

SKEMA PUBLIKA CONFERENCE OF 28 MARCH 2024

WHAT INFLUENCE DO CONSULTING FIRMS HAVE ON PUBLIC POLICY?

DESCRIBED AS A "TENTACULAR PHENOMENON" BY THE SÉNAT INVESTIGATION COMMITTEE, HOW CAN THE GOVERNMENT'S USE OF CONSULTING FIRMS BE REGULATED?

SUMMARY OF TALKS AND DISCUSSIONS

Speakers (in order of appearance):

- **Mr Yves Morieux**, Senior Advisor to the Boston Consulting Group (BCG), former Senior Partner and Director of the Institute for Organisation, author of [Smart Simplicity](#)
- **Ms Caroline Michel-Aguirre**, Special Correspondent with Le Nouvel Obs, co-author of [Les Infiltrés. Comment les cabinets de conseil ont pris le contrôle de l'État \(Infiltrated: How consulting firms took control of the State\)](#)
- **Ms Éliane Assassi**, Honorary Senator and Rapporteur for the [committee investigating the growing influence of private consulting firms on public policy](#)

Moderated by **Ms Claude Revel**, Director of [SKEMA Publika](#) and former French Interdepartmental Delegate for Economic Intelligence.

ABOUT THIS CONFERENCE

This conference is the fourth in a series of meetings entitled "**At the heart of influences**", organised by SKEMA Publika to analyse influences in various fields. This Paris-based international think tank affiliated with SKEMA Business School was launched in February 2022, with the aim of looking ahead to and reflecting on the societal and geopolitical transformations of tomorrow. It fuels public debate and issues recommendations for national and international policymakers.

INTRODUCTION

Two years after the publication of the [Sénat investigation committee's report](#), we wanted to take stock of the influence of consulting firms on public policy, and consider how this phenomenon might evolve.

While there is nothing new about the State's use of private consulting firms, it has grown significantly in recent years. What the investigating committee described as a "tentacular" practice probably arose from the RGPP (general review of public policies) launched in July 2007. However, **between 2018 and 2021 we saw a considerable hike in government departments' spending on consultancy, which more than doubled over the period** (see the [summary of the report](#)), inevitably raising questions about **the proper use of public money**.

This concern prompted the CRCE (Communist, Republican, Citizen and Ecologist) group to call for the creation of a Sénat investigation committee, which aroused the interest of journalists and essayists in the matter. In early 2021, in the context of the COVID-19 pandemic, these various players were concerned by revelations

about the McKinsey firm's involvement in drawing up the government's vaccination strategy. But what probably caused the greatest shock was that, at a meeting to discuss the country's health, the floor was taken by a consultant rather than a minister or civil servant. For in this situation, given the stakes involved, what could possibly have justified subcontracting "entire areas of crisis management" to private firms, when 5 to 6 million civil servants were available?

When investigating this phenomenon, journalists and members of parliament came to similar conclusions. The services involving the pandemic "[were] really just the tip of the iceberg". **In only a few years, the State has become consultancy-dependent**, with the use of consulting firms "now an instinctive reaction: they are called in to provide technical expertise even when the State already has in-house skills [...]" (again, see [the summary of the investigation committee's report](#)).

The public expenditure involved – not transparent – was substantial to say the least (over €1 billion in 2021) and results were patchy, according to the report. The lack of transparency was deliberate and organised, and only partly elucidated "through the more stringent control of parliamentary investigation committees." This opacity was also facilitated by framework agreements and mega-contracts worth several hundred million euros awarded at the beginning of the five-year presidency. It was stressed that this approach de facto excluded small, local and specialised firms in favour of larger foreign firms with greater clout and the ability to respond to all types of needs within far shorter timescales than those of the government. This has enabled firms like McKinsey, Citiwell and Accenture to become indispensable, particularly in times of crisis.

But journalists and the investigation committee all consider that, as well the ethical risks involved (conflicts of interest, staff leaving the civil service to work in the private sector, "a foot in the door", etc.), **the State's sovereignty is decidedly threatened by the systematic use of private consulting firms**. In their view, while purporting to leave the last word to the administration by proposing several scenarios, the firms present options that are often "prioritised" and "oriented" towards the interests of the firms themselves. **This calls into question a genuine "strategy of influence"** within the State, all the more effective because the consultants camouflage their presence and contributions by blending seamlessly into the client's environment. For example, the documents produced feature no distinctive signs linking them to the firms.

The investigation committee's work led to the **drafting of a bill** designed to **introduce greater transparency and traceability** (an open data list of assignments given to consulting firms, a ban on the use of the government's logo, etc.), **tighten up ethical rules** (a ban on pro bono practices, control by the HATVP (High Authority for the Transparency of Public Life), the systematic deletion of data at the end of the assignment, etc.) and **provide a better framework for the use of consulting firms** ("re-internalisation" and skills mapping, assessment of the appropriateness of services, etc.).

This bill passed its first reading in the Sénat on 18 October 2022. It then took more than 15 months to be presented to the Assemblée Nationale, only to be – to quote those behind the project – "unpicked" and even "distorted". This was because the text was extensively reworked, including by adding local authorities to the scope of application, raising fears that discussions would stall and **signalling a lack of political will to dispense with consulting firms and reduce their influence**.

So, on 1 February 2024, an amended version of the text was sent back to the Sénat for a second reading. At the same time, the Government announced the creation on Tuesday 26 March 2024 of an internal State consulting agency reporting to the DITP (interdepartmental delegate for public transformation). It is reasonable to wonder whether this agency will lead to real progress in terms of consulting firms' influence on public policy, or conversely, whether it is a delaying tactic to avoid dealing with the fundamental problems. To find out, we first need to analyse **why the State calls on consulting firms at all**. In other words, **what added value do they provide?**

WHY USE CONSULTANCY FIRMS?

The role of *strategy* consulting firms is primarily to understand *anomalies*. One of the challenges facing organisations today is **the slowdown in productivity growth**, despite the technical and technological advances of recent decades and investment in the digitisation of businesses. In the 1960s and 1970s, productivity grew by 3% to 5% a year in the major European economies. Nowadays, it is only growing by around 0.5% a year. **Productivity gains are thus almost a tenth of what they were 60 years ago.** But productivity is far from being a simple neo-liberal obsession. As Nobel Prize winner in Economics Paul Krugman wrote in *The Age of Diminished Expectations: U.S. Economic Policy in the 1990s*, "Productivity isn't everything, but in the long run it is almost everything." Because "a country's ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker."

How can this anomaly be explained? From a microeconomic point of view, one of the fundamental causes of this slowdown is the **increasing complexity** facing organisations, which now have to resolve issues that are more subtle and intricate than in the past. Their strategic positioning no longer boils down to a choice between low-cost or high-quality production. They now have to innovate, be responsive, demonstrate the sustainability of their operations and their compliance with environmental, social and governance standards, and so on. It is estimated that **the complexity** of the environment in which organisations operate has **increased 6-fold in the space of 60 years.**

Organisations have responded to this complexity with **ever more numerous structures, processes, indicators, reporting, committees, etc. They have become complicated – around 35 times more so than 60 years ago.** As a result, employees are often more taken up with the *complications* generated within their company than with the (external) *complexity* facing their organisation. Within the 20% most complicated companies, it is even estimated that employees spend 40% to 80% of their days doing and undoing, *wasting their time*, rather than dealing with complexity – a task that actually creates value.

These observations are not only true for private sector companies. They also apply to government ministries and operators. A case in point is the French government's management of the COVID-19 pandemic. When it came to organising the first vaccination campaign in late 2020, over a dozen bodies – including Santé Publique France, the Haute Autorité de la Santé and a citizen's council – looked into related issues (quality, vaccine distribution, etc.), and were poised to help the Ministry of Solidarity and Health, to ensure its success. However, such a large number of structures was not conducive to providing a quick and effective response, mainly because of a lack of symbiosis - i.e. too many *complications*. So it was hardly surprising that the Minister and the Ministry called in consulting firms to manage the *complexity* of the situation.

This episode illustrates a problem that was not really touched on in the Sénat investigation committee's report: **the temptation to divide the work between civil servants and consultants.** To put it in the terms used above, this involves **relegating civil servants to managing complications, and delegating the resolution of complexity to consultants.** As the previous example shows, the problem cannot be summed up as a lack of expertise, which is certainly present within the public bodies involved. It stems from a tendency within the State to work in silos, increasing complexity and making itself dependent on outside help, whose intervention must enable the players involved to work together. As we know, during the vaccination campaign, McKinsey was asked to act as an *operational liaison agent*.

In this context, what the public sector players lacked was the ability to cooperate harmoniously in response to their increasingly complex working environment. In addition, while the porosity observed between private consulting firms and the civil service during the assignments was roundly criticised (see the investigation committee's report on this subject), how were the consultants supposed to foster integration and cooperation between State entities without themselves becoming part of them? For this synergy is what makes the whole more than the sum of its parts. As Pierre-Joseph Proudhon pointed out in *Qu'est-ce que la propriété?* (*What is*

Property?), "an immense power is created by the union and harmony of workers, and by the convergence and simultaneity of their efforts [...]. Two hundred grenadiers stood the obelisk of Luxor upon its base in a few hours. Do you suppose that one man could have accomplished the same task in two hundred days?" The investigation committee's report expresses alarm at the fact that "the boundary between advice from the firm and the processing of dossiers by public officials is imperceptible." But this imperceptible boundary between various contributions is the very essence of the work, if it stems from real cooperation between the agents. As with Proudhon's grenadiers or the runners in a relay race, **it is precisely because one person's effort merges with other people's efforts that the result is more than the sum of the contributions.**

To be truly effective, then, **the use of consulting firms by government ministries and operators must be geared to strengthen their ability to deal with the complexity of the environment they work in, not to alleviate the internal complications that plague them** – a situation that is unfortunately all too common. **Reforming the way the State operates should thus be seen as a prerequisite, not simply the result of a beneficial use of private consulting firms' expertise**, otherwise public policies will become powerless. In the absence of a decompartmentalised civil service, the use of consultants only adds another link to the decision-making chain. As with the management of the COVID-19 pandemic, consulting firms then end up taking charge of the interdepartmental aspect of the State's action, when this is the prerogative of the Premier Ministre.

Furthermore, in an increasingly complex environment, and in a bid to boost productivity and efficiency within organisations, consultants themselves rely on *state-of-the-art* management methods, which, in the context of public action, raises the question of the appropriateness of means and ends.

IS IT ALWAYS ADVISABLE TO USE PRIVATE CONSULTING FIRMS? DOES IT INVOLVE RISKS? THE CASE OF PUBLIC HOSPITALS

The value proposition of strategy consulting firms sometimes seems just to involve importing management methods from the private sector to improve public service performance by cutting costs. Although attractive, this approach – that of new public management – has given rise in the past to unintentional abuse.

This was the case, for instance, with the hospital reform carried out when Nicolas Sarkozy was president. To reduce expenditure in the healthcare sector, the principles of lean management (a method designed to eliminate production waste popularised in the 1990s with the logistics system used in Japanese carmaker Toyota's factories) were introduced with support from consulting firms. Their application to the hospital sector in France was supposed to result in:

- greater control, through the transfer of decision-making power from medical staff to administrative staff and the creation of reporting systems and intermediary agencies (ARS: Regional Health Agencies);
- greater standardisation, through the standardisation of processes and tasks, with particular emphasis on multi-skills rather than the specialisations of hospital staff;
- economies of scale, by pooling the needs of the various units, sometimes even exceeding the optimum number of beds to guarantee the quality of care;
- the increased digitisation of procedures.

This reorientation and restructuring of the sector led to inconclusive results, particularly in terms of the services provided to users. Most notably, **the excessive use of performance indicators** produced several perverse effects. A striking example was **the reduction in emergency waiting times, which was turned into a genuine structural objective**. But shorter waiting times meant less time spent with patients and thus less time spent listening to them, which led to **a higher rate of patients returning to the emergency department**. The situation was satisfactory in terms of the indicator used, but in reality it meant the system did not work properly and the service quality deteriorated.

To justify the use of consulting firms, some might argue that the mistake lay not in trying to apply private sector management methods indiscriminately to the public sector, but in turning a performance *indicator* into an *objective* – in confusing the means with the ends, thus causing a whole series of counter-productive behaviours. Here, **the issue is ultimately that of the responsibility or irresponsibility of consultants.** The example of waiting times in emergency departments, set as an objective rather than a simple indicator, shows that **the support provided by consulting firms never lasts long enough for the consultants to be held truly accountable for putting strategic change into practice.** This contrasts sharply with the responsibility of civil servants and senior civil servants, who are most certainly accountable to their fellow citizens.

But isn't this structural limitation on the responsibility of consulting firms and consultants for the results achieved – they never leave any "instructions for use" at the end of their assignments – occasionally appropriate for public sector decision-makers? Before considering whether the State is able to do without consulting firms – at least, as far as possible –, we must ask ourselves whether there is a genuine *willingness* to achieve this, or whether the relationship of dependence highlighted above is ultimately somewhat convenient.

SHOULD AND CAN THE STATE DO WITHOUT CONSULTING FIRMS, AND DOES IT WANT TO?

The question of whether the State would be able to do without external consultants is only relevant if public sector players genuinely want to limit this practice. Today, however, **senior civil servants are the first to justify the use of consulting firms**, as they believe that the key to modernising a somewhat outmoded public service lies in importing methods from the private sector. **This is also the doctrine that imbues the training they receive**, as witness the seminars given by consultants in the Public Affairs department at Sciences Po, or the directive of the former President of the École Polytechnique, himself a former senior partner at McKinsey.

Of course, on paper there is no incompatibility between working as a consultant and wanting to serve one's country. However, apart from salary conditions and career prospects, **what distinguishes senior civil servants from consultants is their relationship with responsibility.** For consultants rarely come into contact with the end users – the users of the public service they are helping to reform. This can create a feeling of unfair competition among some civil servants, because **the firm is never accountable for mistakes in performance.** As a result, these structures are never brought into question. In addition, the limited nature of a consultant's responsibility sometimes gives rise to some staggering human behaviour, like the use of the term "irritants" for asylum seekers, during an assignment carried out for Ofpra.

While frustrating for the civil servants who carry out the work, this relative lack of accountability is more than convenient for decision-making senior civil servants. This is because **it is easy to blame the firm if something goes wrong later on, thereby diminishing responsibility.** So it is common to see consultants called in to "lend credibility" to the solutions adopted and "get the pill down"; to "communicate", rather than to make up for an identified lack of expertise. **It is thus probable that senior civil servants have themselves fostered a certain dependence on consulting firms in the State, thereby gaining from this transfer of responsibility.**

But this relentless trend has now led to a **very real "skills haemorrhage" within the State, particularly in the digital sphere** – which, despite its strategic importance, represents only 0.68% of the civil service wage bill –, with the emergence of **serious shortcomings in project management.** We have gone from a State that did things itself to one that prefers to *have things done for it*, and **no longer knows either how to do things or how to get them done.** This was illustrated by the failure of the SIRHEN (information system for managing human resources and resources) at the Ministry of Education. Launched in 2007, the project was finally abandoned in 2018 after costing around €400 million. It was originally scheduled for delivery in 2012, with a budget of €80 million. But because the project was so complex, the Ministry was unable to provide the necessary framework and oversight. By making themselves indispensable, **consulting firms have shown a propensity to create their own markets, create complications** and foster the State's lax dependence on them.

CONCLUSION: AN INDEPENDENT, HIGH-QUALITY PUBLIC SERVICE; A SOCIETAL CHOICE

Will the State's creation of an internal consulting agency on 26 March help to remedy the problems raised in the Sénat investigation committee's report and the risks of abuse highlighted above? We have our doubts. In itself, this creation does not guarantee the decompartmentalisation of the civil service, or protect ministries and State operators from the complication of processes. It does not solve the previously mentioned problem of the division of work as regards complication/complexity. Furthermore, for the time being, this approach seems like yet another way of setting the bill aside, and a subterfuge to avoid dealing with the fundamental problems. Because **a wish to internalise the methods** (benchmarks and cost analyses) **and skills of private consulting firms** – not to mention the managerial newspeak – **also means endorsing the ideology on which they are based**. It means perpetuating the outmoded view of an inefficient, backward public service forced to call on the knowledge and expertise of profitable organisations in order to reform itself. **Ceasing to govern with consulting firms is not an undertaking that (senior) civil servants will cease to govern like consultants**, in a disembodied way.

So, before considering *how* to carry out State reform in a more complex environment, this reform implies **reflecting on the shared concept of public interest**. This is not simply a question of means, but of ends – a question of society: **do we still believe that a great, high-quality public service is possible in France?**

The use of consultancy firms, whether external or internal, can only be effective if clear guidelines for this type of reform have been laid down beforehand: **a vision of what the public service is or should be**. Without this fundamental reflection, the State condemns itself to dependence or helplessness in the development of public policies. **It dooms itself to act under the influence**.

A **great public service means redeveloping the civil service, in both symbolical and material terms**. We need to stop pitting the fantasised modernity of private sector methods against the supposedly archaic nature of public sector practices. **We need to encourage civil servants to take responsibility and promote decision-making and the ability to judge**, in order to avoid the use of consultants, who in some cases merely serve to "break down doors that are already open". We thus need to **ensure that decision-makers have the right to make mistakes**, as this is crucial if they are to cope with complexity and implement bold, innovative change management. But this right to make mistakes presupposes a certain permanence in posts and status, which is difficult to reconcile with recent reforms of civil service bodies, such as the one that led to job insecurity in the diplomatic corps. Lastly, we need to look at the pay and working conditions of civil servants and senior civil servants, which are unattractive compared with those offered to consultants in private firms.

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