

Review – The Big Con

Written by Timothy Morris

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TIMOTHY MORRIS, NOV 11 2023

The Big Con: How the Consulting Industry Weakens our Businesses, Infantilizes our Governments and Warps our Economies

By Mariana Mazzucato and Rosie Collington

Allen Lane, 2023

Does it matter that governments have become increasingly reliant upon the largest consulting firms, not just to advise them but to outsource policy making and implementation in many key areas of the economy and society, such as health and social care, IT systems, infrastructure projects, and economic restructuring? Or that these firms now play a large role in determining climate and environment policies for many governments, in both rich countries and lower income ones?

The core argument of this book is that it matters a great deal, as the long sub-title makes clear. It is a scathing critique of the role, methods and shortcomings of these firms, and the negative impact they have had on business and government by successfully creating a deep-seated dependency upon them. Not only does it mean that the fundamental direction and quality of decision making is influenced in ways that often are at odds with the public good, but it also leaves governments 'hollowed out' in terms of their internal capabilities to develop policies and implement them because they have become so dependent on consultants to do that for them. And this state of affairs is no accident: the purposeful intent of these consulting firms was to become essential to governments. They have done so by under-pricing their services to gain a foothold, then building out from that base; by establishing strong network connections with key decision-makers so that they become the automatic choice for future projects; and, crucially, by fostering a narrative that their expertise is superior to internal government resources.

Readers who are familiar with the work of Professor Mazzucato will recognize similarities with her argument that we need to rebuild a more robust and self-confident state to address the many fundamental problems facing both advanced and developing economies. This book argues that to achieve this rebuilding, we need to fundamentally re-frame the relationship between governments and consultant 'advisors'.

It begins by outlining the nature of the problem, and then provides an overview of the consulting industry and its historical development. Then, it explores the malign effect of these firms on the capacity of governments to function effectively in the interests of the publics they serve, concluding with some proposals on how to rectify the current situation.

Early chapters offer a brief history of the consulting industry and explain how consulting firms have traditionally made their money. Here, the book draws on the existing literature to set the scene and explain the industry's dynamics, although it mostly focuses on the roles of the largest firms (arms of the Big Four audit firms) and the three best known and biggest strategy consulting firms — McKinsey, Bain, and BCG.

Essentially, consulting firms generate revenues by selling claims to expertise (and I emphasise the word claims) to provide 'solutions' for their clients. Their operating model entails deploying teams of consultants to work on client problems and charging for consultants' time (or utilisation). As monetising consultants' time on client business is the core source of revenue, it follows that the central incentive for consulting firms is to maximise revenue streams by

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winning repeat work with existing clients and seeking out new clients, using their reputation. In so doing, consulting firms constantly try to develop new areas of expertise to take advantage of emerging market opportunities. Public sector consulting has provided one such very lucrative opportunity in the last thirty years or so.

But what of the Big Con in the title of the book? This refers to the confidence trick the authors argue that the consulting firms pull ‘from the ability to create an impression of value’ (p.3). The authors argue that this confidence trick enables consulting firms to extract economic rents — revenues that far exceed the value provided from their clients and particularly what they call ‘hollowed-out and timid governments and shareholder value-maximising firms’ (p.2). Consulting firms do this by claiming to have scarce and valuable know-how (or ‘knowledge assets’) that they can use to enable a more efficient and better functioning government system. In reality, the authors suggest that they promote a particular ideology that has distorted business and government, weakening their clients rather than strengthening them, and profoundly undermine government effectiveness because they have moved well beyond being supportive advisors to being ‘allowed to run the show from the centre’ (p.10).

While the authors do not explicitly discuss this, existing theory provides a good explanation as to why this ‘con’ can occur. It proposes that the intangible and complex nature of their product or service (often delivered over a prolonged period of time) makes it opaque and therefore hard for clients to evaluate utility and value (see for example, von Nordenflycht 2010). This is reinforced where there is an asymmetry of expertise between consultant and client, so that where the consultant has superior know-how, clients are unable to make informed judgements of the quality of the service provided: in agency theory terms, the principal (client) is at the mercy of the agent (consultant). And this is a particular risk for clients that are inexperienced, naïve, or lack the internal capabilities to judge how much value has been provided or manage the consulting contract effectively. Opacity and expertise asymmetry create the conditions in which consulting firms create an ‘impression of value’ to extract economic rents far beyond the value they provide. It is therefore no surprise that the major firms have become experts at selling this impression of themselves, as the book shows.

The authors argue that the opportunities to develop public sector consulting evolved out of the rising influence of the neo-liberal doctrines in the 1980s that argued strongly for more limited roles for states in all areas of economic activity, and advocated for the use of the market mechanism to deliver public services. In particular, the authors single out the influential book *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector* by David Osborne and Ted Gaebler, which offered the snappy principal that governments should ‘steer more, row less’, legitimizing a much more limited role for governments in service delivery. The authors also note the rise of New Public Management, which sought to mimic aspects of private sector management by introducing or extending the use of targets, goals, and more explicit measures of performance. New Public Management was championed by New Labour under Prime Minister Tony Blair in the UK, and underpinned government reforms of the public sector. These ideas and practices provided the opportunity for outsourcing and for consulting firms to build substantial business opportunities in many economies. In effect, they had the platform to make themselves central to the running of government and, furthermore, highly influential in many areas of policy making — which then led to further lucrative contracts.

The second half of the book focuses on the consequences. While much of the data is based on UK and US experiences, the authors work hard to show how the spread of the neo-liberal doctrine has affected governments widely in developed and emerging economies. They open each chapter with a short case or vignette to set the scene and then develop the general argument, mostly using secondary data. The authors argue that outsourcing core areas of public sector activity to the major consulting firms (and some that are more typically thought of as public sector outsourcing specialists such as Serco but are grouped with the consulting firms) has inflicted fundamental damage. It has eroded the capacity of the public sector to learn and to innovate on its own, by eroding capabilities within government; consulting firms have undermined democratic institutions and processes by facilitating rules that enable systemic tax avoidance; and they have inhibited efforts to transition to an economy that is more environmentally favourable. In the final part of the book, the authors lay out numerous proposals to reverse these trends by loosening the reliance on consulting firms and re-building capabilities in government to serve the public good.

This book is a trenchant critique of the impact of the major consulting firms on the conduct of contemporary

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government. Rather than ‘steering more and rowing less’, governments’ capacity to steer and row has been substantially diminished. The authors present their case eloquently, but as a deliberately polemical piece, and the evidence has been selected to drive the argument, rather than present a comprehensive picture. It may be that there are instances where consulting firms have worked — or been obliged to work — in a net beneficial way, providing advice and support that generates more effective public service delivery and enhances governments’ capabilities. If so, it would be useful to know more about these examples, not least because they should help us to understand the conditions in which productive consulting relationships can be constructed and how these can be applied more generally.

About the author:

Timothy Morris is a Professor Emeritus at the University of Oxford. His research on professional service firms examined the changing nature and forms of organisation and management, career systems, processes of innovation and change and team performance. He has published in leading journals including the *Academy of Management Journal*, *Administrative Science Quarterly*, *Journal of Management*, *Journal of Management Studies* and *Organization Studies*. His research in the area of leadership has focused on the role of the CEO, reflecting his wider interest in how leaders work and putting leadership into day-to-day practice. He has also authored several books, numerous chapters, and his work has featured in *Harvard Business Review*, *The Economist*, *Financial Times*, *CNN* and *Forbes*. He has also provided consulting advice to governments, private sector and non-profit organisations.