

# A consultancy habit? The use of external management advice in the NHS

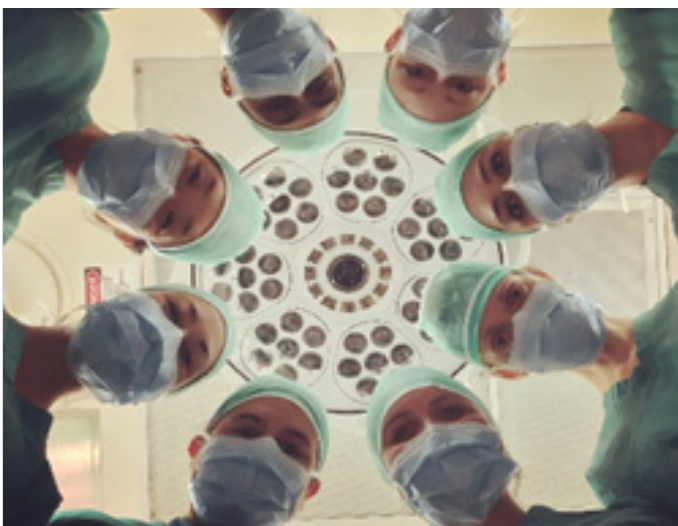
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## About the research

The use of paid management consultants in the NHS has become habitual despite having a negative impact on efficiency, according to new research.

Academics at the Universities of Bristol, York and Seville worked together to collect four years of data from 120 hospital trusts in England. They found consultancy spending is strongly linked to its prior use. This inflation of demand for consulting services occurred even when they failed to improve performance. In fact, policy initiatives, such as outsourcing and private financing of hospital buildings had worse outcomes for efficiency when carried out with the help of consultants' advice.

The research, just published in the journal [Public Administration](#), builds on previous work which showed that consultancy use in the NHS leads to inefficiencies. The new findings help to explain why this is the case and why using consultancy remains a popular, but frequently harmful habit.



## Policy implications

The finding that hiring consultancy serves to inflate future use and that greater use is associated with more inefficiency has significant implications for how consultancy should be governed.

- Clients and the authorities that oversee them should monitor the effects of consultancy more closely and/or limit repeated hiring of consultants. This echoes broader concerns noted in a recent [National Audit Office](#) report, about the transparency and effectiveness of procurement across public services. It also challenges the popular view that more open-ended contracts based on personal relationships are likely to deliver better results.
- The use of internal consultancy units which already exist in the NHS and other public sector organisations should be developed. This option has recently been discussed by the Cabinet Office concerned about the excessive use of external consultants during the Covid-19 pandemic and follows proposals to establish a 'Crown Consultancy Service'.
- The consulting firms themselves should place less emphasis on rewarding and promoting consultants on sales performance or repeat business and more on encouraging amongst their staff a 'culture of challenging clients'. This may require new organisational structures which depart from a growth or profit focus.
- More generally, given the financial constraints facing the NHS, an obvious question is whether it is appropriate to continue using external consulting advice at the current level.

## Key findings

Critics have long argued that commissioning consultancy can be a wasteful and yet seductive practice. Some even call it an addiction. However, this is the first time a study has closely examined data across a large number of users over time and found compelling evidence to support such assertions. Although a minority of the 120 hospital trusts sampled in the study did experience improvements in efficiency, these were the exception rather than the norm. Overall, the findings support a sceptical view of repeated external consultancy use.

- High levels of use of consulting services in the past are linked to greater use in the future despite no efficiency gains. This suggests that demand was being inflated even when use undermined efficiency levels (by 3.5-8% depending on how you measure it).
- Continually hiring consultants is not a result of a shortage of management because the biggest users are those trusts with relatively more managers. It is also not associated with the poorest performers.
- While it seems unlikely that clients knowingly bring inefficiencies in through consultancy use, the precise reasons for doing so remain unclear. It could be linked to the high status of many consulting firms, fuelled by their promotional activities and close

relationships with potential clients. More concretely, there is the appeal of having new and instant resources available who will promise efficiency and rarely challenge the 'hand that feeds them'.

Since the study was completed, management consultants have continued to be hired extensively throughout the NHS, including to help with the Covid crisis. Current estimates show that in 2018-19, over £300 million was spent by NHS providers and commissioners on hiring external consultants.



## Further information

'The management consultancy effect in public organisations: demand inflation and its consequences in the sourcing of external knowledge?' by Andrew J. Sturdy, Ian Kirkpatrick, Nuria Reguera Alvarado, Antonio Blanco-Oliver and Gianluca Veronesi is published in Public Administration. The paper can be downloaded from this link: <https://onlinelibrary.wiley.com/doi/10.1111/padm.12712>

## Previous research into NHS management and consultancy use

Ian Kirkpatrick on NHS management ([YouTube](#))

[Policy Briefing: Management consultancy and inefficiency in the NHS](#)

[Policy Briefing: Can management consultancy be regulated?](#)

## Contact the researchers

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