

Management consultancy and inefficiency in the NHS: time for an urgent review

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About the research

In the NHS today, management consultants provide advice on strategy, organisation and financial planning and assist with the implementation of new information technology and other changes. Despite government pledges to make cuts, annual spending on this advice reached £640 million in 2014 although it has declined a little since that time. Spending is highly controversial, with the consulting industry and clients claiming cost savings, while critics accuse the government and NHS of waste. Sophisticated selling of often standardised solutions combined with so called 'revolving doors' between health officials and senior consultants, combine to put both the industry and consulting buyers under the spotlight.

Until now, it has been hard to evaluate competing claims over the efficiency of using management consultants. Previous research has relied mainly on subjective assessments of impact. However, a recently published study on 120 NHS Hospital Trusts in England by academics at the universities of Bristol, Warwick and Seville has made use of publicly available and transparent measures of efficiency (Reference Cost Index and adjusted total expenditure) and previously inaccessible information on consulting expenditure at the trust level.

Using pooled time-series regression analysis, the research explored the link between hospital efficiency and annual expenditure on management consultancy over a four-year period (2009/10 to 2012/13). It found that efficiency gains from consulting were the exception rather than the norm and that, overall, there was a significant and positive relationship between higher expenditure on consulting services and lower hospital efficiency (or higher inefficiency).

Further analysis suggested that it is the intervention of management consultants that causes inefficiency, rather than the other way around (already inefficient trusts spending more on consultants).

Policy implications

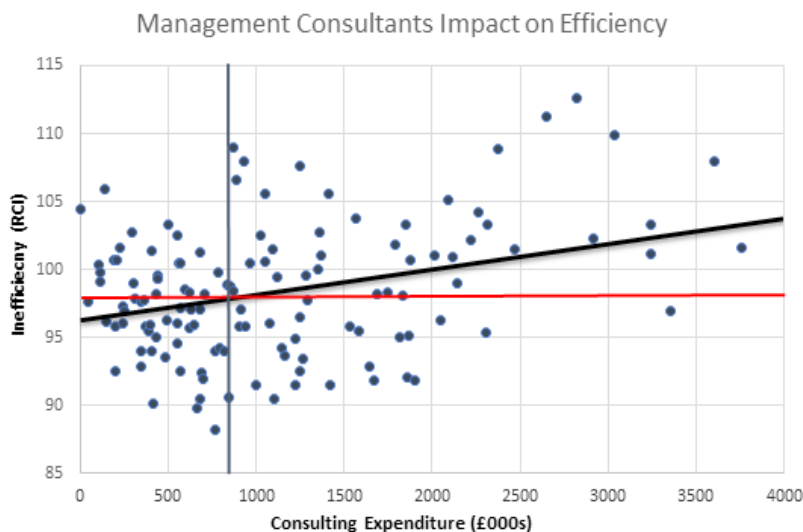
Although the study does not explain why the use of management consulting generates inefficiency, certain implications for policy are strongly suggested:

- Government, regulators and NHS Trusts should review and strengthen existing procedures for the procurement of management consultants, including the adoption of new public sector-wide framework agreements.
- NHS organisations should explore the costs and benefits of using alternative ways to meet the demand for expert advice, including using the money (currently spent on management consultants) to employ more managers or develop and maintain internal consulting capabilities.
- In the interests of transparency and public accountability, evaluations of management consultancy impact should be conducted by those who do not have a direct interest in the outcome (i.e. not clients or management consultants).
- Government, regulators and NHS trusts should encourage the collection and publication of more fine-grained data on the use of consultants to enable better evaluations and improve the research evidence base.

The implication is that, generally, management consultants are not only failing to improve the efficiency of NHS hospitals, but, in most cases, are making the situation worse, especially considering the fees paid.

Key findings

- Spending on management consultants was associated with inefficiency equivalent to a small average annual loss of £10,600 per annum for each hospital trust, in addition to the fees already paid for these services (around £600 million over 4 years for all trusts involved in the study).
- The hospital trusts in the study each spent £1.2 million per annum on average on management consultancy fees (varying from zero to £5.6 million), equivalent to the average salary cost of 20 managers, 10 consultant doctors, or 35 senior nurses.
- Although a minority of trusts (one third of the top 25% of management consultancy users) achieved moderate improvements of efficiency, the impact on the population overall was negative – with management consulting expenditure leading to higher inefficiency.
- The results were analogous when using the two alternative measures of efficiency while also controlling for path dependency in performance.
- The study tested (through longitudinal data analysis as well as employing prior (lagged) values of consulting expenditure) for the possibility that it was inefficiency that led to consulting use and not vice versa (reverse causality) and found that this was not the case.
- Further tests revealed that management consultants had no significant impact on the quality of hospital services, in terms of patient experience scores.



The scattergraph (left) shows that higher consulting expenditure is associated with greater inefficiency (or higher costs).

Key

Red line: median inefficiency (Reference Cost Index)

Blue line: median consulting expenditure

Black line: trendline

Further information

Full details of the study are published in: Kirkpatrick, I., Sturdy, A J, Alvarado, N, Blanco-Oliver, A and Veronesi, G. 'The impact of management consultants on public service efficiency' Policy & Politics: doi.org/10.1332/030557318X15167881150799. Copies are also available from the authors, below.

Please also see our blog in The Conversation: <https://theconversation.com/management-consultants-dont-save-the-nhs-money-new-evidence-89590>

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