Assessing contract policy work: overseeing Canadian policy consultants

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Assessing contract policy work: overseeing Canadian policy consultants

Michael Howlett and Andrea Migone

Most of the interest in assessment of policy consulting in recent years has been related to financial and budgetary matters. This narrow focus has not dealt adequately with other important issues such as the impact of increased external consulting on the range and quality of advice and services provided to government. As such, important dimensions of this kind of contracting behaviour have been missed. This paper supplements new government contract data with the findings of a 2012–13 survey of approximately 160 Canadian federal government policy managers to investigate the oversight of contracts for policy work in Canada. Inefficiencies generated by a generalized lack of shared data and knowledge gained through the employment of external consultants is a major characteristic of this activity, which existing financially-based control systems fail to manage effectively.

Keywords: Canada; financial oversight; policy consulting; policy management; public policy.

Beyond financial accountability in public policy consulting

The use of policy consultants began to emerge on a large scale in many countries in the early 1990s (Hood and Jackson, 1991; Greer, 1994; Savoie, 2004; Pollitt and Bouckaert, 2011; Raudla, 2013). The main focus of most studies of this contracting and consulting activity in government—often undertaken by governments themselves—have been public management oriented: aimed at combating over-expenditures, contract creep and financial waste in general (Bakvis, 1997; ANAO, 2001; House of Commons Committee of Public Accounts, 2010; MacDonald, 2011; Project on Government Oversight, 2011; Howlett and Migone, 2013). While enhanced financial accountability is important and a key area of interest in the field (Romzek and Dubnik, 1987; Sinclair, 1995; Mulgan, 2000; Kim and Brown, 2012) only a very few studies have moved beyond this concern to examine larger issues such as the impact of developments in contracting on the nature and content of policy advice or the quality of services provided (Lindquist, 2009; McKeown and Lindorff, 2011; Streband Tepe, 2012; Mutiganda, 2013; Raudla, 2013). In particular, ‘enhanced accountability’ has often meant increasing levels of financial oversight and increased detail in reporting rather than moving towards a more qualitative approach to the contracting process.

Management consulting in the public sector, which is separate from the broader category of consulting in general and from the more limited one of policy consulting investigated here, has a global reach but remains strongly connected to its private sector American origins (Saint-Martin, 2007; Avakian and Clark, 2012; Kipping and Clark, 2012). While policy consulting understood as providing advice originates before the emergence of management consulting as a concept (Guttman and Walner, 1976), the current importance of policy consultants as a subset of management consulting is connected to the progressive off-loading of first peripheral and then key government functions to the private sector (Lindquist, 2009). Most accountability systems in this area exist as extensions of best practices developed and put into practice to deal with other forms of consulting procurement. Many of these have a distinctly financial or budgetary thrust and orientation, which may not be well suited to the assessment of issues surrounding outsourcing of policy advice.

In this paper we focus on the Canadian experience. Canada is a good case study, as it was an early adopter of New Public Management (NPM) paradigms (Glor, 2001) which included a strong formal focus on cost-
effectiveness and included various forms of outsourcing in their remit; pushing for reforms to existing practices such as competitive tendering (Hood and Peters, 2004; O’Toole and Meier, 2004; Olsen, 2006; Christensen and Lægreid, 2006, 2007; Diefenbach, 2009; Levy, 2010). Furthermore, recently released data (Howlett and Migone, 2013) has provided greater insight into Canadian government contracting than exists in most other jurisdictions.

Here we supplement this new government contract data with the findings of our own 2012/13 survey of approximately 160 Canadian federal government policy managers. Our results indicate that inefficiencies generated by a generalized lack of shared data and knowledge gained through the employment of external consultants or a lack of policy learning (Huber, 1991; Bennett and Howlett, 1992) are characteristic of existing accountability efforts. Using this data, we show the focus on financial accountability, and the subsequent lack of other types of detailed information on actual deliverables, has hindered capacity for assessing the effects of contracting out of policy advice on the life of citizens (Lindquist, 2009).

The service state and the rise of public policy contracting

The academic literature on government consulting has offered a variety of general explanations for this phenomenon (Tisdall, 1982; Brint, 1990; Ernst and Kieser, 2002; Page and Jenkins, 2005; Saint Martin, 2005; Page, 2010; Radcliffe, 2010). Brint (1990), for example, argued that the literature on professional consultants identified four ‘principle positions’ that outside experts can have in public policy processes, based on differences in the consultant’s capacity to dominate the policy-making process. These are:

- **Technocracy**—where experts possess increasing influence on policy-making as the subjects of government action become more technical and complex.
- **Servants of power**—where experts are merely ‘servants’ of the powerful. They provide ‘window-dressing’ or a legitimate gloss on decisions taken for non-technical reasons.
- **Limited mandates**—in this intermediate position experts can be expected to overrule or dominate policy-making only in those areas that require technical knowledge.
- **Extensive mandates**—here professional non-governmental bodies have a large impact on more than their areas of expertise, but not on all areas as suggested by the technocracy thesis (Brint, 1990).

However, most of the work on this subject to date has been done examining the case of management consultants and the impact policy consultants have on policy processes is much less well studied. Case studies vary along Brint’s categories from a ‘strong’ influence on policymakers to suggestions that this influence is at best diffuse and weak (Bloomfield and Best, 1992). Policy consultants are sometimes seen as independent ‘agents of change’ (Tisdall, 1982; Lapsley and Oldfield, 2001) or as weak, ‘liminal’ subjects dependent for any potential influence on allowances made for this by their employers (Pattenaude, 1979; Bloomfield and Danieli, 1995; Garsten, 1999; Czarniawska and Mazza, 2003). Explaining exactly why such consultants are used, therefore, remains an outstanding research question.

Regardless of its origins, however the rise of the policy ‘consultocracy,’ has at least two inter-related facets which go well beyond traditional concerns of financial or value-for-money accountability: one being a potential increase in the capacity of external sources to influence policy direction and the other a concomitant loss of policy capacity within the public service (Radcliffe, 2010). Both aspects deal less with financial accountability issues, per se, than with those of ‘good governance’. However few formal systems or checks exist to gauge the impact of such activity despite the fact that here is little doubt that a strong policy capacity is critical for good governance (Boston, 1994; Riddell, 1998).

Data and methods

In general, the field has much more to say about subjects such as the impact of outsourcing of government work on public sector employment patterns than upon the impact of policy consulting more specifically (Lahusen, 2002; MacDonald, 2011; Joaquin and Greitens, 2012; Woon Kim and Brown, 2012). Until recently when policy consulting was analysed, the analysis often had to rely on limited or anecdotal data (Howard, 1996; Perl and White, 2002; St. Martin, 2005; 2006; Speers, 2007), which made it difficult to assess its overall size and scope, let alone its impact (Howlett and Migone, 2013). Of late, however, a more intense effort has been made to assess the nature of internal policy work in government (Howlett, 2009; Howlett and...
Newman, 2010), which now provides a baseline against which to assess the activities of policy consultants. Although it remains very difficult to isolate policy consulting from larger categories of management consulting in official statistics (Boston, 1994; Radcliffe, 2010; Howlett and Migone, 2013), efforts have been made by several governments and academics to address the subject and assess its growth patterns and extent (House of Commons Committee of Public Accounts, 2010; Project on Government Oversight, 2011; Howlett and Migone, 2013).

The identity and activities of policy consultants still must be pieced together from disparate and often incomplete sources and part of the new direction in research into policy consulting has been to engage the question in a more thorough manner. This has been done through both the analysis of detailed public data on individual contracts now widely available on government or NGO websites (Howlett and Migone, 2013) and by employing survey tools to explore the role of consultants (Howlett and Migone, 2014).

Efforts in both these directions in Canada are reported here. Howlett and Migone (2014) using MERX and Proactive Disclosure databases estimated conservatively that at least 149 companies had provided policy services to the Canadian federal government since 2006. Of these, 127 (85.23%) companies or individuals operated as private entities, 13 (8.72%) were university-related suppliers (such as schools of public policy or university personnel) and nine were suppliers (6.04%) represented think tanks. Because of the nature of reporting tools used for these contracts, it is difficult to accurately assess the amounts spent on this policy consulting, but a conservative estimate places the aggregate amount slightly above C$31M over the period between 2006 and 2012 (Howlett and Migone, 2014).

Policy consultants in Canada were found to operate in seven categories of activity: document management (DM), policy services (POL), research (RES), management consulting (MC), economic and financial services (ECON), communication (COM), and security (SEC). The categories were organized as follows:

1. **Policy services**: policy research, policy drafting, policy evaluation, policy advice, environmental scanning, strategic advice, governance, accountability, law, regulation.
2. **Economic and financial services**: financial services, auditing, accounting, procurement strategies, human resources work.
3. **Management consulting**: management consulting, change management, organizational change, facilitation, project management, risk management (non-physical).
4. **Research (non-policy)**: data collection, general research services, conference services, instructional services.
5. **Communication**: communication, surveys, stakeholder engagement, public opinion, media relations.
6. **Security**: security, physical risk management.
7. **Document management**: web content creation/management; document management.

Most companies offered a range of services across these areas although the largest groups were for policy services, research and management consulting.

**Survey results**

How these consultants were managed cannot be gleaned from contract data. To investigate this issue, a large-scale survey of government policy managers was conducted by the authors in late 2012 and early 2013. The survey identified 1,100 Canadian federal, provincial and territorial policy managers based on a sampling of federal government telephone directories and job descriptions combined with a sample of provincial and territorial managers identified in earlier surveys (Howlett, 2011; Howlett and Walker, 2012). The survey instrument used in the study was based on one developed in the UK by the National Audit Office and contained 50 questions related to best practices identified in Europe with respect to government consulting activity (on the survey itself—see NAO, 2006). Our survey was returned by 163 respondents: a response rate of 14.82%. These responses reported data on the nature of the consulting activities managed, the drivers of the use of consultants in this area and the auditing and contracting practices followed.

**The nature of consulting activities managed**

In terms of the activity policy consultants undertake, those officials managing policy consultants engaged them in all the various phases of the policy cycle almost equally: from agenda-setting to policy evaluation (Howlett, 2009).

In terms of what role managers play in organizing and commencing consultancy
activity in these areas, several questions related to who had financial discretion in the hiring of consultants. In our case, only about 41% of the managers interviewed were personally responsible for any consultancy spending and, among those personally responsible, most managed less than 10% of their departmental budget (77%) (see table 1).

This suggests that the capacity to select specific consultants is relatively fragmented. However, this finding must be balanced against the size of consulting budgets available to the different agencies and departments, as there was a division between departments that invested less than C$100,000.00 per year (37.1%) on consultancy and those that spent more than C$500,000.00 per year (36.0%).

Drivers of the use of consultants and future expectations and trends

The survey also addressed the issue of the drivers for consultancy demand. It confirmed earlier research findings (Macdonald, 2011; Howlett and Migone, 2013) that, while the most common answer (85.8%) was ‘Need for specialized expertise’, when we summed two other similar answers ‘Human resource shortfalls’ (64.2%) and ‘Temporary work issues’ (33.0%), the human resource area was dominant. In the context of the discussions of rationales for the use of consultants and the concerns about financial evaluation practices presented above, it is very significant that only 16% of managers indicated cost savings were a reason for hiring consultants. Furthermore, we see (table 2) that the highest significance was placed on timeliness, whereas cost and quality were less relevant criteria for consultant use.

As table 3 suggests, most managers thought expertise shortfalls exist were short-term as planning horizons in 93% of the cases were for less than two years.

This (see table 4) links to managerial perceptions of the likely trends of contracting activity in this area, where the expectation of the majority of respondents was that the overall need for consultants would remain the same (51%) but a significant minority (31%) thought needs would increase.

Auditing practices

Especially germane for our analysis were survey questions related to the accounting and auditing practices followed in this area. From the response to a battery of questions in this area it is evident that the most departments (83.7%) have established guidance rules to engage consultants, which are routinely but not always written (85.7%). Similarly, contract opportunities were generally but not always advertised widely, and in only 60% of the departments did internal expertise availability need be considered before consultants were hired. Only 75% of managers required a business case to be written for consultancy engagements.

Outputs, however, were almost always specified in the contracts. And the costs billed by consultants were also thoroughly checked and their billing checked against their work. Even when speed was of the essence, managers insisted good practice auditing

<table>
<thead>
<tr>
<th>Answer options</th>
<th>Yes</th>
<th>No</th>
<th>Response (%)</th>
<th>Response count</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;C$100,000</td>
<td>23</td>
<td>10</td>
<td>37.5%</td>
<td>33</td>
</tr>
<tr>
<td>C$100,000–C$250,000</td>
<td>10</td>
<td>5</td>
<td>17.0%</td>
<td>15</td>
</tr>
<tr>
<td>C$250,000–C$500,000</td>
<td>3</td>
<td>5</td>
<td>9.1%</td>
<td>8</td>
</tr>
<tr>
<td>&gt;C$500,000</td>
<td>20</td>
<td>12</td>
<td>36.4%</td>
<td>32</td>
</tr>
</tbody>
</table>

Table 2. Priorities in engaging internal versus external resources (Q.25).

<table>
<thead>
<tr>
<th></th>
<th>Highly significant</th>
<th>Somewhat significant</th>
<th>Significant</th>
<th>Less significant</th>
<th>Not significant</th>
<th>Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality</td>
<td>49.40%</td>
<td>21.69%</td>
<td>18.07%</td>
<td>8.43%</td>
<td>2.41%</td>
<td>83</td>
</tr>
<tr>
<td>Timeliness</td>
<td>60.24%</td>
<td>15.66%</td>
<td>21.69%</td>
<td>1.20%</td>
<td>1.20%</td>
<td>83</td>
</tr>
<tr>
<td>Cost</td>
<td>50.00%</td>
<td>21.95%</td>
<td>17.07%</td>
<td>9.76%</td>
<td>1.22%</td>
<td>82</td>
</tr>
</tbody>
</table>
standards were maintained (this answer had an average rating of 4.01/5). Changes were routinely tracked and we found that just over one quarter of these were seen as significant by the respondents.

Looking at the control of spending, we found that managers were satisfied that the appropriate skills were used in purchasing consulting services (the answer had an average rating of 4.12/5), suggesting that this general orientation was widely supported inside the bureaucracy itself.

Overall, this suggests that most units were following standard best practices in the field in areas that were clearly linked to concerns about financial accountability but less so when it came to the selection of consultants and the reasons for their use.

**Contracting practices: lack of intra- and inter-departmental learning**

While managers said that most existing financial accountability measures were followed, they had some dissatisfaction with them. Significantly this had to do with the reasons why they were used rather than their efficiency. Over a third of respondents (35.4%), for example, believed that the procedures meant to first consider internal resources were not always followed. And in terms of interdepartmental co-operation and learning from consultant’s reports, table 5 below presents in aggregate form some of the areas in which managers undertook activities related to enhancing learning across and within their units. We found that while other departments’ internal resources and information sharing on fees were considered relatively often, the measurement of efficiency gains and setting up formal skills transfer protocols were seldom in the sights of government managers working with policy.

Other areas of learning also showed very little co-operation. Only 14% of managers reported frequent or routine contact in the area of aggregated purchase of consulting services, and only 15.8% of respondents mentioned that their department had a policy for skill transfers from consultancy engagements. Furthermore, the requirement for skill transfer was seldom written into contracts. Only 5% of respondents said this was always done, and less than 8% said it was done frequently. Routine post-engagement assessments were also relatively rare. In fact, these took place only about half the time (48.1%). Also significant in this area was that the various departments seldom measured efficiency gains from their use of consultants. In practical terms, there were as many respondents for the ‘never’ category as there were for the two top responses. There is also relatively little effort placed on collecting information about suppliers and sharing it either within the department (only 35% of respondents answered this in the positive), or with other departments (22.7%).

Finally, the managers surveyed said they

<table>
<thead>
<tr>
<th>Table 3. Planning horizon for departmental consultancy needs (Q.11).</th>
</tr>
</thead>
<tbody>
<tr>
<td>Answer options</td>
</tr>
<tr>
<td>&lt;1 year</td>
</tr>
<tr>
<td>1–2 years</td>
</tr>
<tr>
<td>3–5 years</td>
</tr>
<tr>
<td>&gt;5 years</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Table 4. Expected growth of consultancy needs for the next five years (Q.15).</th>
</tr>
</thead>
<tbody>
<tr>
<td>Answer options</td>
</tr>
<tr>
<td>Large increase</td>
</tr>
<tr>
<td>Increase</td>
</tr>
<tr>
<td>No increase</td>
</tr>
<tr>
<td>Decrease</td>
</tr>
<tr>
<td>Large decrease</td>
</tr>
</tbody>
</table>

Table 5. Measures of co-operation and learning (Q.27; Q.28; Q.34; Q.42; Q.48).

<table>
<thead>
<tr>
<th>Always</th>
<th>Frequently</th>
<th>Sometimes</th>
<th>Rarely</th>
<th>Never</th>
<th>Average rating</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Considering other departments internal resources</td>
<td>10.59%</td>
<td>21.18%</td>
<td>38.82%</td>
<td>23.53%</td>
<td>5.88%</td>
<td>3.07</td>
</tr>
<tr>
<td>Sharing information on fees</td>
<td>13.92%</td>
<td>11.39%</td>
<td>39.24%</td>
<td>26.58%</td>
<td>8.86%</td>
<td>2.95</td>
</tr>
<tr>
<td>Considering aggregate consulting purchases</td>
<td>2.41%</td>
<td>14.46%</td>
<td>37.35%</td>
<td>32.53%</td>
<td>13.25%</td>
<td>2.60</td>
</tr>
<tr>
<td>Measuring efficiency gains</td>
<td>5.13%</td>
<td>12.82%</td>
<td>25.64%</td>
<td>38.46%</td>
<td>17.95%</td>
<td>2.49</td>
</tr>
<tr>
<td>Formal skills transfer protocols in place</td>
<td>5.13%</td>
<td>7.69%</td>
<td>34.62%</td>
<td>32.05%</td>
<td>20.51%</td>
<td>2.45</td>
</tr>
</tbody>
</table>

Note: Average rating on a 0 to 4 scale with ‘always’ representing the highest value.
were satisfied with their engagement of external consultants with over two thirds of respondents being either satisfied or very satisfied and only 5% being unsatisfied. However, the picture changes slightly when they reported on how satisfied they were with the policies and procedures in place to manage consultants, where over 17% were unsatisfied or very unsatisfied (table 6).

Conclusions
Substantively, the current focus of internal overviews of policy consultants undertaken by the Canadian federal government, as in many other countries, is overly focused on the financial auditing side of policy consulting (ANAO, 2001; House of Commons Committee of Public Accounts, 2010; Public Service Commission, 2010; Project on Government Oversight, 2011; Auditor General of Canada, 2012a; 2012b). It is largely concerned with questions about the appropriate expenditure of funds rather than the quality of impacts that result from these expenditures.

In particular these studies have ignored major issues respecting the short and long-term results and impacts which accrue from the use of consultants and in so doing have missed not only questions related to ‘value for money’ on an individual contract basis, but also those linked to government-wide effects from contemporary contracting and procurement practices.

It is not surprising that the immediate focus of internal accountability measures for policy consulting work in Canada and elsewhere should be on the financial side. Besides the framing ‘bias’ engendered by NPM principles, the large amounts spent on consulting of all kinds have been an important trigger for many analyses (FEACO, 2011; Macdonald, 2011; Project on Government Oversight, 2011). It should also be recognized that the ‘lay of the land’ in terms of existing data and sources of data on policy consulting also favours this approach. That is, the nature of government databases favours the collection of accounting-like contract data and it is difficult to assess any more qualitative facets of the consulting process unless survey instruments are employed as in this paper.

However, while amounts spent on consulting are a relevant issue in analysing the progress of consultocracy they do not tell the whole story. St. Martin (1998, p. 320) correctly noted that ‘there is no direct and simple causal link between increased spending and increased influence’ of management consultants. Utilizing new survey data into the Canadian case, we show that in fact much is missed by this approach to evaluating consultant’s work.

In particular, we found, as other authors did before us (O’Toole and Meier, 2004; Hodge and Greve, 2007), that cost is not the all-encompassing concern that it has sometimes been made out to be, and should not be the almost exclusive focus of attention of most government inquiries into consulting activities and impacts (Brown et al., 2006). The question of whether managers routinely had in place the metrics and strategies that allowed them to go beyond financial and budgetary accountability values and frameworks was answered generally in the negative. Relatively little is done even in terms of sharing information about consultants’ fees and capacities, two areas that would seem at first blush to be important even to the purely financial accounting side of the issue. And very little interdepartmental co-operation and information sharing emerges even in areas of financial interest like fee comparison. While containment of expenses and value-for-money are indeed important goals for government outsourcing practices, in the area of policy consulting (and in general in complex, professional consulting) they are insufficient in themselves to provide a complete picture of consulting’s impact on either the quality of advice provided or government policy capacity. Different and better systems and metrics are required which move beyond budgets to allow these larger issues to be assessed (Feldmann, 2000; Inkson et al., 2001; Tempest and Starkey, 2004; Raudla, 2013).

### Table 6. Level of satisfaction with consultancy management process (Q.49 and Q.50).

<table>
<thead>
<tr>
<th>Level of satisfaction with consultancy engagements</th>
<th>Very satisfied</th>
<th>Satisfied</th>
<th>Neutral</th>
<th>Unsatisfied</th>
<th>Very unsatisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consulting engagements</td>
<td>8.64%</td>
<td>58.02%</td>
<td>28.40%</td>
<td>4.94%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Manage consultants</td>
<td>11.11%</td>
<td>49.38%</td>
<td>22.22%</td>
<td>16.05%</td>
<td>1.23%</td>
</tr>
</tbody>
</table>

Note: Eighty one responses were recorded for both questions.
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