there were slight increases in unemployment – from 5.4 per cent in 1976 to 5.5 per cent in 1977 – the increase was far more pronounced under the Conservatives, as charted in Figure 16.

Figure 16: Unemployment rates and percentage of the population below 60 per cent median income, 1976-2009[765]
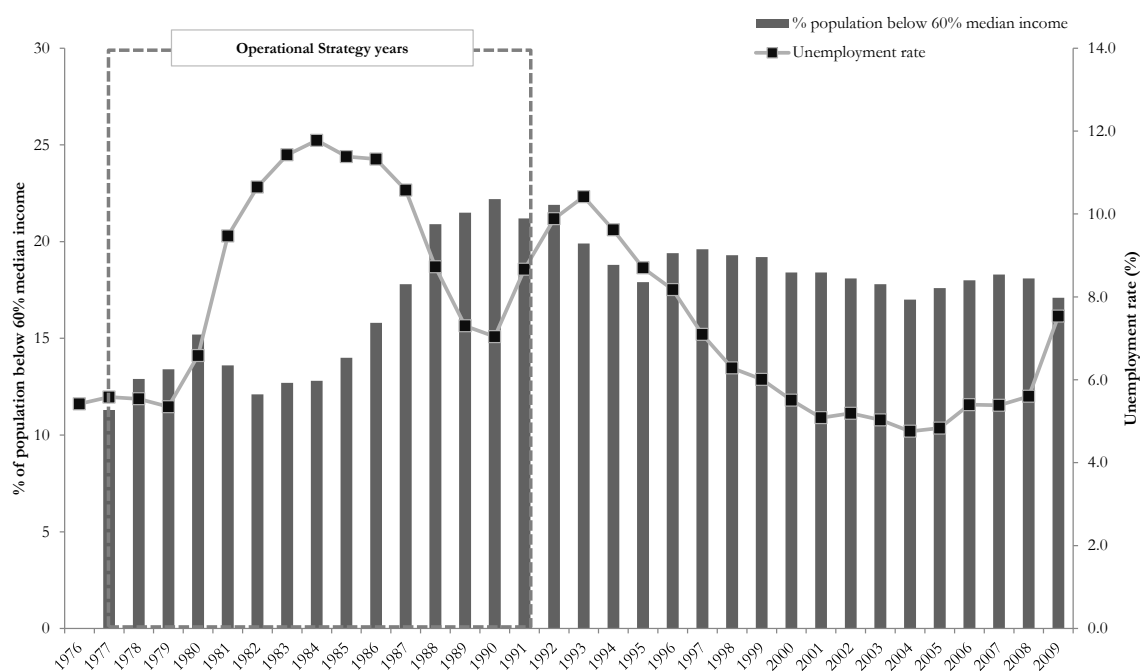
As Thatcher's earlier quote demonstrates, and despite contrary rhetoric about "rolling back the frontiers of the state", the inevitable consequence of this change in policy would be greater pressure on the social security system.[766] As Figure 111 shows, unemployment benefits formed a significant proportion of the social security budget; the fourth largest benefit by expenditure, with an estimated 450,000 recipients in 1982/3. Additional strain consequently fell on the Department for Employment's unemployment benefits infrastructure. However, an important side-effect of the acceptance of higher unemployment was also felt on other social security benefits. As fewer jobs became available, employer bargaining power increased, and wages

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[765] Author analysis based on figures from Institute of Fiscal Studies (from which the proportion of the population earning under 60% median income is used as a proxy indicator for poverty levels) with data from HM Treasury and Office of National Statistics (for unemployment rates).
[766] Margaret Thatcher Foundation, "Speech to the College of Europe", September 20, 1988.

consequently dropped – a clear indication of this can be seen by the increase in low-income earners, charted in Figure 16. This shows the proportion of the population earning less than 60 per cent of median incomes increased markedly during the 1980s. With more individuals taking lower paid jobs, greater numbers subsequently qualified for other benefits, many of which were means-tested: from 1981 to 1982 alone there was a 21 per cent increase in supplementary benefits.[767] The enormous increase in social security expenditure – more than doubling during the period of the Operational Strategy – is demonstrated in Figure 17.

Figure 17: UK benefits expenditure (£m), real terms at 2014/15 constant prices[768]
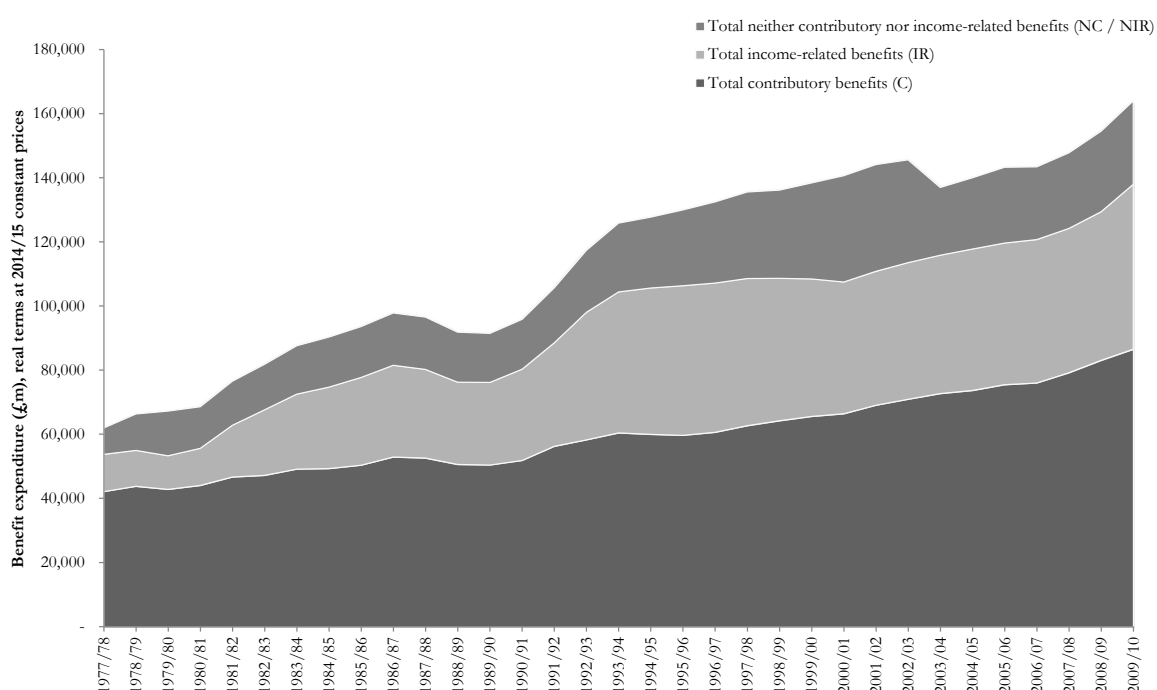
The Operational Strategy facilitated this major political and economic development occurring without significant social upheaval. By the early 1980s, assaults on DHSS staff were common. In 1980, 215 assaults on DHSS staff by claimants were reported, though it was suggested by a Principal at the DHSS that "staff may not always report minor incidents" and a year earlier a female visiting officer was "brutally murdered by the claimant she had visited in order to deal

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[767] House of Commons debate, *Social Security Offices*, December 1, 1982, vol 33 cc267-8.
[768] Author analysis based on data from the Department of Work and Pensions, last accessed on April 3, 2014, data.gov.uk.

with his request for an additional grant." The same DHSS Principal recalled being "chased from a Chinese restaurant by the angry proprietor wielding a meat cleaver."[769] An academic study of unemployment in Northern Ireland summarised the experience of DHSS clerks: "some claimants are very difficult; some physically and verbally assault staff."[770] Though the official documentation wrote that the aims of the Operational Strategy were to improve efficiency, claims accuracy and staff experience, the real "business imperative", as one Andersen consultant put it, was much more fundamental: keeping together the social fabric of the British state.[771] Contextualisation here is vital to understanding the Strategy's broader importance. This was a moment in British history when industrial action was commonplace – at their peak over 11 million working days were lost to strikes in September 1983 – and inhibited the ability of benefits recipients to claim their payments as riots spread across Brixton, Birmingham and Liverpool in 1981.[772] A story the Director of the Operational Strategy, Eric Caines, told a group of Andersen consultants demonstrates the point: "it was 1981 and a local office in Brixton had been flooded and so they couldn't make payments – if money didn't reach the office, the place would have gone up in flames."[773] Effective benefits payments, in other words, were seen as vital to preventing civil disturbances.

Fascinatingly, no archives, autobiographies or interviews to date suggest that politicians explicitly shared this view (though future Cabinet Paper releases may prove otherwise). This absence is potentially problematic, though the rationale for this silence is likely to be two-fold. First, politicians thought talking about computerisation was an electorally unappealing topic. Thus

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[769] Keith Butterfield, *Management in Government*, 1982, vol 37-8, 92-3.
[770] Leo Howe, *Being Unemployed in Northern Ireland: An Ethnographic Study* (Cambridge: Cambridge University Press, 1990), 124.
[771] DHSS, *A Strategy for Social Security Operations* (London: Department of Health & Social Security, 1980), 1; Mark Otway, interview with author, March 18, 2014.
[772] Author analysis based on Office of National Statistics data. Available in "How Britain changed under Margaret Thatcher. In 15 charts," *The Guardian*, April 8, 2013; Campbell, *Margaret Thatcher: Grocer's Daughter to Iron Lady*, 177.
[773] Mark Otway, interview with author, March 18, 2014.

whilst the Secretary of State for Health and Social Security, Norman Fowler, suggested to the Chancellor of the Exchequer, Geoffrey Howe, that a reference to "a major programme of investment to exploit new technology in the management of social security benefits" be included in the 1983 Conservative Party election manifesto, no such reference survived the final version.[774] And second, computerisation was in of itself unexciting – and often unintelligible – for politicians, and so it was unlikely they would spend much time reflecting on its possibilities. As Stephen Hickey suggested, "the [Operational Strategy] was nothing politicians were interested in".[775] Yet what is important here is that Eric Caines' message clearly stuck with the consultants. Mark Otway believed the Strategy was about "stopping riots" and part of Thatcher's "reworking of society"; Ian Watmore opined that the Strategy came about because: "Mrs Thatcher's economic medicine created a greater dependency on the welfare state, which made it much harder to give a crap service if people were going to be receiving benefits for long – so you needed to support people better."[776] This highlights the complicated manner in which government policy is enacted; originally forwarded by the elected politicians of the day, but interpreted and refracted by the civil service and supporting consultants, often unbeknownst to the political class.

The impact of the Operational Strategy in facilitating a new approach to employment and welfare dependency was three-fold. First, as shown in Figure 17, it allowed far greater numbers of individuals to receive state benefits. Whilst the old paper-based systems may have coped with a higher volume of claimants in functional terms (in other words, it might have been operationally possible to run the system without computerisation) the long-waiting times for

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[774] See Churchill Archives: THCR 1/11/7 f62. Norman Fowler's memo to Geoffrey Howe, "1983 Manifesto Draft", March 23, 1983; and compare with the eventual manifesto, "1983 Conservative Party General Election Manifesto: The Challenge of Our Times", accessed November 12, 2014, http://www.conservative-party.net/manifestos/1983/1983-conservative-manifesto.shtml.
[775] Stephen Hickey, interview with author, February 27, 2014.
[776] Mark Otway, interview with author, March 18, 2014; Ian Watmore, interview with author, February 12, 2014.

benefits (6.2 days for income support or 28.5 days for retirement pensions before the Strategy commenced) and high error rates which led to assaults on DHSS staff would have been unlikely to be sustainable.[777] The Operational Strategy, by cutting waiting times (income support dropped to 3 days waiting time by 1994, for instance) and error rates, and improving customer satisfaction, thereby made greater welfare dependency possible.[778] Second, and relatedly, by making greater welfare dependency a technical possibility, it also made it a political reality. Where Beveridge envisaged means-tested supplementary benefits to cover only a small proportion of claimants, as Figure 17 shows, by the end of the Operational Strategy the numbers were enormous; creating large groups of citizens, in the words of Frank Field, a Labour MP, "scarcely less dependent on state support than the unemployed."[779] Third, by opening up the possibility of the computerisation of social security, the Strategy facilitated the expansion of state power in terms of the volumes of benefits it could provide to citizens; as child support, tax credits, family subsidies and passport issuance would eventually be computerised too (with Arthur Andersen advising on a number of these).[780] Thus the ability of the state to influence, change and connect with the lives of ordinary citizens increased concurrently.

The hybrid state in action

"Who drove the Operational Strategy? The politicians supported it, but it was a sub-set of civil servants and ourselves who really drove it."

Mark Otway, Partner, Arthur Andersen[781]

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[777] HoC debate, April 15, 1991, vol 189 c9; error rates noted in Margetts, *Information Technology and Central Government : Britain & America*, 53.

[778] "House of Commons Social Security Committee: Fifth Report", HoC 382, 1994/5, 97.

[779] Geoffrey Otton, "Managing social security: Government as big business", 161; Frank Field, *The Conscript Army: A Study of Britain's Unemployed* (London: Routledge and Kegan Paul, 1977), 63.

[780] "Government IT", *Computer Weekly*; "20,000 jobs may go in tax office reform plan," *Financial Times*, November 9, 1991.

[781] Mark Otway, interview with author, March 18, 2014.

Beyond reacting to the scrutinising eye of the National Audit Office and Public Accounts Committee, the Operational Strategy evoked little interest from politicians. Though Thatcher claimed it would be her government's "biggest information technology project for the next decade", she made no reference of it in any speeches, interviews or memoirs.[782] Nor did her successor, John Major, include it in his autobiography, despite it being completed under his premiership.[783] As late as 1984, when the Strategy was in its seventh year of development, it had only received one mention in Cabinet Papers. And this was only a minor reference to how the Strategy could contribute to the government's aim of reducing the size of the public sector, in terms of absolute costs and headcount.[784] In fact, Thatcher's most marked contribution to the Strategy appears to have been via a note relaying her concerns regarding data protection sent to the Social Security Operations Strategy Working Group. Here it was stated that: "the PM is concerned about the proposal for a single reference number throughout the social security system… there could be nothing to prevent some future Government abrogating whatever safeguards were now built into such a system."[785] As a side issue, whilst data confidentiality regarding the Strategy was a public concern at the time it never became a significant political issue, arguably reflecting the relatively high levels of trust Britons have towards the state protecting their interests.[786] This argument buttresses the works of Martin Daunton and

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[782] Otton, "Managing social security", 170; author search of Margaret Thatcher Foundation archive, last accessed on April 3, 2014; Margaret Thatcher, *The Path to Power* (London: HarperCollins, 1995); Margaret Thatcher, *The Downing Street Years* (London: HarperCollins, 1993).

[783] John Roy Major, *John Major: The Autobiography* (London: HarperCollins, 1999).

[784] TNA: CAB 129/215/15. "Civil service numbers after 1984." Memo by Chief Secretary, Treasury. December 8, 1982.

[785] TNA: PIN 42/118. "Social Security Operations Strategy Working Group." Memo: Mike Patterson to Dan Brereton, DHSS, October 13, 1980.

[786] For evidence of public concern, see "The threads going through the labyrinth," *The Guardian*, November 9, 1987.

Christopher Andrew regarding public trust in tax collection and national security in Britain, respectively.[787]

Given the relative indifference of elected politicians to the Operational Strategy, it is important to understand which actors in the state infrastructure ultimately drove its work. Several points of significance emerge as a result of this questioning. First, like the 1974 NHS reorganisation, there is clear continuity of thought across political administrations regarding the Operational Strategy. The plans for it started in 1977 under Labour, yet were fully fleshed out under the Thatcher administration and completed under Major. As shown throughout this thesis, the extent to which major state reforms are often of cross-party genesis is again apparent. Second, it seems that, like the NHS reorganisation, the plans for the Strategy were driven by the permanent civil service. Reacting to external pressures generated by changes to the benefits system and increased demand for its services, the civil service led the development of the Operational Strategy, creating its "blueprint" in the 1980 and 1982 working papers.[788] Third, in terms of the role external consultants played in the Strategy, it is apparent that they reacted to the "blueprint" laid down for them. As Otway notes, "there was nothing wrong with the "visioning study" [the 1982 Green Paper] but it didn't contain anything on *how* it would be done… we [Andersen] led the management plan and created a comprehensive architecture [to] make this all happen".[789] It is clear, though, that consultants neither led in the policy-making process nor the overall aims of the Strategy. Instead, they were concerned with devising a management plan for delivering the Strategy; developing a "technical architecture" to govern the system, and working on

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[787] M. J. Daunton, *Just Taxes: The Politics of Taxation in Britain, 1914-1979* (Cambridge: Cambridge University Press, 2002); Christopher M. Andrew, *The Defence of the Realm: The Authorized History of MI5* (London: Penguin, 2010).

[788] *A Strategy for Social Security Operations* (London: HMSO, 1980); *Social Security Operational Strategy: A Framework for the Future* (London: HMSO, 1982).

[789] Mark Otway, interview with author, March 18, 2014.

implementing it.[790] This is significant, because, at least in terms of the Operational Strategy, it contradicts many assertions from academics and popular commentators that consultants are embedded in the policy-making process and lead their clients instead of being led by them. [791]

Yet in spite of the demarcation laid out above, there were inevitable nuances to the relationships between politicians, civil servants and consultants. What the Operational Strategy shows is that it was ultimately the elected political class who had the final say on the Strategy. Two instances highlight this fact. First, despite Andersen's insistence that the best computer to be used for the DHSS system was the IBM System 360, political expedience meant that following heated debates in the Commons, the government opted for a contract with the state-backed British company ICL rather than their American counterparts, IBM.[792] Failing to adopt the IBM computers, which Andersen had experience of working with on a prior engagement with the British Overseas Airways Corporation, in the eyes of the consultants, "was crazy… we walked away from the mature technology… the whole of the Operational Strategy would have been a lot easier if we had used IBM". Yet the consultants were powerless to prevent the decision because, in their own words, it "wasn't in our sphere of influence."[793] Second, Stephen Hickey recounts that one of the main reasons he was sent to work on IT in Reading, away from the DHSS headquarters was because the view in the civil service was that by 1982 "social security reform was done… from now on it would all be about 'service delivery'."[794] Yet in 1986 Norman Fowler introduced further social security reforms which withdrew a number of universal benefits, a change of such scale that it necessitated all senior civil servants sent to the provinces

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[790] The main output of the architecture development work is a technical document detailing the system and user interface linking the DHSS' information systems. From Mark Otway "Systems and technical Architecture Overview" (London: DHSS, 1985).

[791] See for instance Alfred Kieser cited in Kipping and Engwall, *Management Consulting*, 14; Craig and Brooks, *Plundering the Public Sector*.

[792] For more on the debates, see: HoC debate, April 6, 1981, vol 2 cc746-58; HoC debate, November 27, 1981, vol 13 cc1097-151. The decision was announced to adopt a "single tender [non-competitive] with ICL" on September 11, 1985. See TNA: BN136/1. "Management of LOP". September 4, 1985.

[793] Mark Otway, interview with author, March 18, 2014.

[794] Stephen Hickey, interview with author, February 27, 2014.

to head back to DHSS headquarters.[795] The civil service were kept in the dark on this plan for social security reform and the consultants had to change timescales to implement these unexpected policy changes, to suit the political agenda. It is therefore clear that the multiple agents working in the state on the Operational Strategy formed a "hybrid" state, which blurred public and private sector boundaries. Yet within this "hybrid" there was a hierarchy. Politicians set the direction of travel, civil servants drew up the high-level plans, and consultants worked on implementing these plans, in partnership with the civil service.

Impact on the state

"You heard the argument all the time: all you're doing is destroying long-term, good Civil Service jobs, hurting benefit recipients, reducing services, and you're bringing in all these high-paid consultants, who are just your disgusting private sector friends."

John Moore, Secretary of State for Social Services, 1987-88[796]

This thesis aims to understand how the use of consultants has changed the nature of the British state. Table 9, referring to our earlier typologies of state power, briefly summarises – based on an assessment of the evidence gathered from this chapter – the impact both the overall Operational Strategy, and the specific use of Arthur Andersen, had on the state.

Table 9: Impact of the Operational Strategy on typologies of state power[797]

Typology of state power	Impact of the overall Operational Strategy	Impact of the specific use of Arthur Andersen
Coercive	Nil	Nil
Fiscal	Medium	Medium
Legal and normative	High	Medium
Functional and service power	High	Medium
Administrative	High	Medium

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[795] Lowe, *The Welfare State in Britain since 1945*, 315.
[796] Quoted in Fallon, *The Paper Chase*, 140.
[797] For more on the typologies, see Introduction.

In terms of the extent to which the Strategy changed the coercive powers of the state (i.e., the extent to which the state can put citizens under a state of war), the impact of the work is negligible. The impact is more pronounced in terms of fiscal powers though; the Strategy enabled the state to adopt a more monetarist approach to economic management, and specifically one which did not pursue full employment. Andersen were key in facilitating this process as the state did not possess the technical capability to computerise its systems without outside support, although it is important to consider the counterfactual that another consulting firm could have done Andersen's work (the work was, after all, won through a competitive tender).[798] This thereby minimises somewhat the specific impact of Andersen. For legal and normative power (i.e., how the state determines which actions are within or outside the rule of law or how the state categorises a "benefits recipient") the impact of the Strategy is high. By making it significantly easier for the state to assess claimants on a means-tested basis it enabled a more accurate (and larger) segmentation of the population to occur, separating the population – in the eyes of the state, at least – between those who were benefits recipients and those who were not. The function and service powers of the state were clearly also changed in a major way, affecting the day-to-day interactions of DHSS clerks and ordinary citizens. The greatest impact, however, can be seen in terms of the administrative power of the state. The Strategy increased the state's ability to centralise information on citizens as well as simplifying the way in which it operated. In capturing ever greater amounts of data on citizens it also allowed more "performance reporting" on metrics such as benefits processing times.[799] This thereby ushered in – to borrow the historian of science Theodore Porter's phrase – a move towards a state which prized "mechanical objectivity"; holding numbers and charts and graphs as the new means to

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[798] Mark Otway, interview with author, March 18, 2014.

[799] See for instance Michael Partridge (Permanent Secretary, DSS) and Michael Bichard's (Chief Executive of the Benefits Agency) testimonies to the 1994-5 Committee of Public Accounts on "Improving social services in London: the provision of services to customers" (London: House of Commons, 1995), 1-16, for an exemplar in the use of statistics to demonstrate performance of a given government organisation.

communicate and understand how and what the state does.[800] As explored in subsequent chapters, this state of "mechanical objectivity" has been one in which consultants have thrived in.

Yet even more significant is the role of the Strategy in the development of outsourcing in the public sector. The contracting of Electronic Data Systems (EDS) to deliver the benefits systems in Livingston was a result of the high-levels of industrial action brought about as a result of computerisation.[801] And despite the hostility that John Moore faced about this point (see quote above) it is clear that those who were against the private sector's involvement in the state ultimately lost the argument; as the next chapter describes, outsourcing become a huge source of consultancy work during the 1990s and 2000s. A further point concerns the specific role of Andersen in the Strategy. Despite being influential in the development of the architecture and implementation of the computerisation plans, ultimately, Andersen followed directions from the elected political and unelected civil service officials as to what the aims of the Strategy were. As a result, the consultants therefore facilitated changes to State power, but did not directly cause them; a subtle, but noteworthy distinction in terms of agency. On the whole, the Operational Strategy therefore deserves a greater elevation in importance into histories of how the British state has developed. As Jon Agar has cogently argued, computerisation has long been neglected in such histories.[802] This is clearly flawed because it is the administrative elements of the state which facilitate its existence, and the competence of these administrative elements, in part at least, generate the state's legitimacy.

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[800] Theodore M. Porter, *Trust in Numbers: The Pursuit of Objectivity in Science and Public Life* (Princeton, N.J. ; Chichester: Princeton University Press, 1995), 5-7; for more on the obvious problem posed regarding the lack of objectivity in numbers which are perceived to be objective, see J. Adam Tooze, *Statistics and the German State, 1900-1945: The Making of Modern Economic Knowledge* (Cambridge: Cambridge University Press, 2001), 3.

[801] "Computing that doesn't compute," *The Guardian*, December 12, 1999.

[802] Agar, *The Government Machine*, 1.

The final consideration of this chapter returns to the original question of whose assessment of the Strategy is most apt. The verdict on the Strategy sits somewhere between the consultants' view of "outright success" and the academic judgement of "relative success". Whilst the Strategy appeared to fall down in terms of its initial costing (though the 1994/5 Social Security Committee suggested it had delivered £3.3 billion in efficiency savings, providing a clear net benefit), the figures which the NAO and PAC judged the Strategy by should be viewed with a proverbial pinch of salt.[803] The numbers, as Stephen Hickey points out, were intended for evaluating distinctive options available at the time, not to assess the Strategy when it was finally completed over ten years later and much changed.[804] One should also remember that some form of IT upgrading would have been necessary for the DHSS systems by 1985 anyway, which would have involved large expense.[805] And whilst the "whole person" concept never fully materialised as part of the Strategy, waiting times decreased and customer satisfaction increased.[806] Astonishingly, the IT architecture for the Strategy remained in place up until 2014, under the auspices of the Department of Work and Pensions.[807] This is no mean feat for an undertaking which, in the opinion of the DHSS Second Permanent Secretary, Geoffrey Otton, was equivalent in effort to putting man into space.[808] Thus the Operational Strategy should be viewed as a success in so far as it computerised social security benefits, though its legacy, in terms of facilitating the introduction of outsourcing into the public sector is much less clear, and must be considered separately, in the following chapter.

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[803] *Social Security Committee: Fifth Report 1994*/5 (London: House of Commons, 1995), 60.
[804] Stephen Hickey, interview with author, February 27, 2014.
[805] "A Strategy for Social Security Operations", 3.
[806] *Social Security Committee: Fifth Report 1994/5* (London: House of Commons, 1995), 97.
[807] Ian Watmore, interview with author, February 12, 2014.
[808] *The Times*, February 16, 1995.

Chapter IV: Delivering, 1990s-2000s

"It has been a remarkable and historic victory for my party but I am in no doubt at all as to what it means. It is a mandate for reform…and it is also very clearly an instruction to deliver. I have learnt many things over the past four years as prime minister…above all else I have learnt of the importance of establishing the clear priorities of government, of setting them out clearly for people and then focusing on them relentlessly whatever events may come and go."

Tony Blair, on his second general election victory, 8 June 2001[809]

In October 2013, "GOD" – recently departed from the Civil Service – became a consultant. Gus O'Donnell (commonly referred to by his initials in the media, and by his colleagues), hitherto the most senior civil servant in Britain as Head of the Home Civil Service and Cabinet Secretary from 2005 to 2011, became chair of Frontier Economics, an economic consultancy.[810] O'Donnell was far from alone in this period in making the transition from the public to private sector. James Purnell, a former Secretary of State under New Labour, joined the Boston Consulting Group in 2010.[811] And Michael Barber, who led Tony Blair's Prime Minister's Delivery Unit from 2001 to 2005, joined McKinsey & Company as a Senior Partner in 2007.[812] The movement of these individuals demonstrates how close the workings of the state and consultancies had become by the early twenty-first century.

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[809] "Tony Blair's victory speech," *The Guardian*, June 8, 2001, accessed April 11, 2015, http://www.theguardian.com/politics/2001/jun/08/election2001.electionspast1.

[810] Chris Giles, "Former civil service chief to champion corporate clients," *The Financial Times*, July 28, 2013, accessed April 11, 2015, http://www.ft.com/cms/s/0/976e0bd2-f605-11e2-8388-00144feabdc0.html?siteedition=uk#axzz2aRXqig6J; Helen Crane, "Lord O'Donnell to advise corporates on economic policy," *The Guardian*, July 30, 2013, accessed April 11, 2015, http://www.theguardian.com/public-leaders-network/2013/jul/30/lord-gus-odonnell-frontier-economics; Tim Smedley, "Gus O'Donnell," *The Financial Times*, January 28, 2015, accessed April 11, 2015, http://www.ft.com/cms/s/0/85ca2592-975c-11e4-845a-00144feabdc0.html#axzz3VKanzcl9.

[811] Paul Revoir, "Former Labour Minister lands £300,000 BBC job," *Daily Mail*, February 15, 2013, accessed April 11, 2015, http://www.dailymail.co.uk/news/article-2278944/Former-Labour-minister-lands-300-000-BBC-job-James-Purnell-faces-accusations-bias.html.

[812] Peter Wilby, "Mad professor goes global," *The Guardian*, June 14, 2011, accessed April 11, 2015, http://www.theguardian.com/education/2011/jun/14/michael-barber-education-guru.

This easy transmission of public expertise into private sector practice and vice-versa characterised a historically distinctive era of the British state.[813] By the 2000s, the state's use of consultancies had increased dramatically (see Table 10) from its emergence as a formalised practice in the 1960s.

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[813] The extended use of consultants by the state in this period provides a compelling example of the transmission of private sector ideas to the public sector.

Table 10: State work income for MCA members[814]

State area	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Central government	93	113	91	82	n/a	n/a	n/a	n/a	n/a	392	932	1011	544	568	568
Nationalised industries	9	28	10	9	n/a	n/a	n/a	n/a	n/a	0	0	0	0	0	0
Other public bodies (inc. health service)	85	73	43	39	n/a	n/a	n/a	n/a	n/a	16	57	221	999	425	584
Local government	20	32	20	14	n/a	n/a	n/a	n/a	n/a	59	53	229	267	237	177
International agencies	2	0	14	11	n/a	n/a	n/a	n/a	n/a	11	1	13	17	13	2
European Commission	0	0	4	7	n/a	n/a	n/a	n/a	n/a	5	1	0	12	12	0
Defence	0	0	0	0	n/a	n/a	n/a	n/a	n/a	37	73	144	202	126	129
Other	0	0	0	0	n/a	n/a	n/a	n/a	n/a	7	10	183	168	233	274
Total UK state work (£m)	**209**	**246**	**182**	**162**	**418**	**399**	**471**	**332**	**509**	**527**	**1127**	**1801**	**2209**	**1614**	**1734**

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[814] MCA annual reports

In 2005, annual expenditure on consultants peaked at around £4.5 billion (at 2013 prices) – over eight times ten years earlier. The impact of consultants on the nature of the British state became more than just a balance sheet figure, however. In the light of a deliberate policy to curb the state's use of consultants by the Conservative-Liberal Democrat coalition government of 2010 to 2015, a major rail franchise tender was withdrawn due to error in 2012. The main explanation given by the Department for Transport's Permanent Secretary for the failure to successfully run the contract competition was a lack of in-house contracting skills which, were it not for the moratorium on consultants, would have been covered by external advisers.[815] Consultants had become essential to the workings of the public sector; in the process forming a "hybrid state", developed through discourses in the "governmental sphere" – where public and private sector agents debated, discussed and worked in tandem to deliver public services. This chapter traces this development in the local and central parts of the state from the early 1990s to mid-2010s, but first commences with an analysis of the existing views on this period.

Five highly distinct types of sources have charted the extent to which management consultants have been responsible for the development of this hybrid state. Accounts in the popular media have frequently stressed the "swindling" nature of management consultancy, with headlines chronicling the "great management consultancy scam", and the "plundering" nature of consultants' work.[816] From this vantage-point (echoed by several politicians), consultants were portrayed as "making money out of suckers".[817] Periodicals such as *Private Eye* devoted important print sections to stories about consultants' public sector work; the moniker "Crapita"

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[815] HoC Public Administration Select Committee, *Truth to power* (London: The Stationery Office Limited, 2013), 30.

[816] "The management consultancy scam," *The Independent*; "Masters of illusion," *The Independent*; "Public sector 'to recruit 200 consultants on up to £1,000 a day'", *The Daily Telegraph*, July 5, 2010.

[817] Angela Jameson, "Buyout led to £1bn back-office empire," *The Times*, April 14, 2004; as claimed by Denis Healey. Cited in Craig and Brooks, *Plundering the Public Sector*, 24.

for the outsourcing company, Capita, entered the public lexicon owing to the publication.[818]   In short, consultants were perceived to be abusing their role in delivering state services for profit gain.   In large part, media coverage was fuelled by sober, but nonetheless attention-grabbing publications from official state investigative reports on the state's use of consultants such as the Prime Minister's Efficiency Unit (1995), local government Audit Commission (1994), National Audit Office (2006, 2010), House of Commons Health Committee (2009) and Public Accounts Committee (2010).[819]   Whilst the analysis in these publications was broadly sensible – the overriding conclusion being that public sector bodies hired consultants when they lacked either resources or expertise – it was the financial figures which elicited media interest.   £2.8 billion spent on consultants may not be much in the context of a £700 billion public sector (2005-6 figures) – indeed John Major reflected that the money his government spent on consultants was "to be honest, nothing – it was minor".[820]   Yet reframed by the media, something Tony Blair reflected on in his memoirs, such sums can seem substantial.[821]

Political memoirs are intriguing as a source for their near silence on the issue of consultancy. Major, whose governments witnessed one of the biggest ever increases in the use of consultants, made no mention of them at all.[822]   Tony Blair acknowledged that McKinsey have "highly qualified young people", yet – despite his government becoming known for welcoming the "McKinsey mafia" in Whitehall – did not pursue the topic further.[823]   Similarly the memoirs of

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[818] The company was also called "Grabita" by a Member of Parliament sitting on the Commons Public Accounts Committee, cited in Angela Jameson, "Buyout led to £1bn back-office empire."

[819] Audit Commission, *Reaching the Peak? Getting Value for Money from Management Consultants* (London: HMSO, 1994), 5. The Commission concluded that consultants were commonly used for fifteen distinct types of support.

[820] John Major, conversation with author at Churchill College, University of Cambridge, November 26, 2010. See Appendix for biography.

[821] The public's ability to comprehend large expenditures (for example, the difference between £500,000, £1 billion, or £20 billion) was something Tony Blair reflected on in his memoirs, Tony Blair, *A Journey* (London: Hutchinson, 2010), 334.

[822] Major, *John Major*.

[823] Ibid., 690; for more on the "McKinsey mafia" and the use of the term, see Jenkins, *Thatcher and Sons*, 277.

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various high-profile Cabinet figures, whose departments extensively used consultants do not address the matter.[824]

A growing, largely social sciences-based, literature has however emerged regarding a phenomenon known as the "New Public Management" (NPM); a global shift towards developed countries using business sector methods in public services.[825] Here, the use of consultants has been extensively noted, broadly as part of a hypothesis that consultants played facilitative roles in this shift to the new public management. In this chapter, the extent to which consultants were a key factor, or rather one of many factors, in the development of NPM is an important consideration. The more specific academic literature on consultants, such as Milan Kubr's work, has keenly stressed the manner in which consultants have been "the invisible hand behind some extremely important business and government decisions", for instance.[826]

By contrast, recent academic and popular histories of the British state have been largely silent on the role of management consultants. Michael Burton does not mention consultants once.[827] Simon Jenkins does decry the arrival of the "day of consultancy government" under New Labour, though explains little about why, other than asserting pointedly that "Blair and Brown believed that anyone with a large salary was blessed with a special virtue."[828] Anthony King and Ivor Crewe attempt to explain why governments "blunder" (with reference to numerous consultancy projects) without ever interrogating why consultants were required in the first place.[829]

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[824] See for instance the memoirs of Jack Straw, Michael Heseltine, or Peter Mandelson. Details cited in subsequent footnotes.
[825] Christopher Pollitt, "30 Years of Public Management Reforms: Has There Been a Pattern?", *World Bank blog*, May 5, 2011, accessed April 11, 2015, http://blogs.worldbank.org/governance/30-years-of-public-management-reforms-has-there-been-a-pattern; see Saint-Martin, *Building the New Managerialist State*.
[826] Milan Kubr, *Management Consulting: A Guide to the Profession*, 2nd impr. with modifications (Geneva: International Labour Office, 1977), 11.
[827] See Burton, *The Politics of Public Sector Reform*.
[828] Jenkins, *Thatcher and Sons*, 277.
[829] See King, *The Blunders of Our Governments*.

The final type of source – the memoirs of civil servants – is interesting because of the nuances it raises. Michael Barber's semi-autobiographical account of Tony Blair's Prime Minister's Delivery Unit, Kate Jenkins' account of the development of the Next Steps agencies in the early 1990s, and Duncan Campbell-Smith's biography of the Audit Commission are excellent because they chronicle an important, and massively overlooked feature of the state – the day-to-day details.[830] The point is expressed eloquently by Michael Barber: "stubborn persistence, relentless monotony, attention to detail and glorying in routine are vastly underestimated in the literature on government and indeed political history."[831]

Thus the emergence of the "hybrid state" can only be told with reference to a wide array of sources and themes: marrying geo-political and economic trends with the dull routines of Microsoft Excel financial models and PowerPoint presentations.[832] It is not a simple history. This chapter traces its development from the 1990s onwards. Four areas are covered: the political economy of the period, which witnessed a focus on public service reform across developed economies; the development of outsourcing in local government, and in particular the workings of Capita plc; the Prime Minister's Delivery Unit and the reforms of Tony Blair's second administration; and the years 2010 to 2015, which saw a sharp retrenchment in consultancy expenditure by the public sector, but nonetheless a consolidation of the influence of consultancy on the state. A particular focus is paid to a new "outsourcing generation" of consultancy firms. Each of these strands helps to articulate and illuminate how the British state of the early twenty-first century became one of public and private partnership; where the lines between state and non-state, once blurred, began to evaporate.

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[830] See Barber, *Instruction to Deliver*; Kate Jenkins, *Politicians and Public Services* (Cheltenham: Edward Elgar, 2008); Campbell-Smith, *Follow the Money*.

[831] Barber, *Instruction to Deliver*, 111.

[832] For the PowerPoint slides used in the Delivery Unit, see the appendices in ibid., 417-27.

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The international political economy of state reform

"Citizens and businesses expect the same levels of access and personalisation from public services as they receive from leading [international] private sector organisations such as Amazon and Tesco. They expect to be able to access information from multiple locations and in ways that suit them rather than the providers."

Quote from *Government ICT strategy*, HM Government, 2010 [833]

In her political memoirs, Margaret Thatcher – Prime Minister of Great Britain from 1979 to 1990 – reflected with considerable satisfaction that her governments had overseen a decrease in the size of the British state (which she defined as the proportion of Gross Domestic Product spent by the public sector) from 44.0 per cent to 40.3 per cent.[834] (It is significant to note that this hardly represented a fundamental change in state expenditure – indeed the proportions were lower under New Labour.) In part, this can be explained by Eric Hobsbawm's observation that only by attempting to dismantle the state do you actually strengthen, and therefore increase the costs, of it. In Hobsbawm's words: "Central power and command are not diminishing but growing, since 'freedom' cannot be achieved except by bureaucratic decision". Much of this chapter gives credence to Hobsbawm's observation.)[835] Thatcher's determination to "roll back the frontiers of the state" reflected a broader change in attitudes towards the Welfare State: from a postwar view that the state would help to build the "New Jerusalem" to one where the state was actively impinging on the lives of citizens.[836] Whilst we have already seen that management consultants entered state consultancy services – and thrived – in an era of postwar economic collectivism, the largest expansion in consulting services occurred from the late 1980s onwards. This work often involved information management and technology services, privatisation and

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[833] Cabinet Office, *Government ICT strategy: smarter, cheaper, greener* (London: HMSO, 2010).

[834] Thatcher, *The Downing Street Years*, 676.

[835] Rowena Crawford at al., *A Survey of Public Spending in the UK* (London: Institute for Fiscal Studies, 2009), 2; see Jenkins, *Thatcher and Sons*, 154.

[836] "Margaret Thatcher speech at Kensington Town Hall." January 19, 1976. Margaret Thatcher Foundation, accessed April 11, 2015, http://www.margaretthatcher.org/document/102939

outsourcing – all of which brought consultants actively into the business of managing and delivering public services.

Understanding this change in political opinion towards a smaller British state is therefore important to understanding the rise of consultants. Think-tanks such as the Institute of Economic Affairs (founded to promote the ideas of the intellectual godfather of much of Thatcher's Conservatism, Frederich Hayek) had been pronouncing that relative economic decline was due to Britain being "over-governed, over-spent, over-taxed, over-borrowed and over-manned" since the early 1970s.[837] However two events in the second half of the decade in particular brought these views into the political mainstream. The first was the International Monetary Fund's (IMF) $3.9 billion loan to the British economy in September 1976. Whilst this loan was a result of price shocks in the international oil market which were outside of the UK's control (a symptom of an increasingly globalised world) the implications, as discussed by the Labour Cabinet, would be "cuts to public services so deep as to endanger their basic function" in order to bring public expenditure down.[838] The IMF conditions forced public expenditure retrenchment to become a political reality, whilst also fracturing the Labour Party, leading to a far-left faction gaining ascendancy in the 1980s under the leadership of Tony Benn (who by this time was no longer actively encouraging the use of consultants to reform the public sector as he had done in the 1960s). This factional split, and the rise of the Social Democratic Party as a corollary, explains much of why the party never came close to unseating Thatcher throughout the 1980s, despite her government failing to win a majority of the electoral vote.[839]

The second critical incident was the 1978-79 "winter of discontent". As a result of the conditions imposed by the IMF loan (which demanded £2.5 billion in public expenditure

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[837] See Jenkins, *Thatcher and Sons*, 30; ibid., 42.
[838] TNA: CAB 129/193. "IMF Negotiations". Memorandum by the Chancellor of the Exchequer, November 22, 1976.
[839] See Chapter II.

reductions) public sector unions protested.[840] On January 22, 1979 alone, 1.5 million workers went on strike.[841] As NHS waiting lists soared to 125,000 patients, public confidence eroded in the state.[842] Sir Alex Cairncross, former Head of the Government Economic Service, said of the period: "The intellectual background was changing. There was more scepticism and distrust of the power of government. Some of those who had campaigned for more planning at the beginning of the 1960s now campaigned for a more limited agenda for the state."[843] Cairncross' verdict is supported by the historian Glen O'Hara's assessment that: "planning failed to live up to its promise."[844]

It is within this context that we must place the rise of consultancy from the late 1980s. For instance, the Financial Information System (installed with the help of Arthur Andersen) in 1976 helped the Treasury improve its management of public expenditure; a pre-requisite of the IMF bail-out.[845] Thatcher's subsequent Financial Management Initiative (FMI) built on these principles and extended them to other government departments. Consultants from Hay MSL, Arthur Andersen, and Coopers and Lybrand worked on the FMI.[846] The March 1987 "Next Steps" report by the Efficiency Unit, proposed the creation of government "agencies" which focused on delivering services as opposed to devising policy. These agencies would have "framework agreements" with parent departments. The Efficiency Unit was staffed by advisers from "within and outside the civil service".[847] The Next Steps Report and recommendations were intellectually linked to the FIS and FMI with their heavy focus on improved organisational budgeting and measurable performance management. The focus on separating policy from

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[840] Joe Moran, "Defining Moments: Denis Healey agrees to the demands of the IMF," *Financial Times*, September 4, 2010, accessed April 11, 2015, http://www.ft.com/cms/s/2/11484844-b565-11df-9af8-00144feabdc0.html#axzz3VTjSig7Q.

[841] For more on the strike, see John Shepherd, *Crisis? What Crisis?: The Callaghan Government and the British 'Winter of Discontent'* (Manchester: Manchester University Press, 2013).

[842] Nicholas Timmins, *The Five Giants*, 366.

[843] Ibid., 312.

[844] O'Hara, *From dreams to disillusionment*, 218.

[845] See Chapter III.

[846] Hennessy, *Whitehall*, 605.

[847] Jenkins, *Politicians and Public Services*, 141.

delivery, setting performance contracts, frameworks and targets ran throughout all of these changes in the machinery of the state. Thus when outsourcing, privatisation, and contract management gained prominence and a key part of consultancy work from the 1990s onwards, the principles underpinning them were hardly novel concepts – they had numerous administrative forerunners (most of which were implemented previously with the help of consultants) which helped to explain their ready adoption by the state. For instance, John Guinness, a former permanent secretary in the Department of Energy from 1991 to 1992 recalled that "vast numbers of consultants" were used in this period for advice on privatisation.[848] Table 16, Table 17 and Table 18 give further details of consulting firms used for privatisation advice in this period, although it is worth noting that a broad array of advisers were used during privatisation. As Peter Walters, former Chairman of British Petroleum reflected in 2011 on his role in BP's privatisation in 1987, a wide range of "expert advisers" were hired, but these were predominantly from the world of investment banking rather than management consultancy; Walters recalled S.G. Warburg and Lazards being involved in early discussions, for instance.[849]

In search of the reinvention of government

International developments also meant that new models of public governance from which consultants were to profit extensively were likely to meet a receptive audience in Britain. Though much has been written about the global transmission of American management ideas in the postwar period, less has focused on the rationale behind the concepts.[850] By focusing on *why*

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[848] John Guinness, interview with author, Brooks's Club, Pall Mall, January 19, 2011. See Appendix A for biography.

[849] Peter Walters, interview with author, BP Chairman's Office, Mayfair, November 10, 2011.

[850] McKenna, *World's Newest Profession*, 165-91; Matthias Kipping, "American Management Consulting Companies in Western Europe"; Zeitlin and Herrigel, *Americanization and Its Limits*.

these ideas developed, the importance of Cold War politics as well as developments in the US private sector becomes apparent.

Published in 1982, a few months before President Ronald Reagan denounced the Soviet Union as an "Evil Empire", the management book *In Search of Excellence* was the ultimate paean to American capitalism. The authors, Tom Peters and Robert Waterman – both consultants in McKinsey's San Francisco office at the time – sought to identify, commoditise, package and sell what "excellent" American companies did.[851] (Intriguingly, Peters and Waterman's book was an internal McKinsey project which was a reaction to their loss of consulting market share to the Boston Consulting Group in the 1980s. Out of this crisis emerged a highly profitable new service line of "corporate culture".)[852] In the process, they created the "McKinsey 7-S framework" which posited seven categories of activities which "excellent" companies did well: strategy; structure; systems; shared values; skills; style; staff. Almost thirty years later, influential publications on central government changes still used the 7-S framework as the basis of their analysis.[853] *In Search of Excellence* was a huge commercial success – hitting the *New York Times* bestseller list and shifting over ten million copies.[854] Arriving amidst the backdrop of an economic recession, it gave Americans new-found confidence in their economy. As the *New York Times* noted, the "feel-good" President Ronald Reagan would have "loved" a *Public Broadcasting Service (PBS)* film on the book to have been shown at his second inauguration event.[855]

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[851] Francis X. Cline, "Reagan Denounces Ideology of Soviet as 'Focus of Evil'", *The New York Times*, March 9, 1983, accessed April 22, 2015, http://www.nytimes.com/1983/03/09/us/reagan-denounces-ideology-of-soviet-as-focus-of-evil.html; Thomas J. Peters and Robert H. Waterman, *In Search of Excellence: Lessons from America's Best-Run Companies*, New ed. (London: Profile, 2004).

[852] McKenna, *World's Newest Profession*, 192.

[853] See Tom Gash, Julian McCrae, and Jonathan McClory, "Transforming Whitehall departments: Evaluation Methodology", *Institute for Government*, June 2011, 6.

[854] The empiricism of the book was, however, heavily criticised. See Stefan Stern, "Lunch with the FT: Tom Peters," *Financial Times*, November 21, 2008.

[855] John Corry, "'In search of excellence,' on PBS," *The New York Times*, January 16, 2015, accessed April 11, 2015, http://www.nytimes.com/1985/01/16/arts/in-search-of-excellence-on-pbs.html.

The impact of *In Search of Excellence* would be long-lasting. When Bill Clinton launched the "National Performance Review" (NPR) in 1994, he promised to "radically change the way government operates – to shift from top down bureaucracy to entrepreneurial government."[856] The NPR borrowed its ideas directly from the influential book *Reinventing Government* from 1992: referring to the work of Peters and Waterman on no fewer than eight occasions.[857] *Reinventing Government* claimed to be a:

> …call to arms in the revolt against bureaucratic malaise and a guide to those who want to build something better. It shows that there is a third way: that the options are not simply liberal or conservative, but that our systems of government can be fundamentally reframed; and that a caring government can still function as efficiently and productively as the best-run businesses.[858]

Clinton himself claimed that the book "should be read by every elected official in America. Those of us who want to revitalise government in the 1990s are going to have to reinvent it. This book gives us the blueprint."[859] Of course, the book cited *In Search of Excellence* as a major influence, stating that the authors "had learnt a great deal…from [the work of] Tom Peters and Robert Waterman."[860] Thus there is great significance in the most important politician on the world-stage – America's global position reinforced by the break-up of the Soviet Union – proclaiming a "third way" and the virtues of "businesslike government" for our history of consultancy and the state.[861] Vice-President Al Gore, who was asked by Clinton to achieve this "reinvention of government", published the intriguing (if somewhat bizarre) semi-cartoon

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[856] George Nesterczuk, "Reviewing the National Performance Review", *Regulation*, no. 3 (1996): 31.
[857] David Osborne and Ted Gaebler, *Reinventing Government: How the Entrepreneurial Spirit Is Transforming the Public Sector* (Reading, Mass.: Addison-Wesley Pub. Co, 1992).
[858] Ibid., jacket.
[859] Ibid.
[860] Ibid., 21.
[861] Of course, the Soviet Union too had its own forms of administrative practice – focusing on five-year plans with ambitious aims. The counterfactual of an alternative Cold War outcome is fascinating. Though there is some evidence to suggest that something akin to the "New Public Management" may have emerged regardless – scientific management techniques were certainly used in 1970s USSR. See Daniel A. Wren, "Scientific Management in the U.S.S.R. With Particular Reference to the Contribution of Walter N. Polakov", *The Academy of Management Review*, Vol. 5 No. 1 (1980).

pamphlet "Businesslike Government" (see Figure 18) and left no doubt that instilling the principle that "taxpayers are customers too" in state services was a major administrative priority for the Democratic Party.[862]

Figure 18: Al Gore's *Businesslike Government*[863]
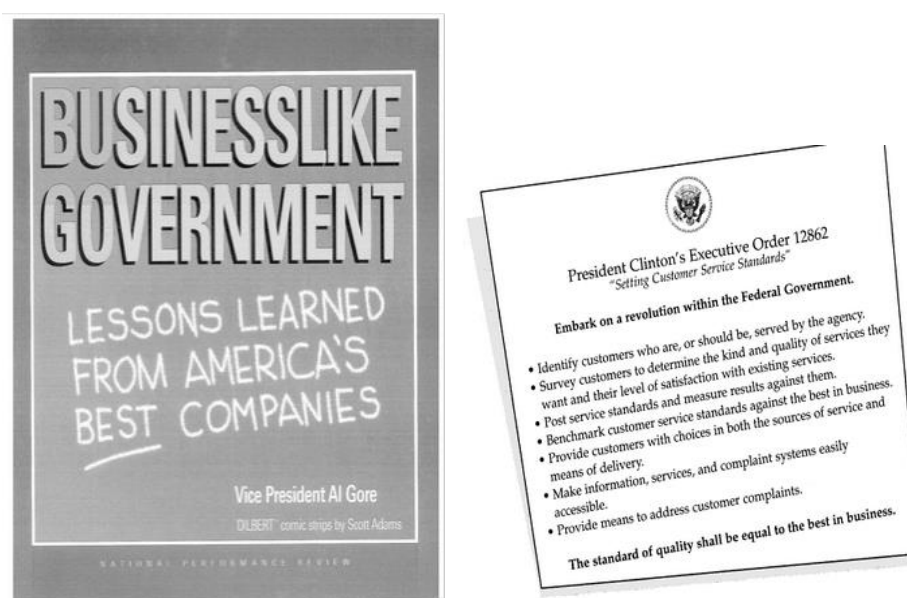
Before returning to the impact of US politics' heralding of a, new, "third way" on Britain, two further points must be made regarding the impact of international events. The first is that – as wars often do – the Cold War accelerated government interest and funding for digital technologies.[864] For example, as a result of government contracts, IBM increased its standing and financial strength in this period which allowed it to invest in and develop mainframe computers for corporate use, which massively expanded both technological possibilities and opened the doors to a far greater use of data which consultants could analyse.[865] By the 2000s,

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[862] Albert Gore, *Businesslike Government: Lessons Learned from America's Best Companies* (Washington, D.C.: National Performance Review, 1997), 7.

[863] Ibid., 10.

[864] For more on wars, technology, and the so called "military-industrial-academic" complex, see Stuart W. Leslie, *The Cold War and American Science: The Military-Industrial-Academic Complex at MIT and Stanford* (New York; Oxford: Columbia University Press, 1993).

[865] Peter A. Clark and Jacky Swan, *Organizational Innovation: Process and Technology* (London: Sage, 2002), 158. The international comparison work by Accenture in 2008, for example would not have been possible without data processing power and international data, transmitted across countries. See Accenture,

"information technology" was the largest single type of consulting service offered by MCA member firms (23 per cent of all public sector income came from "IT consulting" work in 2009).[866] The second is that the US did not have a monopoly on management thought in this period. In the postwar period, seeking to rebuild its economy, Japan achieved competitiveness through the adoption of "lean" manufacturing techniques.[867] This was watched with considerable interest in both Britain (see the 1976 CPRS report on the Japanese economy) and America (see Richard Schonberger's *Japanese Manufacturing Techniques* from 1982).[868] Whilst there was undoubtedly an exchange of American management ideas into Japan, particularly the strand of scientific management thought associated with Frederick Winslow Taylor, it seems that "lean" was a largely Japanese phenomenon.[869] This is important, because during the early 2000s in Britain "lean" became a particularly popular management concept in public services. For example, the NHS Institute for Improvement and Innovation explicitly espoused "lean thinking" – thus highlighting the truly global, and not just American, transmission of management ideas in this period.[870]

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A large number of social scientists have described the administrative changes in European, North American and Australasian countries since the 1980s as representing an era of "New

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"Report for the National Audit Office: An International Comparison of the United Kingdom's Public Administration", *National Audit Office*, October 22, 2008.

[866] Management Consultancies Association, *Comparing consulting in the UK public and private sectors: Part of the MCA's 2010 Industry Research Programme* (London: MCA, 2010).

[867] James P. Womack, Daniel T. Jones, and Daniel Roos, *The Machine That Changed the World: The Story of Lean Production - Toyota's Secret Weapon in the Global Car Wars That Is Revolutionizing World Industry*, New ed. (London: Simon & Schuster, 2007).

[868] See TNA: FCO 21/1278. "Study by Boston Consulting Group on the future of Japan." 1974; Richard J. Schonberger, *Japanese Manufacturing Techniques: Nine Hidden Lessons in Simplicity* (London: Collier Macmillan, 1982).

[869] "Deming's 1950 Lecture to Japanese Management", translation by Teruhide Haga, accessed April 12, 2015, http://hclectures.blogspot.co.uk/1970/08/demings-1950-lecture-to-japanese.html; M.L. Emiliani, "Origins of lean management in America: The role of Connecticut businesses", *Journal of Management History* 12, no. 2 (2006): 167-184.

[870] See "NHS Institute for Innovation and Improvement", accessed April 12, 2015, http://www.institute.nhs.uk/building_capability/general/lean_thinking.html

Public Management" (NPM).[871]   As the social and political scientist Christopher Pollitt has demonstrated persuasively, whilst there have been many geographic differences of NPM, the underlying point that it contained at heart the "ideology of treating government as a business" is helpful for two reasons.[872]   Firstly, as Clinton's earlier comment attests to, it positions NPM firmly in the political movement of the "Third Way" which New Labour sought to encapsulate; in this movement, divides such as liberal or conservative, government or business, could be transcended.[873]   Secondly, it allows us to answer the question: to what extent was NPM adopted in Britain?"   Clearly, the move towards "choice and competition" in the Conservative prime minister John Major's "Citizen's Charter" of 1991 welcomed a more "business-like" attempt to run government.[874]   Yet what is most interesting is the continuity in this thought from the early 1990s onwards; across the Major, Blair and Brown administrations.   In 1993, when Major announced that public services should become "full participants in the more competitive and demanding economy", he was explicitly forwarding the view that public should mix, act and compete with private.[875]   Five years later, the language of his Labour successor, Tony Blair – this time sharing the stage with President Clinton in New York – was scarcely different, as Blair heralded the view that the state should mix with the market.[876]   Consultants noted this emphasis with keen interest; McKinsey published its own report on how Britain could improve its productivity through greater mixing of public and private expertise on Blair's election.   The report received considerable favourable coverage and debate in the House of Commons.[877]

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[871] See Michael Barzelay, *The New Public Management: Improving Research and Policy Dialogue* (Berkeley, Calif.: University of California Press, 2001); Christopher Pollitt, "30 Years of Public Management Reforms: Has There Been a Pattern?".

[872] Ibid., 2.

[873] See Anthony Giddens, *The Third Way: The Renewal of Social Democracy* (Cambridge: Polity Press, 1998); Peter Mandelson and Roger Liddle, *The Blair Revolution : Can New Labour Deliver?* (London: Faber, 1996).

[874] Burton, *The Politics of Public Sector Reform*, 26; in Jenkins, *Thatcher and Sons*, 198, it is claimed that consultants "clustered around the Citizen's Charter."

[875] Quoted in Nirmala Rao and Ken Young, *Local Government since 1945* (Oxford: Blackwell, 1997), 259.

[876] Anne Mellbye, "A brief history of the third way," *The Guardian*, February 10, 2003, accessed April 12, 2015, http://www.theguardian.com/politics/2003/feb/10/labour.uk1.

[877] See "Repeals", House of Commons debate, March 17, 1999, vol 327 cc1202-30.

Reflecting on his ten years in office, perhaps Blair's autobiography sums up this business-oriented mind-set best:

> Increasingly, prime ministers are like CEOs or chairmen of major companies. They have to set a policy direction; they have to see it is followed; they have to get data on whether it is; they have to measure outcomes.[878]

It cannot be taken for granted that Blair's post-office holding assessment of his stewardship of Britain reflected how he actually behaved as prime minister. Blair's autobiography may have overplayed his business-like approach to gain favour or credibility with the company he kept on leaving office: in 2008, for instance, Blair earned £2 million in his role as an advisor to the multinational bank JP Morgan.[879] Yet many of Blair's actions as prime minister support the assertion that he was truly business-minded: taking his Labour shadow cabinet on a "working weekend" to learn about business techniques; New Labour's courting of big businesses; and, as we shall see, his support for setting up a more corporate-overview of government through the Prime Minister's Delivery Unit all point to this fact.[880] And so, if a country is a company, and its political leader perceives himself to be its chief executive, then hiring consultants to recommend how the country can perform better seems like no leap of logic at all.

The rise of outsourcing

"I could not care less about *Private Eye* [a satirical magazine] calling us 'Crapita'. We paid £836 million in tax to the Treasury last year, which they wouldn't have got if it wasn't for us."

Paul Pindar, on resigning as Chief Executive of Capita plc, November 18, 2013[881]

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[878] Blair, *A Journey*, 338.

[879] Toby Helm and Bruno Waterfield, "Tony Blair to earn £2 million a year as JP Morgan adviser," January 11, 2008, accessed July 9, 2015, http://www.telegraph.co.uk/news/politics/labour/1575247/Tony-Blair-to-earn-2m-as-JP-Morgan-adviser.html.

[880] John Micklethwait and Adrian Wooldridge, *The Witch Doctors: What the Management Gurus Are Saying, Why It Matters and How to Make Sense of It* (London: Heinemann, 1996), 315.

[881] Gill Plimmer, "Capita chief outsources himself after 26 years," *Financial Times*, November 18, 2013.

By 2013, around £90 billion of public money was spent on outsourced goods and services. Traditionally "blue-collar" jobs such as hospital cleaning, portering or security roles as well as "white-collar" jobs like financial management were delivered for the state by non-state actors, primarily from the private sector.[882] This use of the private sector represented a major discontinuity in the short history of the postwar British state. The agents delivering public services had changed. So too had their numbers; the civil service workforce dropped to just over 400,000 by 2014, down from around 720,000 in 1978, before the election of Thatcher.[883] And most intriguingly, it seemed that public opinion about *who* delivered public services had shifted too. A 2010 survey, by the pollster Ipsos Mori and the consultancy Accenture, showed that the British public had a relatively "pragmatic" approach towards private sector involvement in delivering public services.[884] (Although research in 2007 by John Clarke and others suggested that this did not mean the majority of those who used public services saw themselves as "consumers" or "customers" of public services, despite the attempt of the second New Labour administration.)[885] Even the term public *service* – more commonly used in political discourses since the mid-1990s – had implications. The substitution of the term *service* for *sector* highlighted the New Labour government's conviction that it was agnostic about who delivered public services; they did not need to be solely beholden to public sector workers.[886] Once again, the blurring of "public" and "private" lines in the "hybrid state" becomes apparent. The pre-Welfare State was characterised by services being delivered by private sector or charitable institutions such as hospitals and asylums, and so the "hybrid state" should not be seen as a

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[882] NAO, *The role of major contractors in the delivery of public services* (London: HMSO, 2013).

[883] "Workforce", *Institute for Government*, last accessed 12 April 2015, www.instituteforgovernment.org.uk/workforce

[884] 2020 Public Services Trust, *What do people want, need and expect from public services?* (London: Ipsos Mori, 2010), 8.

[885] See John Clarke, *Creating Citizen-Consumers: Changing Publics & Changing Public Services* (London: SAGE, 2007), 128.

[886] Peter John and Mark Johnson, "Is there still a public service ethos?" in A. Park, J. Curtice, K. Thomson, M. Phillips, M. Johnson, and E. Clery, eds., *British Social Attitudes: the 24th Report* (London: Sage, 2008), 105-125.

unique historical development – yet it did mark a fundamental break from the immediate post-Welfare State era.[887]

In the same period, the nature of management consultancy was changing rapidly too. As Ian Watmore, former Cabinet Secretary and Global Managing Partner at Accenture opined in 2014: "it is notoriously hard to define consulting…it's like comparing an apple with an orange with a chair with a cabbage with a tree."[888] Whilst few of the major outsourcing companies in 2010s Britain – G4S, Serco, Capita and Atos Origin – would define themselves as "consultancies", all bar G4S were members of the Management Consultancies Association (or at least had member bodies which were at one point), and "outsourcing advice" became a significant consulting service line – representing nearly 10 per cent of all MCA member fee income in 2012.[889] The protean nature of the consultancy industry has been stressed throughout this research, and the growth of consultants offering multidisciplinary services and outsourcing advisory services highlights another important change in this period. As such, this era merits the categorisation of another "generation" of consultancy – the "Outsourcing generation", featuring members such as Capita, Serco, and Atos Origin (see Table 11).

Table 11: Four largest outsourcing service providers in the UK public sector, 2013[890]

Company	UK public sector revenue (2012-13)	Held MCA membership
Serco	£1.8 billion	Yes
Capita	£1.1 billion	Yes
G4S	£0.7 billion	No
Atos	£0.7 billion	Yes

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[887] The same point about the historical continuities of public-private partnerships has been made with reference to the United States in a compelling manner in Jody Freeman and Martha Minow, *Government by Contract: Outsourcing and American Democracy* (Cambridge, Mass.; London: Harvard University Press, 2009), 32.

[888] Ian Watmore, telephone interview with author, February 12, 2014.

[889] Management Consultancies Association annual reports, 2006 to 2012.

[890] *National Audit Office*, "Delivery of public services", 5.

This grouping is helpful because it was historically distinct – emerging in the 1990s – from the other consulting generations, though it is important to note that this group (like all the others) engaged in many distinct services, thus further undermining the concept of an analytically unified "consulting industry" which the current academic literature on the subject implies.[891] This is important, because in this period "outsourcing" became a significant service line for consultants, as Table 12 demonstrates.

Table 12: Public sector consulting by service line for MCA members, 2002-2004[892]

Service line	2002	2003	2004
Outsourcing	24%	37%	39%
IT-related	29%	21%	25%
Other*	7%	6%	11%
Programme/project management	16%	13%	10%
Operations	6%	2%	8%
Strategy	9%	7%	5%
Human resources	9%	14%	3%

* includes: business process re-engineering, change management, economic and environmental, financial, marketing and corporate communications

Like consulting, outsourcing is a similarly contested term. Whilst in most private sector definitions it relates to the process whereby a company moves a service or function to another country to reduce costs, in the British public sector it is more commonly understood to mean the use of the private sector to deliver public services – which itself, has become unhelpfully synonymous with privatisation (the selling of public services to the private sector).[893] It is the definition of using the private sector to deliver public services which is adopted throughout this chapter.

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[891] See Kipping and Clark, *The Oxford Handbook of Management Consulting.*
[892] Author calculations from MCA annual reports.
[893] For more on privatisation, see the excellent David September Parker, *The Official History of Privatisation* (Abingdon: Routledge, 2009).

This section focuses largely on the development of Capita plc. A UK-based public company, formed in 1984, which provided a range of services covering catering, contract management, finance, recruitment and administrative facilities and by the 2000s was largely synonymous with characterisations of the "hybrid state". By 2012-13, Capita had global revenues of £3.4 billion, of which £1.1 billion was from the UK public sector (see Figure 19).[894]

Figure 19: Growth of Capita[895]
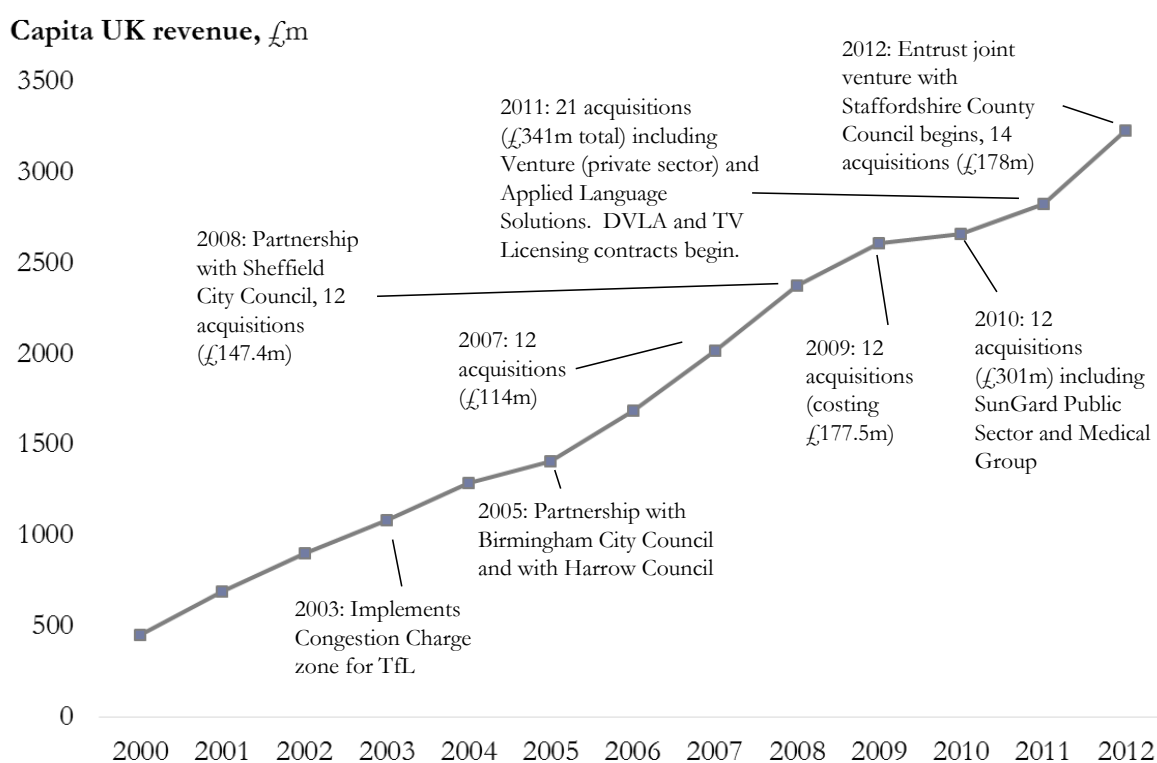
Capita is important to our history of the state and consultancy for three reasons. First, because the rise of Capita is directly linked to political developments and in particular the Conservative local government reforms of the late 1980s. Second, Capita – though firmly regarded as an "outsourcing" company by the early 2010s – began existence as a consultancy firm, showing the changing nature of consultancy in this period. And third, local government – from which Capita

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[894] NAO, *Delivery of public services*, 26.

[895] Ibid., 26. Capita revenues before 2004 are for all income, as did not have significant non-UK operations in this period.

gained much of its income – is a frequently neglected part of the British state in historical analysis, and as this section shows, reforms in local government can have major repercussions for other parts of the public sector.

As Young and Rao have demonstrated, in the immediate postwar period, confidence was high in the ability of local government to rebuild the British state.[896] The two priorities in Britain were improving education standards and building more housing stock. Both of these fell firmly in the remit of local authorities to provide. As the historians argue, "[under Attlee's government] local government was the most important single agent of social reconstruction, playing a crucial role in the development of social policy within the framework of the Welfare State."[897] Yet by the 1980s, political attitudes had reversed and no longer held the local elements of the state in high regard and encouraged the use of the private sector. Thatcher was actively hostile to local authorities. The concept of "compulsory competitive tendering" (CCT) – that local authorities had to open up services to competition from the market – was not novel. Harold Macmillan had mandated in August 1959 that one in three of every local government contracts needed to be open to competition (though this was largely ignored by authorities) and a Conservative party study group commissioned by Ted Heath eight years later similarly came out in favour of competition.[898] It was, though, Thatcher – whose government frequently found itself in dispute with local authorities – who most vigorously sought to enforce market disciplines on local government. The Local Government, Planning and Land Act 1980 introduced CCT for building construction, maintenance and highways work. This was extended as part of the Local Government Act 1988 to cleaning, grounds maintenance, catering, vehicle maintenance and refuse collection, and even further as part of the Local Government Act 1992 to administrative services such as finance, computing, library and other services, as well as the requirement to

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[896] Rao and Young, *Local Government*, 255.

[897] Ibid., 2.

[898] Ibid., 256.

publish "performance standards" information.[899]   Mandating all contracts to have objectives, performance targets, standards and plans placed demands for skills on local authorities which they did not necessarily hold in-house. It is in this context, that the emergence of Capita can be explained.

Capita started in 1984, originally as part of the Chartered Institute for Public Finance and Accounting (Cipfa): a national membership body which provided IT systems and training to staff in local authorities. Building up an annual turnover of around £400,000, the four founders (Rod Aldridge, Rich Benton, Roger Brier, and Mike Burr) – with the backing of the private equity company 3i – bought the organisation from Cipfa and setup Capita in March 1987.[900] Capita spent most of 1988 advising councils' IT departments on how to implement the forthcoming community charge (known as the "poll tax").[901] Significantly, throughout this period Capita referred to itself in all press releases as a "consultancy".[902] However in 1989, Berkshire Council awarded Capita its first outsourcing contract – to run its computer services division.[903] From this point, the company expanded quickly – moving into new services and acquiring a number of organisations which could also provide outsourcing services (see Figure 19), and, in the words of one of its co-founders, Rich Benton, "our model changed to outsourcing overnight."[904]

Why Capita became the outsourcing solution to so many local authorities in this period was borne of three reasons. First, much as in the same way the "American generation" of consultancies sought to model themselves on the elite British civil service, Capita explicitly aimed to resemble local authority officers. All four founders had a local authority background or experience (two were local government accountants, one a civil engineer and another a transport

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[899] Campbell-Smith, *Follow the Money*, 255-61.

[900] Rich Benton, telephone interview with author, September 29, 2014. See Appendix for biography.

[901] "Capita to capitalize on council poll tax," *The Times*, May 16, 1988.

[902] Philip Pangalos, "Capita the USM champion firm goes marching on," *The Times*, March 11, 1991.

[903] Michael Clark, "Capita on poll-tax alert," *The Times*, November 13, 1989.

[904] Rich Benton, interview with author, September 29, 2014.

accountant) and they aimed to employ "public sector-experienced staff, such as revenue collectors, specialists, teachers, housing inspectors" in order to be "credible."[905] They appealed directly to a local government ethos and culture, which minimised the risk of a backlash from public sector staff. Aldridge had spent many years working as a local government accountant in Sussex council before becoming a technical director at Cipfa; his background in accountancy would have thereby made him well placed to understand the needs of chief officers in local government. For example, Bill Roots, Chief Executive and Finance Director at Westminster City Council when a multi-year outsourcing contract was agreed with Capita in 1998, was also an accountant by profession.[906]

Second, amidst expectations of strikes and mass redundancies owing to local authority expenditure reductions, Capita offered a route which appeared to minimise the likelihood of both of these. Under rules on Transfer of Undertaking (Protection of Employment) Regulations (TUPE) first implemented in 1981, Capita would take on responsibility for the employment of staff in outsourced services and therefore take the public blame for any compulsory redundancies.[907] Although redundancy figures were in fact low, at around one per cent, Capita nonetheless gained a reputation for workforce reductions. As Rich Benton recalled: "in the early days I would come up to a Council office with my Capita umbrella and people would lob stuff out of the window onto me".[908]

And third, Capita – and others, such as EDS, Serco and Capgemini – benefited from the fact that the work they were doing was actively sponsored by the state. Here, the history of the Audit Commission is instructive. Set up by Michael Heseltine in 1983, the Audit Commission had the

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[905] Ibid.

[906] "Capita builds on council link," *The Evening Standard*, September 21, 1998; Bill Roots' background noted in "South West London Joint Health Overview and Scrutiny Committee on NHS Croydon Finances." Minutes of meeting held on Thursday 6 September 2012.

[907] Rao and Young, *Local Government since 1945*, 258.

[908] Ibid.; "Private man who is big in public sector ", *The Sunday Times*, September 16, 2001; "Barnet to be run from Belfast after Capita wins council deal," *National Edition*, November 23, 2012.

explicit aim of "making recommendations for improving economy, efficiency and effectiveness in the provision of local authority services."[909] Heseltine wanted a McKinsey-style unit to undertake this role, and hired an ex-firm Director, John Banham to head the commission. (Important to our understanding of the nature of "elite networks" in British society, Banham's successor was spotted in November 1986 on a flight back to London from Australia where Banham had been watching the cricket tournament, the Ashes. On the flight Banham approached his former colleague at McKinsey, Howard Davies, and suggested he should apply for the role. Davies did, and was successful in his application.)[910] Banham had considerable public sector experience behind him; working on the 1975 CPRS *Future of the motorcycle industry* report and 1974 NHS reorganisation (see Chapter 2). Intriguingly, Banham also had spent a large amount of time working in Washington D.C. for the public sector. Washington D.C. was highlighted in *Reinventing Government* as a case study exemplar in modern government.[911] Banham was emphatic that the Commission would resemble his previous employer in every way possible, stating: "basically, I saw the Commission as a mini-McKinsey."[912]

The Audit Commission therefore played an overt role in this move towards more, in the words of Al Gore, "businesslike government". It published reports and recommendations on the financial benefits of CCT (1989), the importance of performance measurements, and indeed how to make the best use of management consultants (1994).[913] The change to a New Labour government led to little deviation from this trend. For example, whilst CCT was dropped, the new administration's 1999 Local Government Act promoted the concept of "best value" which

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[909] Campbell-Smith, *Follow the Money*, 41.
[910] Ibid., 152-53.
[911] Osborne and Gaebler, *Reinventing Government*.
[912] Ibid., 49.
[913] Audit Commission, *Preparing for Compulsory Competition*, Occasional Papers Number 7 (January 1989); Audit Commission, *Reaching the Peak? Getting Value for Money from Management Consultants* (London: HMSO, 1994).

continued the general impetus behind Conservative reforms.[914]   This time, councils were encouraged to set contract standards and measurements, and would be reviewed by the Audit Commission as to how successfully they were implementing them.   In practice, as the rise of Capita demonstrates, there was no slow-down in the growth of outsourcing services.

This increased growth of consulting and outsourced services in local government appears to have barely registered in the consciousness of elected politicians.[915]   In his autobiography, Heseltine described the Audit Commission as a "most ambitious innovation…[which helped] ensure that local people were properly informed about the councils they elected" yet, like Thatcher, he makes no mention of CCT.[916]   Blair omits to mention the concept of "best value", or for that matter anything at all on local government, in his memoirs.[917]   This political aversion to the details of delivering government services appears to ring true in local government too. Rich Benton explains the main relationships of Capita were with authority Chief Executives and Finance Officers: state officials, not elected local politicians.   Benton gives two reasons for this: "[politicians] were transient and liable to change; and there was no surer way to piss off the Chief Executive than by going straight to the [political] leader with a 'bright idea'".[918]   Similarly, there appeared to be little party-political slant to the use of Capita.   Over the period 1993 to 1998, the company won more contracts with Labour-led Councils than Conservative ones, despite its hostile relationship with trade unions.[919]   Indeed, the dangers of developing relationships with politicians were notably demonstrated when Rod Aldridge stepped down as Chief Executive of Capita following the furore surrounding a £1 million donation he made to the Labour Party.

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[914] J. A. Chandler, *Explaining Local Government: Local Government in Britain since 1800* (Manchester: Manchester University Press, 2007), 289.

[915] Ruth Kelly did defend the general practice to the House of Commons in 2004, but this was a more general endorsement of the business function rather than its application to government. "Directgov". House of Commons debate, September 15, 2004, vol 424 cc1588-9W 1588W.

[916] Michael Heseltine, *Life in the Jungle: My Autobiography* (London: Hodder & Stoughton, 2000), 206; Thatcher, *The Downing Street Years*.

[917] Blair, *A Journey*.

[918] Rich Benton, interview with author, September 29, 2014.

[919] Ibid.

Though no wrongdoing was ever proved from either party from this episode, how it appeared in public – politicians in the pockets of consultants – mattered greatly.[920] Again, it is apparent that the relationship between consultancy and the state was one between civil servants and consultants, with politicians barely involved.

Nonetheless, the growth in outsourcing had a material impact on the nature of the British state. Capita's success in local authorities allowed it to expand to other areas of the public sector. Over the course of the early twenty-first century, Capita managed Transport for London's car congestion charge in 2003; collected the BBC licence fee; operated the Criminal Records Bureau for ten years; and in July 2014 undertook a six-year contract to manage the electronic tagging of offenders.[921]

Capita's running of the Criminal Records Bureau (CRB) provides a perfect case study on complex interconnections between politics, the state, private profit and social mores. The CRB – which checked for criminal backgrounds for any individuals attempting to work with children or vulnerable adults – was born from New Labour's embracement of the "Third Way".[922] At his second leader's conference speech in Brighton in 1995, Tony Blair made the clearest proposition to date of his vision for the Labour Party. Keen to emphasise how New Labour would champion "law and order" as an issue – which the Conservative Party was traditionally viewed as being strong on – Blair proclaimed (and, as an aside, note how he used the rhetorical technique of thesis, antithesis and synthesis regarding the polarised debate on cause and punishment to highlight how New Labour was presenting a "middle ground"):

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[920] George Jones, "Taxpayer faces bill for cleaning up politics," *The Times*, March 21, 2006.

[921] Simon Bowers, "Capita," *The Guardian*, November 19, 2010; Alan Travis, "Grayling awards Capita six-year UK electronic tagging contract;" *The Guardian*, July 15, 2014. The tagging contract was delivered in tandem with Airbus Defence and Space (for satellite mapping), Telefonica (for the communications network management), and Steatite (for manufacturing and providing GPS tracking tags) – a clear example of the multiplicity of private providers working on hitherto state services.

[922] Polly Curtis, "The CRB explained," *The Guardian*, December 17, 2003.

It has always been absurd that the debate about crime in this country has some talking of its *causes* and others of the *need to punish* criminals. Sweep away the dogma – tough on crime, tough on the causes of crime... Law and order is a Labour issue today.[923]

Part of this new mantra included a greater focus on the safeguarding of children. The Police Act 1997 made provision for the Criminal Records Bureau to be established in Merseyside by the Home Office to undertake "criminal record checks for employment and other vetting purposes."[924] Through a competitive tender (which was evaluated by PA Consulting) Capita beat PricewaterhouseCoopers to a ten-year £400 million public-private partnership contract with the Passport and Records Agency in 2000.[925] Whilst Capita was to work collaboratively with the agency in the "business planning" in the run-up to the launch of the Bureau, once running, responsibilities were to be split between Capita, "operating the call centre, input applications for checking, collect fees due, develop and maintain the IT infrastructure, and print and issues," and the Agency setting "the overall strategy, managing the Capita contract, carrying out checks on the Police National Computer and managing relationships with local police, Registered Bodies and other Government Departments."[926]

The Bureau was beset with a multitude of problems. A National Audit Office report in 2004 found that the early business planning was flawed; particularly with respect to estimates around how users of the Bureau would make applications. Capita and the Agency assumed 70 to 85 per cent of applications would be by call centre and the rest online – in practice, 80 per cent of applications were paper-based.[927] This led to significant delays in processing applications, of which 90 per cent were meant to be responded to in three weeks. Unexpected tragedies also

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[923] Tony Blair, 1995 Labour Party Leader's Speech, Brighton, accessed July 7, 2015: http://www.britishpoliticalspeech.org/speech-archive.htm?speech=201
[924] House of Commons debate, *Criminal Records Bureau*, December 14, 1998 vol 595 cc123-4WA.
[925] National Audit Office, *Criminal Records Bureau*, HoC 266 Session 2003-4, February 12, 2004, 22.
[926] Ibid.
[927] NAO, *Criminal Records Bureau*, 29.

challenged the Bureau. In August 2002, two schoolgirls, Jessica Chapman and Holly Wells, were found murdered in Cambridgeshire. A school caretaker, Ian Huntley, and a teaching assistant, Maxine Carr, were arrested and eventually found guilty of the crime. Yet, in a knee-jerk reaction – as argued in compelling fashion by the sociologist Frank Furedi – the Department for Education and Schools (DfES) immediately announced strengthened background checks to be required for all school staff. Such was the backlog created some schools had to delay opening for the new term and others refused to allow non-vetted teachers back. The DfES eventually revoked its decision owing to the chaos caused.[928] This increased demand on the Bureau arising from the policy change meant that the Home Office had to renegotiate its ten-year arrangement with Capita within the first year of the contact.[929]

Yet Capita's ten-year contract was not renewed in 2013, and to Capita's publicly expressed "disappointment" a new outsourced services provider, Tata Consultancy Services, was instead selected on a five-year deal costing £143 million (less than Capita's bid, and over £100 million less than what was tendered for).[930] Over the course of the ten years, however, Capita had played an illuminating role in critical developments in the modern British state. Through helping to deliver increased "vetting" of citizens of the state, Capita increased the state's ability to hold, access and interpret information about citizens at a scale not achieved before: an estimated 70,000 applications were processed per week in the Bureau by the early 2010s.[931] Capita also became deeply intertwined in the state's operations by handling this sensitive information: the Criminal Justice Bill had to be amended by the Home Secretary, David Blunkett, in 2003 to grant

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[928] See Frank Furedi and Jennie Bristow, *Licensed to Hug: How Child Protection Policies Are Poisoning the Relationship between the Generations and Damaging the Voluntary Sector*, 2nd ed. (London: Civitas, 2010), 5.
[929] House of Lords Debate, June 16, 2003, col 522, "Criminal Records Bureau: Payments to Capita."
[930] Charlotte Jee, "Home Office to replace Capita with another supplier for new DBS service," *Government Computing*, October 3, 2012, accessed July 7, 2015, http://central-government.governmentcomputing.com/news/home-office-to-replace-capita-with-another-supplier-for-new-dbs-service.
[931] Derek du Preez, "Tata picks up government CRB contract for £100m less that estimated," *Computerworld UK*, November 27, 2012, accessed July 7, 2015, http://www.computerworlduk.com/news/it-vendors/tata-picks-up-government-crb-contract-for-100m-less-than-estimated-3413297/.

Capita access to police and criminal records.[932] In the process, this public-private relationship helped to cement the new mixed economy of public and private sector bodies working in partnership. Highlighting the fact, when Capita's contact was for renewal, there was no talk of anyone other than a private sector partner taking up the contract.[933] And such was the intimate interrelationship between the public and private, and state and finance, when it was announced that Capita's *public sector* contract would be awarded to another provider the company experienced a large drop in share price (12.5p) on the FTSE *financial market.*[934] And finally, Capita's work with the Bureau highlights the clear managerialisation of the British state in the early twenty-first century. All language of performance regarding the Bureau revolved around "targets", "success factors" and "key performance indicators"; when defending the Bureau's performance in February 2004, the Home Office minister Hazel Blears could have been reading from Capita's annual reports, stating: "since June 2003 it [the Bureau] has issued 93 per cent of standard and enhanced disclosures within two and four weeks respectively. It now processes over 50,000 disclosure applications per week, more than twice as many as under the previous system."[935] In this managerialised state, statistics and targets ruled, and outsourcing firms thrived.

In 2014, when asked how he felt Capita's work had impacted on the British state, Rich Benton proposed four areas: challenging the assumption that public services had to be provided by the public sector; changing the nature of contracts to focus on outcome performance measures, as opposed to inputs; moving outsourcing towards "white collar" as well as "blue collar jobs"; and

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[932] "Capita to be given access to police and criminal records," May 15, 2003, *Public Finance*, accessed July 7, 2015, http://www.publicfinance.co.uk/news/2003/05/capita-be-given-access-police-and-criminal-records.

[933] "Criminal Records Bureau Contract Update," Capita plc press release, October 3, 2012, accessed July 7, 2015, http://www.capita.co.uk/news-and-opinion/news/2012/julydec/criminal-records-bureau-update.aspx.

[934] Geoff Foster, "Market Report: Capita chief is facing crisis over another lost contract," *MailOnline*, October 3, 2012, accessed July 7, 2015, http://www.thisismoney.co.uk/money/markets/article-2212537/MARKET-REPORT-Capita-chief-facing-crisis-lost-contract.html.

[935] David Hencke, "Records bureau fiasco damned by watchdog," *The Guardian*, February 12, 2004, accessed October 10, 2015, http://www.theguardian.com/politics/2004/feb/12/schools.ukcrime.

opening the door for other competitors.[936] Earlier incarnations of outsourcing in the 1980s –

known as "contract management" – focused on cleaning, portering and security and placed a

greater onus on inputs such as number of waste paper baskets emptied. This gives credence to

Benton's claims.[937]

However, the most lasting impact of Capita, and other outsourcers, is more subtle, and two-fold.

First, these companies made it politically acceptable again for private profit to be extracted from

public services. Whilst pre-Welfare State Britain always had institutions which were free to make

a profit from providing public services, the Beveridge Report explicitly condemned the presence

of commercial interests in the new Welfare State.[938] Public Private Partnership (PPP) and the

Private Finance Initiative (PFI) were, along with outsourcing, other examples that the New

Labour government was comfortable with profit-seeking in the public sector (though the

Conservatives introduced PPP and PFI in 1992, Labour subsequently increased their use). In

both instances, private providers were encouraged to invest in public infrastructure projects to

be repaid by the public sector, with the risks borne by taxpayers.[939] Second, the use of

outsourcing companies resulted in a reduction in the services that local authorities could do

themselves. Michael Porter, the management academic, used the term "core competencies" to

describe the skills or services of an organisation which are critical to its success. Much private-

sector outsourcing developed in this period because, it was argued, "back-office" functions (that

is, finance, administrative, payroll, human resources, and information technology) were not "core

competencies" and so could be outsourced to third parties.[940] It is clear that this exact same

process happened to local authorities. Yet there was little political discourse (indeed, looking

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[936] Rich Benton, interview with author, September 29, 2014.

[937] Kate Jenkins is particularly good on how earlier "contract management" work focused solely on inputs, not outcome based measures and faced considerable scepticism. See Jenkins, *Politicians and Public Services*, 53; Other major competitors Capita faced included ITNET, ICL, Coopers & Lybrand, EDS, Serco, and Capgemini. Author interview with Rich Benton.

[938] David Gladstone, *Before Beveridge: Welfare before the Welfare State* (London: Civitas, 1999), 34.

[939] National Audit Office, *Private Finance Projects* (London: NAO, 2009), 19.

[940] "Outsourcing," *The Economist*, September 21, 2008.

through Hansard, one could conclude there was *no* discourse) at the time about what the "core competencies" of local government were.[941] In practice, local government – and much of the public sector – therefore unconsciously walked into a position whereby many of its functions were taken over by the private sector. This is important both because it changed the nature of what the state does (at least temporarily), but also because it proved difficult to take such functions back into the public sector once they had been outsourced, thereby compromising the future effectiveness of any state model which did not look to the private sector for support.[942]

An implicit assumption made during this period was that the public sector *could* be more private sector-like. This had been a widely-held belief amongst state reformers since the days of the Fulton Report, which – as we have seen – encouraged greater use of private sector consultants by the civil service. Yet there is one fundamental difference between the public and private sectors: the latter can be selective in its customer base, whereas the former – by its very nature – must be universal. The term "cherry-picking" entered public administration discourses in the US in the 1980s to describe this selectivity; where private sector companies picked the simple and cheap parts of state operations during outsourcing, leaving the state to handle the complex and expensive elements and everything else. Lis Astall, who worked at Andersen Consulting (later renamed Accenture) on numerous state contracts from 1984 to 2006, reflected in 2016 that one of the main differences between the public and private sector was that "there is no cherry picking in the public sector… when [an outsourcing company] picks the easy 95 per cent and the state deals with the hard bit." In Astall's view, this presented a potentially destructive opportunity for politicians to draw the conclusion that the private sector – because it could often demonstrate lower "cost per transaction" metrics compared with the state – was inherently more

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[941] Review of Hansard, accessed April 12, 2015, http://hansard.millbanksystems.com/.
[942] For examples of the process of bringing back in-house services, see Association for Public Service Excellence, "Insourcing: A guide to bringing local authority services back in-house", APSE, 2009.

efficient than the public sector.[943]   Astall's concerns were well-evidenced. In June 1997, for

instance, the prisons minister Baroness Quin drew exactly this conclusion regarding perceived

public sector inefficiency. Quin referred in the House of Commons, during a debate on privately

managed prisons, to analysis from a report which showed "prisons operated by the private sector

are 11-17 per cent cheaper than comparable prisons in the public sector."[944]   It is consequently

revealing that whilst consultants appeared to be aware of some of the challenges of outsourcing,

the political class did not seem to – or chose not to – pick up on the implications of the

challenges.

Indeed, though these developments received a considerable amount of criticism from the media

and unions, politically there appeared to be a broad consensus on their use. On entering office

in 2010, the Coalition government immediately looked to outsourcing companies to reduce

public expenditure levels and in just four years, government expenditure on outsourcing doubled

to £88 billion.[945]   The rationale for this appears relatively straightforward. For the elected

political class, protecting the most visible element of the state – the services it provides (which

by the 1990s had gained the term "front-line services") – was perceived to be vital in gaining

electoral support. "Front-line" workers such as teachers, doctors and emergency workers had

long held high-standing in British society, in a way in which "back-office" managers and

administrators never had.[946]   (One need only look at popular British television shows in the

period: *The Bill*, *Casualty*, *Morse*, focused on valiant front-line workers such as police, doctors and

nurses. Management either got in the way or, as *The Office* later popularised, was a source of

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[943] Lis Astall, interview with author, Institute of Directors, Pall Mall, March 9, 2016. See Appendix for biography.

[944] HoC debate, *Privately Managed Prisons*, June 30, 1997, vol 297 cc11-2W.

[945] Gill Plimmer, "UK outsourcing spend doubles to £88bn under coalition," *Financial Times*, July 6, 2014, accessed April 12, 2015, http://www.ft.com/cms/s/0/c9330150-0364-11e4-9195-00144feab7de.html#axzz3Sw4tZ5vq.

[946] "MPs top the list for least respected profession, say Today listeners," *BBC News*, May 29, 2001, accessed April 12, 2015, http://www.bbc.co.uk/pressoffice/pressreleases/stories/2002/05_may/29/respected_profession.shtml; For more on professionals in British society, see Harold James Perkin, *The Rise of Professional Society: England since 1880* (London: Routledge, 1989).

ridicule).[947]   In the wake of the 2008 global financial crisis and subsequent era of austerity in Britain, outsourcing companies aligned themselves to this political imperative. By offering to find economies in "back-office" state services – such as finance, information technology, and administration – they gave hope to politicians that "front-line" services could be protected. Indeed, this helps to explain why outsourcing in this period was more popular in the public sector than private sector; the latter would tend to favour mergers and acquisitions as a means to means to cost-cutting instead, which more frequently led to redundancies.[948]   Paul Pindar, as Chief Executive of Capita, almost teased the political elite with the point in an interview with the *Financial Times* in 2011:

> When you can see local authorities closing libraries, swimming pools, it's criminal. It's a political agenda. Billions of pounds could be saved [through outsourcing] and the public wouldn't notice the difference. Why wouldn't you outsource council tax collection rather than closing a library?[949]

As Capita's income grew in the immediate years after Pindar's pointed question, the answer became clear.

The Prime Minister's Delivery Unit

"Try getting change in the public sector and the public services. I bear the scars on my back after two years in government and heaven knows what it will be like after a bit longer. People in the public sector were more rooted to the concept that 'if it has always been done this way it must always be done this way' than any group of people I have come across."

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[947] With a focus on films and more internationalist in outlook see Nikil Saval, *Cubed: A Secret History of the Workplace*, First edition. (New York: Doubleday, 2014), 2, which makes a similar point regarding the mockery of "management" in popular culture.

[948] "The Investment Column: Microsoft Link Is Heady News for Capita," *The Times*, February 23, 2000.

[949] Gill Plimmer, "Outsourcing urged to alleviate austerity," *Financial Times,* August 23, 2011, accessed April 12, 2015, http://www.ft.com/cms/s/0/c6e2d204-cd70-11e0-b267-00144feabdc0.html?siteedition=uk#axzz3UC6m9AQm.

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Tony Blair speech to conference of British venture capital funds July 1999 [950]

Tony Blair felt that his first term as Prime Minister, from 1997 to 2001, had failed to deliver the public service reform he had promised. The highly publicised flu epidemic and NHS winter struggles in late 1999 reinforced this point for Blair. This resulted in his renewed focus on reform, leading to the 2000 *Modernising Government* White Paper, which built on the 1998 Spending Reviews and the departmental targets contained in Public Service Agreements (a clear continuation of the rationale behind Major's Citizens' Charter).[951] Addressing a meeting of venture capitalists, Blair shared his emotion on his difficulties in seeing through reforms as his quote demonstrates. As Peter Mandelson, a key architect of New Labour wrote: "Tony [had] a fervent desire to change the way public services were run and organised."[952] Blair's own explanation for this desire was rather opaque, stating, "I have an essentially middle-class view of public services – they need to be better."[953] Yet the reality is that Blair – as his pronouncements on the "Third Way" with Clinton had shown – cared passionately about reforming public services, and he also considered himself a "moderniser" (like Harold Wilson had done). He was disappointed with what was achieved in his first term and decided to use his re-election as an explicit mandate to enact change.[954] Indeed, Blair's public service reform agenda, and its explicit focus on *choice*, unveils the political ideology of "Blairism". As Michael Barber, a confidante of Blair and head of the Prime Minister's Delivery Unit from 2001 to 2005, recounted:

> The theory [of Blairism and public service reform] was that you needed to make public services good enough so that even those who could afford to pay would choose to use them. This allowed you to still collect taxes to improve the service

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[950] "Out of the mouth of Blair," *The Guardian*, April 26, 2002, accessed April 12, 2015, http://www.theguardian.com/politics/2002/apr/26/fiveyearsoflabour.labour6.

[951] Barber, *Instruction to Deliver*, 47.

[952] Peter Mandelson, *The Third Man: Life at the Heart of New Labour* (London: HarperPress, 2010), 337.

[953] Blair, *A Journey*, 272.

[954] Richard Crossman suggested Harold Wilson cared passionately about implementing large parts of the Fulton Report for a desire to appear as a "great moderniser". Crossman and Howard, *The Crossman Diaries: 1964-1970*, diary entry for June 20, 1968, 506.

and drive equity. We thought 40 per cent of GDP being spent on the state would lead to service equity and universality, and I think we were proved about right on that. I have always thought the traditional left critique of choice [to drive up reform by breaking down monopolies] is bizarre, because the wealthy have choice. If they wish to send their child to a particular state school, for instance, then they can move catchment area; this is something the poor don't have. So by aiming to extend choice to the poor, you are empowering those on low incomes.[955]

It is worth pausing to reflect on some of Barber's emphasis here. The phrases "I think we were proved right on that" and "I have always thought the traditional left critique…is bizarre" unmask a number of important issues for our enquiry here. First, Barber's use of "we" is instructive. Whilst Barber was once a Labour local government councillor and stood unsuccessfully for parliament, as Blair's Chief Adviser on Delivery he was a civil servant and at the time bound to political neutrality by the Civil Service Code.[956] Yet, clearly, the "we" Barber refers to is the New Labour movement, thereby demonstrating the extent to which politicians *and* civil servants collaborated to deliver an intensely political project. Second, Barber's defensiveness regarding the "traditional Labour critique" demonstrates the contested nature of both the New Labour project and Blair's legacy. Indeed, such was the perceived toxicity of the Blair era that during Labour's disastrous showing in the 2015 general election, at least three prospective parliamentary candidates publicly rejected a donation from Tony Blair for their campaigns.[957] Whilst there can be little doubt that Britain changed significantly under New Labour, particularly in terms of public service reform, it would be remiss to fail to highlight that these reforms were contentious even with the Labour party (though, notably, other elements of Blair's legacy were also of concern for some Labour supporters too) – demonstrating the complex forces at play during state reform.

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[955] Michael Barber, telephone interview with author, April 17, 2015. See Appendix A for biography.
[956] "Mad professor goes global," *The Guardian*; A. W. Bradley and K. D. Ewing, *Constitutional and Administrative Law*, 13th ed. (Harlow: Longman, 2003), 279-80.
[957] "Third PPC publicly denies Blair donation," *labourlist*, March 10, 2015, accessed July 9, 2015, http://labourlist.org/2015/03/third-ppc-publicly-declines-blair-donation/

Nevertheless, highlighting his passion for change, speaking on his election in June 2001 Blair declared "we have a mandate to reform, an instruction to deliver."[958] And keen to maintain momentum, Alastair Campbell, Blair's press secretary wrote to colleagues on July 25, 2001: "The country has given us a fresh chance but they are deeply concerned about the condition of Britain and public services, disillusioned with politics and insistent we deliver. It is all that matters."[959]

Blair's solution to this challenge to "deliver" was three-fold. First, that successful reform could only come from the centre. The words of his close advisers attest to this. David Blunkett, former Education Secretary, reflected: "we were right to drive from the centre [as when we didn't] the foot [would] come off the accelerator, [and] the results…just plateaued again".[960] Similarly, Blair's Chief of Staff from 1997 to 2007, Jonathan Powell, noted: "Blair came in with a much stronger Number Ten operation. He was very clear that he wanted that…people now focused more on the day-to-day, monitoring what departments were doing for the Prime Minister."[961] And second, Blair was focused on challenging the status quo (the "givens", as he called them) and getting the views of those from outside the civil service to do so. As he reminisced: "I was still feeling my way, holding endless meetings with advisers, experts and those within the services. I was trying to get a sense of how change might be fashioned [and] formulated. I found it all intensely frustrating."[962]

Third, and most importantly, Blair, and those at the heart of the New Labour project, were of the view that there was nothing inherently virtuous in the nature of public services. This draws parallels with Harold Wilson's distrust of the "nobs and administrators" in the civil service (see Chapter I: Planning, 1960s-1970s) which led to his support for the use of consultants by the state

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[958] Barber, *Instruction to Deliver*, xvi.
[959] Ibid., 43.
[960] Cited in Patrick Diamond, *Governing Britain: Power, Politics and the Prime Minister* (London: I.B. Tauris, 2014), 233.
[961] Ibid., 234.
[962] Blair, *A Journey*, 271.

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in the 1960s, and helps explain New Labour's similar respect for consultancy's expertise. Clarifying his "middle-class view" of public services expressed in his memoirs to *The Guardian* in 2010, Blair explained: "what I mean…is that, in the end, whether you like it or not, what people expect from public services is increasingly what they get in every other part of their life." This requires some interpretation (and Blair's verbal tic of "in the end, whether you like it or not" alludes to some unease whilst making this point), but Blair was effectively saying public services need to be – and by implication, were not – as good as privately delivered services (that is "every other part of…life.")[963] This view was further reinforced by his point made in the same interview with the journalist Martin Kettle that "if you look at the emerging countries of the world today…what they are looking at, increasingly, is how they can avoid some of the postwar settlement errors of the developed nations… [of one] that is paternalistic, bureaucratic and basically there for the people who can't afford to get out of it."[964]

A large part of the problem of the postwar settlement was perceived to be overly-powerful vested interests of public service professionals. As Blair described in 2002, the postwar settlement was "the social equivalent of mass production, largely state-directed and managed, built on a paternalist relationship between state and individual, one of donor and recipient."[965] As part of the same pamphlet in 2002, he announced a swathe of initiatives which would usher in further competition and involvement from private bodies into the public sector: private finance initiatives in healthcare, public-private partnerships in transport and private prisons in justice.[966] Attenuating the power of the public professionals (and transferring power towards the

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[963] Martin Kettle, "Tony Blair interview: the full transcript," *the Guardian*, September 1, 2010, accessed November 19, 2015, http://www.theguardian.com/politics/2010/sep/01/tony-blair-interview-full-transcript
[964] Ibid.
[965] "Blair's case for radical change," *the Guardian*, September 27, 2002, accessed November 19, 2015, http://www.theguardian.com/society/2002/sep/27/publicservices.labour2002
[966] Ibid.

public – or in the jargon of the time, "consumers") was key in this reform.[967] Blair said as such in 2004, stating: "the professional domination of service provision" by public sector officials had led to them being able "to define not just the way services were delivered but also the standards to which they were delivered."[968] Charles Clarke, instrumental throughout New Labour, similarly expressed disdain in 2007 that "professional associations focused upon defence of their own short-term interests despite obvious consumer concerns."[969] Julian Le Grand, a senior policy advisor to Blair from 2003 to 2005, and academic at the London School of Economics who since the late 1990s had done much to forward the concept of choice and competition in public services, shared this view: in 2006 he condemned the NHS for prioritising the "interests of those who worked within it than those who used it."[970]

Geoff Mulgan, head of the Prime Minister's Strategy Unit and then Policy Unit from 1997 to 2004, summed up the mindset of New Labour most pithily, describing that in public services, "there was not much sense of service to the public."[971] As Eric Shaw astutely historicised, this placed New Labour in opposition to the "professional model" view of the public sector which held that public services were best run by the public sector, and that this was evidenced by the strong, and positive "public service ethos" demonstrated by professionals working in the public sector.[972] Whilst this model was dominant for most of Labour's history prior to Blair, it is significant that Harold Wilson's governments were most interested in challenging its

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[967] For more on the transfer of power towards "citizen-consumers" see John Clarke, *Creating Citizen-Consumers: Changing Publics & Changing Public Services* (London: SAGE, 2007), 31.

[968] "Full text of Tony Blair's speech," *the Guardian*, January 29, 2004, accessed November 19, 2015, http://www.theguardian.com/society/2004/jan/29/comment.publicservices

[969] Cited in Eric Shaw, "The Meaning of Modernisation: New Labour and public sector reform" in *In Search of Social Democracy: Responses to crisis and modernisation*, eds. J. Callaghan et al. (Manchester: Manchester University Press, 2009), 147-167.

[970] Julian Le Grand, "The Blair legacy? Choice and Competition in Public Services" (Transcript of Public Lecture, LSE, February 21, 2006). Highlighting Le Grand's importance to the New Labour approach, Michael Barber described him in his memoirs as "extremely talented and highly influential." Cited Barber, *Instruction to Deliver*, 54.

[971] Cited in Shaw, "The Meaning of Modernisation" in *In Search of Social Democracy: Responses to crisis and modernisation*, 147-167.

[972] Ibid.

assumptions. Brain Abel-Smith and Richard Titmuss, two advisors to the Wilson administrations, both noted with caution the "power [which] may come to reside in the hands of these [public sector professionals'] interests."[973] The Wilson parallel with Blair extends into the use of consultants to challenge the "professional model." Both were sceptical of the inherent good of state officials, and both looked to outside, private sector expertise for advice. Under Wilson, consultancy emerged as a method of reforming the state. Under Blair, as we shall see, the approach and methodology of consultants became a driving force in New Labour's public service reforms.

In this context, the claim made by Simon Jenkins that "public administration did not interest Blair" seems implausible.[974] Jenkins recounts the entertaining story of the Cabinet Secretary, Richard Wilson, shouting at Blair and Gordon Brown in 2001: "your problem is that neither you nor anyone in Number 10 has ever managed anything", to which Blair replied he had managed the Labour Party; Wilson challenged on the difference between "managing" and "leading", which was supposedly "beyond the prime minister's comprehension".[975] Whilst it is true that Blair had not managed any organisation (inside or outside of government) prior to becoming prime minister, the creation of the Prime Minister's Delivery Unit (PMDU) in 2001 highlights an explicit desire to reform public administration.

The Delivery Unit was a small body (it never exceeded 50 staff), sitting in the Cabinet Office, set up in 2001 with the explicit aim of helping government departments deliver on a number of

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[973] Quote from Richard Titmuss, cited in Perkin, *The Rise of Professional Society*, 14.

[974] Jenkins, *Thatcher and Sons*, 277; Jenkins' attempt to downplay Blair's involvement requires contextualisation – on Blair's resignation, the journalist argued that the ideological significance of Blair was weak, and that "Blair's term in Downing Street has been the continuance of an ideological narrative that began in 1979, not 1997…he has had a rock, he has had an ideology. It was Thatcherism." See Simon Jenkins, "No Such Thing as Blairism," *The Huffington Post*, April 25, 2007, accessed July 9, 2015, http://www.huffingtonpost.com/simon-jenkins/no-such-thing-as-blairism_b_46843.html

[975] Ibid.

targeted public service improvements. These were based on either the 2001 Labour Party manifesto or government targets published during the 2000 Spending Review (see Table 13):[976]

Table 13: Prime Minister's Delivery Unit priorities, 2001

Department	Delivery Unit priorities
Health	Heart disease mortality
	Cancer mortality
	Waiting lists
	Waiting times
	Accident & Emergency
Education	Literacy and numeracy at 11
	Maths and English at 14
	5+ A*-C GCSEs
	Truancy
Home Office	Overall crime and breakdowns by victim type
	Likelihood of being a victim
	Offenders brought to justice
Transport	Road congestion
	Rail punctuality

In Blair's description, it was "staffed by civil servants but also outsiders from McKinsey, Bain and other private sector companies. It would…laser in on an issue, draw up a plan to resolve it working with the department concerned, and then performance-manage it to solution."[977] As a proportion of central government expenditure on consultants, the unit was miniscule. The cost of the unit in 2002/3 was £3.1 million in total; a fraction of departmental expenditure on consultants alone (see

Table **14**).[978] Yet its influence and impact were profound.

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[976] Barber, *Instruction to Deliver*, 48; In 2003-4, for instance, PMDU had an annual budget of £3.8 million. HoC debate, *Civil Service*, November 19, 2003, vol 413 cc877-8W 877W; See Cabinet Office, *Modern Public Services for Britain: Investing in Reform. Comprehensive Spending Review: New Public Spending Plans 1999-2002*, London: The Stationery Office, July 1998.

[977] Blair, *A Journey*, 338-39.

[978] "Civil Service." Mr. Alexander to Norman Lamb. HoC debate, November 19, 2003 vol 413 cc877-8W.

Table 14: Departmental expenditure on consultants (£m), 1998-2003[979]

Department	1998/9	1999/0	2000/1	2001/2	2002/3
Department for Transport	n/a	n/a	n/a	n/a	122.2
Department for Trade and Industry	n/a	21.0	36.0	64.0	42.0
Department for Environment, Food and Rural Affairs				45.0	24.0
Department of Social Security	n/a	n/a	21.9	19.0	13.0
Department for Health	7.3	8.1	6.5	6.8	7.1
Department for Education and Skills	5.0	3.7	4.3	5.0	4.0
Department for Culture, Media and Sports	0.0	0.1	0.1	0.1	0.1
Department for Work and Pensions	47.6	23.8	n/a	n/a	n/a
Foreign and Commonwealth Office	14.5	14.0	17.9	20.1	n/a
Ministry of Defence	n/a	n/a	n/a	n/a	n/a
Department for International Development	n/a	n/a	n/a	n/a	n/a
Home Office	4.6	10.3	27.9	21.1	n/a
HM Treasury	n/a	n/a	n/a	n/a	n/a
Office of the Deputy Prime Minister	n/a	n/a	n/a	n/a	n/a

The idea of the Delivery Unit came from three sources. First, the work of a mild-mannered education professor, Michael Barber, had become noticed throughout Whitehall in addressing school failure rates and improving primary school literacy and numeracy through the Standards and Effectiveness Unit in the Department of Education, from 1997 to 2000.[980] Based on the success of the Unit, Barber was asked by Blair to set up and run the Delivery Unit in 2001.[981] Second, the need for a Delivery Unit became clear as a result of the demands the New Labour government was placing on the civil service. As the Cabinet Secretary, Wilson said: "it became apparent in the civil service that what Blair and Brown wanted was very different to the one which Major and Thatcher had left behind. It didn't have the skills they wanted. And whilst they kept expenditure down – by sticking to the Tories' expenditure plans in 1996-1998 (which

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[979] Based on author calculations from Hansard responses.
[980] Barber, *Instruction to Deliver*, 38.
[981] Ibid., 39.

nobody expected them to) they then unleashed expenditure and found there was a severe deficit… [and] supply of the project management and implementation skills they were seeking.[982] As the Labour MP Brian White told the House of Commons whilst discussing the *Modernising Government* White Paper: "This country is particularly bad at project management. Investing in the skills of project management would benefit the Government."[983] To address this, Wilson recommended to Blair that a Delivery Unit, focused on implementing key policies be set up. (Interestingly, Wilson had in mind the success of Thatcher and Major's Efficiency Unit when making his recommendation, buttressing support for recognising the importance of "path dependency" in explanations of state reform.)[984] Third, whilst the Delivery Unit's culture undoubtedly proved a shock to the civil service, the focus on delivery, targets and performance management was far from novel in the public sector. Indeed a National Audit Office report in May 2001 stressed that "performance measurement is an integral part of modern government."[985] As we have seen, such views were commonplace in the United States too. The Delivery Unit should therefore be seen as part of a trend towards greater performance management in the public sector, as opposed to an entirely novel development.

Blair had no aversion to management thought (see for instance his taking the entire shadow cabinet for a retreat in 1995 to learn about management techniques) yet the extent to which he gave his personal backing to the Delivery Unit is nonetheless surprising.[986] One of Barber's two demands for taking the job as Head of the Delivery Unit was reporting directly to Blair (the other was an office in Number Ten), to which Blair, via his principal private secretary, Jeremy Heywood, assented.[987] Yet even Barber was surprised by the extent to which Blair committed to

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[982] Richard Wilson, interview with author, March 6, 2014.
[983] HoC debate, *Modernising Government White Paper*, December 9, 1999, vol 340 cc281-326WH.
[984] Richard Wilson, interview with author, March 6, 2014.
[985] NAO, *Measuring the Performance of Government Departments: Report by the Comptroller and Auditor General* (London: NAO, 2001), 1.
[986] Micklethwait and Wooldridge, *The Witch Doctors*, 315.
[987] Barber, *Instruction to Deliver*, 43.

the Delivery Unit, even as foreign travel demands (and attention on foreign policy) increased in the wake of the 11 September 2001 terrorist attacks in New York and the Iraq War of 2003. Blair continued to attend the vast majority of "stocktakes" (where the progress of departments against targets was reviewed) with departments and devote time and attention to the Unit's reports.[988]

Such project-management type processes as "stocktakes" were a hallmark of the Delivery Unit. In fact, such was the impact of the Unit, that its own methodology – "Deliverology" – became known around Whitehall. The focus, in Barber's words, was on asking simple questions of departments – "What are you trying to do? How are you trying to do it? How will you know if you've succeeded? If you're not succeeding, what will you change? How can we help?" – and using common managerial approaches to help answer these questions. (In his memoirs, Barber listed ten factors which were vital to the success of the Delivery Unit. One could lift these straight from a business management textbook: accountability; leadership; project management; levers for change; feedback and communication; timetable for implementation; managing risks and constraints; fostering interdepartmental collaboration; having sufficient resources; using benchmarking effectively). It was, as Barber acknowledged, "standard practice in the management of programmes and projects, a discipline that emerged from engineering in the second half of the twentieth-century and became second nature across most of business."[989] Whilst Barber deliberately wanted the unit to be staffed a third by civil servants, a third by management consultants, and a third by other outside experts, the Delivery Unit quickly became associated with consultancy-style work, thereby increasing the perception that New Labour was obsessed with consultants.[990] However the vast majority of the time consultants were actually

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[988] Ibid., 102.

[989] Ibid., 76-85.

[990] Former management consultant and Delivery Unit member, anonymous, interview with author, London, August 1, 2011; Matt Keating, "Is the hired help just a rip-off?," *The Guardian*, October 22, 2005, accessed April 12, 2015, http://www.theguardian.com/money/2005/oct/22/careers.work3

either former civil servants or consultants on secondment from their parent consultancies – representing the hybrid state in action. (Flexible, short-term "call-off" contracts were in place to bring in additional resource – for instance in 2006 £480,000 was spent on Capgemini's services for a Spending Review.)[991] Of great relevance to this thesis, the methodology of the Delivery Unit and the idea behind it came from the civil service, not consultancy. Barber (who later joined McKinsey, thereby demonstrating a dissemination of public sector reform ideas into the private sector) learnt his methodology from "management handbooks", not consultants.[992] And it was Richard Wilson, who admitted in 2014, "I can't for the life of me think of a single project where I, personally, commissioned a study by management consultants", who proposed the idea of a Delivery Unit in the first place.[993] In other words, one of the most obvious examples of "consultancy-style government" had, at best, an indirect link to consultancy.

Despite considerable media mockery – the journalist Quentin Letts on describing one of Barber's annual presentations to the media, wrote: "his language was as lifeless as Monday morning mullet. He droned on about missions and cultures, milestones and trajectories, stocktakes and best-practice" – and various attacks on New Labour's "target culture", the impact of the Delivery Unit was impressive.[994] Not only did permanent secretaries (who, in many ways, had the most to fear from it) vote to keep it in 2005, Tony Blair described it as "the most successful change I had made in the machinery of government", and the Delivery Unit model was replicated in governments in India, Indonesia, Malaysia, South Africa, the Netherlands, Maryland, Los Angeles, Chile, Colombia and others.[995]

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[991] NAO, *Central government's use of consultants: Methodology* (London: NAO, 2006), 11.
[992] Barber, *Instruction to Deliver*, 53.
[993] Richard Wilson, interview with author, March 6, 2014.
[994] Quentin Letts, "Mr Blair relies on the men in white coats," *The Telegraph*, August 3, 2003, accessed April 12, 2015, http://www.telegraph.co.uk/comment/personal-view/3594565/Mr-Blair-relies-on-the-men-in-white-coats.html; "Targets can kill," *The Telegraph*, April 10, 2005, accessed April 12, 2015, http://www.telegraph.co.uk/comment/telegraph-view/3616113/Targets-can-kill.html.
[995] Cited in Barber, *Instruction to Deliver: Fighting to Transform Britain's Public Services*, 261; "Driving Performance through Center of Government Delivery Units", *Global Expert Team*, November 2010; *How*

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The importance of the Delivery Unit to Blair sheds light on a point made by the sociologist, Max Weber, regarding bureaucracies. In his fascinating critique of modern bureaucracies, the anthropologist David Graeber highlighted the Weberian argument that all bureaucracies seek to make themselves indispensable to anyone attempting to wield power, usually by monopolising access to information. In Weber's words: "Every bureaucracy seeks to increase the superiority of the professional informed by keeping their knowledge and intentions secret. As Graeber writes, bureaucratic administration always tends to be an administration of "secret sessions" in so far as it can, it hides its knowledge and action from criticism".[996] The role of the Delivery Unit was to take this information out of departmental control and straight to the Prime Minister.[997] *Pace* Weber, however, the Delivery Unit is surprising because it was ultimately a part of the bureaucracy which removed this bureaucratic "information asymmetry" (where one party knows more information about a given issue than another, thereby creating a power imbalance).[998] Highlighting this aim to strengthen political power by bringing knowledge of the state's working operations back to the centre of government was a critical concern of "Deliverology". The method of achieving this was through a concept known as the "delivery chain". This addressed the question of how a Minister in Whitehall can effect change in an outer region of the United Kingdom. Indeed, one could not look to a clearer example of centralising state power. Barber's description of this warrants sharing:

> Suppose that a Minister promises to improve standards of reading and writing among eleven-year-olds. Implicit in this commitment is that the minister can influence what happens inside the head of an eleven-year-old in, Widnes. The delivery chain makes this explicit. What happens in that eleven-year-old's head is

to Run a Government: So That Citizens Benefit and Taxpayers Don't Go Crazy (London: Allen Lane, 2015), xvii-xx.

[996] David Graeber, *The Utopia of Rules: On Technology, Stupidity, and the Secret Joys of Bureaucracy* (London: Melville House, 2015), 150.

[997] This development was covered in much of Chapter 2 of the House of Lords Select Committee on the Constitution, "The Cabinet Office and the Centre of Government" (4th Report of the Session 2009-10).

[998] For more on information asymmetry see George A. Akerlof, "The Market for 'Lemons': Quality Uncertainty and the Market Mechanism", *Quarterly Journal of Economics* 84, no. 3 (1970): 488-500.

> influenced chiefly by her teacher – the first link in the chain; the teacher is influenced by the school's literacy co-ordinator, who in turn is influenced by the headteacher – the second and third links in the chain. The headteacher is influenced by the governors and the local authority, who are influenced by the regional director of the National Literacy Strategy, who answers to the national director of the strategy. He in turn answers to the head of the Standards and Effectiveness Unit in the Department for Education, who answers to the secretary of state. And thus we have established the delivery chain. Those responsible for delivery can then think through how best to exert influence at each link and, when the plan is being put into practice, it is possible to check whether each link in the chain is effective. Where there is a weak link it can be strengthened.[999]

Such moves to strengthen the role of the centre of government, and in particular, the department of the Cabinet Office, did not go unnoticed. Along with the Delivery Unit, a Strategy Unit, Performance and Innovation Unit, Social Exclusion Unit, and Third Sector Unit all found homes in the Cabinet Office in this period, reporting directly to the Prime Minister's Office.[1000] Individuals, such as John Birt – former Director-General of the BBC and a McKinsey Partner – were also brought in to advise the Prime Minister. Birt joined as "strategic advisor to the Prime Minister" to undertake a wholescale review of the criminal justice system. Despite, as Birt recalls, there being 300 academics in the Home Office doing specific work on youth criminal behaviour, Birt was the first to undertake for the Prime Minister a "landscape, big-picture, system view." In Birt's opinion, he was using the "McKinsey approach" to data and analysis to give this view.[1001] A 2010 review by the House of Lords on the changing nature of government concluded that "greater involvement and influence by the Prime Minister on policy delivery is inevitable in the modern age, that the Prime Minister's role has evolved over a long period under

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[999] Barber, *Instruction to Deliver*, 85-86.
[1000] See House of Lords, "The Cabinet Office", 9.
[1001] John Birt, interview with author in House of Lords, May 11, 2015. See Appendix for biography.

different governments, and that Prime Ministers will wish to use all possible resources in pursuit of the role."[1002]

Barber left the Delivery Unit in 2005. Over the next parliament it expanded its focus into "capability reviews" of government departments (these reviews were claimed in the media to be extremely critical, again highlighting the extent to which the Delivery Unit was not beholden to bureaucratic self-interest), though was disbanded by the Conservative-Liberal Democrat Coalition Government in 2010.[1003] The main reasoning was simply that the Unit was seen to be too closely linked to the previous administration. Indeed, this was so much the case that the civil service was explicitly asked by the incoming government to replace the term "delivery" with something less "jargonistic".[1004] Yet the Delivery Unit was resurrected by the Coalition government in February 2012, this time renamed the "Implementation Unit", with the Prime Minister David Cameron eventually recognising the benefits of such an organisation.[1005] According to Barber, it took the new administration six months to realise the mistake of disbanding the Delivery Unit. Responding to Steve Hilton, one of Cameron's close advisers, Barber claimed, "you learned fast – it took Blair four years to learn the same thing [the benefits of targets and delivery]".[1006] (Indeed, numerous commentators suggested Cameron had initially sought to take a much more "laid-back" approach to government than Blair – an "executive Chairman" – as Harold Macmillan described the role, rather than CEO. This may explain his

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[1002] House of Lords, "The Cabinet Office", 14; an earlier report in *The Economist* in fact presaged this, and warned of its dangers. "The new centre," *The Economist*, January 17, 2002.

[1003] Nicholas Timmins, "Whitehall performance has a long way to go," *Financial Times*, May 12, 2008, accessed April 12, 2015, http://www.ft.com/cms/s/0/a0da115e-1fbc-11dd-9216-000077b07658.html#axzz3Sw4tZ5vq.

[1004] "Blair's delivery unit will return under Labour," *The Independent*, September 8, 2014; "New Whitehall style guide bans jargon," *The Telegraph*, July 25, 2013, accessed April 12, 2015, http://www.telegraph.co.uk/news/politics/10201134/New-Whitehall-style-guide-bans-jargon.html.

[1005] NAO, "The Performance of the Cabinet Office 2013-14", November 2014, 23.

[1006] Barber, *How to Run a Government*, xviii.

initial willingness to devolve power from the Cabinet Office.)[1007]   The similarities between twentieth-century histories of the once heralded but long disbanded "Garden Suburb" Secretariat, Organisation and Methods Department, Civil Service Department, CPRS, Businessmen's Team, Efficiency Unit and Delivery Unit are apparent.[1008]

Five factors stand out in terms of the relevance of the Delivery Unit to the wider history of consultancy and the state. First, that the success of the Delivery Unit, along with Blair's Policy Unit and Strategy Unit as well as the significant increase in the use of consultants during the New Labour era (reaching £2.8 billion as an NAO report estimated in 2005-6) all gave credence to the view that Blair centralised state power around the Cabinet Office and Number Ten, and had used consultants to help achieve this.[1009] This was a view which had already gained traction since the early years of Blair's premiership, as Richard Willson's 1999 cartoon depicting a civil service kow-towing to Blair, following recommendations from McKinsey, attests to (see Figure 20).

[1007] George Parker and Sarah Neville, "Supermac returns to haunt David Cameron," *Financial Times*, June 16, 2014, accessed April 12, 2015, http://www.ft.com/cms/s/0/06488ba2-f567-11e3-afd3-00144feabdc0.html#axzz3WupzMQGc.

[1008] For more on the "Garden Suburb", see Hennessy, *Whitehall*, 66-68.

[1009] NAO, *Central government's use of consultants*, 5; the workings of the Strategy Unit are covered in Geoff Mulgan, *The Art of Public Strategy: Mobilizing Power and Knowledge for the Common Good* (Oxford: Oxford University Press, 2009), 127-28.

Figure 20: "Consultants have devised a new management structure to streamline the Whitehall machine"[1010]

It is within this context we can understand the political intent behind Cameron's attack in 2010 on New Labour's public sector legacy, stating that:

> For the last decade or so, in the name of modernisation, rationalisation and efficiency, we have been living under a regime of government by management consultant and policy by PowerPoint.[1011]

Second, consultants and civil servants – very visibly, given their influence at the centre of government – worked in tandem and effectively together. When media commentators somewhat backhandedly commented on Barber's team of "ferociously bright and focused young

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[1010] (c) British Cartoon Archive, University of Kent, Richard Willson, *The Times*, August 18, 1999.
[1011] Rosa Prince, *The Daily Telegraph*, May 12, 2008, accessed July 17, 2014, http://www.telegraph.co.uk/news/politics/labour/1950578/Labour-Tory-leader-David-Cameron-attacks-Labours-policy-by-PowerPoint.html.

things", there was no distinction between those who were consultants and those who were civil servants – they were working as one.[1012]   Third, even when consultants were – as with the Delivery Unit – truly working in the heart of government, it is important to reflect on *what* they were doing. Their focus was on implementing policy, not setting it.[1013]   The political decisions had already been made – it was their responsibility to help them be enacted. Despite the claims of social scientists that consultancy has "hollowed-out" government power, at least for the Delivery Unit, the exact opposite is true.[1014]   The Unit helped strengthen, not weaken the centre of government. As Barber explained, "the Delivery Unit was about empowering the bureaucracy – a major aim was to build the skills and capacity for government to deliver more effectively."[1015] The comparison with local government is pertinent though. In this part of the state, the use of outsourcing firms more plausibly weakened government powers as internal competencies such as running in-house IT services were completely lost. Fourth, the role of path dependency in public sector reform is once again apparent. Wilson proposed the Delivery Unit on the basis of his experience with the Efficiency Unit, and the methodology of the Unit came from previous work in the Department of Education. And fifth, the strength of the Delivery Unit came from the backing which the Prime Minister gave to it.[1016]   As Jonathan Powell suggested – echoing Machiavelli – reform only happens when it is led by a strong leader.[1017]   Yet ultimately, many politicians at the time cared little about *what* or *how* this reform was achieved, so long as it was.[1018] The important work of delivery was left to the consultants and civil servants.

[1012] Simon Caulkin, "It takes more than Mr Targets to get results," *The Guardian*, July 8, 2007, accessed April 12, 2015, http://www.theguardian.com/society/2007/jul/08/futureforpublicservices.business.
[1013] Although Barber has since argued that good government is 10 per cent policy and 90 per cent implementation, a view which highlights that the importance of delivery to state power should not be overlooked. "How to Run a Government." Michael Barber in conversation, LSE, March 16, 2015.
[1014] For more on this debate, see Dennis Kavanagh et al., *British Politics* (Oxford: Oxford University Press, 2006), 53-63.
[1015] Michael Barber, interview with author, April 17, 2015.
[1016] "How to Run a Government." Michael Barber in conversation at the LSE.
[1017] Powell quote in Diamond, *Governing Britain*, 234.
[1018] See for instance Jack Straw, *Last Man Standing: Memoirs of a Political Survivor* (London: Macmillan, 2012); David Blunkett, *The Blunkett Tapes: My Life in the Bear Pit* (London: Bloomsbury, 2006).

Retrenchment and consolidation

"Politicians of both parties tended to be somewhat in awe of management consultants, with the exception of Francis Maude."[1019]

Gus O'Donnell, Head of the Home Civil Service and Cabinet Secretary, 2005-11

In April 2014, a Non-Executive Director (NED) in a newly formed body based in the Cabinet Office, mused over the rationale for the state's continued use of consultants in the august surroundings of HM Treasury on One Horse Guards' Road.[1020] The individual was well placed to comment on the matter. The position, which was borrowed straight from business-practice (non-executive director), was concerned with matters which had hitherto been ignored in government (procurement), and had been formed on the basis of the recommendations of one business magnate – Sir Philip Green, the owner of the large retail chain Arcadia – and a consultancy, McKinsey.[1021] The individual had also been a consultant with McKinsey & Company and become a NED because of the "McKinsey network", a former McKinsey colleague and subsequently Conservative Member of Parliament was undertaking pro bono work for the Shadow Cabinet Minister, Francis Maude in 2009 on reforming government. The future parliamentarian called the prospective NED, and said, "'are you interested [in joining as a NED]?' I wasn't busy, I said yes and within a few days I was sitting with Francis Maude, then did the full civil service application [and joined.]"[1022] In the view of the NED, despite a marked reduction in consultancy expenditure by central government departments since 2010, the state continued to rely on the support of consultants because it lacked the skills the latter could provide. As the NED analogised: "I can't cook. So my wife does it. It's the same [principle]

[1019] Gus O'Donnell, correspondence with author, August 31, 2015.
[1020] Cabinet Office non-executive director, anonymous, interview with author, London, October 30, 2014.
[1021] Sarah Neville, "Business-style agency to run £12bn of government procurement," *Financial Times*, July 23, 2013, accessed April 12, 2015, http://www.ft.com/cms/s/0/31c6a8e8-f380-11e2-942f-00144feabdc0.html#axzz3Sw4tZ5vq.
[1022] Cabinet Office non-executive director, anonymous, interview with author, October 30, 2014.

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with consultancy skills."[1023] This echoes much of Richard Wilson's explanation that New Labour were looking for skills the civil service did not possess.

Yet the consultancy industry experienced a significant downturn in the wake of the 2008 financial crisis and was particularly hit as the Coalition embarked on an austerity drive characterised by public sector spending cuts. So-called "discretionary" expenditure on consulting services was amongst the first cuts targeted.[1024] This had been forecast by other Conservative politicians. In 2006, the future Health Secretary, Andrew Lansley, attacked how: "the government have been reaching for management consultants in a desperate bid to compensate for their management failures."[1025] (Though, just like his Conservative Health Secretary predecessor Keith Joseph who some thirty years earlier attacked Labour's use of management consultants – see Chapter II – Lansley, like Joseph, ended up spending hundreds of thousands of pounds on McKinsey once in power).[1026]

In the Coalition's first year in office, consultancy expenditure by Whitehall departments was reduced by one third.[1027] Subsequent years continued the trend. In 2013-14, the Cabinet Office estimated the annual savings on consultancy expenditure to total £1.6 billion – more than the entire cost of running the Cabinet Office and Treasury.[1028] In order to stay in the market for public sector work, established consultancies forsook financial gain. KPMG made bids for year-long projects with government departments for just £1 in 2011, and Bain undertook pro bono

[1023] Ibid.
[1024] Christopher Hope, "Government spends tens of millions on consultants, advertising and marketing despite crackdown," *The Telegraph*, December 16, 2010, accessed April 12, 2015, http://www.telegraph.co.uk/news/politics/8204842/Government-spends-tens-of-millions-on-consultants-advertising-and-marketing-despite-crackdown.html.
[1025] Quoted in NAO, *Central government's use of consultants: Market analysis*, (London: NAO, 2006), 65.
[1026] Daniel Boffey, "NHS reforms: American consultancy McKinsey in conflict-of-interest row," *The Guardian*, November 5, 2011, accessed April 12, 2015, http://www.theguardian.com/society/2011/nov/05/nhs-reforms-mckinsey-conflict-interest.
[1027] Gill Plimmer, "Whitehall cuts consultancy bill by a third," *Financial Times*, May 1, 2011, accessed April 12, 2015, http://www.ft.com/cms/s/0/4dcc56c4-7433-11e0-b788-00144feabdc0.html#axzz3Sw4tZ5vq
[1028] NAO, *The 2013-14 savings reported by the Efficiency and Reform Group: Report by the Comptroller and Auditor General* (London: NAO, 2014), 17; NAO, *The centre of government: Report by the Comptroller and Auditor General* (London: NAO, 2014), 14-16.

work in the Department for Education. As, Alan Downey, KPMG's Head of Public Sector, explained: "From a commercial perspective we're hoping the central government market will get better in the second half of 2011. It's not a question of thinking the chequebook will come out and we'll go back to the way it was but it will come to a more moderate level. We wouldn't do free work permanently. We couldn't afford to. We have to make an acceptable return."[1029]

Despite Francis Maude's ambitions, Downey's optimism was proved correct. As this thesis has shown, fifty years of an increasing trend towards the use of consultants would not reverse overnight. Several developments in the culture and structure of the public sector had made the continued use of consultants inevitable. Explicit government frameworks were set up – some forty-five years after the principles underpinning them were proposed by the Treasury – to facilitate the procurement of consultants.[1030] The Office of Government Commerce's 2009 "Buying Solutions" framework, and 2013 successor, "Consultancy One" sought to vet the quality of consultancies and thereby reduce the transaction costs to departments in hiring consultants by having a "preferred" list of suppliers.[1031] Whilst many consultancies experienced a reduction in public sector income, the development of such procurement routes made explicit that their continued use was acceptable, so long as it was judicious.

The so-called "revolving door" between consultants and the public sector also meant that consultancy ideas, values, and networks of potential consulting resource were in great abundance; their sheer presence and influence made the use of consultants more likely. Ian

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[1029] Polly Curtis, "Whitehall supplier offers year's worth of free contracts while times are tough," *The Guardian*, January 2, 2011, accessed 12 April 12, 2015, http://www.theguardian.com/politics/2011/jan/02/kpmg-government-supplier-contracts-consultancy; Rajeev Syal, "Michael Gove appoints management consultant to oversee education cuts," *The Guardian*, February 14, 2013, accessed April 12, 2015, http://www.theguardian.com/politics/2013/feb/14/michael-gove-us-consultancy-education-cuts.
[1030] See Chapter I: Planning, 1960s-1970s.
[1031] Peter Smith, "ConsultancyONE," *Spend Matters UK/Europe*, February 14, 2013, accessed 12 April 2015, http://spendmatters.com/uk/consultancyone-framework-contract-for-government-consultancy-services-awarded/.

Watmore, who worked as both a consultant and civil servant, rationalised that the development

of such cross-sector thinking was hardly a surprise:

> When I joined Andersen we had about 200 consultants – now there are around
> 12,000. So firstly, the sheer scale of consulting and the numbers of consultants
> changed. And second, when I joined Andersen in 1980 the civil service was
> perceived as slow, bureaucratic and Sir Humphrey-like (even if it was before Sir
> Humphrey was invented). But from the 1980s it went through a major change,
> starting with the FMI and Rayner Scrutinies. This was the start of the age of the
> "celebrity business reviewer" such as the 1983 Griffiths NHS Review. Gordon
> Brown (and Blair before) also made great use of the "celebrity business review".
> But the reforms really started much earlier than people think – most think it was
> the 1990s – and really it started with Thatcher in the 1980s; it was an incredible
> journey of civil service modernisation. So you get two major things happening: a
> huge expansion in consultancy, and a change to be more business-like in the civil
> service. And that really makes it inevitable that you have these cross-boundary
> flows.[1032]

Notwithstanding these long run trends, the number of high profile figures in the public eye with

consulting backgrounds – William Hague, Leader of the Conservative Party; John Birt, former

Director General at the BBC and later a "policy guru" to Tony Blair; Adrian Masters, who

became the Chief Executive of Monitor, the body which looked after all NHS Foundation

Trusts – frequently made consultants the subject of front-page headlines.[1033] For many

consultancies, this provided an excellent marketing opportunity. Indeed, little had changed since

the 1970s, when Barry Hedley recalled that BCG was relaxed with the media furore surrounding

its report on the motorcycle industry for the Department of Industry.[1034] Also helping to spread

the influence of consultancies was that those who had worked in the public sector for

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[1032] Ian Watmore, interview with author, February 12, 2014.
[1033] Cathy Newman, "Birt quits McKinsey amid conflict of interest concerns," *Financial Times*, July 13, 2005, accessed April 12, 2015, http://www.ft.com/cms/s/0/47f5b0ee-f33b-11d9-843f-00000e2511c8.html#axzz3Sw4tZ5vq.
[1034] Barry Hedley, interview with author, March 18, 2011.

consultancies would often go on to form their own consultancies, thereby facilitating the supply of further consultants. For instance, 2020 Delivery, a consultancy focused on clients undertaking public service work, was formed in 2006 by two former members of the Prime Minister's Delivery Unit.[1035] The credibility and connections these individuals had gained in the Delivery Unit undoubtedly helped win work within the public sector, as the name of the Delivery Unit resonated positively with prospective clients. These networks were self-perpetuating.

Whilst the Coalition government did manage to curb spending on consultants in central government, expenditure continued to expand in the "delivery" parts of the state: local authorities, the NHS, and arms-length bodies.[1036] This is explained by the different elements of the British state. Whilst the executive state – via spending controls in the Treasury and Cabinet Office – could dictate to central government departments how they spend their money, the delivery parts of the state had a weaker connection to the executive which could not mandate in such a way. Ever since the Next Steps report, for instance, arms-length bodies were granted a degree of fiscal autonomy which was not afforded to government departments – they were consequently freer to spend on consultants as they chose.[1037]

What the public sector spent on consultants had changed in nature since the emergence of consultancy in the state in the 1960s. As project management skills became more common-place throughout the public sector (though, as the quote at the start of this section attests to – not necessarily highly valued), the longer, more traditional "operational" types of work of consultants became less frequent. As a *Financial Times* report on the "business of consulting" highlighted in 2014, consulting engagements became smaller and more specialised.[1038] In the 1980s, by contrast, Arthur Andersen undertook a "front-end" diagnostic study for the Operational Strategy

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[1035] I have worked at 2020 Delivery since 2007.
[1036] MCA, *The definitive guide to UK Consulting Industry Statistics 2012* (London: MCA, 2012), 22.
[1037] "The Business of Consulting," *Financial Times*, November 11, 2014.
[1038] Ibid.

(see Chapter 3) as well as a multi-year "back-end" implementation project. Yet by the 2010s, such work was rare, with consultants more likely to be called in to provide discrete, specialised advice, such as consulting on "digital transformation strategies" whilst not necessarily undertaking the work themselves.[1039] In practice, this meant the consulting market became even more fragmented. The bigger firms consolidated, Monitor and Booz & Company were acquired by competitors and maintained high consulting rates, whilst smaller, more niche firms emerged which could offer lower day rates due to lower overheads, and often would be staffed with former consultants from the larger firms.[1040] In terms of the types of work undertaken, the size of firms and fees offered, the market had never looked more diverse.

Global economic factors and their impact on public sector pay benefited consultants, though. In the late 2000s, as pay was restrained in the face of the Coalition's austerity policy, fewer individuals transferred from the private to public sector, thereby also reducing this mode of skills transfer.[1041] As the gap between private and public sector pay at senior levels increased (public sector posts received between 30 to 64 per cent of comparable private sector ones), it became unattractive to make the change. 23 per cent of senior civil servants moved from the private sector in 2004, and this figure dropped to only 9 per cent in 2012.[1042] As buying-in private sector skills on a permanent basis became harder to do, doing so on a temporary basis remained a viable alternative, to the continued benefit of consultants.

[1039] Ibid.

[1040] "Business of Consulting," *Financial Times*, November 15, 2010.

[1041] Although the Coalition government did expand an alternative means of skills transfer: increasing the number of former senior figures in the private sector joining as Non-Executive Directors in state departments or agencies. Elizabeth Rigby and Jim Pickard, "Labour questions impartiality of Whitehall advisers," *Financial Times*, April 8, 2015, accessed April 14, 2015, http://www.ft.com/cms/s/0/c0d5ec68-db98-11e4-86a8-00144feab7de.html#axzz3XGLv2eAP.

[1042] NAO, *Building capability in the Senior Civil Service to meet today's challenges* (London: NAO, 2013), 16.

The competencies of the modern state

"There's a pervasive view in Whitehall that those who do are below the salt, while those who think are above the salt."

Attributed to civil servants[1043]

A 2014 review by the Public Administration Select Committee briefly touched upon the impact of the use of consultants by the state. Lord Adonis, a Minister in Tony Blair's governments, reflected with disdain as to how "the routine use of consultants has, to a substantial extent, deprofessionalised the Civil Service. You can reach for McKinsey or whomever, and therefore you do not need to inculcate financial management, project management and other skills in civil servants."[1044] When asked to explain the growth of consultants under his tenure as Head of the Home Civil Service, Gus O'Donnell volunteered similar thoughts:

> I have never been a fan of the long-term use of management consultants. If real skills are needed in the long-term then they should be built and brought in-house. But if you need them in the short-term, then I think it is fine to get [consultants] in. What are the skills deficit that we have? Commercial, negotiating and commissioning. Why? Because the private sector pays loads of money to people with these skills. And so it's better to pay in the short-term for these skills. I'm in favour of paying.[1045]

This broadly pragmatic and economic view is understandable, particularly where the boundaries between public and private actors working for the state had broken down. Yet the question

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[1043] King and Crewe, *The Blunders of Our Governments*, 282.

[1044] HoC, *Truth to Power*, 128.

[1045] Gus O'Donnell, conversation with author in Bloomsbury, London, February 18, 2015. See Appendix for biography; The view that certain skills are not widely possessed by the civil service is supported by Martin Stanley, a former civil servant from the 1970s to 2000s. Stanley opines: 'Civil servants tend to get promoted because they are good at working with Ministers as distinct from delivery projects and services. This means that management consultants should indeed add something to the mandarins' skill set." Martin Stanley, conversation with author in Institute of Directors, Pall Mall, September 17, 2015.

remains as to why, despite the huge moves by the state towards developing private sector-style skills, to the extent that in 2015 one could walk into any prison, school, local authority or central government department and hear talk of service level agreements, performance targets and digital aspiration, the skills O'Donnell mentioned did not exist within the civil service.[1046] This question lies at the heart of the growth of public sector consulting since the 1990s. The answer is two-fold. First, management consultants had, over the past fifty years, demonstrated they were capable of working in tandem with the public sector to provide these skills. And second, as the state relied more and more on consultants, these skills – or, to borrow Porter's phrase again "core competencies" – were either lost or never developed by the state, so that turning to outside help was the only option available in an era when such private sector skills were highly prized in the "hybrid state."[1047]

[1046] See Graeber, *The Utopia of Rules* for similar experiences in America.
[1047] Christopher Hood made a similar point to the PASC in 2013-14, suggesting that consultants now held much "corporate memory" of the civil service, rendering them almost indispensable. House of Commons, *Truth to Power*, 85; King and Crewe, *Blunders of Our Governments*, describe this as "asymmetries of knowledge", 379-382. Both points are correct and reinforce the "core competencies" thesis.

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Conclusions

A British citizen in the 2010s looking for the influence of management consultancies on their lives would find much, but only after some consideration. The impact would be subtle and indirect, though noticeable. Any post gently dropping through a letterbox would, if delivered by Royal Mail (a once public body, privatised in 2014), have been undertaken via a route optimised following the advisory services of McKinsey & Company.[1048] Should bins be due for collection, they might well have been collected by council workers wearing the uniforms of Serco – the outsourcing and advisory body.[1049] If the loud clanging of bins had reminded our citizen of the need to pay their local authority for garden waste collection for the year, this could involve making an online payment via Capita.[1050] Whilst online, our resident would undoubtedly be able to access a "balance scorecard" to view the "performance management" statistics of the local council. Perhaps disregarding these, on arrival at work, it would be hard for this individual to ignore her public sector employer's requests for a review of its "corporate strategy" – a concept brought to Britain by the American generation of consultancies.[1051]

In short, it is the mundane and administrative parts of the British state which have been most heavily influenced by management consultancies. Yet, as this final chapter concludes, the mundane can be of great importance. At the start of this thesis, three questions were posed. First, why were management consultants brought into the machinery of the state? Second, how

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[1048] Andrew Hill, "Royal Mail: The Inside Story", *Financial Times*, October 17, 2014, accessed August 18, 2015, http://www.ft.com/cms/s/2/7b54bc84-54c3-11e4-bac2-00144feab7de.html; "Leading in the 21st century: An interview with Moya Greene," McKinsey & Company, accessed August 18, 2015, http://www.mckinsey.com/insights/leading_in_the_21st_century/an_interview_with_moya_greene.
[1049] See for instance, "Serco – Bins and Recycling", Canterbury City Council, accessed August 18, 2015, https://www.canterbury.gov.uk/contact/environment/bins-and-recycling-team/.
[1050] See for instance, "Garden Waste Collection," London Borough of Sutton, accessed August 18, 2015, https://www.sutton.gov.uk/info/200449/waste_and_recycling/1228/garden_waste_collection.
[1051] See Chapter II

has state power been impacted by bringing profit-seeking actors into the machinery of the state? And third, how has the nature of management consultancy changed over time? This thesis has sought to address these questions by analysing, from the 1960s to the 2010s, the distinct generations of consulting firms which gained prominence in advising and assisting the functions of the British state, through reforming the civil service, reorganising the National Health Service, automating benefits payments, and helping departments meet performance targets. This history has demonstrated the openness of civil servants to working with non-state actors, the changing and also permanent characteristics of the British state, and the important nuances needed to interrogate the nature of monolithic terms such as the "state" or "consultancy", or even, "Britain". In this conclusion, the two concepts of the "governmental sphere" and "hybrid state" are brought to full light, conclusions are drawn to where power truly lies in the British state, and further avenues for research are proposed.

The governmental sphere and the hybrid state

"It is, however, true to say that the compact nature of the managerial layers of English society – the fact that 'everyone knows everyone else' – means that scientists and non-scientists do in fact know each other as people more easily than in most countries."

C.P. Snow, 1956[1052]

A notable characteristic of the postwar British state has been the polyphony of voices discussing its reform. During the early 1960s, the concept of "planning" was proclaimed by state officials learning from Scandinavia or France, developed by consultants seeking to apply industrial efficiency techniques in the public sector, and politicians, employers and trade unionists looking to modernise Britain. The extensive use of McKinsey in the 1970s was facilitated by the consultants' deliberate ambition to infiltrate and influence the elite networks of British society,

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[1052] C.P. Snow, "The Two Cultures," (paper for The Rede Lecture, 1959), accessed August 19, 2015, http://s-f-walker.org.uk/pubsebooks/2cultures/Rede-lecture-2-cultures.pdf

tapping into Oxbridge or networks centred on gentlemen's clubs. The ease with which engineering university graduates of Arthur Andersen fraternised with middle-ranking Executive class civil servants in the 1980s during the Operational Strategy speaks to a different network; one which the "new technical middle class" in Britain, as David Edgerton describes, thrived in.[1053] And, more recently, the seamless movement of individuals between private sector consultancies and public sector organisations, and vice-versa, frequently with briefs to modernise the state or the market or both, highlights the enmeshing of professional circles and networks.

Yet what joins these networks together? I propose that, gathering pace since the postwar period, a "governmental sphere" has developed, predominantly in Western, liberal-capitalist societies. In this "governmental sphere", actors (both individuals and organisations) from a diverse array of backgrounds (the media, politics, academia, business, consultancies) have participated in public and private discourses concerned with how states and organisations should be *governed*. By "governed", I take this to broadly mean the "administration and management of". What binds this sphere together is a political agnosticism – which is why consultancies have thrived across political administrations – and a conviction that *governing* is a discipline which crosses the boundaries of private and public enterprises.[1054] This led to a homogenisation of modes of *government*, hence why targets and performance metrics in the early twenty-first century are as at home in a public school as they are in a hospital or oil refinery.

There is a critical point here for our understanding of consultancy and state: as Figure 21 suggests, consultants were just *one* of the multitude of influences contributing to the discourse regarding how to administer the state.

[1053] Edgerton, *Warfare State*, 172-73.

[1054] Though out of the scope of this research, I feel there may be a hypothesis worth testing regarding the extent to which the emergence of the "governmental sphere" in the postwar British state can help to explain the country's ultimate rejection of corporatism. For more on corporatism, see Alan Booth, "Corporatism, capitalism and depression in twentieth-century Britain," *The British Journal of Sociology* 33, no.2 (1982): 200-223.

Figure 21: The "governmental sphere" and forces of influence

Factors such as: political
ideology (e.g., nationalisation);
international legal constraints
(i.e., IMF, EU), etc.

**Politico
-legal**

Networks: Oxbridge, gentlemen's clubs. business schools,
consulting alumni, World Economic Forum, UN

Politicians

Consultants

Civil
servants

Academics /
business
schools

Business
leaders

Think-tanks

Media: liberal global publications, conferences, academic and trade
books, articles, informal discussions

Economic

**Socio-
cultural**

Factors such as: internal
pressures (i.e., wage
inflation); external pressures
(i.e., oil price shocks), etc.

Factors such as: cultural
beliefs (i.e., meritocracy);
private sector developments
(i.e., outsourcing), etc.

The model presented here borrows from Hugh Pemberton's schema for understanding the early 1960s "policy-making community", which demonstrates the "fragmented, interdependent and self-organising…policy networks" in his period of enquiry.[1055] This approach helps explain why in 1978, the Callaghan government closed the Kirby Manufacturing Enterprise, despite the advice of PA Management Consultants to the contrary or why in the early 2000s, Michael Barber, an academic, influenced the creation of the Prime Minister's Delivery Unit, which then was further developed through the use of management consultancies. For this reason, we can confidently disabuse some of the more pernicious accusations levelled at consultants: that they have too much power, influence, or treat their clients as "marionettes on the strings of their fashions."[1056] Consultants certainly have held an influential voice in discourses regarding the development of the British state; but they have been by no means dominant – which is why the claims of a "consultocracy" taking over in British society are overstated. Consultants shaped and participated actively in the advent of the "governmental sphere", but they have been mollified, supported or undermined by the other actors in this sphere.

This sphere reacts to external trends, developments and processes. The ideas within it clearly do not form within a vacuum. The turn of the state towards the use of private enterprise in the early 1980s was a reaction to the perceived national decline of British industry in the late 1970s. Earlier, in the 1960s, planning was embraced with fervour in a bid to maintain British global standing. In the 1990s, the ideology of the Third Way and influence of American governance approaches shaped the New Labour public sector reform agenda. And in the 2010s, the

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[1055] Pemberton, *Policy Learning and British Governance*, 11.
[1056] Cited in Kipping and Engwall, *Management Consulting*, 14.

Coalition government's foreign policy was influenced by David Cameron's reading of a book by the journalist David Gardner, of the liberal, internationalist, *Financial Times*.[1057]

Noteworthy characteristics of the "governmental sphere" are its various forms, wide membership and expansive geographic span. Alcon Copisarow's networking in the Athenaeum Club, which helped gain McKinsey a major assignment to restructure the government of Hong Kong, suggests a closed, parochial, and physical sphere. So too, does the fact that John Banham's successor at the Audit Commission was unearthed aboard an airplane travelling back to London from the Ashes cricket tournament. Yet the transatlantic influence of the best-selling book *In Search of Excellence* on Western modes of governing states belies a more dynamic, open and multi-media form. Publications such as *The Economist*, *Financial Times* or even the lesser-read *Management in Government* (each British, though the first two with a broad, international audience) frequently compelled readers to embrace modern management methods. Similarly, the success of consultants in gaining trust in elite cadres and the new technical middle class of British society demonstrates both the diminishment of the role of class in the British state, whilst simultaneously highlighting lingering facets. Does, for instance, Arthur Andersen's hosting of a disco party for civil servants to celebrate the end of the Operational Strategy demonstrate the ultimate in civil service-consultancy collaboration, or just another power dynamic, where one privileged group (consultants) hosts for a less privileged one (civil servants)? The answer, undoubtedly, varies by contexts, but alludes to the complexities of the "governmental sphere".

It is the same actors in the "governmental sphere" who have been critical to the rise of the "hybrid state" in the latter stages of twentieth-century Britain. In this hybrid model, the boundaries between public and private agents were blurred to the extent that both were intimately intertwined in the workings of the state. Despite claims in the popular media, through

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[1057] Cited in Anthony Seldon and Peter Snowdon, *Cameron at 10: The Inside Story* (London: HarperCollins, 2015), 101. The book was *Last Chance: The Middle East in the Balance* (London: I.B. Tauris, 2011), and opined that Arab countries had to escape the rule of "autocracy" or their lives would face "bleak despair."

the vantage point of twenty-first century Britain this is by no means an historical aberrance. Our history of consultancy and state can be broadly demarcated into three phases. In the first phase, from the Edwardian era to end of the Second World War, we have a "private sector-led state" period, with a high degree of non-public provision of state functions. Public sector expenditure as a proportion of gross domestic product (GDP) was low, at around 20 per cent.[1058] Despite the emergence of the Liberals' welfare reforms, voluntary, philanthropic and private sector providers dominated the provision of welfare services. In terms of the warfare state in the Second World War, large bodies such as the National Filing Factories were run by private sector bodies, but contracted by the state.[1059] In this era, at the risk of anachronism, we can conclude that the majority of services contemporaries would deem to be "public services" were provided by private agents, charities and philanthropists. Consultants were used by the state, but only on an ad hoc basis, and usually to stimulate the workings of the private sector; particularly with regards to industrial efficiency.

In the second phase, from the Second World War to the early 1980s, the state became larger (reaching around 50 per cent of GDP) and welfare services, which emerged in tandem with a declining warfare state, were overwhelmingly delivered by public sector agents. This era can be broadly defined as the "public sector-led state." In this period, bodies such as British Railways, the National Gas & Coal Board or the National Health Service, were symbolic of the confidence the public, state officials, and politicians placed in the public sector. Management consultants emerged and thrived in this era; they were hired by state bodies seeking to learn from other nations or industries as to how to be more effective. Significantly, though, faith was still placed in the ability of the state to combat decline – the spate of consultancy assignments in the late 1970s aimed at revitalising the nationalised industries bear testament to this.

[1058] For figures see Roger Middleton, *Government Versus the Market: The Growth of the Public Sector, Economic Management and British Economic Performance, c. 1890-1979* (Cheltenham: Edward Elgar, 1996), 100.
[1059] Edgerton, *Warfare State*, 184.

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Our final phase, from the 1980s onwards marked a dramatic change and heralded the emergence of the "hybrid state." Here, a swathe of privatisations – which numerous consultants advised on – and the advent of large-scale outsourcing, particularly through the use of firms such as Capita, fundamentally change the delivery model of the "public sector-led state." Whilst the size of the state as a proportion of GDP remained roughly similar (though it dropped around five percentage points) to our previous phase, the important difference was that much of this spending went to private providers: an estimated £187 billion in 2013.[1060] In this hybrid state, whilst the welfare developments of the "public sector-led state" remained, the profile of those delivering the services changed: administrative staff, IT services, hospital porters, waste collection, social care staff, even government policy could now be delivered by non-public sector actors. The services of management consultancy firms increased significantly in this period, as they helped reform, align, and reorganise state bodies for this new age. Of course, other actors were also engaged in advising or supporting changes in this period – players in the aforementioned – "governmental sphere". The "hybrid state" was the product of many hands.

Whilst attention in this thesis has focused overwhelmingly on public-private considerations with regard to the state, one can trace a similar convergence of worlds in the non-state sphere. The financial crisis of 2008 led to public funds being used to prevent private banking institutions from becoming illiquid. The state became the Royal Bank of Scotland's largest shareholder group (with over 80 per cent ownership in 2013).[1061] This resulted in considerable blurring of definitions between the public and private. The Royal Bank of Scotland Group public limited company (the name "public limited company" itself begs questions as to the nature of the public/private dichotomy) maintained the governance arrangements of a private firm, yet had it

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[1060] NAO, *The Role of Major Contractors in the Delivery of Public Services* (London: The Stationery Office, 2013), 10.

[1061] Tom Clark and Jill Treanor, "Royal Bank of Scotland should stay in public ownership for now – poll," *The Guardian*, April 16, 2013, accessed August 18, 2015, http://www.theguardian.com/business/2013/apr/16/royal-bank-scotland-stay-public-poll

become part of the state? Highlighting the homogenising influence of the "governmental sphere" in 2011 RBS even hired McKinsey to advise on a cost-efficiency restructuring.[1062] In the "hybrid state", what was public seemed increasingly private, and what was private became public.

Power, consultants, politicians and Sir Humphrey

How did the powers of the state change in this period, and what role did consultants play in particular? In the Introduction, I introduced an analytical model for analysing the powers of the state (re-listed below).

1. Coercive power

2. Fiscal power

3. Legal and normative power

4. Functional and service power

5. Administrative power

The purpose of this analytical model was to bring rigour to debates which have variously suggested consultants – and private sector agents more broadly – have "hollowed out" the state, or caused its "death". Yet, a detailed look at these powers leads to a different conclusion. The use of management consultants has in no notable way impacted the state's ability to declare wars or coerce individuals into action. Consultancies, to a mild extent, may have increased the fiscal powers of the state: Arthur Andersen's work on the Operational Strategy was, in part, aimed at reducing error, thereby reducing the administrative costs of the state. But this is a largely indirect impact. Consultants have had nil impact on the state's law-making powers.

[1062] Emily Gosden and Harry Wilson, "RBS overhaul to see mass job losses," *The Daily Telegraph*, December 18, 2011, accessed August 18, 2015, http://www.telegraph.co.uk/finance/newsbysector/banksandfinance/8964715/RBS-overhaul-to-see-mass-job-losses.html.

Where consultancies clearly have impacted the state is in our final two delineations. McKinsey's work on the reorganisation of the National Health Service included analyses of service provision models to citizens, for instance. Although, as we have seen, ultimately consultants did not possess decision-making powers. In terms of administrative power, consultants have undoubtedly changed the operations of the state. Whether this be through introducing planning in government departments, changing the structure of the British Railways Board, or generating intelligence to the Prime Minister through the Delivery Unit, the administrative functions of the state have been fundamentally shaped and reshaped by consultancy. Administrative power changes the way citizens engage with the state; certainly, this is significant in its own right. Nevertheless, to paraphrase Quentin Skinner, Accenture, Capita or Deloitte are not going to deprive any citizen of their liberty, wage a war, or raise taxes; these are powers which still only state officials and politicians hold.[1063] This is important because it means the more nefarious accusations levelled at consultants must therefore be reasonably discounted. But consultants nevertheless materially changed *how* the functions of the state were undertaken, if not necessarily *what* these functions were.

The emergence of outsourcing firms is more complex, though. Whilst this thesis has focused attention on management consultancy firms, outsourcing has been included both because firms such as Capita have their origins in consulting, and to highlight the differences between the two. Referring back to our "powers" of the state, Capita's running of the Criminal Records Bureau during the early 2000s emphatically *did* grant the ability to a private provider to determine whether an individual was a criminal or under investigation for being one. The important caveat is that Capita were still ultimately accountable to state officials for how they ran the CRB, but this was still a significant new development in the operations of the state. The role of private providers here is a further demonstration of the "hybrid state" in action.

[1063] From Quentin Skinner, "What is the state?" (Lee Seng Tee Distinguished Lecture, Wolfson College, University of Cambridge, 24 October 2007).

However, the use of consultants by state bodies became so commonplace that a clear attenuation of the state competencies was discernible. As the former Cabinet Secretary Gus O'Donnell commented in 2014 regarding the skills deficit in the civil service, skills most frequently found in private sector organisations – negotiating, commissioning, contracting – became highly sought after in the British state in the early twenty-first century.[1064] As a consequence, consultants were commonly used to bridge the gap between supply and demand; there was simply insufficient in-house capability in the state to match the demand for these skills, especially as the "hybrid state" adopted an increasingly private sector methodology. The rationale given for the contracting of Capita's services for the running of Transport for London's congestion charge from 2003 being a case in point.

To borrow Michael Porter's term, the loss of these "core competencies" can best be explained by a simple but powerful force in British political history: "path dependency". The use of consultants quite simply begat the greater use of consultants, to the extent that internal capability became sufficiently diminished so that is was no longer economically viable, or practically possible, to rebuild the competencies. The use of the accountancy and data processing generation of consultancies to plug the state's decline in state computerisation competencies demonstrates this vividly. So too does the repeated use of consultants for similar tasks by the same organisation: the Post Office or BBC's use of McKinsey for strategic reviews from the 1960s to 2000s, for instance. Once consultants had gained a foothold in the state via the Civil Service Department, it became easier for state bodies to use them. And once they had been used, they would generally generate trust and confidence in their services, which would further the likelihood of their future use. This insight would come as little surprise to consultants themselves, who are aware that the majority of fee income is from repeat clients.

[1064] Gus O'Donnell, conversation with author in Bloomsbury, London, February 18, 2015.

This thesis has hopefully demonstrated the need for a far more nuanced appreciation of the meaning of "management consultancy" than academia has hitherto provided.

Table 1 demonstrates the distinct backgrounds, types of work, fees and impact of consultancies in this period. It is clearly naïve to speak of a homogenous entity of "consulting"; all future studies need to be precise about the nature, intention, and types of actors at play. Similarly, this thesis should have provided a far more detailed but also complete view of the "state" than typical histories. By the 2010s, pictured of consultancies serving the state was even more mixed, as Table 15 shows.

Table 15: Selection of state consulting assignments of all generations, 2010s[1065]

Date awarded	Consultancy	Organisation	Description	Fee (excl VAT)	Duration	Generation
2010	Capgemini	Croydon Council	IT strategic advice and infrastructure services, continued from contract begun in 2003	£83,000,000	36 months	Data processing
2010	Serco	Enfield Council	Outsourcing IT provision and management support, continued since 1999	£24,000,000	60 months	Outsourcing
2011	PA Consulting Group	Department of Business, Innovation & Skills	Facilitation of three workshops	£50,400	4 months	British
2012	Capita	Unknown	Recruitment of 2 programme planners for central government work	£100,000	6 months	Outsourcing
2013	McKinsey	Ministry of Defence	Extension to Equipment Support Programme	£3,860,000	6 months	American
2013	McKinsey, PA Consulting, Deloitte	Department of Health	Support to Unsustainable Provider Regime	£2,000,000	n/a	American
2013	Accenture	Department for Work & Pensions	Ongoing support for DWP in Universal Contract	£8,436,000	54 months	Accountancy
2013	Capgemini	Fife Council	Transformation partnership for business and management consultancy service	£26,000,000	48 months	Data processing
2013	pwc	HM Treasury	To support the mitigation of HMT reporting risk and support the Asset Protection Scheme's financial stability objectives, including protecting RBS against exceptional credit losses on a specific portfolio of assets, by performing procedures to determine the accuracy of the data reported by RBS	£8,000,000	n/a	Accountancy

[1065] Author analysis from Hansard, data.gov.uk, and consulting reports.

2014	KPMG	HM Treasury	Project management support that will deliver the plan that enables The Pensions Advisory Service to provide the Pensions Guidance Guarantee Service for HM Treasury from April 2015	£750,000	5 months	Accountancy
2015	Deloitte	Driver & Vehicle Licensing Agency	To support DVLA with the exit from their current IT outsourced contract (PACT), developing and implementing a new target operating model, focused on digital capability and transitioning the IT services to DVLA and where appropriate to select suppliers	£350,000 – £3,000,000	12 months	Accountancy
2015	Capita	Sheffield City Council	Outsourcing of administrative functions	£170,000,000	120 months	Outsourcing

It is, I argue, not only possible, but vital, to attempt to delineate different elements of the state. Without doing so, we merely revert to broad and unhelpful generalisations about the "civil service" or "politicians". As Figure 242 shows, one can chart different elements of the state, but also how different consultancies were used by these elements.

Figure 22: Bodies of the state and how consultants have changed its powers
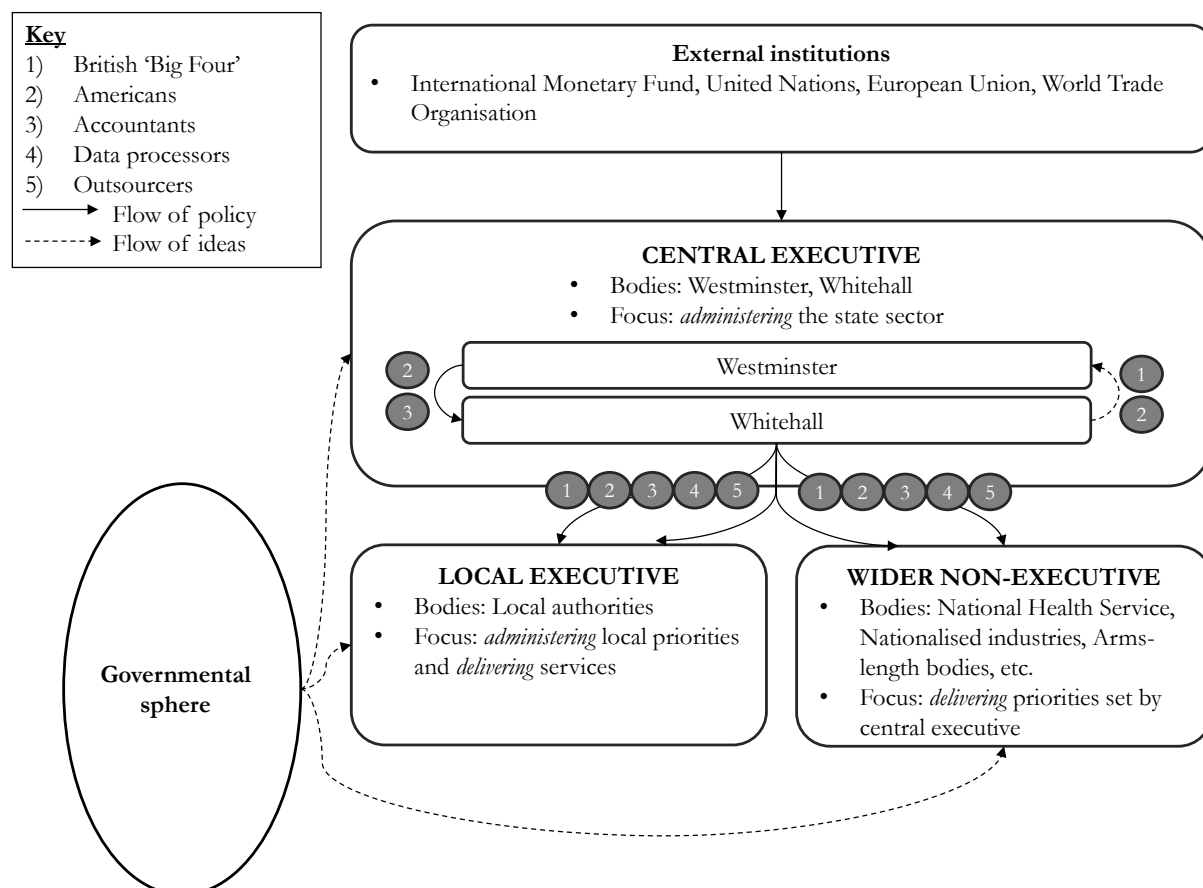
The state is much greater than Westminster and Whitehall. Indeed, the roles of civil servants highlight the fact. In 2014, of 440,000 civil servants, only 19,000 (4 per cent) worked on "policy" – the purview of Whitehall central departments. By comparison, the majority of civil servants were engaged in "operational delivery" – 251,000 (57 per cent). And 83 per cent of civil servants worked *outside* London.[1066] Clearly, London-centric histories are misleading. But by the same token, it is dangerously facile to speak unthinkingly of a "British state". Major state reforms

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[1066] Based on author analysis of Office for National Statistics, "Civil service employment statistics, 2014." Accessed August 18, 2015, http://www.ons.gov.uk/ons/rel/pse/civil-service-statistics/2014/index.html.

have seldom covered all of the British Isles, and significant differences exist between the operations of major state institutions, such as the NHS, across the jurisdictions. That there is clearly a connection of power between Westminster and Whitehall throughout the British Isles demonstrates there is still value in the term "British state", but the various complexities in these connections call for careful analysis.

A major consideration of this thesis has been where power lies in the British state. We have seen major state reform take place away from Whitehall; much of the Operational Strategy was developed and implemented in the provinces, for instance. And this tempers somewhat the claims by many, such as Patrick Joyce, that Britain is the most "centralised state" in the world.[1067] This presumes a mono-causal, linear connection between policy making in the executive centre and service delivery in the agencies, state bodies, or local authorities. As Figure 23 shows, the state sector as an entity is far greater than the commonly assumed Westminster and Whitehall cadre; with the armed forces, NHS, and public sector construction elements clearly different in nature.

[1067] Joyce, *The State of Freedom 1800*, 335.

Figure 23: The composition of the British state[1068]

Public sector employment by industry, 1991-2014 (000s)
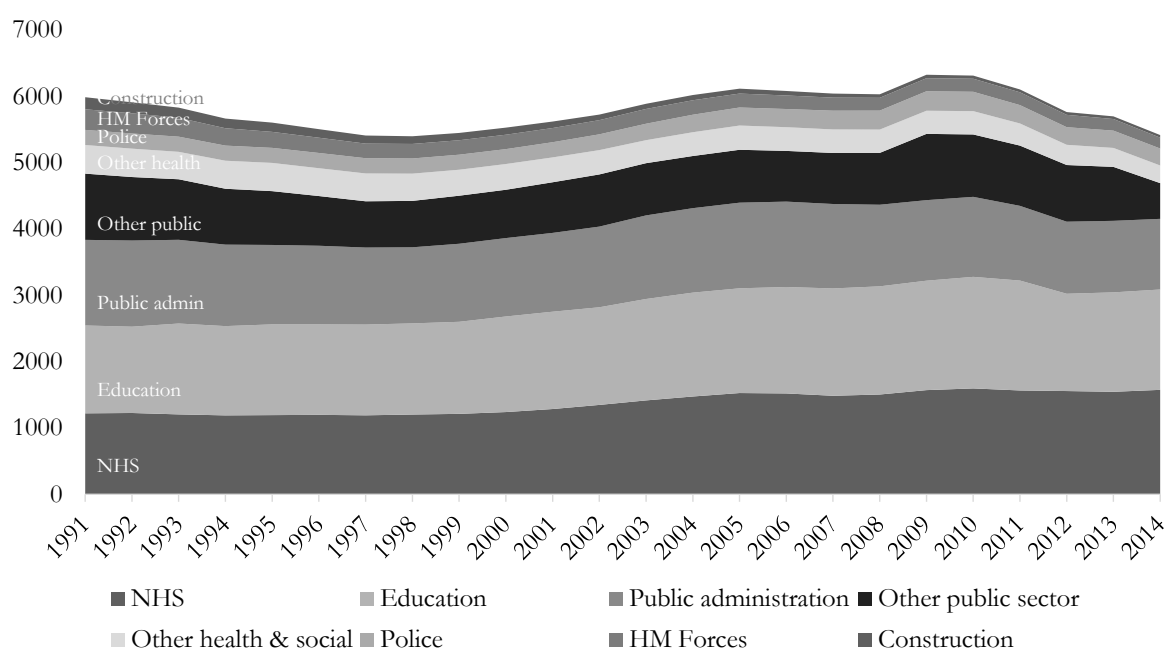
Indeed, much of the use of consultants by central government departments, such as the Prime Minister's Delivery Unit, was intended to strengthen the power of the centre, precisely because civil servants and politicians felt otherwise they were pulling at "rubber levers".[1069] Westminster and Whitehall undoubtedly exerts a strong power over the British state, but the history of its relationship with consultancy demonstrates that in order to gain a truer and deeper understanding of its nature, we need to look beyond a small part of London to understand how the state functions.

The history has also helped to show the nuanced, complex and varied roles of the British state. Consultants worked on both its policy-making aspects (such as advising the Department of Industry on the motorcycle industry's future prospects) but also on its multifarious service delivery aspects; either in the Royal Ordnance Factors, the operations of the Department for

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[1068] Based on author analysis from Office for National Statistics, "Public Sector Employment." Accessed August 18, 2015, http://www.ons.gov.uk/ons/rel/pse/public-sector-employment/q1-2015/tsd-pse-series.html.

[1069] Cited in Richard Bacon and Christopher Hope, *Conundrum: Why Every Government Gets Things Wrong – And What We Can Do About It* (London: Biteback, 2013), e-book, loc Chapter 17.

Health and Social Services, or in delivering local authority services. The state which emerges is thus one with huge resources focused on operational delivery, one open to outside expertise and management advice, and one where the non-administrative classes are at the centre of its operations, not its periphery. Reflecting back on earlier considerations in the Introduction, it is apparent that this history firmly endorses the "revisionist" historians' view of the British state, and hopefully adds more knowledge and understanding of the nature of the state in a temporal sense in terms of the post-Thatcher period, and in a functional sense, in terms of governance of the state.

A striking revelation has been the relatively minor role politicians have played in major state reform. Supposedly dramatic changes in state operations invariably have passed through multiple political administrations. The use of consultants elucidates this. Though Wilson is famed for his Labour governments adopting a new and more *dirigiste* approach to state planning, it was in fact the Conservative Chancellor Selwyn Lloyd – supported by the premier, Harold Macmillan – who introduced the practice of planning in government circles in 1961. The concept behind the 1974 NHS reorganisation originated in Labour circles, but was developed under the watch of Keith Joseph and finally implemented by Labour. Similarly, though the Prime Minister's Delivery Unit was abolished by the Conservative-Liberal Coalition government in 2010, it was re-established – rebranded as the "Prime Minister's Implementation Unit" – in 2012. The major continuity across all of these changes is the influence of the "governmental sphere" in general, and the civil service in particular. In the opinion of Gus O'Donnell, overlooking the impact of "the governmental sphere" has led to "severely misleading" histories of British politics and public sector reform, which overstate the role of politicians.[1070] Political interest in state reform throughout this period has been at best, limited. It is the civil service who have driven state reform in most instances, frequently facilitated and aided by consultants.

[1070] Gus O'Donnell, correspondence with author, August 31, 2015.

As we have seen though, we must be careful in providing nuance to our concept of civil servants. Whilst the influence of the historically described elite administrative class of civil servants and their relationship with the American generation of consultancy coheres with accounts of the elite civil service, we must also acknowledge the important role of Executive, Clerical and professional classes of civil servants. Mid-ranking civil servants who, for instance, worked with consultants in Arthur Andersen to implement the Operational Strategy. This cohort of civil servants was seldom Whitehall-based, most likely non-Oxbridge educated, and usually trained in the sciences. Power in the state, therefore, lay not with the elected politicians, but with the permanent bureaucracy and its various networks. As Lis Astall, Managing Director of Accenture UK from 2003 to 2006 during the height of the firm's work for the British state, opined: "politicians provide a catalyst for change, but they need to be aligned with the civil service – it's the civil servants who broadly make things happen."[1071] This is why management consultants largely sought relationships with civil servants, rather than politicians.

A question is posed here: has the state used consultants too much? No conclusive answer is given, but an important data-point is provided. Profligacy of public sector expenditure on consultants has been well-documented.[1072] So too, has been the commentary in the "governmental sphere" as to the state's need to embrace private sector methods. This may lead one to assume that the public sector has been an active user of consultancies over the postwar period, as it sought to bridge the public-private gap. Yet, as Figure 24 demonstrates, the state has used consultants to a far lesser extent than the private sector has. This, at the very least, is a useful benchmark with which to consider criticisms of the state's over-use of consultants.

[1071] Lis Astall, interview with author, Institute of Directors, Pall Mall, March 9, 2016.
[1072] For examples, see footnote 118.

Antonio E. Weiss, Birkbeck College, University of London

Figure 24: State and non-state use of consultants[1073]

MCA revenues from public and private sectors as a proportion of sector total, 1964-2013 (current prices)
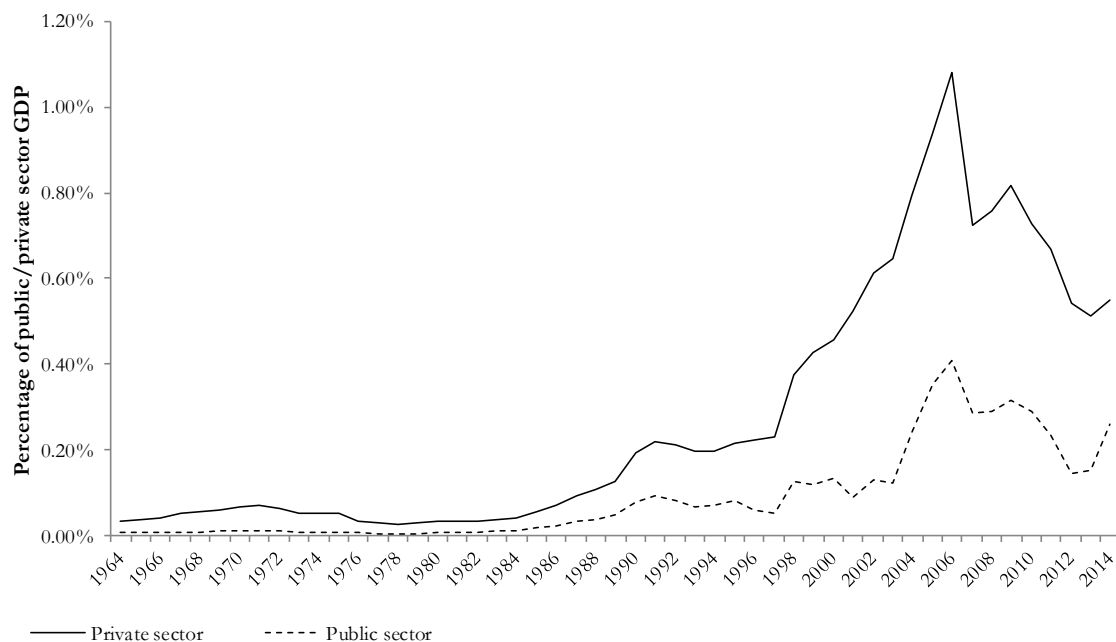
The future of the history of consultancy and the state

The various tables citing work undertaken by management consultancy firms for the British state in Appendix B are but a glimpse of the full scale of this neglected relationship. Yet better understanding the consultancy-state dynamic has ramifications for our understanding of the British state, consultancy, the civil service, global discourses around governing and governments, British decline and much beside. It is, sadly, impossible to do full justice to all of these which in their own right are major research questions.

With such potential for further work still remaining, I wish, therefore, to venture three proposed avenues for future researchers on this topic. First, international comparative analysis between state-consulting relationships would be beneficial. Determining what is peculiar to Britain – as

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[1073] MCA data from MCA archives and annual reports. "GDP data" from Office for Budget Responsibility, accessed August 9, 2015, budgetresponsibility.org.uk/pubs/PSF_aggregates_databank_Summer-Budget-20151.xls.

well as what is not – would significantly enrich our understanding of postwar developments. Denis Saint-Martin has begun this by analysing France and Canada; I would suggest America (where Christopher McKenna has claimed consultants helped develop the "contractor state") and Germany (second only to the UK in European consulting revenues) would provide excellent further comparators.[1074] For instance, the experience of McKinsey & Company in the US was markedly different to the firm's experience in Britain. McKinsey found itself under intense media scrutiny for the firm's work for the New York Mayor John Lindsay from 1968 to 1974 which covered municipal hospitals, city traffic, rent controls, taxation of nicotine in cigarettes, and community education.[1075] Since 1968 Carter Bales, a McKinsey consultant, had gained an unpaid role as head of the Division of Program Budget Systems in the New York City government. Over the same period, Bales agreed – on behalf of the New York City government *and* McKinsey – a number of assignments covering the city's municipal hospitals and Model Cities program.[1076] Opponents of the New York City Mayor John Lindsay, on learning of Bales' dual roles, accused him of "intellectual patronage" of the consulting firm on the front pages of the *New York Times* in 1970.[1077] Under this media spotlight, despite being cleared of wrongdoing by the New York City Board of Ethics and Association of Consulting Management Engineers, McKinsey felt deeply uncomfortable. Marvin Bower described the event as "excruciatingly

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[1074] Saint-Martin, *Building the New Managerialist State*; McKenna, *World's Newest Profession*; "Consulting market of Germany grows to €25 billion," *Consultancy.uk*, March 3, 2015, accessed August 18, 2015, http://www.consultancy.uk/news/1558/consulting-market-of-germany-grows-to-25-billion

[1075] New York Municipal Archives. Various: B83.96/ima; H85.95/mihim; M83.96/gtia; B83.96/mihcm; M21 hchme/; M72.96/cbmca; M72.96/mtdb; M72.96/cbmc; M19/apgh; B83.96/rcwas; M72.96/cbmc; B83.11/pbi; Ed8.95/aef; En8.95/iecpt; E8.95/icp; En8.95/imir; En8.95/ipb; F49.95/do; F49.95/gu; H36.11/caf; H36.11/cpabr; H36.95/aad; H36.95/pas; H36.95/pib; H36.95/su; H36.95/su; H84.95/rfpd; H84.96/soord; H36.11/ppb; B83.95/ciup; B83.96/iLtr; B83.96/scmn; B83.96/ctts; M72.96/cbcdc; M72.96/sbcdc; H35.96/hsac; B83.96/uprdp; M72.96/nymca; M72.96/nymcao; H84.96/rcp; H35.96/rhsar; Ed8.96/scdm; H84.95/howr; H84.96/arh; B83.96/tdpp; B83.96/tanm; B83.96/rsep; B83.96/tL; B83.96/iditc; B83.96/ttnc; B83.96/tsep; H84.96/nrcp; B83.96/tauap; C56.95/ipips; B83.96/rcpidt; B83.96/rcpid; B83.96/csidt; B83.96/rcpta; B83.96/trgen; B83.96/incid; B83.96/proj; B83.96/sales; 86 B19 hafny.

[1076] Duff McDonald, *The Firm,* 70-73.

[1077] Covered in McKenna, *World's Newest Profession*, 188.

painful" and subsequently allowed forty consultants to leave its New York City office.[1078] Thereafter, the company sought to prioritise private rather than public sector work in the US.[1079]

Whilst McKinsey did return for studies for New York City – including a $2 million study in 2016 for Mayor Bill de Blasio on the potential role of technology-enabled transport companies such as Uber in the city – the strength of the relationship between McKinsey and the state here was significantly weaker than in Britain.[1080] (That said, the 2012 Republican Presidential Candidate Mitt Romney, a former consultant at Bain & Company, told the editorial board of the *Wall Street Journal* that in order to reduce the size of the state he would "have…at least some structure that McKinsey would guide me to put in place… I'm not kidding. I probably would bring in McKinsey.")[1081] In addition, in this future research across other national geographies, due consideration of Pocock's "three kingdoms" would undoubtedly help to nuance and develop our understanding of the boundaries of nation states.

Second, as I have suggested, consulting should not be viewed in isolation from the wider "governmental sphere." Analyses of the roles of: the media (in particular publications such as *The Economist* and *Financial Times*); conferences (for example, the World Economic Forum); think-tanks (Institute for Public Policy and Research, Central for Policy Studies, and others); and elite networks (the gentlemen's clubs of Pall Mall) on developments in the British state would all

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[1078] McDonald, *The Firm*, 70-73.

[1079] New York Municipal Archives. Various: B83.96/ima; H85.95/mihim; M83.96/gtia; B83.96/mihcm; M21 hchme/; M72.96/cbmca; M72.96/mtdb; M72.96/cbmc; M19/apgh; B83.96/rcwas; M72.96/cbmc; B83.11/pbi; Ed8.95/aef; En8.95/iecpt; E8.95/icp; En8.95/imir; En8.95/ipb; F49.95/do; F49.95/gu; H36.11/caf; H36.11/cpabr; H36.95/aad; H36.95/pas; H36.95/pib; H36.95/su; H36.95/su; H84.95/rfpd; H84.96/soord; H36.11/ppb; B83.95/ciup; B83.96/iLtr; B83.96/scmn; B83.96/ctts; M72.96/cbcdc; M72.96/sbcdc; H35.96/hsac; B83.96/uprdp; M72.96/nymca; M72.96/nymcao; H84.96/rcp; H35.96/rhsar; Ed8.96/scdm; H84.95/howr; H84.96/arh; B83.96/tdpp; B83.96/tanm; B83.96/rsep; B83.96/tL; B83.96/iditc; B83.96/ttnc; B83.96/tsep; H84.96/nrcp; B83.96/tauap; C56.95/ipips; B83.96/rcpidt; B83.96/rcpid; B83.96/csidt; B83.96/rcpta; B83.96/trgen; B83.96/incid; B83.96/proj; B83.96/sales; 86 B19 hafny.

[1080] "City shares heavily redacted documented related to $2m Uber study", *Politico*, April 3, 2016, accessed October 6, 2016: http://www.politico.com/states/new-york/city-hall/story/2016/03/city-shares-heavily-redacted-document-related-to-2m-uber-study-031963.

[1081] Quoted in McDonald, *The Firm*, 1.

shed greater light on the relative impact of consultancy versus other actors in the "governmental sphere". Work has begun on this individually, and tying these together would be invaluable as part of a broader comparative framework.[1082] And finally, the role of gender has been conspicuously absent from this research, and undoubtedly it is the poorer for it. It is notable that in the 1950s PA Management Consultants sought to hire men, just as in the 1960s McKinsey looked for Oxbridge rowers (who would have been overwhelmingly male, given that the Oxford-Cambridge Women's Boat Race only became an annual event in 1964), or that even in the 2010s, consultancy remains a predominantly male industry; not unlike politics, although increasingly less like the civil service.[1083] Important work, for instance, has recently emerged showing how the side-lining of the female workforce in the UK computing industry – a major source of consultancy usage, as we have seen – contributed to the industry's failure to achieve its full potential.[1084] Thus, the implications for the character, nature and even decisions made in the British state could be tantalising to uncover.

More broadly though, the state's use of external expertise in general and management consultants in particular has been conspicuously absent from most analyses of modern British history. This thesis has shown that only by understanding how and why management consultants emerged as a provider of advice to the state from the era of economic collectivism in the 1960s through to the era of economic liberalism in the 1980s that we can begin to uncover the true nature of the British state. Different generations of consultancies were brought into the state for different reasons; from averting fear of national decline to seeking to emulate American

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[1082] See for instance: Colin Seymour-Ure, *Prime Ministers and the Media: Issues of Power and Control* (Oxford: Blackwell, 2003); Hartwig Pautz, "New Labour in government: Think-tanks and social policy reform, 1997-2001," *British Politics* 6, no. 2 (2011): 187-209; Amy Milne-Smith, *London Clubland: A Cultural History of Gender and Class in Late Victorian Britain* (New York, N.Y.: Palgrave Macmillan, 2011); David Marsh and Matthew Hall, "The British Political Tradition and the Material-Ideational Debate," *The British Journal of Politics and International Relations* (2015), accessed August 18, 2015, doi: 10.1111/1467-856X.12077.

[1083] This has been explored for the consulting industry specifically, though not the state, in: Marsh, *The Feminine in Management Consulting: Power, Emotion and Values in Consulting Interactions*.

[1084] Marie Hicks, *Programmed Inequality: How Britain Discarded Women Technologists and Lost Its Edge in Computing* (Cambridge, Mass.: MIT Press, 2017).

models of governance to increasing competition in the delivery of public services. These consultancies were but one agent amongst many which helped to shape developments in this period. They gained trust through inhabiting the same social networks as their clients, and subtly, as the state came to rely increasingly on their services, its own internal capabilities diminished to the extent that turning to consultants became inevitable. Postwar state formation in Britain cannot be understood without due consideration to the significant role management consultants have played in its development.

Appendix A: Key characters by chapter

Below are listed selected individuals, either interviewed as part of this research, or who have featured significantly in the chapters above. Unless otherwise cited, details composed from interviews, *Who's Who* (various editions), newspaper articles, and the social media networking site, *LinkedIn*.

I. Featured in "Planning"

Bedaux, Charles Eugène. Born in Charonton, near Paris, 26 October 1886, died 18 February 1944. Naturalised as US citizen in 1917. Fifth richest man in America by 1934 through his development of the Bedaux Efficiency System, which through the 1920s and 1930s was installed by firms including Du Pont, General Electric, Fiat and Imperial Chemical Industries. Seeking favour with the Third Reich in 1937, organised a tour of German factories for the Duke and Duchess of Windsor for publicity. From 1940, worked on improving the French coal-mining industry for the Nazis. Arrested by Americans on 5 December 1942 in Sahara desert. Committed suicide in Miami, Florida, whilst under arrest.[1085]

Cox, Sir George Edwin. Born 28 May 1940. Education: Quintin School; Queen Mary College, University of London (BScAeEng). Engineer at BAC from 1962 to 1964. Systems designer and later Manufacturing Manager at Molins Machines from 1964 to 1969. Joined Urwick, Orr & Partners in 1969. Left to become UK Director at Diebold Group in 1973. Set up Butler Cox (with David Butler) in 1977; served as Managing Director until 1992. President of Management Consultancies Association in 1991. Chairman and later Chief Executive of P-E International between 1992 and 1994. Later Chief Executive and Chairman of Unisys Ltd.; Director General of Institute of Directors; Senior Independent Director of LIFFE; Chair of the Design Council and undertook the Cox Review (of Creativity in Business) for HM Treasury in 2005. Board member of NYSE-Euronext since 2007.

Donaldson, Hamish. Born 13 June 1936. Educated at Oundle School and Christ's College, University of Cambridge (MA). 2nd Lieutenant in Seaforth Highlanders from 1955 to 1957. Worked at De La Rue Bull Machines Limited from 1960 to 1966. Joined Urwick, Orr & Partners in 1966, leaving in 1973. Merchant banker at Hill Samuel & Co from 1973 to 1991. Published *A Guide to the Successful Management of Computer Projects* (ABP) in 1978, reissued as *Mantrap: avoiding the pitfalls of project management* (DRJ) in 2006. Chairman of London Bridge Finance from 1993 to 1995. Freeman of the City of London since 1988. Chairman of Haslemere Festival since 2003.

Forrington, Vic. Gained MA in Mathematics and Diploma in Computing from University of Cambridge. Worked at Royal Aircraft Establishment and as a Research Fellow at University of

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[1085] David Nasaw, "Remembering a Life That Read Like a Movie Script", *The New York Times*, November 3, 1996.

Manchester where he was awarded his PhD. Joined Urwick Group as a management consultant in 1964. Set up own consultancy practice in 1979.

Garrett, John Laurence. Born Romford, Essex, 8 September 1931. Died Norwich, 11 September 2007. Educated University College, Oxford, with First in Geography. King George VI Fellow of University of California Business School from 1956 to 1957. Director of public services, Inbucon from 1963 to 1974, and associated director from 1983 to 1987. Consultant to Fulton Committee on the Civil Service from 1966 to 1968. MP (Labour) for Norwich South from 1974 to 1983 and 1987 to 1997. Member (Labour) for Norfolk County Council from 1997 to 2001.

Graham, Antony Richard Malise. Born 15 October 1928. Educated at Abberley Hall, Worcestershire and The Nautical College, Pangbourne. Master Mariner at the Merchant Navy from 1945 to 1955. Joined Production Engineering Limited in 1960, becoming a Regional Director in 1970 and leaving in 1972. From 1972 was a Regional Industrial Director (Under Secretary) at the Department of Trade and Industry/Department of Industry. Later a Director at the Department of Trade and Industry from 1983 to 1985, and Director at Clive & Stokes International from 1985 to 1995.

Kaufman, Sir Gerald (Bernard). Born 21 June 1930. Educated Leeds Grammar School; Queen's College, University of Oxford. Political correspondent until 1965. Parliamentary Press Liaison Officer for Labour Party from 1965 to 1970. Member of Parliament (Labour) for Manchester, Ardwick from 1970 to 1983. Parliamentary Under Secretary of State, Department of Energy from 1974 to 1975. Minister of State for Department of Industry from 1975 to 1979, during the time of the Boston Consulting Group's report on the future of the motorcycle industry. Member of Parliament for Manchester, Gorton since 1983.

Lubbock, Eric Reginald, 4th Baron Avebury. Born 29 September 1928, died 14 February 2016. Educated at Harrow School. Gained a BA in Engineering from Balliol College, Oxford. Chartered Engineer. Guardsman, 2nd Lieutenant in the Welsh Guards from 1949 to 1951. Graduate Apprentice at Rolls Royce Limited from 1951 to 1953. Management consultant at Production Engineering Limited from 1953 to 1960. Elected as Liberal MP for Orpington in 1962, serving until 1970. Liberal Whip in the House of Commons from 1963 to 1970. Director of C.L. Projects Limited (computer consultants) from 1966. Elected Member of the House of Lords in 1999.

II. Featured in "Reorganising"

Carey, Sir Peter Willoughby. Born 26 July 1923. Died 4 February 2011. Educated at Portsmouth Grammar School; Oriel College, University of Oxford; School of Slavonic Studies. Foreign Office (German Section) from 1948 to 1951. Joined Board of Trade in 1953. Principal

Private Secretary to Presidents of the Board of Trade from 1960 to 1964. Assistant Secretary (1963-1967) and Under Secretary (1967-1969) at the Board of Trade. Under Secretary at Ministry of Technology (1969-1971); Deputy Secretary, Cabinet Office (1971-1972); Deputy Secretary and later Second Permanent Secretary at Department of Industry from 1972 to 1974. Second Permanent Secretary (1974-1976) and then Permanent Secretary (1976-1983) at Department of Industry. Later Senior Adviser to Morgan Grenfell Group, 1990-1996.

Copisarow, Sir Alcon (Charles). Born 25 June 1920. Died 2 August 2017. Educated at Manchester Grammar School; University of Manchester; Imperial College of Science and Technology. Council of Europe Research Fellow from 1942 to 1947. Joined Home Civil Service in 1946. Office of Minister of Defence (1947-1954); Scientific Counsellor, British Embassy, Paris (1954-1960); Director, Forest Products Research Laboratory, Department of Scientific and Industrial Research (1960-1962); Chief Technical Officer, National Economic Development Council (1962-1964); Chief Scientific Officer, Ministry of Technology (1964-1966). Joined McKinsey & Company in 1966 as its first non-American Worldwide Director. Served a variety of clients and industries, including National Westminster Bank, Bank of England, and Government of Hong Kong. Left McKinsey & Company in 1976. Later non-executive Director at British Leyland, Special Adviser to Ernst & Young, By-Fellow of Churchill College, University of Cambridge, and Chairman of Trustees, Eden Project. Author of autobiography *Unplanned Journey* (London: Jeremy Mills Publishing, 2014).

Doyle, Bernard (Frederick). Born 17 July 1940. Educated St Bede's College; University of Manchester (BSc Hons); Harvard Business School (MBA), 1965 to 1967. Chartered Engineer since 1965. Resident Civil Engineer with British Rail from 1961 to 1965 before leaving to Harvard. Joined Arthur D. Little in 1967, leaving in 1972. Later Director of Engineering Division at Booker McConnell Ltd (1973-1976); Managing Director of MSL Search and Selection (1997-1999); Director of KPMG Search and Selection (recruitment consultancy) practice (2001-2005); Partner at GatenbySanderson (2005-2009).

Giachardi, David John. Born 17 May 1948. Educated at Watford Boys' Grammar School, Merton College, University of Oxford (BA Chemistry) and St John's College, University of Oxford (DPhil Chemistry). On completion of DPhil left Oxford to become consultant at Boston Consulting Group in 1975, joining Courtaulds in 1979. At varying times Director of Research, Executive Director, Director of Human Resources at Courtaulds until 1998. Later Secretary General and Chief Executive at the Royal Society of Chemistry from 2000 to 2006.

Hedley, Barry. Gained MA in Mechanical & Chemical Engineering from University of Cambridge in 1968, MBA (Baker Scholar) from Harvard Business School in 1970. Sponsored through Cambridge by ICI Limited, Harkness Fellow at Harvard; joined Boston Consulting Group in 1970 as a Consultant, leaving as a Director in 1976 to join Courtaulds Group, where he became a Director of International Paint plc. He left Courtaulds in 1979 to become European

founder of Braxton Associates, a strategy consultancy which later became the global strategy consultancy practice of Deloitte. At Boston Consulting Group *inter alia* led the 1975 study on The Future of the British Motorcycle Industry for the Department of Industry. Senior Bursar and Director of Management Studies at Gonville and Caius College, University of Cambridge, 2000-2007. Fellow at Cambridge Judge Business School since 2001 and Emeritus Fellow, Gonville & Caius since 2007.

Jacques, Elliot. Born in Toronto, Ontario, 18 January 1917. Died 8 March 2003. Educated at University of Toronto, studied medicine at John Hopkins University, and received PhD in social relations from Harvard University. Moved to England during war and remained thereafter. Founded Tavistock Institute of Human Relations in 1946 and School of Social Sciences at Brunel University in 1964, also becoming head of the latter's Research Institute of Organisational Studies. Prominent for developing organisational psychology theories of the "mid-life crisis" and "time-span of discretion." This second concept proposed that roles within organisations have finite times during which someone can fulfil the role unsupervised.

Meyjes, Sir Richard. Born Dunstable 30 June 1918, died 9 March 2013. Educated at University College School, Hampstead and began legal studies before serving in the Royal Army Service Corps in the war. Qualified as a solicitor in 1946, joining legal department of Anglo-Saxon Petroleum, a subsidiary of the Shell Company. Later moved into commercial activities at Shell, becoming marketing co-ordinator of Shell International Petroleum. In 1969 asked by Ted Heath to form a "Businessmen's Team" to advise on ways of making the civil service more efficient were the Conservatives to win the General Election in 1970. Served from 1970-1972 in this role, leaving a legacy of a number of further posts filled with business experience in the civil service, as well as reviews of bureaucratic procedures. Returned to Shell as a Director until retirement in 1976. Subsequently chairman of Coates Brothers and the Association of Optometrists, and Director of Portals Holdings. Knighted in 1972. Appointed High Sheriff of Surrey in 1983.

Owen, Lord David. Born Plympton, Devon, 2 July 1938. Educated Mount House School, Tavistock and Bradfield College, Berkshire. Studied medicine at Sidney Sussex College, Cambridge and undertook clinical training at St Thomas' Hospital from October 1959. Joined Labour Party in 1960 and elected to Parliament in 1966. Roles included: Parliamentary Under-Secretary of State for Navy and for Health, before promotion to Minister of State for Health in July 1974. Foreign Secretary from 1977 to 1979. Founder and leader of Social Democratic Party from 1983 to 1987, and continuing SDP from 1988 to 1990. Since 1990 has sat in House of Lords as crossbench peer.

Parker, Hugh. Born 12 June 1919 in Boston, Massachusetts. Died 16 June 2008. Educated at Tabor Academy in Marion Massachusetts; Trinity Hall, University of Cambridge (1937-1939); and Cambridge, Massachusetts Institute of Technology (1939-1941). Rowed successfully for Cambridge in 1937 Boat Race. Worked at North Carolina Shipbuilding Company from 1941 to 1943, General Electric from 1945 to 1946 and Ludlow Manufacturing from 1947 to 1950. Joined McKinsey & Company in 1951, becoming Partner-in-charge of London office in 1959. Senior Director from 1974 until retirement in 1984.

Rogers, Sir Philip. Born 19 August 1914, died 24 May 1990. Educated William Hulme's Grammar School, Manchester (1921-32). Gained MA from Emmanuel College, Cambridge, in 1936 in History and Economics. Served in Colonial Office from 1936 to 1964, with a focus on personnel management. Deputy Secretary to the Cabinet from 1964 to 1967. Following the Fulton Report, from 1968 to 1970 served in Civil Service Department as deputy secretary and second permanent secretary, where he was responsible for implementing the report's recommendations. Between 1970 and his retirement in 1975 Permanent Secretary at the Department of Health and Social Security which covered 91,000 staff. Delayed retirement in 1974 to facilitate implementation of NHS reorganisation under new Labour administration. Subsequently chairman of the board of management at London School of Hygiene and Tropical Medicine (1977-82) and Outward Bound Trust (1976-80), Member of Court of London University (1978-85) and of council of Reading University (1978-87). Appointed CMG in 1952, CB in 1965, KCB in 1970 and GCB in 1975

Strage, Henry. Born 1933. Gained B.S. degree in Chemical Engineering from Worcester Polytechnic Institute, Massachusetts in 1954. Also gained MBA from Columbia University and PhD (honoris causa) from Worcester Polytechnic Institute. Joined McKinsey & Company in 1962. Left as Senior Director of London Office in 1991, having focussed on public sector studies covering national economic development, healthcare, education, transport, disaster relief and local government and social welfare in the UK. Also worked for Prime Minister's Think Tank. On retirement in 1992 became Professor of Strategic Studies at European Business School.

Williams, Francis David Kennard. Born 1918, died 1995. Educated at Stonyhurst College and then Balliol College, Oxford. Military service from 1940 to 1943 with the Oxford & Bucks. Light Infantry. Served as Administrative Officer, Nigeria from 1941, rising to the rank of Class I in 1959. Entered the UK Civil Service in 1961 as Principal in the Ministry of Health. Seconded to Privy Council Office in 1968 as Principal Private Secretary to the Lord President, then Assistant Secretary to the Department of Health and Social Security. Awarded the CBE in 1976. Retired in 1978. Subsequently founder-director of the Linacre Centre for the Study of the Ethics of Health Care.

III.   Featured in "Automating"

Burgess, Keith, OBE. Born 1 September 1946. Educated at Lewis School for Boys, Pengam and University of Bristol (BSc 1967, PhD 1971). Joined Arthur Andersen on completion of PhD in 1971. Managing Partner for UK and Ireland of Andersen Consulting (consulting division of Arthur Andersen which separated operationally from the accountancy division in 1989) from 1989 to 1994. Global Managing Partner for Practice Competency from 1994 to 1997 and Senior Partner in 2000. President of the Management Consultancies Association from 1994 to 1995. Vice-Chairman of Public Service Productivity Panel for HM Treasury from 2000 to 2006.

De Paula, (Frederic) Clive, CBE. Born 17 November 1916. Educated at Rugby School. Gained ACA accounting qualification in 1940, Fellow of Chartered Accountants in 1951, JDipMA (Joint Diploma in Management Accounting) in 1966. Joined Robson, Morrow & Company management consultants in 1946, becoming Partner in 1951. Seconded to Department of Economic Affairs and then Ministry of Technology as an Industrial Adviser in 1967. Co-ordinator of Industrial Advisers to Government in 1969. Returned as Senior Partner at Robson, Morrow & Company from 1970 to 1971. Later Managing Director, Director, Deputy Chairman and Chairman at Agricultural Mortgage Corporation Ltd. Chairman of Dennys, Sanders & Greene from 1987 to 2008.

Hickey, Stephen. Educated Corpus Christi College, Oxford (BA, MA) in History and St Antony's College, Oxford (DPhil) in History. Joined Department of Health and Social Security in 1974, rising to Assistant Secretary in 1985. Seconded to Rank Xerox (UK) from 1989 to 1990. Chief Executive of Civil Service College from 1994 to 1998. Non-executive director of Wandsworth PCT (later CCG) since 2009.

Kaye, David. Educated in Mathematics, Cambridge, in statistics at Oxford and in Operational Research at Ann Arbor in Michigan, USA. Commenced career in market research before moving on to planning models at Shell International. Joined the London office of Arthur Andersen & Co. in 1962, becoming partner by 1967. On joining in 1962, management and information consulting headcount numbered 30. Responsibilities at Arthur Andersen included Operational Research, and commercial and public sector consulting. Author of *GameChange: The impact of information technology on corporate strategies and structures* (London: Heinemann Professional Publishing, 1989).

Otway, Mark. Educated Churchill College, Cambridge from 1967 to 1970 in Natural Sciences and Chemical Engineering. Joined Andersen Consulting in 1970, rising to Partner in 1982, before Managing Partner for BPM (outsourcing) from 1990 to 2000. Engagement Partner on the Department of Social Security's "Operational Strategy" from 1982 to 1988. Independent consultant since 2000, and Chairman of outsourcing and shared services consultancy, Alsbridge plc.

Watmore, Ian. Born 5 July 1958. Educated Whitgift School, Croydon and Trinity College, Cambridge (BA), 1980. Worked for Andersen Consulting's "Operational Strategy" from 1987. UK Managing Director of Accenture (formerly Andersen Consulting) from 2000 to 2004. Government Chief Information Officer from 2004 to 2005. Head of Prime Minister's Delivery Unit from 2005 to 2007. Chief Executive of Football Association from 2009 to 2010. Chief Operating Office of Efficiency and Reform Group in Cabinet Office from 2010 to 2012.

IV. Featured in "Delivering"

Astall, Lis. Born 28 June 1960. Educated Jersey Ladies' College St Helier, Université de Nice and London School of Economics. Joined ARthur Andersen (later Andersen Consulting then Accenture) in 1984 as an information management consultant, becoming a partner in 1994, global head of strategy in government from 1999-2001 UK Managing Director from 2003 to 2006, and Europe, Africa and Latin America Managing Director for government from 2006 to 2009. Subsequently President of British Show Jumping from 2009 to 2012.

Barber, Sir Michael. Born 24 November 1955. Educated Bootham School, York and Queen's College, Oxford (BA) 1977. PGCE in 1979 and MA in 1991. History Teacher from 1979 to 1983. Education office, National Union of Teachers from 1989 to 1993. Professor of Education, Keele University, from 1993 to 1995. Director, Standards and Effectiveness Unit and Chief Adviser to Secretary of State on School Standards, Department for Education and Employment from 1997 to 2001. Chief Adviser to Prime Minister on Delivery and Head of Prime Minister's Delivery Unit from 2001 to 2005. Head of Global Education Practice, McKinsey & Company from 2005 to 2011. Since 2011, Chief Education Advisor, Pearson.

Benton, Rich. Educated Salesian College and University of Leeds (BA, Geography) from 1975 to 1978. Finance trainee and accountant, London Underground from 1978 to 1984. Founder Director and co-owner of Capita from 1984 to 1998. Chairman of PRG from 2004 to 2007. Chairman of Mouchel plc, a consultancy, 1998 to 2009.

Guinness, Sir John Ralph Sidney CB. Born 23 December 1935. Educated Rugby School; Trinity Hall, University of Cambridge (MA History). Joined Foreign Office in 1962. Seconded to Central Policy Review Staff, Cabinet Office from 1972 to 1975 and later from 1977 to 1979. Transferred to Home Civil Service in 1980. Served in the Department of Energy as Under Secretary (1980-1983), Deputy Secretary (1983-1991), and Permanent Secretary (1991-1992). Chairman of British Nuclear Fuels from 1992 to 1999. Chairman of Trinity Group Finance Ltd from 1999 to 2003.

Birt, Baron. John Birt. Life peer since 2000. Knighted 1990. Born 10 December 1944. Educated St Mary's College, Liverpool and St Catherine's College, Oxford (MA). Various roles in television and media: Controller of Features and Current Affairs, LWT from 1977-1981. Director General, BBC from 1992 to 2000. Adviser, McKinsey & Company, 2000 to 2005. Prime Minister's Strategy Adviser from 2001 to 2005.

Major, Rt. Hon. Sir John. KG 2005, CH 1999, PC 1987. Born 29 March 1943. Educated Rutlish. Banker at Standard Chartered Bank from 1965 to 1979. Member, Lambeth Borough Council from 1968 to 1971. MP from 1979. Prime Minister and Leader of Conservative Party from 1990 to 1997.

O'Donnell, Sir Augustine Thomas. KCB 2005, CB 1994. Born 1 October 1952. Education: University of Warwick (BA), Nuffield College, Oxford (MPhil). Various civil service posts as an economist. Head of Government Economic Service, 1998 to 2003. Permanent Secretary from 2002 to 2005. Cabinet Secretary and head of the Home Civil Service from 2005 to 2011. Senior Advisor and Chairman of Frontier Economics, an economic consultancy, since 2012.

Wilson of Dinton, **Richard Thomas James Wilson**. Life Peer since 2002. GCB in 2001, KCB 1997, CB, 1991. Born 11 October 1942. Educated Radley College, Clare College, Cambridge. Called to Bar in 1965. Joined Board of Trade as Assistant Principal in 1966, Private Secretary to Minister of State, Board of Trade from 1969 to 1981. Various roles in Department of Energy and Cabinet office until Permanent Secretary of Department of Education from 1992 to 1994, Permanent Under-Secretary of State, Home Office, 1994 to 1997. Cabinet Secretary and Head of Home Civil Service from 1998 to 2002. Since, Master, Emmanuel College, Cambridge and Chairman, C. Hoare & Co. Bankers, since 2006.

Appendix B: Detailed selection of consultancy assignments by generation

The following tables provide a more comprehensive selection of management consultancy

assignments, split by generations of consultancies, under the period of enquiry.

Table 16: Detailed selection of state consultancy assignments by British generation firms, 1920s-1980s[1086]

Date awarded	Company	Organisation	Nature of assignment
1929	Harold Whitehead & Partners Ltd	Post Office	Advice on business organisation and sales training
1940	Urwick Orr & Partners	National ordnance and armament factories	Productivity increase
1942	Lyndall Urwick	Treasury	Administrative and clerical improvements
1944	Lyndall Urwick	War Office	Advice to Petroleum Warfare Department
1947	Production Engineering	Cotton Board	Productivity increase in Musgrove Cotton Mills
1948	Production Engineering	British European Airways	Reorganisation
1956	Harold Whitehead & Partners Ltd	Post Office	Review of organisation and methods
1960	Urwick Orr & Partners	British Transport Commission	Training
1963	A.I.C. Limited and various	Ministry of Aviation	Studied engineering and maintenance organisation (AIC); studied marketing organisation (Urwick); studied the Financial Comptroller's division (Peat)
1964	PA Management Consultants Ltd	British Transport Commission	Organisation review
1965	PA Management Consultants Ltd	Home Office	Reorganisation
1965	Urwick Orr & Partners	Ministry of Defence	Organisation advice

[1086] From the late 1960s AIC became Inbucon/AIC and in the early 1970s just Inbucon. The other "Big Four" firms were Production Engineering Limited (later P-E Consulting Group); Personnel Administration (later PA Management Consultants and PA Consulting Group); and Urwick Orr & Partners. The work of the Anne Shaw Organisation Ltd and Harold Whitehead & Partners Ltd is also included.

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1965-1967	A.I.C. Limited	Ministry of Aviation	Investigation of industrial experience in development and application of cost estimating to the Department
1965-1967	PA Management Consultants Ltd	Ministry of Aviation	Cost Estimating Study; preparation of Case Histories on specified items
1965-1967	PA Management Consultants Ltd	Ministry of Defence	Efficiency at industrial establishments; feasibility of budgetary systems and incentive schemes
1965-1967	A.I.C. Limited	Ministry of Defence	Review of Royal Engineers Resources Organisation
1965-1967	Urwick Orr & Partners	Ministry of Defence	To increase effectiveness of the work and organisation of the Ship Department
1965-1967	A.I.C. Limited	Ministry of Defence	Introduction of Dockyard Incentive Bonus Schemes
1965-1967	P-E Consulting Group Ltd	Ministry of Defence	Review of resources distribution in Portsmouth Dockyard
1965-1967	A.I.C. Limited	Ministry of Defence	Automatic planned maintenance system for yard plant at Portsmouth using Electronic Data Processing
1965-1967	A.I.C. Limited	Ministry of Defence	Introduction of Dockyard Incentive Bonus Scheme into the Naval Store Department, Portsmouth
1965-1967	P-E Consulting Group Ltd	Home Office	Review of Prison Laundries
1965-1967	A.I.C. Limited	Home Office	General Management Review of Prison Department
1965-1967	PA Management Consultants Ltd	Home Office	Review of structure and organisation of Metropolitan Police
1965-1967	PA Management Consultants Ltd	HMSO	To increase productivity and reduce costs at HMSO Press, Edinburgh
1965-1967	Urwick Orr & Partners	HMSO	Survey of operations and management in the light of expected

			computer and other technological developments
1965-1967	Urwick Orr & Partners	Ministry of Technology	Review of methodology of evaluating and controlling research and development programmes and projects
1965-1967	P-E Consulting Group Ltd	Ministry of Technology	Work measurement and incentive bonus scheme for National Engineering Laboratory
1965-1967	A.I.C. Limited	Ministry of Technology	Two assignments to investigate organisational and accounting practices concerned overhead charges and technical costs
1965	PA Management Consultants Ltd	Denham Committee for British National Export Council	Examining feasibility of establishing export corporations for the west coast of America and West Germany
1965	A.I.C. Limited	Denham Committee for British National Export Council	Examining feasibility of establishing export corporations for the west coast of America and West Germany
1965	PA Management Consultants Ltd	County Borough of Grimsby	Two year study to improve administrative procedures and methods of working
1966	PA Management Consultants Ltd	Metropolitan Police	Reorganisation
1967	PA Management Consultants Ltd	HM Treasury	Management structure review
1967	PA Management Consultants Ltd	Department for Employment and Productivity	Survey of employers' recruitment practices
1969	PA Management Consultants Ltd	Conservative Party	Advisory
1969-1970	Urwick Orr & Partners	Ministry of Agriculture, Fisheries and Food	A study on checking and control within a concept of public accountability
1969-1970	Urwick Orr & Partners	Ministry of Agriculture, Fisheries	Management by Objectives (MbO) - Feasibility Study

		and Food	
1969-1970	Urwick Orr & Partners	Ministry of Agriculture, Fisheries and Food	Introduction of the principles of Management by Objectives to senior managers in the Regional and Divisional Organisation
1969-1970	A.I.C. Limited	Civil Service Department	A study of the pay structure at the highest levels in the Civil Service
1969-1970	PA Management Consultants Ltd	Civil Service Department	Review of Catering Services
1969-1970	A.I.C. Limited	Ministry of Defence	An organisational review of the process of personnel management in the three Services
1969-1970	A.I.C. Limited	Ministry of Defence	To develop a productivity indicator for HM Dockyards
1969-1970	PA Management Consultants Ltd	Ministry of Defence	Installation of Management/Productivity schemes at Royal Air Force engineering and supply units
1969-1970	Urwick Orr & Partners	Ministry of Defence	To introduce Management by Objectives in HMS *Collingwood*
1969-1970	Urwick Orr & Partners	Ministry of Defence	Organisation Study of Ammunition Production
1969	A.I.C. Limited	Department of the Environment	A survey of the present organisation and a review of the financial resources of the Zoological Society of London
1969	Urwick Orr & Partners	Department of the Environment	The Transport Organisation of a typical Local Authority
1969-1970	Urwick Orr & Partners	Department of Health and Social Security	Assistance in introducing Management by Objectives in the War Pension Organisation
1969-1970	A.I.C. Limited	Home Office	Organisational study of the Directorate of Industries and Stores (Prison Department)

1969-1970	A.I.C. Limited	Inland Revenue	A survey of staff wastage
1969-1970	PA Management Consultants Ltd	Scottish Home and Health Department	A study in connection with the remuneration of dispensing chemists
1969-1970	PA Management Consultants Ltd	HMSO	Incentive scheme at the HMSO bookshop in Manchester
1969-1970	PA Management Consultants Ltd	HMSO	Review of the Customers' Accounts Section of the London Bookshops
1969-1970	PA Management Consultants Ltd	HMSO	Incentive scheme at HMSO Warehouse in Edinburgh
1969-1970	PA Management Consultants Ltd	Department of Trade and Industry	A survey of the Printing, Bookbinding and Paperconverting Machinery Industry
1969-1970	Urwick Technology Management Ltd	Department of Trade and Industry	Two studies on the cost of metrication
1969	The Anne Shaw Organisation	MPBW	Work in Supplies Division
1970	P-E Consulting Group Ltd	Department of the Environment	Review of Supplies Division in Engineering Depots and Workshops
1970	Urwick Orr & Partners	Department of the Environment	A study of urban guide-lines in Rotherham
1970	Urwick Orr & Partners	Department of the Environment	Management by Objectives and management development courses in Accounts Division
1970	PA Management Consultants Ltd	Cheshire County Council	Cost analysis of local government reform
1971	Urwick Orr & Partners	Ministry of Agriculture, Fisheries and Food	Management by Objectives-Preparatory exercise in new regional organisation
1971	Inbucon/A.I.C.	Ministry of Defence	Feasibility study regarding job evaluation for the Industrial Civil

			Service
1971	PA Management Consultants Ltd	Ministry of Defence	To study the feasibility of a new incentive bonus scheme in the Royal Ordnance Factories at Chorley and Glascoed
1971	Urwick Orr & Partners	Ministry of Defence	Introduction of Management by Objectives at RAF, Brize Norton
1971	Urwick Orr & Partners	Department of Employment	To survey the advisory role of the Industrial Training Boards
1971	Urwick Orr & Partners	Department of the Environment	Preparation and conduct in management development courses in Accounts Division "A" following introduction of Management by Objectives
1971	Urwick Orr & Partners	Department of Health and Social Security	Advice on establishment of Directorate for Social Security
1971	Inbucon/A.I.C.	Home Office	Implementation of management control system in relation to Prison Industries
1971	PA Management Consultants Ltd	HMSO	Financial incentive scheme for the retail and wholesale booksellers' organisation
1971	PA Management Consultants Ltd	HMSO	To study organisation and staffing structure of HMSO Bookshops
1971	PA Management Consultants Ltd	Department of Trade and Industry	To advise on the best use of Clydebank Yard
1972	PA Management Consultants Ltd	Northern Ireland Finance Corporation	Board member/staffing - to advise the Government on how Northern Ireland industry could benefit from the existence of off-shore oil
1972	Urwick Orr & Partners	Ministry of Agriculture, Fisheries and Food	Advice on the installation of MbO in the Divisional Office at Oxford

1972	Inbucon/A.I.C.	Ministry of Defence	A comparative study of the use of multiple regression analysis to assess labour requirements for domestic cleaning in Army establishments
1972	Urwick Orr & Partners	Ministry of Defence	Introduction of MbO into the Quality Assurance Directorate
1972	Urwick Orr & Partners	Department of Health and Social Security	Introduction of MbO into Central Office, Newcastle upon Tyne
1972	Inbucon/A.I.C.	Home Office	Organisation and cost of fire prevention in a large brigade
1972	P-E Consulting Group Ltd	HMSO	A preliminary review of printing establishments
1972	PA Management Consultants Ltd	Department of Trade and Industry	Study of motor cycle industry world markets
1973	P-E Consulting Group Ltd	Civil Service Department	To determine and appraise the organisation of the library service in Whitehall departments
1973	Urwick Orr & Partners	Department of Employment	To evaluate the vocational assessment scheme at Bellshill Government Training Centre
1973	Harold Whitehead & Partners Ltd	Department of Employment	To survey job vacancies in employment exchanges
1973	P-E Consulting Group Ltd	HMSO	Strategic study of HMSO warehouse and distribution organisation
1973	PA Management Consultants Ltd	Department of Trade and Industry	A study of the UK ship repairing industry
1973	PA Management Consultants Ltd	Department of Trade and Industry	A study of the UK carpet industry
1974	Inbucon/A.I.C.	Ministry of Defence	To study management control and information in the field of naval material management
1974	PA Management Consultants Ltd	Department of the Environment	Improving promotional effectiveness of Housing Development Directorate

1974	Inbucon/A.I.C.	Department of Health and Social Security	Development of a national incentive bonus scheme for the ambulance service
1974	Inbucon/A.I.C.	Department of Industry	To assess the possible use of the factory and labour force of a Kirby development
1974	P-E Consulting Group Ltd	Department of Industry	To study marketing techniques at Warren Spring Laboratory
1974	Inbucon Ltd	National Economic Development Council	Career development in retail distribution
1974	P-E Consulting Group Ltd	National Economic Development Council	Productivity survey of management engineering industry
1974	P-E Consulting Group Ltd	National Economic Development Council	Marketing information system for textile and garment manufacturers and distributors in clothing and wool textile
1975	P-E Consulting Group Ltd	Department of the Environment	To assist in the introduction of a pilot incentive scheme for industrial staff employed in works services
1975	PA Management Consultants Ltd	Department of the Environment	Further work on rural lorry users study
1975	Inbucon/A.I.C.	Department of the Environment	To review the method of assessing the fee for the annual 'MOT Test'
1975	Urwick Orr & Partners	Department of Industry	To study the future survival of Imperial Typewriters Ltd
1975	P-E Consulting Group Ltd	Department of Industry	To study the market for hydraulic motors
1975	PA Management Consultants Ltd	Department of Industry	Supply of edited technological case studies
1975	Inbucon/A.I.C.	Department for Northern Ireland	Marketing assignment—Northern Ireland firm
1975	Inbucon/A.I.C.	Department for Northern Ireland	Industry prospects for West Belfast

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Year	Firm	Client	Description
1976	Inbucon/A.I.C.	Ministry of Defence	To install work measurement techniques at Royal Electrical and Mechanical Engineers Darlington
1977	Inbucon/A.I.C.	Ministry of Defence	Further work on measurement techniques at Donnington-survey of Command and Central Workshops
1977	PA Management Consultants Ltd	Department of Industry	Study of possible commercial and industrial revitalization of Port of Liverpool (Inner Merseyside) area
1977	PA Management Consultants Ltd	Department of Employment	Preliminary study of major administrative procedures for introducing new special programmes for the unemployed
1977	PA Management Consultants Ltd	Royal Ordnance Factories	Re-assessing production technology at Royal Small Arms Factory Enfield
1977	Inbucon Ltd	National Economic Development Council	Proposals for usage of imported motors in UK and potential import substitution
1977	Inbucon Ltd	National Economic Development Council	Productivity improvement case studies
1978	PA Management Consultants Ltd	Ministry of Defence	Feasibility study of a work measured incentive scheme at Royal Ordnance Factory Bridgewater
1978	Inbucon Ltd	Department of Health and Social Security	Field study of the Lambeth, Southwark and Lewisham Area Health Authorities
1978	Inbucon Ltd	Home Office	To identify six plastic products for bone craven injection moulding machines in Prison Industries
1978	PA Management Consultants Ltd	Department of Industry	Study of computer distributed database technology
1978	PA Management Consultants Ltd	Department of Industry	Assistance with microprocessors awareness programme

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1978	P-E Consulting Group Ltd	Manpower Services Commission	Survey into training office staff for overseas trade
1978	Inbucon Ltd	Manpower Services Commission	Assessing criteria for the evaluation of the Direction of Training
1978	Inbucon Ltd	HMSO	Feasibility study of an incentive bonus scheme at the Government printing works at Gateshead
1979	PA Management Consultants Ltd	Civil Service Department	Review of resource and organisational implications of Arrest and Summons
1979	Inbucon Ltd	Health and Safety Executive	A preliminary study of grading staff in Health and Safety Executive
1979	Inbucon Ltd	Department of the House of Commons	Grading review covering the staff of all the Departments of the House of Commons
1979	PA Management Consultants Ltd	Department for Northern Ireland	Cross-border study of the Erne catchment area.
1980	PA Management Consultants Ltd	Ministry of Agriculture, Fisheries and Food	Land Settlement Association scheme
1980	PA Management Consultants Ltd	Ministry of Defence	Self-financing productivity scheme at Clyde Submarine base
1980	P-E Consulting Group Ltd	Department of the Environment	Funding of Building Research Establishment
1980	PA Computer & Telecommunications Ltd	Department of Industry	Commercial exploitation of software systems
1980	Inbucon Ltd	Department of Industry	Feasibility of National Maritime Institute of independent entity
1980	PA Management Consultants Ltd	Department of Industry	Future development of National Engineering Laboratory
1980	Inbucon Ltd	HMSO	Incentive bonus scheme at Harrow Press

1980	Urwick Orr & Partners	Department of Trade	Cost control study of manual workers' operations by selected water authorities
1980	Inbucon Ltd	National Economic Development Council	Improvement of labour efficiency in retail stores
1980	Inbucon Ltd	National Maritime Institute	Privatisation feasibility study
1980	P-E Consulting Group Ltd	Building Research Establishment	Financial implications of privatisation
1980	P-E Consulting Group Ltd	Post Office	Reports on the pilot scheme of an integrated premium services network
1980	PA Management Consultants Ltd	Ministry of Defence	Feasibility study for a self-financing productivity scheme at Clyde submarine base, followed by work to introduce the scheme
1980	The Anne Shaw Organisation	Department for Social Services	A study of the arrangements for determining staffing levels in certain areas of DHSS Newcastle Central Office
1980	P-E Consulting Group Ltd	Department for Northern Ireland	To identify, screen and evaluate Potential diversification opportunities for Harland and Wolff
1980	PA Management Consultants Ltd	Ministry of Agriculture, Fisheries and Food	Provision of centralised services to tenant growers on the Land Settlement Association estates
1981	Inbucon Ltd	National Economic Development Council	Advanced material handling systems
1981	Inbucon Ltd	National Economic Development Council	Productivity improvement programme in UK electronic components industry
1981	P-E Consulting Group Ltd	National Economic Development Council	Examples of success with computers in production control

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1981	P-E Consulting Group Ltd	Department for Northern Ireland	Harland and Wolff— Production capacity study
1981	PA Management Consultants Ltd	Ministry of Agriculture, Fisheries and Food	Management structure of the Land Settlement Association
1981	Inbucon Ltd	Department for the Environment	British Waterways Board study
1983	Inbucon Ltd	Post Office	Business plan for counter services division
1983	P-E Consulting Group Ltd	National Economic Development Council	International study of efficiency
1983	PA Management Consultants Ltd	European Commission	Investment and marketing in Japan by European companies
1983	Inbucon Ltd	Department for the Environment	Review of operation of Directorate of Ancient Monuments and Historic Buildings (Works)
1983	PA Management Consultants Ltd	Ministry of Defence	To examine naval aircraft support methods
1983	Harold Whitehead & Partners Ltd	Ministry of Defence	Review of productivity scheme at royal naval aircraft workshop, Perth
1983	PA Management Consultants Ltd	Ministry of Defence	Review of productivity scheme at 27 command workshop, REME
1983	PA Computer & Telecommunications Ltd	Ministry of Defence	To review existing Systems and Facilities and make recommendations
1983	P-E Consulting Group Ltd	Department for Trade and Industry	Application of information technology in local authorities' administration
1983	Production Engineering Research Association	Department for Trade and Industry	Administration of Quality Assurance Advisory Service.
1983	PA Management Consultants Ltd	HM Treasury	Identification of Computer Applications

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1981	PA Management Consultants Ltd	Ministry of Agriculture, Fisheries and Food	Management structure of the Land Settlement Association
1981	Inbucon Ltd	Department for the Environment	British Waterways Board study
1983	Inbucon Ltd	Post Office	Business plan for counter services division
1983	P-E Consulting Group Ltd	National Economic Development Council	International study of efficiency
1983	PA Management Consultants Ltd	European Commission	Investment and marketing in Japan by European companies
1983	Inbucon Ltd	Department for the Environment	Review of operation of Directorate of Ancient Monuments and Historic Buildings (Works)
1983	PA Management Consultants Ltd	Ministry of Defence	To examine naval aircraft support methods
1983	Harold Whitehead & Partners Ltd	Ministry of Defence	Review of productivity scheme at royal naval aircraft workshop, Perth
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1983	Production Engineering Research Association	Department for Trade and Industry	Administration of Quality Assurance Advisory Service.
1983	PA Management Consultants Ltd	HM Treasury	Identification of Computer Applications

1984	Inbucon Ltd	Department of Health and Social Security	Study of the wheelchair service by Inbucon management consultants for the DHSS
1984	PA Consulting Services Ltd	Department for Social Services	Work on the United Kingdom Transplant Service (UKTS) Replacement Computer Project
1984	PA Consulting Services Ltd	Department for Trade and Industry	Potential Japanese Investment in United Kingdom
1984-1985	Inbucon Ltd	Department for the Environment	Royal Parks Study
1985	P-E Consulting Group Ltd	National Economic Development Council	Consultancy study on advanced handling systems
1985	PA Management Consultants Ltd	Department for Energy	Study of energy efficiency in local government buildings
1985	PA Management Consultants Ltd	Ministry of Defence	Business Management Systems at HM Dockyard, Rosyth
1985	PE Information Systems Ltd	Ministry of Defence	Study of mechanical factory production, HM Dockyard, Rosyth
1985	P-E Consulting Group Ltd	Ministry of Defence	Study of Production Control, HM Dockyard, Rosyth
1985-1986	INBUCON/LUC	Department for the Environment	Resource plan and staffing model for the Royal Parks
1985	PA Consulting Services Ltd	Department for Trade and Industry	Management of Office Automation Publicity Campaign
1986	Inbucon Ltd	Scottish Office	Redesign of central module of Financial Management Initiative
1986	Inbucon Ltd	Scottish Office	Design and Specification of a Management Control and Information System for National Galleries (Scotland)
1986	PA Management Consultants Ltd	North Western Regional Health Authority	Report on Salford Health Authority
1986	PE Information Systems Ltd	Lord Chancellor's Department	Communications specification for Court Funds Accounting System

1986	PA Management Consultants Ltd	Paymaster General	Consultancy Services to the Inner Cities Initiative both in respect of evaluating the progress of the initiative and helping the Inner City task forces develop projects in their areas
1986	Inbucon Ltd	Department for Scotland	Study of Financial Management. Scottish Development Agency
1986	PA Computer & Telecommunications Ltd	Lord Advocate's Department	To assess the financial and product viability of Inslaw Inc. of America
1986	P-E Consulting Group Ltd	Department for Trade and Industry	Advice on Patent Office Organisation
1986	PA Consulting Services Ltd	Department for Energy	Advice on local government energy management in Scotland
1986	PA Computer & Telecommunications Ltd	Home Office	Study of network migration to police national computer project
1986	PA Computer & Telecommunications Ltd	Home Office	Future developments of computer system in Magistrates Courts
1986	PA Consulting Services Ltd	HM Treasury	Study of departmental non-voice telecommunications
1986	Harold Whitehead & Partners Ltd	Ministry of Defence	Consultancy assistance for the MOD's Management Services (Organisation) Division
1986	Harold Whitehead & Partners Ltd	Ministry of Defence	Review of Productivity Scheme at Central Engineer Park, Long Marston
1986	PA Management Consultants Ltd	Ministry of Defence	Equipment Maintenance Study for Quarter Master General
1986	PA Management Consultants Ltd	Ministry of Defence	Study into the maintenance and control of major repairable units of air stores for Director General Aircraft (Navy)

1986	PA Management Consultants Ltd	Ministry of Defence	Consultancy assistance for the project team, Director General Aircraft (Navy)
1986	PA Management Consultants Ltd	Ministry of Defence	Study to review capacity management, Director General Aircraft (Navy)
1986	PA Management Consultants Ltd	Ministry of Defence	Business Management Systems Study at Rosyth Dockyard
1986	P-E Consulting Group Ltd	Ministry of Defence	Business Management Systems Study at Devonport Dockyard
1986	P-E Consulting Group Ltd	Ministry of Defence	Implementation of Protection Control at Rosyth Dockyard
1986	P-E Consulting Group Ltd	Department for Social Services	Budgetary Control System (Computer Support Review)
1986	PA Management Consultants Ltd	Northern Ireland Office	To assess the implications of introducing the Home Office `Fresh Start' proposals for the prison service in England and Wales into the Northern Ireland prison service
1987	Harold Whitehead & Partners Ltd	Ministry of Defence	Productivity Scheme Review at Royal Ordnance Factory, Cardiff
1987	Harold Whitehead & Partners Ltd	Ministry of Defence	Review of the Senior Management Structure of the Royal Navy Stores
1987	Harold Whitehead & Partners Ltd	Ministry of Defence	Assistance with the Review of the RAF Maintenance Executive
1987	Harold Whitehead & Partners Ltd	Ministry of Defence	Productivity Schemes Review of Central Ordnance Depot, Bicester
1987	PA Consulting Services Ltd	Ministry of Defence	Assistance with the Quarter Master General's Equipment Maintenance Study
1987	PA Consulting Services Ltd	Ministry of Defence	Study to Review Consumable Stores Management—Director General Aircraft (Navy)
1987	PA Consulting Services Ltd	Ministry of Defence	Phase 2 of the Rotables Study—Director General Aircraft (Navy)

1987	PA Consulting Services Ltd	Ministry of Defence	Consultancy Study to Define a Repair Policy Analysis Methodology—Director General Aircraft (Navy)
1987	PA Consulting Services Ltd	Ministry of Defence	Rosyth Dockyard Commercial Material Systems
1987	P-E Consulting Group Ltd	Cabinet Office	Study into future development of the Civil Service College Administrative Computer System
1987	PA Computer & Telecommunications Ltd	Department for the Environment	Advice on development of software for IT Strategy

Table 17: Detailed selection of state consultancy assignments by American generation firms, 1960s-1970s[1087]

Date awarded	Company	Organisation	Nature of assignment
1962	McKinsey & Co.	Atomic Energy Authority	Reorganisation
1962	Booz Allen & Hamilton International NV	National Economic Development Council	Use of private companies on assignments for NEDO
1963	McKinsey & Co.	Ministry of Transport	Advisory services
1965-1967	Arthur D. Little Ltd	Ministry of Aviation	Review of American experience in the application of technological developments arising out of Government sponsored aerospace programmes
1965	Arthur D. Little Ltd	Denham Committee for British National Export Council	Examining feasibility of establishing export corporations for the west coast of America and West Germany
1966	McKinsey & Co.	Post Office	Advisory services
1966	McKinsey & Co.	National Coal Board	Management structure organisation
1966	Arthur D. Little Ltd	Department of Economic Affairs	Report on Belfast aircraft manufacturers Short Bros. and Harland
1967	McKinsey & Co.	Department for Transport	Advisory services
1967	McKinsey & Co.	British Transport Docks Board	Rationalisation programme
1967	Arthur D. Little Ltd and A.I.C. Ltd	Department of Economic Affairs	Report for National Economic Development Council ("Neddy") on Electrical Engineering

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[1087] Firms included are Arthur D. Little, Booz Allen Hamilton, Boston Consulting Group and McKinsey & Company.

1968	McKinsey & Co.	Bank of England	Reorganisation
1968	McKinsey & Co.	Gas Council	Reorganisation
1968	McKinsey & Co.	British Rail	Reorganisation
1968	Booz Allen & Hamilton International NV	Department of Health and Social Security	Minor advice on organisation structure
1968	McKinsey & Co.	British Railways Board	Advisory services
1969	McKinsey & Co.	NHS	Report
1969	Booz Allen & Hamilton International NV	Bow Group	Advisory services
1969	Booz Allen & Hamilton International NV	Conservative Party	Advisory services
1969	Booz Allen & Hamilton International NV	Islington council	Reorganisation
1969-1970	McKinsey & Co.	Department of Health and Social Security	Organisational Review of the Health Divisions
1970	McKinsey & Co.	BBC	Reorganisation
1970	McKinsey & Co.	Hull Council	Advisory services
1970	McKinsey & Co.	British Transport Commission	Advisory services
1970	McKinsey & Co.	Department of the Environment	A study of urban guide-lines in Sunderland

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Year	Firm	Client	Description
1970	Arthur D. Little Ltd	National Economic Development Council	Report on US 'brain drain' for Management Education, Training and Development Committee
1970	McKinsey & Co.	United Oxford Hospitals	Reorganisation of hospital management structure
1971	McKinsey & Co.	Thames Board Mills	Advisory services
1971	McKinsey & Co.	Department of Trade and Industry	Advisory services
1971	Booz Allen & Hamilton International NV	Department of Education and Science	Survey of the organisation and management of the British Museum
1971	McKinsey & Co.	Department of Health and Social Security	Review of internal organisation and management arrangements for proposed new Health Authorities
1971	McKinsey & Co.	Department of Trade and Industry	Review of the financial position and development plans of a nationalized industry
1971	McKinsey & Co.	Welsh Office	Advisory services
1971	McKinsey & Co.	Department of Health and Social Security	Reorganisation of social services department
1971	McKinsey & Co.	NHS	Reorganisation of NHS
1971	McKinsey & Co.	Foreign Office	Management structure organisation
1972	Booz Allen & Hamilton International NV	HM Government	Strategy
1972	Booz Allen & Hamilton International NV	Department of Trade and Industry	A study of the UK shipbuilding industry
1973	Booz Allen & Hamilton International NV	Department of Trade and Industry	Ship building

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1973	McKinsey & Co.	Merseyside Metropolitan County Council	Reorganisation
1973	McKinsey & Co.	Surrey County Council	Advisory services
1973	McKinsey & Co.	Hull Corporation	Reorganisation
1973	McKinsey & Co.	Foreign Office	Advisory services
1973	McKinsey & Co.	Cabinet Office	Analysis of social affairs programmes and the development and presentation of conclusions and recommendations
1973	McKinsey & Co.	Department of Employment	To determine a programme and budget for the Training Services Agency
1973	Boston Consulting Group Ltd	Department of Trade and Industry	A study of the implication for the UK of changes in the Japanese economy
1974	Boston Consulting Group Ltd	Department of Trade and Industry	Industrial competition
1974	McKinsey & Co.	National Economic Development Council	Industry export prospects for 1977
1974	McKinsey & Co.	Department of the Environment	Review of local authority management information systems
1974	McKinsey & Co.	Department of Health and Social Security	To assist in NHS planning systems in compiling a guide to corporate planning in the NHS
1974	Booz Allen & Hamilton International NV	National Economic Development Council	Ship building and ship repairing
1974	Boston Consulting Group Ltd	Foreign Office	Study on future of Japan
1975	McKinsey & Co.	Cabinet Office	Long-term study of the motor car industry

1975	Boston Consulting Group Ltd	Department of Industry	To undertake a study of the world motor cycle industry
1976	McKinsey & Co.	Department of Health and Social Security	Advisory services
1976	McKinsey & Co.	Home Office	Advisory services
1976	McKinsey & Co.	Royal Commission on the Distribution of Incomes and Wealth	Evidence to Commission
1976	Booz Allen & Hamilton International NV	Cabinet Office	Study of the UK power plant equipment industry
1976	McKinsey & Co.	Department for Northern Ireland	Board and management structure assignment of a public owned company
1978	McKinsey & Co.	National Economic Development Council	Advisory services
1978	McKinsey & Co.	National Economic Development Council	Strategy options
1979	McKinsey & Co.	National Economic Development Council	Strategy options
1979	Boston Consulting Group Ltd	National Economic Development Council	Prospects and opportunities for UK tyre industry
1981	McKinsey & Co.	Westminster County Council	Efficiency savings
1983	McKinsey & Co.	Audit Commission	Board member/Chief Executive/Efficiency expert
1983	McKinsey & Co.	National Coal Board	Reorganisation
1983	McKinsey & Co.	National Coal Board	Organisational change

1983	Booz Allen & Hamilton International NV	British Railways Board	International performance comparisons: railway investment
1983	A. T. Kearney Ltd.	Department for Trade and Industry	Application of information technology in commerce and industry.
1985	McKinsey & Co.	National Coal Board	Advisory services
1992	McKinsey & Co.	British Transport Commission	Privatisation strategy
1993	McKinsey & Co.	British Railways	Privatisation strategy
1994	McKinsey & Co.	Tate Gallery	Developing the Tate

Table 18: Detailed selection of state consultancy assignments by consultancy firms of accountancy generation, 1970s-1990s

Date awarded	Company	Organisation	Nature of assignment
1970	Deloitte, Robson Morrow & Co	Department of the Environment	Management Accounting in Supplies Division
1970	Peat, Marwick, Mitchell	Department of the Environment	Management accounting in "New Towns"
1971	Cooper Brothers and Company	Department of Health and Social Security	Costing study of a chemical pathological laboratory
1971	Peat, Marwick, Mitchell	Home Office	Pilot study on the cost effectiveness of salvage at fires
1971	Cooper Brothers and Company	Ministry of Posts and Telecommunications	To advise on the finances of the Post Office Giro
1971	Cooper Brothers and Company	Department of Trade and Industry	To consider the position and future prospects of a major engineering company
1971	Price Waterhouse Company	Department of Trade and Industry	Review of the staffing and organisation of the Insolvency Service
1971	Cooper Brothers and Company	HM Treasury	Simplification of personal tax system
1972	Cooper Brothers and Company	Ministry of Agriculture, Fisheries and Food	A study of the arrangements for implementing certain intervention subsidies
1972	Peat, Marwick, Mitchell	Department of the Environment	Written report on an outline financial planning model for New Towns developed during an earlier consultancy
1972	Arthur Andersen & Co.	Department of Health and Social Security	To construct an out-patient care event model
1972	Peat, Marwick, Mitchell	Home Office	Feasibility study of the cost effectiveness of fire prevention measures

1974	Coopers & Lybrand Associates Ltd	National Coal Board	Staffing
1974	Peat, Marwick, Mitchell	Department of the Environment	To advise Department of the Environment, HM Treasury and British Railways Board on aspects of the new Railways Support Grant
1974	Peat, Marwick, Mitchell	Department of Health and Social Security	Use of pathology laboratory simulation model at the University Hospital of Wales and Poole District General Hospital
1974	Arthur Andersen & Co.	Department of Health and Social Security	Development of criteria for decisions on upgrading hospital building stock
1974	Arthur Andersen & Co.	Department of Industry	To make preliminary report on prospects for investment in UK by Danish industry
1974-75	Arthur Andersen & Co.	Department of Industry	Assistance in connection with financial information systems
1974	Coopers & Lybrand Associates Ltd	Department for Northern Ireland	Financial investigation and management appraisal—Northern Ireland engineering firm
1975	Coopers & Lybrand Associates Ltd	Department of the Environment	To examine the financing of the Central YMCA building project
1975	Coopers & Lybrand Associates Ltd	Department of Health and Social Security	To review and update stage III of 1971-72 costing study of pathology laboratories in the National Health Service
1975	Arthur Andersen & Co.	HM Treasury	To assist with revised financial information systems for central Government expenditure on Votes
1975	Coopers & Lybrand Associates Ltd	Department for Industry	Study of Chrysler
1977	Arthur Andersen & Co.	Department of Transport	Research project on crew costs of bus operations
1977	Price Waterhouse Associates	Department of Transport	Further work on study of the finances of the Port of London

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			Authority
1978	Arthur Young	Ministry of Defence	To devise a management system for monitoring the development of a round of ammunition
1978	Coopers & Lybrand Associates Ltd	Department of Industry	Feasibility study of proposed merchandise mart at Surrey Docks
1978	Arthur Andersen & Co.	Lord Chancellor's Department	Study of computer audit in magistrates' courts
1979	Arthur Andersen & Co.	Civil Service Department	Review of resource and organisational implications of possible changes in the Prosecution System
1979	Deloitte Haskins and Sells	Department of the Environment	Feasibility study to compare costs with those of outside organisations
1979	Coopers & Lybrand Associates Ltd	Department of Industry	Study of demand for small factory premises
1979	Arthur Young	Inland Revenue	A study of the possible taxation of unemployment benefits
1979	Coopers & Lybrand Associates Ltd	Manpower Services Commission	Feasibility study for the unification of MSC Accounts
1979	Peat, Marwick, Mitchell	Scottish Office	Cost investigation of milk distributors' profit margins
1979	Peat, Marwick, Mitchell	Department for Education and Science	Review of financial systems
1979-1982	Peat, Marwick, Mitchell	Department of Industry	Advice on corporate plans of an industrial company
1979-1982	Touche Ross & Co.	Department of Industry	Review of the Department's financial information system
1979-1982	Coopers & Lybrand Associates Ltd	Department of Industry	Rationalisation of steel wire drawing industry
1979-1982	Deloitte Haskins and Sells	Department of Industry	Heavy steel forgings rationalisation scheme

1979-1982	Deloitte Haskins and Sells	Department of Industry	Rationalisation of cold rolled narrow strip steel manufacturing
1979	Arthur Andersen & Co.	Department for Northern Ireland	A review of industrial development institutions and incentives
1979	Peat, Marwick, Mitchell	Department of Trade	Review of departmental administrative forms
1980	Coopers & Lybrand Associates Ltd	Department of the Environment	Accounting and financial system and related studies for the London and Merseyside Docklands UDC
1980	Coopers & Lybrand Associates Ltd	Department of Trade	CEGB's investment appraisal methods
1980	Arthur Young	Home Office	Advice to the Prison Department on a costing system and to the Directorate of Industries and Farms on organisational structure, management information and accountancy systems and profitability
1981	Coopers & Lybrand Associates Ltd	Home Office	Advice on police expenditure
1981	Peat, Marwick, Mitchell	Department for the Environment	Assistance with Rayner scrutiny of running costs in of the Department of the Environment (Central) and follow-up
1981	Coopers & Lybrand Associates Ltd	Department for the Environment	Preparation of business plan for Hydraulics Research Station
1982	Peat, Marwick, Mitchell	British Railways Board	Report
1982	Peat, Marwick, Mitchell	Department of Energy	Efficiency study of UK Atomic Energy Authority
1982	Coopers & Lybrand Associates Ltd	Department for Northern Ireland	Investigation of affairs of De Lorean Motor Company
1982	Coopers & Lybrand Associates Ltd	Department for Northern Ireland	Investigation of financial affairs of firm in receivership
1982	Arthur Young	Department of Trade	Review of tourist board operation and efficiency

1982	Deloitte Haskins and Sells	Department for the Environment	Review of Contracts work in PSA
1982	Touche Ross & Co.	Department for the Environment	Inquiry into safeguards against fraud and corruption
1982	Coopers & Lybrand Associates Ltd	Department for the Environment	Advice to London Zoo Study Team
1982	Coopers & Lybrand Associates Ltd	Department for the Environment	Financial Management in the Directorate of Ancient Monuments and Historic Buildings
1983	Coopers & Lybrand Associates Ltd	Unknown	Reports into local authority reform – potential abolition of six metropolitan county councils
1983	Arthur Young McLelland Moores & Co.	Department for the Environment	National Parks Efficiency Review Stages I and II
1983	Deloitte Haskins and Sells	Department for the Environment	Restructuring of PSA and Review of Contracts Directorate
1983	Arthur Andersen & Co.	Department for Social Services	Progress Management for the Department's Operational Strategy
1983	Deloitte Haskins and Sells	Ministry of Defence	To carry out a study into the long term future of the Queen Victoria school, Dunblane and the Duke of York's royal military school, Dover
1983	Arthur Andersen & Co.	Department for Trade and Industry	Advice on local area network system in Alvey Directorate
1983	Coopers & Lybrand Associates Ltd	Department for Trade and Industry	Effects of public sector provision of industrial premises
1983	Price Waterhouse Associates	Department for Trade and Industry	Audit of computer system.
1983	Touche Ross & Co.	Department for Trade and Industry	Financial appraisal of a company
1984	Deloitte Haskins and Sells	Independent schools	Reports
1984	Coopers & Lybrand Associates Ltd	Department for Employment	Implementation of Management Information Systems for the

			Skillcentre Training Agency
1984	Arthur Young	Department for Employment	Applicability & Feasibility of Data Dictionary System within MSC
1984-5	Arthur Andersen & Co.	Department of the Environment	Study of recovered planning appeals
1984-5	Coopers & Lybrand Associates Ltd	Department of the Environment	Ad hoc advice on an internal review of the work and staffing levels of the Department management information for ministers (MINIS)
1984-5	Touche Ross & Co.	Department of the Environment	Review of the management and expenditure information system (MAXIS).
1984-5	Deloitte Haskins and Sells	Department of the Environment	Advice on improvements to financial management and control procedures within public service agreements
1984-5	Deloitte Haskins and Sells	Department of the Environment	London region
1984	Arthur Andersen & Co.	Department for Social Services	Progress management for the operational research service of the Department
1984	Arthur Andersen & Co.	Department for Social Services	Terminal replacement inquiry service
1984	Deloitte Haskins and Sells	Department for Social Services	Study on losses of supplies in a NHS hospital
1984	Peat, Marwick, Mitchell	Department for Social Services	To advise the operational research service of the Department in connection with quality control of its computer programming and thus to facilitate the propagation of programmes
1984	Price Waterhouse Associates	Department for Social Services	Budgetary control system. To advise the Department on administrative expenditure covering management units in HQ, two central offices and the regional organisation
1984	Peat, Marwick, Mitchell	Ministry of Defence	Management Audit of Director General of Defence Contracts assistance with the Technical costs phase

1984-1985	Deloitte Haskins and Sells	Welsh Office	Advisory services
1984	Arthur Andersen & Co.	Home Office	To advise on the working procedures, staffing and structure of the Crown Prosecution Service
1984	Coopers & Lybrand Associates Ltd	Home Office	Review of the commercial relationship between the Prison Service Industries and Farms and Customers
1984	Coopers & Lybrand Associates Ltd	Home Office	Study of an accounting and reporting framework for the Directorate of Telecommunications
1984	Touche Ross & Co.	Department for Social Services	Management Information System
1984	Arthur Young	Department for Social Services	Management Budgeting, North Tees and Southmead Health Authorities
1984	Coopers & Lybrand Associates Ltd	Department for Social Services	Management Budgeting, Ealing and Basingstoke Health Authorities
1984	Arthur Andersen & Co.	Department for Social Services	Use of Computers in the Family Practitioner Services
1984	Peat, Marwick, Mitchell	Department for Social Services	Computer Programming Standards
1984	Arthur Young	Department for Social Services	Advice on alignment of benefit periods
1984	Touche Ross & Co.	Department for Trade and Industry	Review of Special Steels Industry
1984	Price Waterhouse Associates	HM Treasury	IT Strategy Study of the Office of Manpower Economics
1984-1985	Coopers & Lybrand Associates Ltd	Department for the Environment	Review of National Heritage memorial fund
1984-1985	Deloitte Haskins and Sells	Department for the Environment	London region advice
1985	Coopers & Lybrand Associates Ltd	Law Society	Advisory services
1985	Touche Ross & Co.	Department for Energy	Accountancy and tax advice in respect of the privatisation of the

			gas industry
1985	Arthur Andersen & Co.	Ministry of Defence	Accountancy advice
1985	Arthur Young	Ministry of Defence	Study work on Service B Vehicle holdings
1985	Arthur Young	Ministry of Defence	Replacement Policy for Engineering and Construction Vehicles
1985	Deloitte Haskins and Sells	Ministry of Defence	Requisitioning and contracting procedures within the Army Department
1985	Price Waterhouse Associates	Ministry of Defence	Review of spares support for industrial repair of RAF managed equipment
1985	Price Waterhouse Associates	Ministry of Defence	Implementation of interim management measures at HM Dockyards
1985	Price Waterhouse Associates	Ministry of Defence	To review operating procedures in the Civilian Travel Claims Section
1985	Touche Ross & Co.	Ministry of Defence	Study of Dockyard Accounting arrangements
1985	Price Waterhouse Associates	Home Office	Tasks related to a computer accounting system and marketing organisation in Prison Service Industries and Farms
1985-1986	Arthur Young	Grampian Health Board	Advisory services
1985-1986	Price Waterhouse Associates	Department for the Environment	Residuary Body Implementation Plan—Greater London
1985-1986	Peat, Marwick, Mitchell	Department for the Environment	Residuary Bodies Implementation Plans—Metropolitan Counties
1985-1986	Touche Ross & Co.	Department for the Environment	Report on National Cyrenians

1985-1986	Coopers & Lybrand Associates Ltd	Department for the Environment	Preparation of Business Plan for Thamesmead Town
1985-1986	Price Waterhouse Urwick	Department for the Environment	Management skills and procedure training
1985-1986	Ernst and Whinney	Department for the Environment	Review of Stockbridge Village Trust Ltd
1985-1986	Touche Ross & Co.	Department for the Environment	Advice on in-house transfer of Management of Administrative Expenditure Information Systems (MAXIS)
1985-1986	Deloitte Haskins and Sells	Department for the Environment	Advice on implementation of new financial regime for new towns following New Towns and Urban Development Corporations Act 1985
1985-1986	Coopers & Lybrand Associates Ltd	Department for the Environment	National Heritage Memorial fund long term funding
1985-1986	Touche Ross & Co.	Department for the Environment	Civic Trust review
1985-1986	Peat, Marwick, Mitchell	Department for the Environment	Management study of the Royal Armouries
1985-1986	Deloitte Haskins and Sells	Department for the Environment	Special advice to the Principal Finance Officer
1985-1986	Touche Ross & Co.	Department for the Environment	PSA internal audit consultants
1985-1986	Coopers & Lybrand Associates Ltd	Department for the Environment	Consultancy support to PSA information technology committees
1985	Touche Ross & Co.	Department for Trade and Industry	Industry Study
1986	Touche Ross & Co.	Northern Ireland Office	Report on performance and costs in ship building
1986	Ernst and Whinney	Department for Social Services	Report on movement of costs specific to nursing and residential homes
1986	Coopers & Lybrand Associates Ltd	Scottish Home and Health Department	To advise on management arrangements in the health service in Scotland

1986	Coopers & Lybrand Associates Ltd	Lord Chancellor's Department	Civil Justice Review: study of commercial court
1986	Peat, Marwick, Mitchell	Lord Chancellor's Department	Computer project support
1986	Arthur Andersen & Co.	Paymaster General	Planning support in development of user requirement for replacement computer system for Unemployment Benefit Service
1986	Deloitte Haskins and Sells	Paymaster General	Advice to Small Firms and Tourism Division on Financial Management Review of British Tourist Authority/English Tourist Board
1986	Coopers & Lybrand Associates Ltd	Department for Scotland	Provision of Training Sessions on Marketing Awareness for the Custodial Staff in the Historic Buildings and Monuments Directorate
1986	Ernst and Whinney	Department for Scotland	Study into Management Organisation and Procedures appropriate to the Scottish Legal Aid Board
1986	Arthur Young	Department for Transport	Audit of the accounts of the Civil Aviation Authority
1986	Arthur Young	Department for Transport	Preparation of accounts for the General Lighthouse Fund
1986	Peat, Marwick, Mitchell	Department for Transport	Joint management review of the Woolwich Ferry and associated tunnels (with Greenwich LB)
1986	Price Waterhouse Associates	Department for Transport	Audit of the accounts of the British Railways Board
1986	Price Waterhouse Associates	Department for Transport	Accounting advice in respect of the setting up of Public Airport Companies under the Airports Act 1986
1986	Touche Ross & Co.	Department for Transport	Advice on the proposed disposal of British Transport Advertising

1986	Coopers & Lybrand Associates Ltd	Department for Trade and Industry	Financial Appraisal
1986	Coopers & Lybrand Associates Ltd	Department for Trade and Industry	United Kingdom Space Programmes Study
1986	Deloitte Haskins and Sells	Department for Trade and Industry	Railway Survey
1986	Touche Ross & Co.	Department for Trade and Industry	Railway Staff Training Assessment
1986	Peat, Marwick, Mitchell	Department for Energy	Study of the methodology used by the UK Atomic Energy Authority in recording pre-Trading Fund decommissioning and radioactive waste management liabilities
1986	Price Waterhouse Associates	Department for Energy	Development of reservoir engineering database
1986	Price Waterhouse Associates	Department for Energy	Advice on US, Canadian and Japanese accounting conventions for British Gas sale offer
1986	Coopers & Lybrand Associates Ltd	Home Office	Study into future provision of training for Magistrates Courts staff
1986	Price Waterhouse Associates	Home Office	Implementation of computer systems in Home Office Prison Department
1986	Touche Ross & Co.	Home Office	Study on scientific support for the police service in England and Wales
1986	Arthur Young	Department for Education and Science	Provision of advice as part of the Department's financial management review of the Secondary Examinations Council and School Curriculum Development Committee
1986	Touche Ross & Co.	Department for Education and Science	Production of the long form report for the sale of part of the Plant Breeding Institute and the National Seed Development Organisation

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1986	Coopers & Lybrand Associates Ltd	Department for the Civil Service	Development of policy evaluation
1986	Peat, Marwick, Mitchell	Ministry of Agriculture	Management Accountancy Information System
1986	Touche Ross & Co.	Ministry of Agriculture	Dairy Crest Foods
1986	Arthur Young	Ministry of Defence	Study into the future of the Defence School of Music
1986	Arthur Young	Ministry of Defence	Implementation assistance following the recommendations of the 'B' vehicle study
1986	Arthur Young	Ministry of Defence	Study into Ex-works Transport
1986	Arthur Young	Ministry of Defence	Consultancy assistance with implementation of vehicle studies
1986	Coopers & Lybrand Associates Ltd	Ministry of Defence	Study in establishing the Royal Dockyards as a 682 Government Owned PLC
1986	Coopers & Lybrand Associates Ltd	Foreign Office	Audit of FCO travel centre
1986	Arthur Young	Department for Social Services	HCHS Projects – General Support
1986	Arthur Young	Department for Social Services	Support for management budgeting project at Southmead, North Tees and Basingstoke and evaluation of progress of implementation
1986	Arthur Young	Department for Social Services	Office Technology Projects
1986	Touche Ross & Co.	Department for Social Services	Study of Payment Systems in the NHS
1986	Deloitte Haskins and Sells	Department for Social Services	Support for management budgeting project at Southmead, North Tees and Basingstoke and evaluation of progress of implementation
1986	Ernst and Whinney	Department for Social Services	FA/FB Support

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1986	Ernst and Whinney	Department for Social Services	Health Building Division
1986	Coopers & Lybrand Associates Ltd	Northern Ireland Office	Market research on Blood Transfusion Services
1986	Deloitte Haskins and Sells	Northern Ireland Office	To review the information and management needs of the Department of the Environment (Northern Ireland) Works Service
1986	Peat, Marwick, Mitchell	Northern Ireland Office	Commercial potential for an irradiation facility in Northern Ireland
1986	Price Waterhouse Associates	Northern Ireland Office	Financial appraisals for the Industrial Development Board (four studies)
1986	Price Waterhouse Associates	Northern Ireland Office	Assistance with vetting of contractors accounts regarding appointment to select list
1986	Touche Ross & Co.	Northern Ireland Office	Development of computer audit capability in DHSS
1986	Touche Ross & Co.	Northern Ireland Office	A review of the Standard Capital Grant Scheme
1986	Peat, Marwick, McLintock	Inland Revenue	The development of financial costing and modelling systems
1986	Peat, Marwick, McLintock	Inland Revenue	Financial management techniques and on clerical work measurement in tax offices
1986	Peat, Marwick, McLintock	Customs and Excise	A study of computer terminal strategy
1986	Peat, Marwick, McLintock	Customs and Excise	A study of communications network strategy
1986	Peat, Marwick, McLintock	Customs and Excise	A study on the potential use of certain commercial accounting packages

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1987	Deloitte Haskins and Sells	Gwynedd Health Authority	Financial position of health authority
1987	Arthur Young	Ministry of Defence	Study into Vacant Married Quarters and Disposals
1987	Arthur Young	Ministry of Defence	Review of Ex-Works Transport
1987	Deloitte Haskins and Sells	Ministry of Defence	Study into the Functions and Activities of the Stores and Clothing Development Establishments
1987	Deloitte Haskins and Sells	Ministry of Defence	Study into Asset Management in the Chief of Fleet Support Area
1987	Deloitte Haskins and Sells	Ministry of Defence	Consultancy Assistance for IT Effectiveness and IT Technical Audits
1987	Deloitte Haskins and Sells	Ministry of Defence	Study into Spares Procurement for the Master General of the Ordnance and the Quartermaster General
1987	Deloitte Haskins and Sells	Ministry of Defence	Study into Spares Procurement for Director General of Supplies and Transport (Naval)
1987	Price Waterhouse Associates	Ministry of Defence	Resource Management in United Kingdom Land Forces
1987	Price Waterhouse Associates	Ministry of Defence	Business Systems Support to Subships at Devonport
1987	Touche Ross & Co.	Ministry of Defence	DGDA Efficiency Audit – Cash Management Study
1987	Touche Ross & Co.	Ministry of Defence	Commercialisation of the Royal Dockyards
1987	Arthur Young	Ministry of Defence	Implementation Support for the Fleet Maintenance and Repair Organisation's Management Accounting System
1987	Peat, Marwick, McLintock	Ministry of Defence	Computer consultancy to validate 10 year plan for computing needs at RMSC Shrivenham

1987	Peat, Marwick, McLintock	Ministry of Defence	Consultancy Support to IT Strategy Unit
1987	Price Waterhouse Associates	Ministry of Defence	Study into computerisation of handling Civilian Travel Claims
1987	Peat, Marwick, Mitchell	Cabinet Office	Review of the preparation and production of inspection reports
1987	Deloitte Haskins and Sells	Cabinet Office	Financial management advice and assistance to the University Grants Committee
1987	Coopers & Lybrand Associates Ltd	Department for the Environment	Assistance to the IT Committee and the Project Services Project Board
1987	Peat, Marwick, McLintock	Department for the Environment	Study for computer aided design
1987	Price Waterhouse Associates	Department for the Environment	Management Training at Responding to Climate Change
1987	Price Waterhouse Associates	Department for the Environment	Tyne and Wear Urban Development Corporation – headed consortium for Inter-Disciplinary Study
1988	Price Waterhouse Associates		Additional staff needed to administer community charge
1989	Coopers & Lybrand Associates Ltd	British Railways Board	Coopers & Lybrand recommended that British Rail should simplify its organisation and decentralise on business lines. An Organisation for Quality (OfQ) team was established to lead the initiative

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Table 19: Detailed selection of state consultancy assignments by data processing generation

Date awarded	Company	Organisation	Nature of assignment
1980	Logica Ltd	Department of Health and Social Security	Location of Social Security work
1984	Logica Ltd	Department for Employment	Sizing study for Departmental Staff Records Computer System
1984	Computer Sciences Company Ltd	Department for Social Services	Local office project. Computer application in local offices
1984	Logica Ltd	Department for Social Services	Programming support for personnel statistics. (Establishments Division). To evaluate the computer aspects of the feasibility of introducing an electronic radiology department
1983	ICL Ltd	HM Treasury	Information Processing Architecture
1983	ICL Ltd	HM Treasury	Package 'X'—Conversion for Micros
1984	Logica Ltd	Department for Social Services	Housing Benefit Review
1984	Logica Ltd	Department for Social Services	Feasibility study and development of plan/strategy for an integrated telecom network
1984	Computer Sciences Company Ltd	Department for Social Services	Audit of local Office Project
1984	Logica Ltd	Department for Trade and Industry	High Speed Network
1984	Logica Ltd	HM Treasury	Study of Interface Equipment for Communications Environment Generator
1984	Logica Ltd	HM Treasury	Interdepartmental Electronic Mail Study

1984	ICL Ltd.	HM Treasury	Project Heineken
1984	Logica Ltd	HM Treasury	Quick Application Methodology
1986	CMG Ltd	Paymaster General	Study on use of customer help desk in Computer Operations Section
1986	ICL Ltd.	Paymaster General	Consultation on computer mainframe installation
1986	Logica Ltd	Paymaster General	Assistance with implementation of personnel data system
1986	Logica Ltd	HM Treasury	Study on text distribution in Government
1986	Logica Ltd	HM Treasury	Investigation of the use of SSADM for distributed systems
1986	Computer Sciences Company Ltd	HM Treasury	Feasibility of installing digital systems design methodology in Government
1986	Logica Ltd	HM Treasury	Application of knowledge based systems techniques to audit trail analysis and Database security
1986	ICL Ltd	HM Treasury	Study on aspects of MUST
1986	Computer Sciences Company Ltd	Ministry of Agriculture	Design of new data processing system for Agricultural Census:
1986	Computer Sciences Company Ltd	Department for Social Services	Strategy Security
1986	Computer Sciences Company Ltd	Department for Social Services	Review of Terminal Replacement and Enquiry Service (TRES)
1986	Computer Sciences Company Ltd	Department for Social Services	Data dictionary

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1986	Computer Sciences Company Ltd	Department for Social Services	Departmental Integrated Project Support Environment (DIPSE)
1986	Computer Sciences Company Ltd	Department for Social Services	Strategy Database Administration
1986	ICL Ltd	Department for Social Services	Departmental Integrated Project Support Environment (DIPSE)
1986	ICL Ltd	Department for Social Services	Technical Architecture
1986	ICL Ltd	Department for Social Services	National Unemployment Benefit System (NUBS) — Software support.
1986	ICL Ltd	Department for Social Services	National Unemployment Benefit System (NUBS) — Communications timers.
1986	Logica Ltd	Department for Social Services	PPA Systems Sizing & Pilot Trials Evaluation Telecommunications
1986	Logica Ltd	Department for Social Services	HCHS Projects—Facilities & Hammersmith Hospital
1987	Computer Sciences Company Ltd	Ministry of Defence	Study of computing requirements of Royal Aircraft Establishment
1987	Computer Sciences Company Ltd	Ministry of Defence	Study into Army Supply Computer Systems
1987	Computer Sciences Company Ltd	Ministry of Defence	Advice on replacement of Royal Aircraft Establishment Management Information System
1987	Computer Sciences Company Ltd	Ministry of Defence	Consultancy requirement for Management and Technical advice for Corporate HQ Office Technology System
1987	Computer Sciences Company Ltd	Ministry of Defence	Provision of Consultancy Services for Corporate HQ Office Technology System
1987	Logica Ltd	Ministry of Defence	Study into replacement communications system for Navy Suppliers

1987	Logica Ltd	Ministry of Defence	Consultancy support for Training Army Commanders (Simulation)
1987	LOGSYS Ltd	Ministry of Defence	Systems design study into Royal Signals and Radar Establishment Personal Information Systems
1987	CMG Ltd	Cabinet Office	Development of a new Administrative Computer System for Her Majesty's Inspectorate
1987	Computer Sciences Company Ltd.	Cabinet Office	Consultancy requirement for Management and Technical advice for Corporate HQ Office Technology System
1987	Computer Sciences Company Ltd	Cabinet Office	Provision of Consultancy Services for Corporate HQ Office Technology System
1987	Logica Ltd	Cabinet Office	Study into replacement communications system for Navy Suppliers
1987	Logica Ltd	Cabinet Office	Consultancy support for Training Army Commanders (Simulation)
1987	LOGSYS Ltd	Cabinet Office	Systems design study into Royal Signals and Radar Establishment Personal Information Systems

Bibliography

Primary sources

A. Manuscripts and archives

Below are listed the key manuscripts and archives consulted during the writing of this thesis. Only sources directly referred to in the substantive text, have contributed to the assignments in the databases, or have more broadly helped generate an understanding of the nature of the issues under consideration are included below. Given the difficulties encountered when finding management consultancy-related archive material – namely because it has not been an obvious topic for archivists to file – included here are descriptions and dates of the sources used.

Bank of England archive, City of London

5A 26/1	Final McKinsey study report (c.1970)
ADM 38/93	Press cuttings of McKinsey assignment (1968-1970)
E 4/67	"Management consultants in the Bank", internal paper (1968)
OV 21/29	McKinsey study cartoons (1968)

Bodleian Library, Oxford

Callaghan, James papers

Box 105	Lecture on the CPRS and special advisers (1978)
Box 131	Kirby and special advisers (c. 1978)

Castle, Barbara papers

MS. Castle 264	McKinsey report for British Transport Docks Board – correspondence (1967)
MS. Castle 265	McKinsey report for British Transport Docks Board (1967)

Cripps, Stafford papers

Box 43	Papers from the Board of Trade (c.1945-1950)
Box 44	Anne Shaw Consulting Organisation publications (1943-1947)

Macmillan, Harold papers

MS. Macmillan dep. 383

Anglo-American Council on Productivity papers (1952)

MS. Eng c. 2194	Sir Philip Rogers papers. Rogers talk at McKinsey & Co. dinner (c. 1975)

Wilson papers

MS. Wilson c. 767	Correspondence with Senator William Benton (c.1964-1979)
MS. Wilson c. 768	Balogh's *Apotheosis of the Dilettante* (c. 1962-1965)
MS. Wilson c. 769	"March of the Whitehall economists" (c. 1965)
MS. Wilson c. 1594	Correspondence on the use of management consultants (c. 1967)
MS. Wilson c. 1597	On the use of special advisers (c.1975)

Bradford University archive, Bradford

Barbara Castle diaries	Notes resulting in published diaries, additional material not in diaries included.

Churchill Archives Centre, Churchill College, Cambridge

MCLN 2/2	Lyndall Urwick paper on management (c.1948)
MISC 84/1	Sir John Herbecq papers (c.1950-1981)
THCR 1/11/7 f62	"1983 Manifesto Draft" (1983)

Conservative Party Archive, Bodleian Library, Oxford

Joseph, Keith papers

KJ 15/1	Setting up the CPRS (c. 1970)
KJ 15/2	Notes on the authority of government (1975)
KJ 23/1	Contact with academics (1975)
KJ 23/2	Outside helpers (c.1970-1975)
KJ 23/3	Outside experts (c. 1976-1977)
KJ 29/1	Royal Commission on the NHS (1975)
KJ 29/3	Notes on Social Security (1976)
KJ 29/4	Pamphlet on incomes policy (1976)
KJ 29/5	Philips Rogers comments McKinsey's NHS work (1976)

London School of Economics, Holborn, London

ABEL-SMITH/8/16	Brian Abel-Smith papers on the NHS (1965-1973)
ABEL-SMITH/8/20	Brian Abel-Smith notes on the NHS (1970-1976)
HD9/712	"Modernisation in the cotton spinning industry" (1947)

McKinsey & Company archive, Boston

Oral histories

Langstaff, Harry, April 27-28, 1986

Morrison, Roger, September 18, 1986

Parker, Hugh, April 4, 1986

Strage, Henry, May 20, 1987

Management Consultancies Association archive, Endex Archives, Ipswich

Boxes 13-107   Private collection

Manchester People's History Museum, Manchester

Hart papers

HART 10/04	Notes on American management consultants debate (1968)
HART 12/03	Industrial Policy Committee recommends management consultancy use (1976)
HART 13/09	National Enterprise Board papers (1976)

Heffer papers

ESH 3/19	Papers on industrial relations and PA Consultants' report (1974)

Labour History Archive and Study Centre Pamphlet Collection

Box 279	Pamphlets on industrial issues (1930-1995)
Box 280	Pamphlets on industrial issues (1930-1995)
Box 281	Pamphlets on industrial issues (1930-1995)

Labour Party Research Department Memoranda

RDM 1966/36	Managerial power and industrial democracy (1966)
RDM 1966/37	Issues arising from the Fulton Committee (1966)
RDM 1971/58	Paper on Labour and the public sector (1971)
RDM 1971/145	Report on the British steel industry (1971)
RDM 1975/154	Report on the future of British steel (1975)
RDM 1975/163	Paper on a state management consultancy service (1975)
RDM 1976/431	Productivity report by the Industrial Policy Committee (1976)
RDM 1976/716	Paper on "After Fulton" (1976)
RDM 1976/775	Paper on special advisers (1976)
RDM 1977/947	Evidence to Royal Commission on the NHS (1977)

National Archives of Ireland, Dublin

2005/151/333	Government Departments Management Consultancy Assignments (1975)

28/3/73	Management Consultancy Assignments in Government Departments (1973)
2005/147/321	Garda Siochana Management Consultants project (1972)
2006/132/245	Garda Siochana Management Consultants project (1972-1976)

National Archives of Scotland, Edinburgh

SOE 5/66	Review by Arthur Andersen and Company of Scottish Office Computer Services (1976-1980)

National Archives, The, Kew, London

AB 57/027	McKinsey Atomic Energy Authority report (1962)
ADM 282/16	Consultants and advisers to Admiralty (1954)
AN 18/1013	Privatisation: McKinsey report, 'Building a commercial organisation for Railtrack: recommendations to the Board'
AN 124/195	McKinsey British Rail reorganisation (1971)
AN 174/1196	Training programme in collaboration with Messrs Urwick, Orr & Partners Limited and North Eastern Region (1960-65)
BA 1/60	Fulton Committee reports (1968)
BA 1/72	Fulton Committee notes (1966-1968)
BA 22/660	Civil Service Department: Payment of fees to outside consultants (1971-1973)
BN 13/165	National Health Service Reorganisation (1970)
BN 13/167	Membership of the Management Study (1972)
BN 13/194	Sir Clifford Jarrett memos on reorganisation (1970)
BN 13/317	Long term Social Security planning: operational strategy study and costed options (1975-1978)
BN 82/205	Operational Strategy Committee: Advice and Information Sub-Group; consideration of research (1980-1981)
BN136/1	Management of Local Office Project (1985)
BS 2/508	PA and Royal Commission on the Press (1974)
BS 6/3277	Management Consultancy; NHS Merrison Commission (1977)
BS 6/3511	McKinsey NHS Commission discussion (1978)
CAB 52/7	Defence Regulations Sub-Committee (1938-39)
CAB 128/35/51	Conclusions of a Meeting of Cabinet, September 21 (1961)
CAB 128/57/8	BCG motorcycle study - Cabinet decision (1975)
CAB 128/63/18	Kirby Manufacturing cabinet discussions based on PA study (1968-1969)

CAB 128/63/18	Kirby Manufacturing cabinet discussions based on PA study (1968-1969)
CAB 128/65/19	Kirby Manufacturing cabinet discussions based on PA study (1968-1969)
CAB 129/111	Modernisation of Britain - to use management consultants (1962)
CAB 129/115	BOAC and various consultant appointments (1963)
CAB 129/158/19	NHS reorganisation Dispersal review (1971)
CAB 129/158/24	CPRS recommend using consultants (1971)
CAB 129/164/4	NHS reorganisation White Paper (1972)
CAB 129/166/27	McKinsey study of British Steel Corporation for DTI (1972)
CAB 129/186/9	McKinsey local government and computer privacy study (1975)
CAB 129/198/24	Kirby Manufacturing cabinet discussions based on PA study (1968-1969)
CAB 129/193	Memo on "IMF Negotiations" (1976)
CAB 129/199/13	Draft White Paper on Nationalised Industries - recommends using consultants (78)
CAB 129/201/6	Kirby Manufacturing cabinet discussions based on PA report (1968-69)
CAB 129/201/7	Kirby Manufacturing cabinet discussions based on PA study (1968-69)
CAB 129/215/3	Cabinet paper on "Public Expenditure: Objectives for 1982 Survey" (1982)
CAB 129/215/15	"Civil service numbers after 1984" (1982)
CO 1022/314-316	Reports on the reorganisation of Government administration in Singapore by Urwick, Orr & Partners (1952-54)
DEFE 68/8	"Ammunition Production Organisation Study" by Urwick, Orr & Partners (1970)
FCO 21/1278	"Study by Boston Consulting Group on the future of Japan" (1974)
FCO 40/410	McKinsey Report on strengthening the machinery of government of Hong Kong: includes summary of report (1973)
FG 2/254	NEDO: Use of private companies on assignments for NEDO: Management Consultants Association (1965)
FG 2/835	National Computing Centre Working Party: membership, agendas, minutes and papers (1967-69)
HN 1/15	Arrangements for setting up the Central Computer Agency (1972)
HN 1/22	Report on development of computers in government: forecast for next ten years (1969-71)

HN 1/29	Review of objectives and functions of the Central Computer Agency (1974-1975)
HN 1/30	Exchange of computer staff between Civil Service and the private sector (1968-1980)
HO 213/1595	Naturalisation history (1970)
HO 245/1577	McKinsey BBC 1960s study and follow-on discussion (1975)
LAB 10/2759	Encouraging small firms to make use of Management Consultants: notes and papers (1965-1966)
LAB 107/77	National Economic Development Office: Register of Management Consultants (1968-1969)
LAB 28/16/25	Consultants advice to Royal Commission on Trade Unions and Employer's Associations (1969)
MAF 331/45	Use of management consultants by government department (1965-1972)
MEPO 2/10852	Changes in the organisation of the Metropolitan Police including merger of Commissioner's and Receiver's Offices as a result of report by PA Management Consultants Ltd (1968-1974)
MH 137/427	Health: management consultants' work for minister (1953)
MH 137/428	Health: management consultants' work for minister (1960)
MH 159/383	McKinsey DHSS organisation review (1972)
MH 166/536	PA assignments in NHS trusts (1967-1976)
PIN 42/118	"Social Security Operations Strategy Working Group." Memo: Mike Patterson to Dan Brereton, DHSS, October 13, 1980.
PREM 13/2550	Government procurement practices: enquiry by management consultants on behalf of Conservative Party (1968-1969)
PREM 16/491	Meriden papers and the motorcycle industry (1975)
T 224/1292	Ministry of Technology: establishment of a National Computing Centre (1965-1966)
T 224/1418	Ministry of Technology: establishment of a national computing centre (1966-1967)
T 224/2045	Proposed consultancy grants scheme (1969)
T 326/1040	McKinsey Bank of England study and Parliamentary issues (1968-1970)
T 374/97	Central Financial Information System: correspondence with consultants; computer systems and packages (1976-1977)
TS 58/869	National Computing Centre: draft Memorandum and Articles of Association (1966)

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86 B19 hafny/	A housing agenda for New York City-- proposals for change / by Carter F. Bales and Anupam P. Puri. (1974)
B83.11/pbi	Program/budget instruction fy 1969-1970. (1970)
B83.95/ciup	Cases in urban problems / [submitted to the] Bureau of the Budget, City of New York, June, 1970. (1970)
B83.96/csidt	A computer system for income distribution and tax analysis / Prepared for N.Y. City Bureau of the Budget. (1972)
B83.96/ctts	Changing the tax structure : Prepared for N.Y. City Bureau of the Budget. (1970)
B83.96/iditc	Income distribution and income tax computer runs / Prepared for N.Y. City Bureau of the Budget. (1971)
B83.96/iLtr	Increasing local tax revenue : New York City / Prepared for N.Y. City Bureau of the Budget. (1970)
B83.96/ima	[Issue mapping and analysis.] : Presentation before Bureau of the Budget / July 24, 1967. (1967)
B83.96/incid	Redesigning computer programs for income distribution and tax analysis program name : INCID / [Prepared for N.Y. City Bureau of the Budget] (1972)
B83.96/mihcm	Middle-income housing computer model / Prepared for N.Y. City Bureau of the Budget. (1968)
B83.96/proj	Redesigning computer programs for income distribution and tax analysis program name : PROJECT / [Prepared for N.Y. City Bureau of the Budget. (1972)
B83.96/rcpid	Redesigning computer programs for income distribution and tax analysis (EXPOL). / Prepared for N.Y. City Bureau of the Budget. (1972)
B83.96/rcpidt	Redesigning computer programs for income distribution and tax analysis (GINI) / Prepared for N.Y. City Bureau of the Budget. (1972)
B83.96/rcpta	Redesigning computer programs for income distribution and tax analysis (UNEMP) / Prepared for N.Y. City Bureau of the Budget. (1972)
B83.96/rcwas	Revising charges for the use of water and sewers / [prepared for N.Y. City. Bureau of the Budget] (1969)
B83.96/rsep	Taxing self-employed professionals / Prpared for N.Y. City Bureau of the Budget. (1971)
B83.96/sales	Redesigning computer programs for income distribution and tax analysis program name : SALES TAX / Prepared for N.Y. City Bureau of the Budget. (1972)
B83.96/scmn	Strengthening crisis management in New York City : Prepared by McKinsey & Company for N.Y. City Bureau of the Budget. (1970)
B83.96/tanm	Taxation of advertising in the New York City marketplace / Prepared for N.Y. City Bureau of the Budget. (1971)
B83.96/tauap	Taxing auto use and parking / [Prepared for the N.Y. City. Bureau of the Budget.] (1971)

B83.96/tdpp	Training data processing personnel / Prepared for N.Y. City Bureau of the Budget. (1971)
B83.96/tL	Taxing leaded gasoline. / Prepared for the N.Y. City Bureau of the Budget. (1971)
B83.96/trgen	Redesigning computer programs for income distribution and tax analysis program name : TRGEN / [Prepared for N.Y. City Bureau of the Budget. (1972)
B83.96/tsep	Taxing self-employed professionals / Prepared for N.Y. City Bureau of the Budget. (1971)
B83.96/ttnc	Taxing tar and nicotine in cigarettes / Prepared for N.Y. City Bureau of the Budget. (1971)
B83.96/uprdp	Urban Planning Research and Demonstration Program : final report. (1970)
C56.95/ipips	Improving personnel information processing systems / Department of Personnel, New York City. (1972)
E8.95/icp	Improving collection productivity : the project team manual :[report done for the Environmental Protection Administration, Department of Sanitation, Bureau of Cleaning and Collection]. (1970)
Ed8.95/aef	Allocating educational funds to the community school districts, November, 1970. (1970)
Ed8.96/scdm	Strengthening community district management : a pilot study of District 14, Board of Education, City of New York. (1971)
En8.95/iecpt	Establishing collection productivity targets / [report done for the Environmental Protection Administration, Department of Sanitation, Bureau of Cleaning and Collection]. (1970)
En8.95/imir	Improving management information reporting within the Bureau of Cleaning and Collection / [for the] Environmental Protection Administration, the City of New York. (1970)
En8.95/ipb	Power brooms / [report done for the Environmental Protection Administration, Department of Sanitation, Bureau of Cleaning and Collection]. (1970)
F49.65/bnyv	Building New York's visual media industry for the digital age: findings and recommendations (2000)
F49.95/do	Documentation of present income tax processing system and organization / [submitted to] Finance Administration, City of New York. (1970)
F49.95/gu	Gearing up to improve income tax processing performance : [procedures of] Finance Administration, the City of New York. (1970)
F52.96/ifp	Increasing the FDNY's preparedness / Prepared by McKinsey. (2002)
H35.96/hsac	Organizing HSA Central / Prepared for N.Y. City. Health Services Administration. (1970)
H35.96/rhsar	Reorganizing HSA's research and health education functions / [Prepared for Health Services Administration]

(1970)

H36.11/caf	Consolidation of administrative functions: [N.Y.C] Health Services Administration. (1970)
H36.11/cpabr	HHC/HSA capital planning and budgeting relationships. (1970)
H36.11/ppb	Planning, programming, budgeting [in the] New York City Health and Hospitals Corporation. (1970)
H36.36/tmpb	Transition management progress book. (?)
H36.95/aad	Abortion analysis documentation: [memoranda to Commissioner Robert Derzon and others, Department of Hospitals, New York City Health and Hospitals Corporation]. (1970)
H36.95/pas	Providing abortion services to the poor in New York City: [memoranda to] New York City Health and Hospitals Corporation. (1970)
H36.95/pib	President's initial briefing: [facts and figures ... summarized as an aid to the President of the New York City Health and Hospitals Corporation]. (1970)
H36.95/su	Starting up the New York City Health & Hospitals Corporation. (1970)
H36.95/su	Starting up the New York City Health & Hospitals Corporation. (1970)
H84.95/howr	The housing of welfare recipients: opportunities for improvement / [by Carol Ganz]. (1971)
H84.95/rfpd	Rehabilitation financing program descriptions / prepared for the New York City Housing and Development Administration. (1970)
H84.96/arh	Assisting New York City's renter households: prepared by McKinsey & Company, Inc for N.Y. City Housing and Development Administration. (1971)
H84.96/nrcp	The City of New York's new rent control program: 1970 / Prepared for New York City Housing and Development Administration. (1971)
H84.96/pehs	A profile of the existing housing stock: discussion draft / Prepared for the New York City. (?)
H84.96/rcp	Rent control program: results of rent increases as of November 1, 1970 / Prepared for the New York City Housing and Development Administration. (1970)
H84.96/soord	Systems overview of New York City's rent determination system / [for] Housing and Development Administration, City of New York. (1970)
H85.95/mihim	Middle-income housing issue map: [research based on Housing and Redevelopment Board data]. (1968)
M19/apgh	Attacking the problem of ghetto housing in New York City: a suggested strategy. / Presentation to Board of Directors, N.Y Urban Coalition. (1969)

M19/ygha	You gotta have art! Profile of Great investment for New York State. (1997)
M21 hchme/	Harlem-East Harlem Model Cities plan. (1969)
M45.55/ppc	New York City productivity program charts / [developed by McKinsey and Company, Inc., to accompany Deputy Mayor's productivity program materials?]. (1959)
M45.69/ho	New York City Department of Hospitals: Management Survey, Volume 1 - Organisation in Central Administration (1951)
M45.69WE/ri	Recommendations for simplifying and measuring work of the social investigator: a report / prepared by McKinsey and Company. (1951)
M45.96/snygfs	Sustaining New York's and the US' global financial services leadership / a report prepared by McKinsey & Co. for N.Y. City Mayor Michael R. Bloomberg and U.S. Senator Charles E. Schumer. (2007)
M72.96/cbcdc	Central Brooklyn Model Cities Community Development Corporation: certificate of incorporation and bylaws / prepared for N.Y. City Model Cities Administration. / (1970)
M72.96/cbmc	Building effective manpower training in Central Brooklyn Model Cities / Prepared for N.Y.C. Model Cities Administration. (1969)
M72.96/cbmc	Creating an effective group practice program in Central Brooklyn Model Cities / Prepared for N.Y. City. Model Cities Administration. (1969)
M72.96/cbmca	Program details for ambulance decentralization: Central Brooklyn Model Cities / Prepared for N.Y City Model Cities Administration. (1969)
M72.96/cbmcL	Central Brooklyn Model Cities: loan program / Prepared for Model Cities Administration. (?)
M72.96/mtdb	Manpower training and development in Central Brooklyn Model Cities / [Prepared for N.Y. City Model Cities Administration.] (1969)
M72.96/nymca	New York Model Cities Administration : its problems and opportunities / (1970)
M72.96/nymcao	Organization of the Model Cities Administration / (1970)
M72.96/sbcdc	South Bronx Model Cities Community Development Corporation: certificate of incorporation and bylaws / Prepared for N.Y. City Model Cities Administration. (1970)
M83.96/gtia	A guide to issue analysis / Prepared for N.Y. City Bureau of the Budget. (1968)
P75.96/iepr	Improving NYPD emergency preparedness and response. : Prepared by McKinsey & Company for the N.Y. City Police Department. (2002)
S C73G75/cidmps	A study of cash, investment and debt management / prepared by McKinsey & Company, Inc. (1960)

S C73G75/ptw	Planning the work of the Commission : [a series of "photostatic copies of visual aids used in preliminary oral presentation" / by McKinsey & Company, Inc. (1959)
S G74.65/msr	Study to analyze salary levels paid to New York State employees as they relate to salary levels paid by private employers for comparable work / [conducted by] McKinsey and Company, Inc. (1961)
S T24C3/icsd	The impact of coterminal service districts ... / [9-part report submitted by McKinsey and Co., with Commission's own staff; "none of the material reflect the views of the Commission"]. (1974)

University of Kent, British Cartoon Archive, online

www.cartoons.ac.uk   Accessed August 19, 2015. All copyright cited in text.

Warwick Modern Records Centre, University of Warwick, Warwick

MSS. 126/TG/938/M/3

A printed report by McKinsey & Co sent to all members of the TUC Economic Policy Committee (1976)

MSS. 148/UCW/6/13/19/12

MCA report on 'Reducing the cost of local government' (1961)

MSS. 178/30

Papers of Sir Jack Scamp - Motor Industry Joint Labour Council inquiries (1965-1968)

MSS. 178/48

Papers of Sir Jack Scamp - various correspondence (1968)

MSS. 200/C/3/C1/3/1

Anglo-American Council on Productivity membership lists; misc. correspondence and papers on survey of BPC by Urwick Orr and partners, management consultants (1948-1952)

MSS. 200/F/3/T3/25/1

Industrial Management. Business Consultants, enquiries (1946-1948)

MSS. 200/F/3/T3/25/6

British Institute of Management, Consultants' Committee (1948-1950)

MSS. 200/F/3/T3/27/1

Government Committee on Industrial Productivity (1947-1949)

MSS. 296/REG/352.15

	National Whitley Council for the Civil Service - Use of management consultants on certain aspects of Civil Service work (1965-1967)
MSS. 335/LG/M/1	
	P.A. Management Consultants Limited 'Report on the cost of Local Government Reform, Cheshire County Council.' (1970)
MSS. 365/BSC/47	
	Work measured incentive schemes for British Steel Corporation, including study by PA Management Consultants Limited (1975-1977)
MSS. 89P/404	
	Employment of business consultants in the Post Office joint working group to function in parallel with the McKinsey Inquiry. (1966-1967)
MSS. 89P/410	
	Employment of business consultants in the Post Office joint working group to function in parallel with the McKinsey Inquiry – report included (1966-1967)
MSS. 89P/443	
	Employment of business consultants in the Post Office: joint working group to function in parallel with the McKinsey Inquiry: progress reports and information paper (1967-1968)
MSS.154/3/DH/37	
	Richard Crossman papers regarding a meeting with E.W. Towler, Chairman, United Oxford Hospitals, including brief on the McKinsey report and hospital provision in Oxford (1968-1970)

B. Interviews and correspondence

Profiles of individuals contacted are in Appendix A: Key characters by chapter. All interviews and correspondence were conducted by the author. Full text of the interviews and correspondence are available on request from the author.

4th Baron Avebury, correspondence from February 15 to February 27, 2011.

Anonymous, interview with author, London, August 1, 2011.

Anonymous, interview with author, London, October 30, 2014.

Astall, Lis, interview with author in Institute of Directors, Pall Mall, March 9, 2016.

Barber, Sir Michael, telephone interview, April 17, 2015.

Benton, Rich, telephone interview, September 29, 2014.

Birt, Lord John, interview in House of Lords, May 11, 2015.

Burgess, Keith, interview in Sloane Square, London on March 9, 2011.

Butler, David, correspondence and telephone interview from February 15, 2011 to April 1, 2011.

Copisarow, Sir Alcon, interview at Athenaeum Club, London on February 16, 2011 and correspondence between November 1, 2010 and June 29, 2015.

Cox, Sir George, interview at Bull Hotel, Hertfordshire on March 2, 2011.

Donaldson, Hamish, correspondence from March 3, 2011 to April 4, 2011.

Doyle, Bernard, telephone interview on February 16, 2011.

Forrington, Vic, correspondence from March 3 to March 30, 2011.

Giachardi, David, telephone interview on March 9, 2011.

Graham, **Antony,** correspondence from February 15 to February 20, 2011.

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