

Research finds NHS use of management consultants is a harmful habit

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

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, despite a lack of positive performance outcomes. 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, published in the journal *Public Administration*, builds on previous work which found consultancy use in the NHS leads to inefficiencies. The new findings help to explain why, despite this, paying for management consultants remains a popular habit.

Critics have long argued that commissioning consultancy can be a wasteful and yet seductive practice. Some even call it an addiction. This is the first time a study has closely examined data across a large number of users over time. It provides compelling evidence to support a sceptical view of external consultancy use. Although a minority of NHS trusts experienced some improvements in efficiency, these were the exception rather than the norm.

In particular, the research found high levels of use of consulting services

in the past are linked to higher use in future despite no efficiency gains, suggesting demand is inflated. In fact, greater use of consultancy seemed to worsen efficiency levels (by 3.5-8 percent depending on how you measure it).

The research also confirmed the trusts using more consulting advice also tended to make greater use of policies such as outsourcing and private financing.

Professor Ian Kirkpatrick, from the University of York, said:

"Continually hiring consultants is certainly not a result of a shortage or failure of management because the biggest users are those trusts with relatively more managers. While it seems unlikely that clients knowingly bring inefficiencies in through consultancy use, that is what they seem to be doing and inflating demand at the same time."

Andrew Sturdy, Professor in Management at the University of Bristol, added: "We do not know the precise reasons for the attraction of continually using consultancy without evidence of positive outcomes. It could be linked to the high status of many consulting firms from so called 'business envy' in the public sector. This is often fuelled by the promotional activities of the firms themselves and close relationships or 'revolving door' appointments. More concretely, there is the appeal of having new and instant resources available who will rarely challenge the 'hand that feeds them'."

The finding that hiring consultancy leads to further future use has wider implications for how consultancy use should be governed. One is that clients and the authorities that oversee them are not monitoring the effects of consultancy nor are they limiting repeated hiring of consultants. This reflects a broader concern, discussed in a recent National Audit Office report, about the transparency and effectiveness of procurement across public services, especially during the pandemic.

Another approach is to expand the use of internal consultancy units which already exist or develop new capabilities. This option has recently attracted attention at UK government levels after Cabinet Office concerns over excessive use of external consultants has prompted the development of an internal group or 'Crown Consultancy Services'. Finally, the consulting firms themselves might place less emphasis on rewarding and promoting consultants on sales performance and repeat business.

We still need to find out the extent to which these or other factors are at play in explaining the consultancy habit. Professor Veronesi of the University of Bristol concluded: "Given financial constraints facing the NHS, an obvious question is whether it is appropriate to continue using external consulting advice at the current level. This study highlights the need for organisations such as NHS trusts and their masters to conduct rigorous evaluations of the potential benefits and especially the risks of using external management consultants and to adopt a genuine focus on organising alternatives and kicking the habit."

More information: Andrew J. Sturdy et al. The management consultancy effect: Demand inflation and its consequences in the sourcing of external knowledge, *Public Administration* (2020). [DOI: 10.1111/padm.12712](https://doi.org/10.1111/padm.12712)

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