Antonio E. Weiss

# Management Consultancy and the British State

## A Historical Analysis Since 1960

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"Antonio Weiss' new book fills an important and intriguing gap in the literature. It also helps us to answer a vital question: how was it that management consultancies came to wield such influence across British government—from transport to health care, and from education to the very organisation of central and local government themselves? Using newly-released or discovered archival papers from the industry itself, from government, individuals and political parties, he shows that their ability to move across and around the vague borders between the British state and the world of private advice were absolutely central to their relative success. Given this inter-disciplinary approach, this book should be of interest and use to historians, political scientists, sociologists, public policy experts and practitioners alike."

—Glen O'Hara, *Professor of Modern and Contemporary History, Oxford Brookes University, UK*

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London, UK

ISBN 978-3-319-99875-6 ISBN 978-3-319-99876-3 (eBook)
https://doi.org/10.1007/978-3-319-99876-3

Library of Congress Control Number: 2018958004



This Palgrave Macmillan imprint is published by the registered company Springer Nature Switzerland AG
The registered company address is: Gewerbestrasse 11, 6330 Cham, Switzerland

# Acknowledgements

I owe a huge debt of gratitude to the Department of History, Classics and Archaeology at Birkbeck, University of London, not only for being an exceptional institution in which to learn and study, but also for granting me an Arts and Humanities Research Council Award for the research which forms this book. I am also indebted to the Eric Hobsbawm Scholarship Fund, whose generosity enabled my research to take a much broader geographical focus when consulting archives. My supervisor at Birkbeck, Frank Trentmann, was unstintingly helpful, insightful, supportive, and accessible throughout. I am also grateful to the support and advice of Jon Lawrence, for earlier research on this topic conducted whilst at the University of Cambridge. Glen O'Hara's comments, feedback, and encouragement have been greatly appreciated, and made this a better text. Jacqueline Young and Marcus Ballenger have been superb throughout the commissioning and editing process. On a personal note, I would like to thank Sir Alcon Copisarow for his inspiration, Carol for her support, and Amber for always keeping me company.

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. This book 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 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 both management consultancy and 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 (MCA) (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 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


A. E. Weiss, *Management Consultancy and the British State*,
https://doi.org/10.1007/978-3-319-99876-3_1

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 book explains this change.

Three issues are covered in this book, 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 consultant-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 70.[10] These questions play directly into major historiographical debates regarding the British state. 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 book 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 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]

As Fig. 1.1 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.[17] Throughout the 1980s, Arthur Andersen played a pivotal role in the largest civil computerisation project outside the United States—the "Operational Strategy"—which automated benefits payments, fundamentally changing how the British state engaged with its citizens.[18] In 1992, the consultants McKinsey & Company assisted the British Transport Commission's "privatisation strategy" of the railway system.[19] 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.[20]

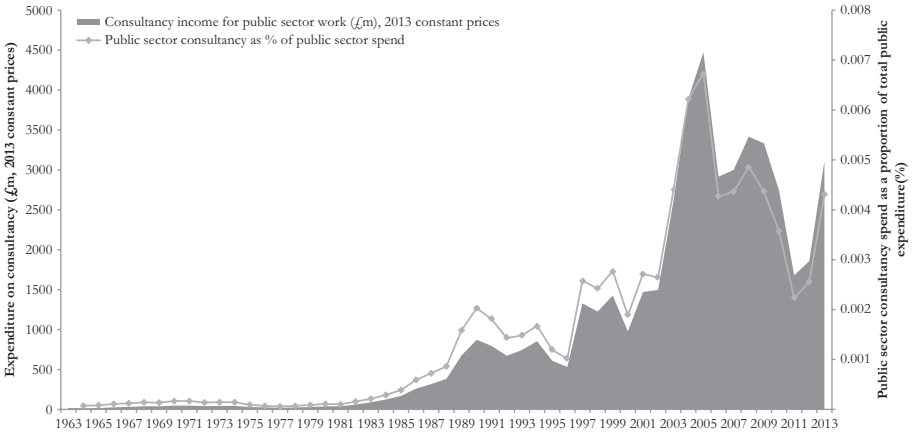


**Fig. 1.1** Total estimated UK public sector expenditure on management consultancy, 1963–2013. (Compiled, collated, and analysed by the author. Pre-1979 figures based on company returns in MCA archives. Boxes 22, 23, and 24. Post-1979 all "public sector" work was recorded as such by MCA firms. Post-1979 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.)

One of the most remarkable changes in the British state over the past 30 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.[21] 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-line" services.[22] 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.[23] And the British firm Capita, which in 2012–2013 generated over £1 billion income through a variety of outsourced services for state clients, began its existence as a consultancy before branching out into service provision.[24] As such, the development of outsourcing is also considered here and raises important further questions 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 book. 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."[25] Taking aim at specific ministries, Sampson noted how "the Ministry of Aviation is run by Latin and History scholars, headed in an unscientific manner."[26] 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.[27] 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."[28] 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."[29]

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, 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."[30]

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 did, unlike Sampson, shed more light on relationships with outsiders.[31] 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."[32] 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."[33] For Heclo and Wildavsky, 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 Wildavsky 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.[34] 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."[35] 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.[36] 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 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.[37] 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.[38] 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.[39] 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.[40] 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.[41]

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 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 20 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]."[42] 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 1960–1961, 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 advisers 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.[43] 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 interdependencies" model of governance in Britain was too weak to successfully enact lasting policy change in his areas of concern.[44]

David Edgerton's 2006 *Warfare State*, building on earlier research he had undertaken since the 1990s, 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."[45] 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.[46] 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."[47] 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).[48] 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 (MoS), 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.

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 advisers. 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.[49] 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 were 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.[50] Whilst noting "specialists were not uniformly scorned" and that they were used in service ministries, he posits that they were not much listened to.[51] Lowe's civil service is also emphatically Whitehall-centric. Industrial civil servants are excluded from analyses, and comparatively little attention is 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."[52] 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 (1925–1930) and Economic Advisory Council (1930–1939) were commissioned in line with the Haldane principle of bringing "continuous forethought" to policy-making.[53]

Whilst Lowe's analysis has more in common with the "revisionists" (though does not significantly reference their work, bar an acknowledgement 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.[54] 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 retirement. Their attitudes change slowly and their powers of passive resistance are legendary."[55] 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.[56] 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.[57] 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.[58]

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 in the 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 to 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]."[59] Chapter 3 in this book looks precisely at this.)

As such, this book 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 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 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 book 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.[60] (David Runciman 1996)

As the political historian David Runciman's quote describes, 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 commonwealth from Hobbes' infamous "state of nature."[61] The mid-nineteenth-century philosopher John Stuart Mill popularised the concept of a minimal state, whose aim was to protect individual liberty.[62] Mill sought to demarcate the lines between the "state" (largely coterminous with "government") and "society" (that which was non-"state").[63] 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."[64] More recently, historians of Britain have concerned themselves with interrogating where the metaphysical "boundaries" of the state lie.[65]

These differing views, as Jose Harris has argued, highlight that there has been a rather poor conceptualisation of the state in Britain.[66] 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 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."[67] 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."[68]

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."[69] 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 organizations."[70] 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."[71] In 2010, Mark Bevir and R.A.W. Rhodes explicitly rejected "modernist-empiricist" conceptions of the state, instead proposing that the state can be understood only as "cultural practice."[72] 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.[73]

This book broadly adopts a "realist" approach to understanding the British state, though it 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.

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 has 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."[74] 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."[75] 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.[76] 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.[77] 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 to declare in 2007 that "centralism over the last quarter century was the new opium of the British people."[78]

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.[79] Foucault gives insights into the nature of *disciplinary* power which the state can exert.[80] The American political philosopher John Rawls highlights the role states play in delivering *justice*.[81] 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 book "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.[82] 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 book as an analytical model to determine how—if at all—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 book 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.[83] 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 Conclusions, I argue that the conceptualisation of a late twentieth-century "governmental sphere" provides an apt framework for understanding how and why individuals and organisations from both private and public spheres became engaged in the governing of the state.[84] 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.[85] 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."[86] Whilst Rhodes' conclusions do not contradict the existence of the "governmental sphere," as this book 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 book 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 (e.g. McKinsey and PwC), think-tanks (e.g. Institute for Public Policy and Research, Demos, Institute for Government), and supranational organisations (e.g. World Bank, Organisation for Economic Co-operation and Development) in developing new concepts around "government reform" in

the period from the 1980s onwards.[87] The "governmental sphere" builds on this concept and shows the role management consultancies specifically played in British state reforms.

This book 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*[88])

As David Edgerton's quote alludes to, 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 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."[89] Yet the influence and impact of these consultants are 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."[90] 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 NHS in the 1990s note the use of external management consultants by both bodies, but do not explain the implications of this.[91] 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 25th 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, and methodological approach. Fittingly, Campbell-Smith was also previously a consultant at McKinsey.[92]

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 "30-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."[93] 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.[94] Second, Saint-Martin identified Thatcher's move to a "market-based model" of "new managerialism" in the public sector from which consultants profited extensively.[95] 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."[96] Saint-Martin has suggested that the main reason for the use of consultants by the state was the development of "policy legacies" between the "old managerialism" of the 1960s and the "new managerialism" of the 1980s.[97] This is a variant of a "path dependency" theory: that the use of consultants led to an ever-increasing use of consultants.[98]

Saint-Martin also explicitly links consultancy to political administrations and argues that since the 1980s the relationship between politicians and external

consultants was "politicised."[99] 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.[100] 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 book 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.[101]

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.[102] 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 efficiency-based models of calculating social value) tied into the development of bureaucracies within capitalist societies.[103] Michel Foucault focused in his later years on studies of "governmentality," which bore similarities with Weber's rationalisation concerns. Foucault's book 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.[104] Bruno Latour's "actor-network theory" generates a useful framework for analysing the growth of consultant-client relationships. Whilst Latour's focus is on the scientific community, parallels are apparent with the field of management.[105] 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.[106]

It is the latter of these hypotheses which has been seized upon by the relatively small literature on management consultancy and the British state. 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."[107] 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