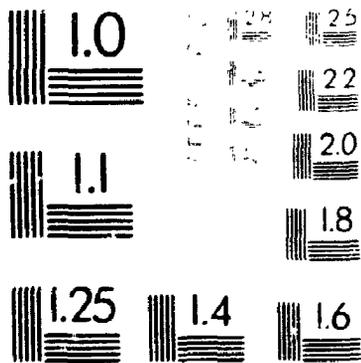




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**Reforming State Bureaucracies:  
Accountants and the Politics of Managerialism  
in Britain, Canada and France**

by  
Denis Saint Martin

A thesis submitted to  
the Faculty of Graduate Studies and Research  
in partial fulfilment of  
the requirements of the degree of

Doctor of Philosophy

Department of Political Science

Carleton University  
Ottawa Ontario  
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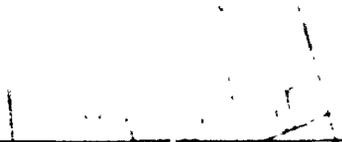
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**REFORMING STATE BUREAUCRACIES:  
ACCOUNTANTS AND THE POLITICS OF MANAGERIALISM IN  
BRITAIN, CANADA AND FRANCE**

submitted by

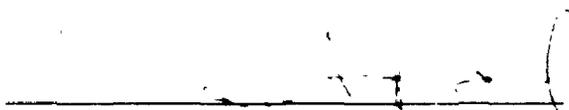
Denis Saint-Martin, B.A., M.A.

in partial fulfilment of the requirements  
for the degree of Doctor of Philosophy



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Chair, Department of Political Science



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Thesis Supervisor



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External Examiner

Carleton University  
September 20, 1996

## **ABSTRACT**

This study seeks to understand why managerialist ideas influence bureaucratic reform policy in some places and times, but not in others. Managerialism broadly describes the process through which bureaucracies are reformed by incorporating into their management practices ideas and techniques imported from business administration. In transposing these ideas and techniques to the public sector, civil servants in Britain, Canada and France were often encouraged in the late 1980s to get help from management consultants. While managerialism during that period was enthusiastically embraced by British policy makers, managerialist ideas did not receive strong support from the Canadian government and have not yet penetrated very deeply into the French administrative system. Because it emphasizes the convergent character of the managerialist policies recently implemented by states, most of the current writings on comparative bureaucratic reform does not account for these differences. In explaining cross-national variations in the influence of managerialism this study uses an historical institutionalist approach that focuses on the interrelations between consultants and the state in the bureaucratic reform policy process in Britain, Canada and France.

The thesis' main finding is that the influence of managerialism depends on: (i) the organizational development of management consultancy and (ii), whether the state's prior experiences with bureaucratic reform left legacies that facilitated or impeded the access of consultants to decision-making centres. Management consulting is more developed in Britain and Canada than in France. In these two countries, consultancy evolved as the extension of the institutional relationship that accountants had established with their audit clients. Because of historical patterns of industrial development, the French accounting profession is much less important than in Britain and Canada, and French law restricts accountants from performing consulting work for their audit clients.

The link between consulting and accountancy emerged as a key factor in explaining variations in the reception given by states to managerialist ideas. In Britain and Canada, this link enhanced the reputation and prestige of management consulting and facilitated the

participation of consultants in the process of bureaucratic reform. British and Canadian consultants have provided policy advice on management issues since at least the 1960s and as a result, managerialist ideas made more rapid inroads in Britain and Canada than in France.

The study also shows that the fate of managerialism is not only determined by the strength or weaknesses of the consulting industry. The British and Canadian cases indicate that although they both have a well developed management consulting industry, managerialist ideas have not been equally influential. They have been more influential in Britain than in Canada because of differences in policy legacies and in the access of consultants to decision making centres. In Britain, private sector consultants were coopted into bodies located in the executive machinery, first in the Civil Service Department and following its abolition, in the Efficiency and Policy Units attached to the Prime Minister's Office. In these units, consultants had direct access to the inner circles of policy-making where their ideas received strong political support from the Thatcher government. In Canada, consultants have had since the 1970s their primary institutional link with the Office of the Auditor General (OAG). Their access to decision-making centres and their influence on policy have been more limited than in Britain because the OAG is a body attached to the legislature and insulated from government control.

As for the French case, the weakness of the management consulting industry and the legacy of étatism left by postwar reforms kept managerialist ideas off the policy agenda until the mid 1980s. In France, managerialist ideas started to enter into the formulation of policy on the "shoulders" of consultants, first in local governments, and then in the central state at the same time that the consulting industry became stronger because of government initiatives designed to stimulate its development. However, managerialist ideas did not take hold in the central administration as much as they did in local governments. Civil servants in the central administration resisted the managerialist solutions advocated by consultants and as a result, the French government decided in 1990 to create its own internal management consulting services.

## ACKNOWLEDGEMENTS

In the course of writing this thesis I have benefited from the intellectual support and assistance offered by a variety of institutions, colleagues, and friends. One of the rewards of completing the thesis is to be able to thank them.

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new evaluation policy and guidelines on performance measurement for Next Steps Agencies; changes in the Canadian Treasury Board 1977 policy on program evaluation; and, in France, the creation of the *Comité interministériel de l'évaluation*, the *Conseil scientifique de l'évaluation* and the *Fond national de développement de l'évaluation*.; (iii) a stress on results and service delivery, expressed through the disaggregation of bureaucracies and the creation of Executive Agencies in Britain, Special Operating Agencies (SOAs) in Canada, and *Centres de responsabilité* (CDR) in France; (iv) the adoption of measures focusing on the quality of services delivered to the citizen-consumer, such as the public service charters in Britain and France and the Service Standards Initiative in Canada.

To these common traits, one could add the use of what is referred to as "contract-based management" (Mol, 1989) or "contractualization" (Pollitt, 1995). The use of contracts (such as the Framework Document and the Business Plan for Canadian SOAs; three-year contract in the case of French CDR, and the Framework Agreement for British Executive Agencies) is intended to enable the replacement of hierarchical relationships within a unified bureaucracy by "arms length" relationships between ministerial departments and their associated service delivery agencies (Harden, 1992).

In theory, such contracts are supposed to de-bureaucratize state administrations: they are seen as moving away from the traditional pyramidal bureaucratic structure of public sector management. Contracts are intended to provide for greater clarity in objectives, resource use, and performance criteria. They are seen as holding out the promise of more precise accountability, and of regular re-appraisals of both the quality and cost of the services provided as contracts come up for renewal (Pollitt, 1995: 224).

As will be discussed later in the chapter, the fact that there are a number of common elements in the bureaucratic reforms adopted in Britain, Canada and France since the late 1980s, is often linked to the belief that states will formulate policy responses that are more and more similar because of the increasingly "global" or "universal" character of the problems they have to confront. In the policy process, however, problems are almost never

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## **Chapter One: Variations on a Managerialist Theme**

This study examines the ways in which managerialist ideas are diffused across states and acquire influence over bureaucratic reform policy. It asks why the British, Canadian and French states have embraced managerialist ideas differently in the process of reforming their bureaucracies. This is an important research question because, while most of the recent comparative work on administrative reform has focused on attempting to explain the rising influence of managerialist ideas on the bureaucratic reform policies implemented by Western states since the end of the 1980s, not much has been done yet to understand why managerialism has had more influence on bureaucratic reform policy in some places and periods, yet not as much in others. While it is true to say that the policies of administrative reorganization recently put in place by countries such as Britain, Canada and France may well have all been influenced by managerialist ideas, the extent of that influence has varied over time and across states. Before presenting the explanatory approach that this study uses to account for cross-national variation in the reception given by states to managerialist ideas, a number of tasks need be accomplished. The purpose of this chapter is to introduce and discuss the concepts, cases and theories part of the research problem addressed in this work.

The chapter begins by defining the concept of managerialism and then looks at the influence of managerialist ideas in Britain, France and Canada by reviewing the main aspects of the policy responses given by these three countries to the so-called "universal administrative reform movement" of the late 1980s (Aucoin, 1990: 115). As this exercise shows, Britain, Canada and France have all shared a relatively similar managerialist approach in reforming their bureaucracies. Many of these similarities, it is suggested, are the result of a process of policy emulation where Britain provided a kind of model from which Canadian and French reformers have learned in reorganizing their bureaucracy. The third part reviews the main explanations found in the public policy and administration literature to account for the relative acceptance of managerialist ideas and policies across states. These explanations

focus on the rise of the New Right ideology; the process of globalization and the development of new information technologies, and the interests of profit-maximizing management consultants. Among these interpretations, the last one dealing with management consultants has only been noted anecdotally on a few occasions in the academic literature and has not yet been the object of serious examination. This is a gap that this study intends to fill. However, it is argued in the fourth section that like the other interpretations, the management consultants centered explanation, because of its focus on policy convergence and its neglect of the state as a structuring variable, cannot account for variation in the reception given to managerialist ideas in Britain, Canada and France. To correct this situation, the last section of the chapter develops an approach inspired by historical institutionalist theories that focuses on the interrelations of management consultants and the state in the process of bureaucratic reform to explain differences in the acceptance of managerialist ideas and policies.

### **i. Defining the New Model of Public Administration**

The 1980s and 1990s witnessed a renewed emphasis on reforming the public service of most Western states (Caiden, 1991). The public sectors of many industrialized countries are undergoing major changes as political leaders try to respond to the pressures and challenges of citizens' demands for more democratic participation, technological change, fiscal pressures, globalization and international competitiveness (OECD, 1990). The rigid, centralized, hierarchical or pyramidal form of public bureaucracy is reported to be changing into a more flexible, responsive, market-based and client-oriented form of public management (Bazerley, 1992). This change represents, according to some, a paradigm shift from the traditional Weberian model of public administration, dominant for most of the century, to the "new managerialism" (Zifcak, 1994).

#### **1.1 The New Managerialism**

This is a loose term used as a shorthand name for the set of broadly similar administrative ideas that dominated the bureaucratic reform agenda of many OECD states since the 1980s (Hood, 1990). The new managerialism describes the process by which states transform

their bureaucratic arm by internalizing core values and management practices identified with the private sector (Hughes, 1994: ix; Farnham and Horton, 1993: 237). The new managerialism encompasses a number of terms which are more or less used interchangeably such as “new public management” (Hood, 1991), “market-based administration” (Lan and Rosenbloom, 1992) or “entrepreneurial government” (Osborne and Gaebler, 1992).

The new managerialism is treated variously as an ideology, philosophy, culture or set of techniques and practices (Considine, 1990; Enteman, 1993; Nethercote, 1989; Sinclair, 1989). Its essence lies in the belief that there is something called “management” which is a generic, purely instrumental activity, embodying a set of principles that can be applied to both the public and private sectors (Boston, 1991: 9). The main guiding principles of the new managerialism are the pursuit of efficiency, effectiveness and value-for-money (Gray and Jenkins, 1986: 171). Its intellectual roots are said to lie in management science (in both its Taylorian and Human Relations streams) and public choice theories (Peters, 1993).

According to Christopher Hood, the new managerialism is presented by its supporters as a “framework of general applicability, as a public management for all seasons” and as a “mean to solve management ills in many different contexts - different organizations, policy fields, levels of government, countries” (Hood, 1991: 8). In this context, the new managerialism is seen as something that “crosses different policy sectors as well as national boundaries” (Hood and Jackson, 1991: 178). Because of its “claim to universality”, the new managerialism is also said to be an “apolitical framework within which many different values could be pursued effectively”. It offers “a neutral and all-purpose instrument for realizing whatever goals elected representatives might set” (Hood, 1991: 8).

The main definitional traits of the new managerialism include: (i) the delegation of responsibility; (ii) a shift from process to result in controls and accountability mechanisms, particularly through the development of quantitative methods of performance and efficiency measurement which try to introduce, within the state, the automatic, “bottom-

line" control of the market sector<sup>1</sup>; (iii) the disaggregation of public bureaucracies into managerially deconcentrated service delivery agencies whose responsibilities are defined by contracts; and (iv) a "consumerist" bias expressed through a focus on the quality of services provided to the citizen-consumer (Hood and Jackson, 1991: 178; Public Administration, 1988). As will be seen in the second section, these traits are all to various extents part of the policies of bureaucratic reform implemented since the end of the 1980s in Britain, France and Canada.

## 1.2 Rationalism and the "Old" Managerialism

Talking about the "new" managerialism implies that there was an "old" managerialism and one sometimes finds such a periodization in the public policy and administration literature in general. For instance, Pollitt divides the recent history of administrative reform into two periods. "First" he argues,

came an Age of *Enlightenment*, lasting from the mid 1960s to the soaring oil prices of 1973. This was a period when...government was fertile with new, more analytical approaches to the business of making and implementing policies....The main intellectual influences of this period were American....Corporate planning was an approach which had first been developed in large US private-sector companies between the World Wars, while articles on PPBS and the American use of cost-benefit analysis were widely prescribed readings....The second period can perhaps be christened one of *Dire Straits*. The global economic upheaval of the mid-1970s swept away many of the hopes for rationalistic analysis entertained during the preceding period....Policy analysis was guilty by association: it was portrayed as one more symptom of the arrogance of government, of a mistaken belief that the state was capable of large scale social engineering on the basis of rationally worked-out plans. [It was believed] that government had taken on more than it could handle, that the decentralised decisions of the market-place should whenever possible replace the inevitably inadequate plans of government (1993: 354-5).

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<sup>1</sup> In the new managerialism, the focus on performance measurement and evaluation is said to be "conceived as a quasi-market discipline for those parts of the public sector that [cannot] be privatised or subjected directly to the sanitising forces of the trusty market" (Pollitt, 1986: 319).

As can be seen from the above quotation, the old managerialism is generally associated with the “rationalistic” thinking of the 1960s, as exemplified by PPBS (the Planning and Programming Budget System) and the social indicators movement (Van Gusteren, 1976). The United States was the cradle where rationalistic initiatives such as PPBS were first developed. As will be discussed later in this study, in implementing their own versions of the PPB System, bureaucratic reformers in Britain, Canada and France all visited Washington in the 1960s in order to learn from, and to emulate the American experience with PPBS. A central theme of rationalism and the old managerialism was how to use social scientific knowledge and techniques to rationalize public policy in order to keep in check the irrational aspects of politics (Ezrahi, 1990: 263). The old managerialism is conceived as having been more technocratic, more ambitious and more confident in the capacity of social science to solve public problems, and is reported to have led to “grand schemes” and to bureaucratic growth (Meyer, 1985).

The new managerialism is said to be less technocratic. It is both more political and less bureaucratic (Aucoin, 1990: 117). The market, as opposed to social science and rational planning, often tends to be represented as the privileged means to solve public or political problems (Self, 1993). The common view of the new managerialism is that it is not policy-oriented but management-oriented. It implies a shift from policy to management, in the sense of an increasing emphasis on the cost-conscious direction of public service organization. An OECD comparative study on public management reform argues that

**Unlike the earlier PPBS-types systems which concentrated on policy planning and analysis of programmes, current reforms are management-oriented and focus on what organizations do and produce and on the means for holding them accountable for performance (OECD, 1990: 11).**

In underlining the distinction between the “new” and “old” managerialism it is important to keep in mind that some of the ideas part of the new managerialist paradigm are not totally “new” and are based on the legacy of past bureaucratic reform policy experiences. Policy innovations such as some of the reform initiatives described in the following section, are

rarely constituted on a *tabula rasa* and they seldom appear suddenly in some kind of “Big Bang” form. Recent developments should be seen as evolutionary rather than simply the product of any new managerialist “revolution” (Gray and Jenkins, 1986: 172). There is an internal dynamic underlying many of the recent changes, fuelled by a sense of “learning” from past experiences (Hall, 1993; Hecló, 1974). As seen later when discussing the concept of policy emulation, there can also be an international dynamic stimulated by “learning from others” (Gow, 1994).

## **2. The Influence of Managerialism on Bureaucratic Reform Policies**

The British, Canadian and French bureaucratic reform policies, whose main aspects are outlined in this section, have been selected as case studies because, as mentioned in an OECD publication, they have in common a “shared approach” (OECD, 1990a: 1). These policies, all put in place between 1988 and 1992, are the Next Steps, the Citizens’ Charter and the Market Testing initiative in Britain, Public Service 2000 in Canada and the Renewal of the Public Service in France<sup>2</sup>. The purpose of the description that follows is not to give a detailed account of these reform initiatives but rather to provide a broad indication of the influence of managerialist ideas on bureaucratic reform policy in each country.

### **2.1 Britain: Next Steps, the Citizens’ Charter and Market Testing**

In Britain, the Next Steps initiative is based on the Ibbs report, a study undertaken in 1987 by the Efficiency Unit, a small political entity directly attached to the Cabinet and responsible for the conduct of the overall process of bureaucratic reform (Jenkins, Caines and Jackson, 1988). The Ibbs study found that government departments paid very little attention to the achievement of results. It argued that “departments were too big, ministers seriously overloaded, management neglected and that there were few positive incentives for public servants to pursue quality of service and value for money” (Gray and Jenkins, 1993: 15). In order to bring management to focus more on results, the report recommended the

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<sup>2</sup> Of course, these policies are not the latest word in managerial reform in the three countries under study. For instance, in Canada PS 2000 has been succeeded by the Program Review initiative launched by the Chrétien government in 1994. Program Review does not contradict but intensifies the managerialist principles that underlay PS 2000. But for practical reasons that have to do with the period of time at which this research began, the study does not deal with policies introduced after 1992.

separation of executive operations from policy work and the “hiving off” of the former to “Executive Agencies” that would remain under arms-length ministerial control but be free to manage their own day-to-day businesses. The report suggested that the service delivery functions of government should be carried out by executive agencies to “the greatest extent practicable” (Goldsworthy, 1991: 15). The report recognized, however, that the necessity for departments to retain some measure of control over their agencies would create a “need to ensure that indicators of effective performance are developed and used for regular monitoring” (Jenkins, Caines and Jackson, 1988: 11). And indeed, in a 1991 study entitled Performance Measurement in the Civil Service, the Comptroller & Auditor General (C&AG) observed that “The Next Steps Initiative announced in February 1988 has given new impetus to the development of output and performance measurement for executive functions” (NAO, 1991: 4). Part of the “new impetus” noted by the C&AG, included, for instance, the booklet entitled Policy Evaluation: A Guide for Managers issued in 1988 by the Treasury.

After the presentation of the Ibbs report to Prime Minister Thatcher in the spring of 1987, a small organization, the Next Steps Unit, was established in the Cabinet Office to advance the Next Steps programme. The Unit asked departments to identify functions which could be privatized or managed as agencies. Before agency status was considered, however, activities had to be examined for their suitability for privatization (Keraudren, 1993). The progress of the Next Steps initiative has been rapid (Seidle, 1995). Between 1988 and 1993, 91 executive agencies were created. About 60 per cent (345,000) of the total number of civil servants are now working in agencies (Next Steps, 1993).

A key element in the government’s programme of public service reform is the “devolution of responsibility” which seeks “to give maximum authority to managers to respond to the demands of the public as effectively as the best private sector managers can” (Citizens’ Charter, 1992: 2). One of the ways through which the idea of “devolution” was operationalized in the British reforms was the creation of the “Chief Executive” position as head of the Next Steps agencies. Chief Executives are appointed from within or outside the

civil service. In 1993, it was estimated that 30 per cent were recruited from the private sector (Wilson and Wright, 1993: 7). In negotiation with the Minister of their parent department and the Treasury, Chief Executives set financial, productivity and quality of service targets in return for which they are delegated various financial, pay and personnel management instruments. The details of these performance targets and their related managerial flexibilities are set in a "Framework Agreement" signed by both the Minister and the Chief Executive. To help departmental managers and Chief Executives, the Treasury issued in 1992 a document entitled Executive Agencies: A Guide to Setting Targets and Measuring Performance. Chief Executives are responsible to ministers for the performance of their agency. An element of their remuneration is linked to the achievement of key targets. Chief Executives also respond to letters and written parliamentary questions from MPs on "operational issues within their sphere of responsibility" (Next Steps, 1993). Chief executives' responses to MPs' queries are published in Hansard.

Implemented in July 1991, the Citizens' Charter aims at improving the quality of public services by providing more information on the standards of service people are entitled to expect, and allows for compensation in cases where these standards are not met (Lewis, 1993). The Charter sets out a number of mechanisms and ideas designed to promote better services and customer choice. These include increased privatization; wider competition and contracting out; performance-related pay; published service standards and performance in meeting targets; tougher and more independent inspectorates; more effective complaints procedures; and better redress for the individual when things go wrong (OECD, 1992: 308).

Part of the Citizens' Charter initiative, is the "market testing" policy which was outlined in a White Paper put forward in 1991 by the Treasury, entitled Competing for Quality. To achieve the Citizens' Charter's goal of improving services and consumer choice, the "market testing" seeks to increase contracting-out in the public sector. The intent is to open up to competition "new areas, closer to the heart of government" (HM Treasury, 1991: 12). The rationale underlying the "market testing" policy, is that

In a free market, competing firms must strive to satisfy their customers....Where choice and competition are limited, consumers cannot as easily make their views count. In many public services, therefore, we need to increase both choice and competition (Citizens' Charter, 1991: 4).

## **2.2 Canada: Public Service 2000**

In Canada, Public Service 2000 (PS 2000) was launched in December 1989 by Prime Minister Mulroney. The PS 2000 initiative was led by the Clerk of the Privy Council (Tellier, 1990). The proposals on which it was based were the result of an internal bureaucratic initiative undertaken by ten task forces composed of some 120 deputy and assistant deputy ministers and other senior officials (Canada, 1990: 39). The central goal of PS 2000 was to create a "results-oriented", or more precisely, a "service-oriented" culture (Canada, 1990: 46-52). PS 2000 focused on four fronts: people, innovation, service and accountability (Canada, 1990: 46-7).

In the area of "people" (which dealt with personnel management) a number of measures were undertaken, the most important being the overhaul of the classification system, which reduced the number of occupational groups, and the adoption of Bill C-26 in July 1992. Through the implementation of the deployment policy, C-26 delegated powers over the allocation of human resources from the Public Service Commission to departmental managers (Swimmer, 1992). The changes introduced by C-26 allowed employees to be deployed to any position classified at their level, without a formal competition and with limited rights of appeal (Swimmer, Hicks and Milne, 1994: 183).

In the "innovation" category were the single operating budgets and the establishment of Special Operating Agencies (SOAs). Operating budgets represented a new financial regime integrating salary, operating and minor capital funds into one budget, allowing managers to transfer funds amongst these various components (Treasury Board of Canada, 1992).

SOAs are new, less centralized, organizational forms designed to deliver certain government services that were previously provided by ministerial departments (Optimum,

1991-92). SOAs have been developed to increase managerial freedom from departments and central controls in return for meeting key operational performance objectives. These objectives are part of a "Framework Document" negotiated between the agency, its department and the Treasury Board. SOAs are supposed to allow "managers to focus on results and to apply more business-type approaches" (Canada, 1992: 38). Among such approaches are the adoption by each SOA of a Business Plan and the establishment of a Management Advisory Board. The Business Plan establishes operational and financial targets and defines what the SOA needs from its department and from Treasury Board in terms of mandate, resources and authorities. Management Advisory Boards may be established by SOAs "to provide a source of businesslike advice and orientation into businesslike practices" (CAC, 1993: 18). These boards generally include representatives of the parent department and central agencies, major clients and the private sector (CAC, 1992a). In 1993, there were 16 SOAs, representing about 3 per cent of total civil service employment.

The "Service Standards Initiative" was the main policy implemented in the "service" category. Service standards are performance objectives for the delivery of government services to the public. "They specify the quality...of services Canadians can expect to receive" (Canada, 1992: 105). In order to assist departments in developing measurable service indicators, the Office of the Comptroller General (OCG) issued a series of guidelines published in 1992, in a document entitled Measuring Client Satisfaction. By 1992, service standards were reported to have been adopted by five departments and units (Canada, 1992: 12-13).

Accountability was the last of the four principles for action identified in the White Paper on PS 2000. Under PS 2000, public servants were expected to become "more clearly accountable" for results rather than for adherence to rules and procedures (Canada, 1990: 48). In return for the clarification of accountability, expected from the reduction of rules and procedures and through a sharper focus on results, employees were to be "empowered" (Kernaghan, 1992). They were to be given "the authority they need to do the

best possible job" (Canada, 1992: 28).

Greater emphasis on program evaluation was the counterpart of the PS 2000 focus on empowerment and accountability for results. "The program evaluation function of the 1990s" according to the Treasury Board (TB), "must reflect the spirit of PS 2000" (Treasury Board of Canada, 1991: 11). This is why, in 1991, the TB reviewed its 1977 circular on program evaluation (OCG, 1991). The TB document Into the 1990s: Government Program Evaluation Perspectives claims that the fact that PS 2000 provides

greater scope for managerial discretion....[means that] managers are now faced with running costs, with fewer administrative constraints imposed by the TB and with more flexibility in capital budgeting. Less procedural control means more accountability for results. And more accountability for results demands better evidence of performance....[which creates new] emerging demands for evaluation (1991: 6).

The move toward "a more flexible and innovative management environment" the new TB circular argued, required a need for more evaluation which places "growing demands on program evaluation units" (OCG, 1991: 3).

### **2.3 France: *Renouveau du Service public***

Human resources management, service delivery, accountability and evaluation are the four main elements of the administrative modernization policy launched in 1989 through a Prime Ministerial circular entitled the *Renouveau du Service public*. One key aspect of the French Renewal policy is the theme of "social dialogue" between the government and its employees (MFPMA, 1992). The primary vehicle for promoting "dialogue" within the public service is the *Commission du Renouveau du secteur public*, established in 1991. It is a non-partisan advisory body which examined, before their implementation, most measures that are part of the Renewal initiative. It is chaired by the Minister responsible for the public service, and composed of 19 members: 8 government representatives and 11 union representatives (MFPMA, 1991).

In the area of human resources, the government has concluded two master agreements with public service trade unions: one on continuous training in 1989, and one on qualification and salary scales in 1990 (de Montrichier, 1991). The cost of implementing the 1990 agreement has been valued at more than FF40 billion (OECD, 1990: 50)

In the area of service delivery, the government adopted in March 1992 its *Charte des services publics* which seeks to improve relations between the administration and citizens users (Pêcheur, 1992). Three principles underlie the Charter: improved information, simplification of instruments and procedures, and cooperation. The Charter sets out a number of measures to make public services more responsive. Some of the more notable ones include mechanisms for monitoring service quality and providing for citizen participation in the organization of services (OECD, 1993: 70). Charter's related actions taken by individual departments are reviewed each year by the Civil Service Department and are the subject of a report to the National Assembly.

The issue of accountability, or *responsabilisation* as it is referred to in the French documents, is the central theme of the Renewal policy (MFPMA, 1991a: 4). It was first developed by a government advisory commission (the *Commission Efficacité de l'Etat*) in a report entitled Le pari de la responsabilité. Published in 1989, this report recommended the adoption of a policy that would delegate responsibilities in order to bring the central state closer to the local level of government, which had been greatly strengthened as a result of the 1982 law on decentralisation. In the renewal policy, two important initiatives have been implemented under the theme of responsabilisation: the creation of *Centres de responsabilité* (CDR) and the introduction in 1992 of the *Charte de la déconcentration* (MFPMA, 1991a: 4). A CDR is an administrative unit located within a *service déconcentré* (i.e., that part of a ministerial department located at the regional level). As in the case of British executive agencies and the Canadian SOAs, French CDRs are based on a three-year contract, known as *projet de service*, negotiated between the unit, its parent department, and the Ministries of Budget and Civil Service (Bodiguel, 1992). In July 1993, there were 207 CDRs representing more than 40,000 civil servants (about 2 per cent of total central

public service employment). CDR status constitutes an option open to those units that wish to apply more flexible public management rules in return for quantitative and qualitative commitments. Such managerial flexibilities include, for instance, operating budgets (the *globalisation des budgets de fonctionnement*) which exempt managers from the usual civil service rules by allowing non-specific and unspent appropriations to be carried over to the following year. In return, the CDR has to implement a service project, develop a training plan, improve service delivery, reduce processing and waiting time, introduce management control procedures, assess results annually and report on the experience at the end of the mandate (Bodiguel and Rouban, 1991; Fialaire, 1993; Tonnerre, 1991).

The basic principles of the *Charte de la déconcentration* are established in the law of 6 February 1992 which re-defines the role of each level of government. Its aim is to make central bodies (departments located in Paris) responsible for programming, conceptualization and evaluation, while deconcentrated services (those located at the regional level) become the implementing bodies in the widest sense, including the management of financial and human resources and "operating in a framework of objectives and measurable results" (OECD, 1992: 97).

In the domain of evaluation, the fourth element of the Renewal policy, the government created in 1990 a *Comité interministériel de l'évaluation* chaired by the Prime Minister which selects the policy to be evaluated; a *Conseil scientifique de l'évaluation* to develop the methodology for evaluation, and a *Fond national de développement de l'évaluation* (Commissariat général du Plan, 1991). The creation of this new evaluative machinery is the direct consequence of the emphasis put by the Renewal policy on *responsabilisation*. In his 1989 circular, Prime Minister Rocard noted that "Il ne peut y avoir ni autonomie sans responsabilité, ni responsabilité sans évaluation" (MFPRA, 1990: 13).

#### **2.4 Similarities, Emulation and Policy "Bandwagoning"**

The above review shows that there are a number of similarities between the programs of administrative modernization implemented in the British, Canadian and French states since

the end of the 1980s. These resemblances indicate that in each case, managerialist ideas have become a relatively important component of bureaucratic reform policy.

As can be seen in Table 1.1 below, the main similarities include: (i) the delegation of responsibility through "devolution" in Britain, "empowerment" in Canada and *responsabilisation* in France; (ii) an emphasis placed on issues related to program evaluation and performance measurement, including the issuing by the British Treasury of

**Table 1.1:**  
**Managerialist Aspects of British, French**  
**and Canadian Bureaucratic Reform Policies**

	<u>Britain</u>	<u>France</u>	<u>Canada</u>
<b>Delegation of responsibility</b>	Devolution	<i>Responsabilisation</i>	Empowerment
<b>Quantitative methods of performance and efficiency measurement</b>	HM Treasury "Policy Evaluation: A Guide for Managers" (1988), "Guide for Setting Targets and Measuring Performance" (1992)	<i>Conseil scientifique de l'évaluation, Comité interministeriel de l'évaluation, Fonds national de développement de l'évaluation</i> (1988)	Publication of the new TB policy on program evaluation (1991), guide for "Measuring Clients' Satisfaction" (1992)
<b>Disaggregation of bureaucracies</b>	Next Steps Executive Agencies	<i>Centres de responsabilité</i>	Special Operating Agencies (SOAs)
<b>Consumerist focus</b>	Citizens' Charter	<i>Charte des services publics</i>	Service Standards Initiative
<b>Contract</b>	Framework Agreement	<i>Projet de service</i>	Framework Document, Business Plan

new evaluation policy and guidelines on performance measurement for Next Steps Agencies; changes in the Canadian Treasury Board 1977 policy on program evaluation; and, in France, the creation of the *Comité interministériel de l'évaluation*, the *Conseil scientifique de l'évaluation* and the *Fond national de développement de l'évaluation*.; (iii) a stress on results and service delivery, expressed through the disaggregation of bureaucracies and the creation of Executive Agencies in Britain, Special Operating Agencies (SOAs) in Canada, and *Centres de responsabilité* (CDR) in France; (iv) the adoption of measures focusing on the quality of services delivered to the citizen-consumer, such as the public service charters in Britain and France and the Service Standards Initiative in Canada.

To these common traits, one could add the use of what is referred to as “contract-based management” (Mol, 1989) or “contractualization” (Pollitt, 1995). The use of contracts (such as the Framework Document and the Business Plan for Canadian SOAs; three-year contract in the case of French CDR, and the Framework Agreement for British Executive Agencies) is intended to enable the replacement of hierarchical relationships within a unified bureaucracy by “arms length” relationships between ministerial departments and their associated service delivery agencies (Harden, 1992).

In theory, such contracts are supposed to de-bureaucratize state administrations: they are seen as moving away from the traditional pyramidal bureaucratic structure of public sector management. Contracts are intended to provide for greater clarity in objectives, resource use, and performance criteria. They are seen as holding out the promise of more precise accountability, and of regular re-appraisals of both the quality and cost of the services provided as contracts come up for renewal (Pollitt, 1995: 224).

As will be discussed later in the chapter, the fact that there are a number of common elements in the bureaucratic reforms adopted in Britain, Canada and France since the late 1980s, is often linked to the belief that states will formulate policy responses that are more and more similar because of the increasingly “global” or “universal” character of the problems they have to confront. In the policy process, however, problems are almost never

self-defined and in trying to devise solutions to perceived problems, policy-makers may look at what others have done to deal with relatively similar situations. The process by which states learn from each other is sometimes referred to as “policy emulation”. Policy emulation is a concept that stresses policy similarities and that seeks to capture the process whereby policy innovations in one national setting prompt other states to embrace similar policies. According to Ikenberry

emulation is an important process by which policies spread because states tend to have similar general goals. All states are interested in doing better rather than worse; they prefer economic and political successes to any alternatives; and the experiences of other states provide lessons and examples for how success might be achieved. The guiding rule is: copy what works (Ikenberry, 1990: 103).

Policy ideas may thus spread when their adoption in one state create “successes” that other states seek to emulate. What emerges is a sort of “policy bandwagoning” whereby “elites monitor policy change abroad and, seeking similar successes, import the appropriate policies” (Ikenberry, 1990: 101). For instance, in Canada, the secretary to the Treasury Board wrote that “Canadian interest in special operating agencies (SOAs) was spurred by the Executive Agency, or Next Steps in the United Kingdom” (Clark, 1991-92: 13). It is also true that “members of the Treasury Board secretariat staff were sent to London to study the [Next Steps] agency concept and returned with ideas on how to adapt it to Canada” (Savoie, 1994: 231). Moreover, at least one of the managers involved in the implementation of the SOA policy in the Canadian government worked for two years in a British executive agency (Wilson and Wright, 1993).

Similarly, the Canadian Service Standards Initiative is also reported to have been inspired by the British Citizens’ Charter (Good, 1993). In his comparative study of recent bureaucratic reform policies, Savoie argues that in Canada, PS 2000, SOAs, “managerialism and all that it implies, including empowerment” and “an emphasis on service to the public...were continually imported from Britain” (1994: 246). The influence of the managerialist program of bureaucratic reforms implemented by the Thatcher

government in Britain is said to have been so strong in Canada that one Canadian senior official is even reported as having said that “Without doubt the politician who had the most significant impact in shaping PS 2000 was Margaret Thatcher” (quoted in Savoie, 1994: 247).

In London, the Next Steps Project Team often received delegations of foreign civil servants involved in the process of management reform and interested in learning more about the British experience. For instance, in 1992 the Team received a delegation of senior officials from the Quebec government (Québec, 1992).

In developing and implementing some of the measures that are part of its Renewal initiative, France also learned from British bureaucratic reform policies<sup>3</sup>. At least one official from the French government who was closely involved in implementing the 1989 program evaluation policy and the *Charte des services publics* worked for a period of time in the British Cabinet Office to which are attached the Next Steps and Citizens' Charter units (Trosa, 1995). In fact, contacts between British and French officials in the process of bureaucratic reform have been sufficiently important to justify the publication, by the British government, of a glossy document written in French and entitled Amélioration de la qualité: Charte des citoyens britanniques et réformes du Service public (Foreign & Commonwealth Office, 1992). In this document, one can read (in the original English version) that from the outset, the British programme of bureaucratic reform has attracted interest not only in France, but throughout the world and that British officials have

played host to Government Ministers, academics and officials from the European Community and from countries such as Sweden, Australia, Japan, India, Cyprus, Hungary, Canada, the United States and Brazil (Foreign & Commonwealth Office, 1992: 20).

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<sup>3</sup> In fact, it is not the first time that French and British policy-makers learned from each other in developing public policies. For instance, in the case of the privatization policy introduced by the centre-right coalition government of Prime Minister Chirac in 1986, “there were extensive contacts between the British Treasury and the French Ministry of Finance over the issue of privatization” (Sulciman, 1990: 122).

In the foreword, Prime Minister Major writes that British bureaucratic reform policies are “attracting interest around the world and [are] now being initiated by other governments”. This, he says, is a “good” programme of reform “and I hope it will provide a model for action elsewhere” (Foreign & Commonwealth Office, 1992: 4). More “responsive public services”, the document continues, “are the common goal of many governments across the world. We hope to see the international advance of reforms of the kind discussed in this booklet” (Foreign & Commonwealth Office, 1992: 21).

The process of policy emulation and learning between Canadian and British reformers has been both administrative and political to the extent that not only civil servants, but also Canadian politicians went to London to learn about British reforms. In November 1992, a delegation of four Canadian MPs members of the Public Accounts Committee (PAC) accompanied by the Auditor General of Canada, met in London for four days. In PAC’s eleventh report to the House of Commons, one can read that for the Canadian delegation, the purpose of the visit was to “to obtain a better understanding of the reform of the British civil service and to learn from it” (Auditor General of Canada, 1993: Appendix C, p. C-7).

There are thus a number of indications suggesting that the adoption by states of similar managerialist bureaucratic reform policies represent an instance of emulation and “policy bandwagoning”. In this process, Britain is reported to have played “a leadership role not only at home but abroad” (Peters and Savoie, 1994: 418). In diffusing managerialist ideas and policies, the British government is said to “have led the way” while other countries followed suit, “always with a time lag” (Savoie, 1994: 246). Britain tends to present itself as having played a sort “pioneering” role, being one of the first states to have initiated, with strong political support, wide-ranging bureaucratic reform policies informed by managerialist ideas. As indicated in the document quoted above, British policy-makers indeed tend to present their reform policies as a “successful” case of managerialist change that other states should attempt to emulate.

When trying to understand why managerialist bureaucratic reform policies have first been introduced in Britain and soon after exported and emulated by countries such as Canada and France, explanations have often focused on the strong ideological character of the Thatcher government (Metcalf, 1993). Elected in 1979, the Thatcher administration was the first of the wave of so-called "New Right" governments elected during the 1980s (King, 1987). Because the Thatcher government in Britain led the New Right wave, and because Britain was the country that originally started to spread the managerialist message, many academic observers made the link between the two phenomena and began to associate the rise and spread of managerialist ideas with the emergence of the New Right movement in the late 1970s and early 1980s. As discussed in the next section, however, the New Right has recently been displaced as a variable explaining the influence of managerialist ideas on bureaucratic reform policies by other causal factors, such as the process of economic globalization or the rise of the new information society.

### **3. Explaining the Rise and Spread of Managerialist Ideas**

When attempting to discover the causes underlying the process by which states such as Britain, Canada and France have all put in place comparable managerialist bureaucratic reform policies, one soon finds that there is no single accepted explanation or interpretation in the literature (Hood, 1991: 6). There is only a limited number of explanations accounting for the acceptance of managerialist ideas and policies across states and these have not yet been the subject of extensive inquiry and debate. Very little systematic comparative work has been done in this area (Derlien, 1992).

Sceptics sometimes explain the rise of managerialism as yet another cycle of management fashions and fads, the latest version of the universal management solution, or what anthropologists would call a "cargo cult" phenomenon, i.e., the endless rebirth, in spite of repeated failures, of the idea that substantive success can be gained by the practice of particular kinds of managerial ritual (Hughes, 1994: 66). These "sceptical explanations do not account, however, for the rapid diffusion of the New Public Management in a variety of differing political contexts" (Gray and Jenkins, 1993: 21). A review of the public

administration and policy literature on recent bureaucratic reforms suggests that we might distinguish between at least three theoretical approaches explaining the rise and spread of managerialist ideas. The first, which might be termed the "ideological" interpretation, links the emergence and diffusion of managerialist ideas to the rise of the New Right. The second, which may be called the "structural" explanation, relates the rise of managerialism to the process of economic globalization and to rapid developments in information technology. The third and last explanation argues that the diffusion of managerialist ideas and policies across states is basically a process driven by the interests of rational and profit-maximizing management consultants from the private sector. This line of argument has emerged only recently in the literature and has not yet been the object of empirical examination. Since both the "ideological" and "structural" explanations have been found wanting, this study will assess the robustness and plausibility of this new and potentially promising explanation, not its absolute veracity. For analytic clarity, the following section examines each of these three theoretical perspectives in ideal-typical form.

### **3.1 The New Right**

Most of the first studies to discuss the concept of managerialism in the context of bureaucratic reform, tended to link its emergence and diffusion to the rise of the New Right in the 1980s, as exemplified by the election of Reagan in the United States, Thatcher in Britain, and Mulroney in Canada (Aucoin, 1988; 1990). In most of these studies, it was generally believed that "managerialism [had] advanced in parallel with new right ideas" (Hughes, 1994: 262). The new managerialism was therefore seen as an ideological movement, allied to the more general New Right desire to replace bureaucratic institutions with market ones (Cutler and Payne, 1994; Enteman, 1993; Farnham and Horton, 1993; Paterson, 1988).

In this stream of literature, the rise of managerialism is perceived as being linked to "the election of anti-government politicians in the 1980s" whose agenda has been "to denigrate the role of the public sector and its employees" (Peters, 1991: 422). The new managerialism is closely associated with the "rolling back the state" movement (Hood,

Dunsire and Thomson, 1988) whose fundamental purpose was to incorporate into the public sector core values identified with the private sector and “based on the thinking of the new right” (Mascarenhas, 1993: 319). Similarly, in his comparative study of the bureaucratic reforms implemented in the 1980s by the Thatcher and Reagan governments, Pollitt argues that “managerialism has become a steadily more prominent component in the policies adopted by right-wing governments towards their public services”. “Managerialism”, he writes, is one central aspect “of the new-right thinking concerning the state” (1990: 48-9).

As time has gone by, and as important changes in state management were implemented across Western states by governments or political leaders that were not perceived to be part of the New Right, a more depoliticized and less ideological view of managerialism started to develop in the literature on bureaucratic reform (Alford, 1993). Whereas in the early 1980s, the language of bureaucratic reform was often framed in a rhetoric of “bureaucracy bashing”, by the end of the decade it started to shift to an apparently more politically neutral or technical discourse of “reinvention” and “re-engineering”. What has produced that change? Essentially, the shift is explained in the literature on bureaucratic reform by the idea that

it is too easy to see [managerialism] as simply a product of governments of right-wing free marketeers. In the Netherlands, New Zealand and Sweden, for example, many of its ideas have been pursued with almost missionary zeal by governments of the centre or left (Gray and Jenkins, 1993: 21).

As the movement towards public management reform has proceeded in the 1980s and 1990s, it is believed that the ideological or political content of managerialism has become “far less visible” because it “was adopted by governments of many ideological persuasions” (Hughes, 1994: 261). The rise of managerialism could thus no longer be

explained solely by linking it to the emergence of the New Right in the early 1980s<sup>4</sup>.

Such a conception for instance, could not explain why, as seen earlier, the Socialist government of Michel Rocard embraced managerialist ideas in reforming the French bureaucracy in 1989. Political ideology alone was no longer seen by most analysts as a sufficient variable for explaining the diffusion of managerialist ideas. Something deeper, bigger and more important was taking place that, to some extent, forced political leaders, no matter what their political orientation, to reform their bureaucracy along the lines prescribed by the new managerialist paradigm.

### **3.2 The Process of Globalization**

One important stream of literature on recent bureaucratic reform holds that states of the Western world increasingly formulate managerialist policy responses to cope with the decentralizing and eroding pressures exercised on their administration by the process of globalization (Belloubet-Frier and Timsit, 1993; Campanella, 1993; Savoie, 1993; Thoenig, 1988). Globalization refers to a "macro" process by which something is becoming larger and taking more space than before. To a large extent, that "something" is the economy or the market (Tooze, 1992). "The dominant image" of what is often referred to as the process of globalization has, so far, "been centered on the global economy" (Robertson, 1992: 113). It is thus the boundaries of the market that are supposedly expanding. They are expanding, for instance, into new geographic areas such as the Eastern European countries of the old communist block. In the West, the expansion of the market boundaries has to some extent meant that those of the state, in return, have shrunk; they have been "rolled back" (Claisse, 1989). Many Western states have thus made more room for the market by reorganizing their activities and responsibilities (Massey, 1993). In the Political Economy of Public Sector Reform and Privatization, Suleiman and Waterbury

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<sup>4</sup> Thus, according to Savoie: "The fact that both right-of-centre political parties (e.g. Britain, the United States, Canada) and left-of-centre ones (e.g. Australia, France and New Zealand) introduced similar reform measures [and] the fact that a left-of-centre party, the Labour government in New Zealand, made the most radical use of the market-base model to reform the country's civil service suggests that fiscal problems, together with a widely shared sense that public bureaucracies were no longer appropriate for the challenges of the new world, were as important, if not more so, than political ideology" (1993: 17).

argue, for instance, that "states throughout the world are trying to promote greater degrees of market allocation through deregulation and de-control" (1990: 2).

The transformation of state bureaucracies into supposedly more market-oriented organizations is seen as "a global revolution". It is "an inevitable shift rather than a temporary fad" which is said to take place "throughout the developed world" (Osborne and Gaebler, 1992: 328). Because of the process of globalization, the state is believed to assume "a more dispersed" form (Jessop, 1993: 34). Some have suggested that the state is being "hollowed out" by the process of globalization (Milward, 1994; Rhodes, 1994) or that "globalization is eating away the nation-state" (Savoie, 1994: 335). One of the consequences of the pressures exercised by the process of globalization on the state executive arm would be the "breakdown of the bureaucratic model" (Rosell, 1992: 19). This breakdown, in turn, creates within the bureaucracy the "dispersion" or the "decentralization" of responsibility (Public Administration, 1991: 1). Indications of such "dispersion" whereby more responsibility and autonomy are being delegated to public managers include, as seen earlier, measures such as "empowerment" in Canada, "devolution" in Britain, and *responsabilisation* in France.

Consequently, bureaucratic reform policies that seek to broaden the responsibility of civil servants are said to be post-bureaucratic or post-Weberian. They are seen as de-bureaucratizing to the extent that the rules, processes, hierarchies and other forms of legal and political controls that supposedly limited the extent to which civil servants could be responsible or accountable for the results of their actions, are to be progressively removed. These Weberian-type controls are to be replaced or complemented by controls whose content is often specified in "contracts", and in which performance is assessed through the evaluation or measurement of the results achieved in the management of public programs.

In Reinventing Government, the American best seller written by two management consultants, one can read that the fact that "we live in a global market place" means that "the bureaucratic institutions developed during the industrial era increasingly fail us. Today's

environment demands institutions that are extremely flexible" (Osborne and Gaebler, 1992: 15). In this context, managerialism would emerge more or less "automatically" from the structural changes underlying the process of globalization. Managerialism is "interpreted as an administrative reflection of that broader set of social changes triggered by post industrialism or post-Fordism". Indeed, post-Fordism "explains" managerialism (Hood, 1990: 207). In the face of economic globalization states are said to be "forced" to reform their bureaucracies along the lines prescribed by the new managerialism (Mascarenhas, 1993: 320). It is argued, "for the most part, individuals, corporations and governments don't have a choice about it" (Cleveland, quoted in Rosell, 1992: 17). One global economy would thus generate only one global or universal way for the bureaucratic apparatus of the state to adjust to restructuring. As a result of changes in the international economic system, the new managerialist paradigm imposes itself across the globe as the "one best way" to reorganize bureaucracies (Gray and Jenkins, 1993: 22).

How is it possible for the managerialist paradigm to impose itself as the only solution to reform state administrations? According to the globalization interpretation, this process is in large part driven by technological developments related to the rise of the so-called "new information society" (Cleveland, 1987; Taylor and Van Every, 1993; Taylor and Williams, 1991). For instance, some argue that

the phenomenon of globalization applies to public sector reform itself; reforms implemented in one jurisdiction have spread rapidly to others, spawning imitations and spin-offs throughout the developed world. The similarity of these reforms is partly a response to local conditions and pressures. But it is also a testimony to the phenomenon of globalization itself: the almost instantaneous speed with which information is communicated around the world (Heintzman, 1993: i; see also Bailey and Mayer, 1992; and Dobell and Steenkamp, 1993).

It is believed that recent developments in information technology now enable one state to know very rapidly what another state on the other side of the planet is doing to reform its management practices. This phenomenon is said to have contributed to "the globalization of approaches to public sector management". In the 1980s "concepts and new approaches to

public sector management traveled the Western world as if there were no jurisdictional boundaries" (Savoie, 1992: 8). In a similar vein, others have suggested that

As communications have developed the world has shrunk and there is an extensive international exchange of ideas between ministers, senior public servants, academics and government advisers. Consequently, there is a greater awareness about what other countries are doing and a keenness to learn from each others' experiences....Public sector officials are also travelling and teams may be sent to look at how well certain ideas are operating in other countries. Officials are also talking more to each other. An example is the regular 'Five Countries Meeting' where each year, senior civil servants from originally five, and now six countries- Britain, New Zealand, Canada, the USA, Australia, and now Ireland - meet to discuss the progress of their countries' public service reforms (Greer, 1994: 29).

### 3.3. "Consultocracy"

Besides the New Right and globalization interpretations, one last approach that has so far been overlooked in the literature on recent bureaucratic reform to explain the rise and spread of managerialist ideas, deals with the role of management consultants in the bureaucratic reform policy process. This interpretation basically holds that managerialist ideas are not only the product of the process of globalization or of the New Right ideology, but that they are also socially constructed by management consultants. Because of their experience and familiarity with private sector management, consultants are seen as possessing the knowledge that can help states to improve the efficiency of their administration by incorporating into their management practices, ideas and techniques imported from the business world<sup>5</sup>.

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<sup>5</sup> Of course, as causal factors explaining the development of managerialism, the New Right, globalization, and the consultant-centered approach described below, are not mutually exclusive. Indeed, there is even a certain sense of continuity among the three explanations. As mentioned earlier, the globalization approach was developed after the New Right interpretation when it was noted that left-of-centre parties also embraced managerialist ideas in reforming their bureaucracy. In the same way, the consultant-centered approach emerged after the globalization explanation when analysts started to note in the early 1990s their increasing presence as a source of policy advice in the process of bureaucratic reform (Halligan, 1995). Because its appearance in the academic literature is more recent, the consultant-centered approach has sometimes been noted anecdotally, but it has not yet been considered as seriously and extensively as have the New Right and globalization interpretations.

It is sometimes argued that the spread of managerialist ideas and policies across states is a process "driven primarily by private sector consultants" (Boston, 1991: 9). For instance, in Australia, in a report issued by the Joint Committee of Public Accounts, the rise of the "new managerialism" (p.83) during the 1980s is linked to the increasing participation of private sector management consultants in the public management process (Australia, 1989). Similarly, in the minutes of evidence of the British Treasury and Civil Service Commission one can read that "the proliferation of the use of management consultants throughout the Civil Service is one of the most remarkable features of the late 1980s and early 1990s" (House of Commons, 1993: 53). Others have suggested that "the growth of large international firms of management consultants" has

clearly played an important role in packaging, selling, and implementing the 'New Public Management' reforms. Management consultancy has become big business. The large accountancy based firms have developed into multinational giants which have deeply vested interests in terms of future work, in selling the ideas, language and methods of New Public Management. The consultancy firms have highly developed international networks through which many of these profitable ideas have been transmitted and translated (Greer, 1994: 29).

As rational actors, it is assumed that management consultants have "deeply vested interests" (to paraphrase Greer) in pushing for the implementation of more and more managerialist policies within the state. The state and the bureaucratic reform policy domain are conceived as a "competitive market" in which consultants constantly struggle to aggrandize their share in order to maximize the profit of their firms (Henkel, 1991a: 129).

Why would consultants favour managerialist approaches? Are management consultants ideologues or profit-maximizers? This is an important question, and the most appropriate answer is probably both because of the difficulty of distinguishing between the two roles. If the ideas and techniques that consultants promote and sell are viewed as a "science of management", i.e. a solid and rigorous body of knowledge based on assumptions that are not the object of debate and which are broadly accepted by all experts in the field, then a study on the political role of consultants in the process of bureaucratic reform would not be

necessary. It would be unnecessary because the role of consultants would not be "political". If there is a broad-base consensus for the solutions and ideas that consultants sponsored to solve management problems, then their role is not political. It is not more political than the role of a medical doctor who, for instance, prescribes vitamin C, a lot of water and some sleep to fight a bad cold. Almost every body would agree that there is nothing ideological in such a prescription and that this is the only "reasonable thing" to do. The role of experts in problem-solving is political only when their prescriptions and the body of knowledge on which they are based are the object of debate and challenges (Jacob, 1992).

That management is not a science and that its basic assumptions are deeply normative or ideological, is something that has long been recognized by specialists in the field (Merkle, 1980). Moreover, management consultants are sometimes described as "so-called experts", an indication that there is some skepticism about their professional status and the ideological neutrality of their knowledge-base (Roberts, 1996). Consultants generally function under the belief that management is management no matter where it takes place (Archer, 1968). Generic management and the belief that business management is naturally superior to public administration form the central core of their ideology (Davidson, 1972). However, management consultants also belong to a profit-maximizing industry. Unlike other experts in think tanks and universities who may sponsor policy ideas with clear political goals in mind, what matters most for management consultants is to sell their ideas whether they are implemented or not. Of course, implementation is preferable because it increases the likeliness of further work but consultants see their role as taking place primarily at the advisory and not at the implementation stages of the policy process (Kubr, 1986).

Thus, although they may see themselves as neutral and objective experts who merely respond to a rising managerialist demand that comes from policy-makers in government, consultants also help to construct that demand. They do so, for instance, by publishing best-sellers promoting the idea that the state should be "re-invented" in order to become

more businesslike or more "entrepreneurial" (Osborne and Gaebler, 1992). Such arguments are, of course, clearly ideological because the belief that the state can be run like a business is based on faith, not on empirical evidence (Hartle, 1985). These ideas are also intended to generate profits for the consulting industry. The introduction of business management principles and values in public administration should increase the use of consultants whose expertise is primarily based in private sector management. After all, both Osborne and Gaebler became advisers to President Clinton in 1992 and their book has had a strong influence on the Gore Commission (the National Performance Review Commission) whose mandate was to "reinvent" the national government (Kamensky, 1996).

Scholars have also noted that "international consultancy firms have also become more active in tendering advice on public management in recent years and provide an increasingly important transmission mechanism" in the diffusion of managerialist ideas (Boston, 1995: 17). Some even coined the term "consultocracy" to describe the level of influence that management consultants have recently acquired in the process of bureaucratic reform (Hood and Jackson, 1991: 24). In an article discussing the "cult of the management consultant" in Britain in the last fifteen years, one observer notes that the emergence of managerialism has given rise to a spectacular "increasing recourse to management consultants" (Smith, 1994: 130). According to one management consultant, in Britain, "the great reformation flying under the banner of Citizens' Charter, executive agencies and market testing in central government...has benefited from the logistical and strategic advice provide by private consultants" (Ward, 1993: 303). The role of managerializing or marketizing the public sector, it is argued, "is increasingly undertaken by firms traditionally based in accountancy and management consultancy such as Price Waterhouse" (Ward, 1993: 302). This process has been described by some as the "devolution of public administration to consultants" (Fordham, 1990: 243).

It is in providing to the government the techniques that attempt to reproduce within the public sector the “bottom line”<sup>6</sup> of commercial enterprises, that consultants help drive the process by which managerialist ideas and policies are diffused across states (Plumptre, 1988). Within the state, techniques such as performance evaluation and output measurement are conceived as substitutes for the market sector “bottom line” (Kramer, 1983; Carter, Klein and Day, 1992). The development of such techniques “was undoubtedly one of the growth industries of the 1980s” (Cave, Kogan and Smith, 1990: 9). Some are even suggesting that within the public sector, the increasing use of performance measurement and evaluation has given rise to a “new evaluative state” (Henkel, 1991). In documenting this process in Britain in the 1980s, Henkel has noted that “increasingly in the last decade...the practice of commissioning management consultants for policy evaluation and other purposes was most commonly justified by reference to their technical skills and expertise” (1991: 127). She adds that “the use of consultants gave credibility partly because they came from the private sector” (Henkel, 1991: 128). In studying recent bureaucratic reforms in Britain, Pollitt found that “management consultants” arrived at the top of the “list of groups who have derived material benefits from public service managerialism” (1990: 134).

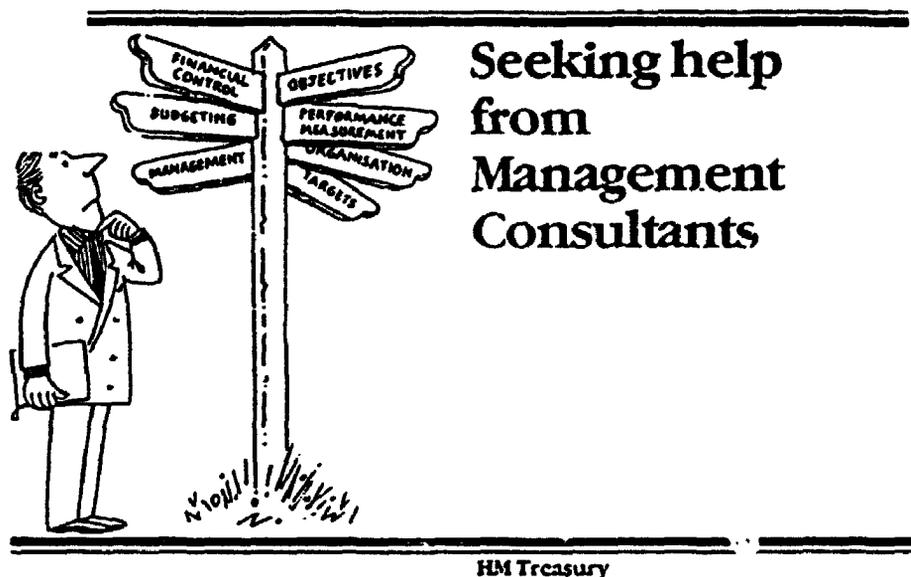
Some of the measures taken by the British government concerning the use of private sector consultants in the process of bureaucratic reform include the publication in 1990 by the Treasury of a guide entitled Seeking Help from Management Consultants, the front page of which is reproduced below. This Guide is addressed to managers who are considering using private sector consulting services when “devising and introducing output and

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<sup>6</sup> Broadly speaking, performance indicators try to reproduce within the state the “invisible hand” type-of-control that is, in theory, achieved in the private sector through the “bottom line” (Pollitt, 1986; 1986a; 1988; Carter, 1988). This is why in discussing performance indicators and output measures some scholars refer to the notion of “hands off control” (Carter, 1989). The idea is that through the introduction of such techniques, the bureaucracy would become an almost self-managed and self-controlled institution to some extent similar to private sector enterprises whose performance is evaluated or controlled at the end of the day through the calculation of the “bottom line”. Management accounting is said to be the main knowledge-bases of the techniques that try to reproduce within the state the “bottom line” of the market sector. In government management, the ideas of measuring outputs against inputs and of “constructing performance indicators draw heavily on the essentially private sector concept of management accounting” (Greenwood and Wilson, 1989: 11). According to Richard Rose, the “underlying philosophy” of managerialism “is that of management accounting” (1989: 298).

performance measures, the setting up of Next Steps agencies and other aspects of improving value for money or management change" (HM Treasury, 1990: 1). According to the Guide, management consultants "can help make dramatic improvements to the work of Departments" by "importing experience" from the private sector to the government (HM Treasury, 1990: 8-9).

**Figure 1.1:**  
**The 1990 Treasury Guide for the Use of External Management Consultants**



There exist in Canada and France a number of indications that public managers have also been encouraged to use management consulting services for developing and implementing the measures that are part of PS 2000 and of the Renewal policy. In Canada, for instance, the Office of the Comptroller General (OCG) published in 1992 a document entitled Your Guide to Measuring Client Satisfaction to assist departments to develop measurable service indicators. In that document, the OCG tells managers that in developing a measurement strategy to "save you time and money", they should seek "professional advice from program evaluators, internal auditors, other performance assessment specialists or from external consultants" (1992: 4). Similarly, the Treasury Board's renewed program evaluation policy, Into the 1990s: Government Program Evaluation Perspectives, claims

that the “more flexible and innovative management environment” created by PS 2000 places “growing demands on program evaluation units” (1991: 3). To respond to these “growing demands”, the new Treasury Board circular encourages government departments to

take full advantage of the benefits of professional evaluation resources outside the government in private sector consulting firms....These benefits may include the enhancement of the credibility and objectivity of evaluations -and the perception of these qualities- by involving persons outside the institution who have specialized subject matter or methodological expertise (OCG, 1991: 4).

In France, the implementation of the new management measures derived from the 1989 Renewal policy, has likewise created a situation where, in the central government “on fait appel de plus en plus souvent à des consultants” (MFPRA, 1993: 134). The recent emergence of a “forte demande” for management consulting services within the administration is said to be “liée à la stratégie de responsabilisation, composante essentielle du Renouveau du Service public” (DGAFP, 1991: 24). In June 1990, the Minister for the Civil Service and Administrative Reform created a working group of senior officials, academics and private sector management consultants to study the issue of the use of management consultants in government<sup>7</sup>. In that study, it was noted that

le processus de renouveau dans lequel s’est engagé le service public implique des changements dans de multiples domaines: ajustement des missions, déconcentration, responsabilisation, amélioration de l’efficacité, nouveau mode de management, etc. Pour accompagner et faciliter ce processus, plusieurs administrations...ont fait appel aux consultants externes, appel dont l’incidence budgétaire est loin d’être négligeable (DGAFP, 1991: Annexe 1).

But although the working group says it is aware of the greater need for management consulting services resulting from the 1989 Renewal policy, it nevertheless believes that it is “ni souhaitable, ni possible que les cabinets privés y répondent seuls” (DGAFP, 1991: 1). The working group judged that it would be preferable to create an internal management consulting function rather than to continue to use private sector consulting services. The

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<sup>7</sup> The working group is known as the *Groupe de modernisation consultants internes dans l’Administration*.

French government has thus undertaken to develop, within the administration, a new function of internal or state management consultants.

In deciding to incorporate management consulting knowledge within its structures the French state used a strategy different than the one followed in Britain and Canada. In these two countries, the implementation of recent bureaucratic reform policies has not been accompanied by the creation of an internal consulting capacity but rather, by the publication of guidelines or circular which, as noted above, tend to praise either the "benefits" or the "dramatic improvements" that public administrators can make by using private sector consulting services. However, even though there may be differences among states concerning their use of management consulting services, it is sometimes argued that one of the consequences of the increasing involvement of professional consultants in the process of administrative modernization, is the "uniformity of ideas and principles [and] the uniformity of language and practices" of the policies of bureaucratic reform that governments have recently developed with the help of management consultants (Greer, 1994: 29).

#### **4. Variations in the Reception Given by States to Managerialist Ideas**

The perspectives discussed so far to account for the rise and spread of managerialist ideas often tend to point to "uniformity" or "convergence" in the bureaucratic changes that states have recently put in place. Indeed, in the literature on comparative bureaucratic reforms, discussions of policy uniformity or convergence have more or less become a familiar theme (Cooper, 1995; Crozier, 1988; Holmes, 1992).

Policy convergence is a concept which assumes "that greater economic integration will encourage closer political relationships among the authorities responsible for the economies affected, and possibly convergence in institutional arrangements" (Coleman, 1994: 274; Bennett, 1991). One OECD cross-national study on public management indicates that "the need to cope with the rapid globalization of the economy and to maintain international competitiveness has added a powerful new incentive for undertaking public sector

institutional reforms” about which there is, according to this same study, “significant convergence” (OECD, 1990: 7-9). Similarly, others have argued that globalization and “improved communications” are among the main factors “explaining the degree of convergence in ideas and strategies of reform being adopted by various developed countries” (Greer, 1994: 29). Analysts who have primarily focused on the “macro” process of globalization and technological change to explain the rise and spread of managerialist ideas, have certainly made an important contribution to the field of comparative public administration and policy by emphasizing the broad similarities that exist in the bureaucratic reforms that Western states have recently implemented. As noted earlier, there are indeed a number of important resemblances in the policies of administrative reform of Britain, Canada and France. Nevertheless, there are also significant differences in the reception given to managerialist ideas by these three states that are not explained by the globalization /convergence hypothesis. Because they may be less spectacular or “visible”, these differences have not yet attracted as much scholarly attention as have the similarities. Some of these main differences are discussed below.

#### **4.1 Differences Within Convergence**

As indicated earlier in the discussion of policy emulation, in Canada policies such as the Special Operating Agencies (SOAs) and the Service Standards Initiative are based on managerialist ideas imported from Britain and have been modeled on the Next Steps and Citizens’ Charter (CAC, 1992). Although managerialist ideas imported from Britain were readily incorporated into Canadian bureaucratic reform policies, the extent to which the policies inspired by these same ideas were implemented in the two countries varies importantly. As the Next Steps executive agencies, Canadian SOAs are also intended to introduce more businesslike management practices into public administration but SOAs in Canada have not been put in place as widely as their British counterparts (Optimum, 1991-92). The same could also be said about the French Centres de responsabilité (CDR). Table 1.2 indicates how a policy based on the managerialist idea of disaggregating bureaucratic

**Table 1.2:**  
**Autonomous Service Delivery Agencies**  
**in Britain, Canada and France**

	<u>Number of agencies</u>	<u>Number of employees</u>	<u>Percentage of total employment</u>	<u>Date</u>
<b>France</b>				
<i>Centres de responsabilité</i>	85	33,000	1.4	1992
<b>Britain</b>				
Executive Agencies	91	348,000	60	1993
<b>Canada</b>				
Special Operating Agencies	16	7,010	3.2	1993

organizations into managerially deconcentrated service delivery agencies has produced, in the three countries, very different results in terms of the extent of its implementation. There are also important differences between the French *Charte des services publics* and the Canadian Service Standards Initiative, both modeled on the British Citizen's Charter. Although it shares with the British Citizens' Charter the idea that in their relationship with the state individuals should be seen as consumers or clients rather than as citizens<sup>8</sup>, the Canadian Service Standards Initiative is reported to have lacked the "necessary political leadership" and visibility that its British counterpart had (Doern, 1993: 222). In fact, by 1992, only five Canadian federal departments and units had adopted service standards (Canada, 1992: 12-13). By the same time, 28 public service bodies in Britain had adopted their own Citizen's Charter (Good, 1993). In France, although the "Charter" idea may also have been inspired by the British Citizen's Charter, one important difference is that the French Charter does not share with its British counterpart an "economistic" conception of citizenship (Pierre, 1995). As has been noted "in the U.K. Citizens' Charter there are many references to customers, rather more than there are to citizens, unlike the more state-centred

<sup>8</sup> Through the introduction of the Service Standards Initiative and other measures derived from PS 2000, the federal government indicated that it "wants to create a client-oriented Public Service, a major change since the Public Service has not been used to regarding Canadians as clients" (Canada, 1990: 51)

traditions reflected in the French *Charte des services publics*" (Pollitt, 1995: 208). In France, the *Charte des services publics* is clear that the relationship between citizen and the state

ne peut être assimilée ni à une relation entre deux particuliers ni à une relation de type commercial; les services publics sont en charge de l'intérêt collectif, ce qui les conduit à assurer des prestations d'utilité collective que la loi du marché amènerait à négliger....la relation des services publics avec les usagers n'est pas totalement assimilable à celle d'un prestataire avec un client (pp.7-8).

In comparing recent British and French bureaucratic reform policies, one French academic observer has argued that although characteristics of managerialism "are clear in recent administrative reforms that occurred in Great Britain", as far as France is concerned, the 1989 "modernization process only partially reflects this new ideology" (Rouban, 1993: 410). Similarly, others have noted that although the managerialist language of performance, efficiency, and value-for-money is present in France, it is still relatively undeveloped and it has "not so far penetrated very deeply" the administrative system (Stevens, 1992: 131).

Indeed, there seems to be wide variation across the three countries in the degree to which managerialist ideas were implemented as policy. In France, managerialist ideas have been less influential and were not as readily incorporated into bureaucratic reform policy as they have been in Britain and Canada (Hardy, Towhill and Wolf, 1990). Like reforms in Britain, PS 2000 in Canada is also said to be representative of "the new paradigm of managerialism" (Aucoin, 1995: 15). However, what makes Canada different from Britain is the extent to which bureaucratic reform policies inspired by managerialist ideas were put in place in the two countries. In Canada, the limited implementation of the managerialist initiatives that were part of PS 2000 has been explained by the lack of support for them in the political arena (Auditor General of Canada, 1993: Chapter 6). As mentioned by one senior official, these initiatives and the ideas on which they were based have not been "politically driven" (Armstrong, 1991-92: 11). In fact, PS 2000 was described by the deputy minister responsible for coordinating it, not as a political, but as "an unabashedly

management-driven exercise" (Edwards, 1990: 2). In Canada, political leaders have not shown the same enthusiasm as their British counterparts in supporting the managerialist principles on which the PS 2000 initiative was based (Aucoin, 1995a: 126).

#### **4.2 The Shared Limits of Existing Interpretations**

Why, despite a process of globalization which is said to be leading to a situation where state policies would become increasingly convergent, are there differences in the bureaucratic reform policies implemented in the late 1980s by Britain, Canada and France? What is probably even more puzzling, is that differences persist despite a process which, in many ways, has been very similar to what Ikenberry calls "emulation" and "policy bandwagoning". Why did Britain embrace managerialist ideas as enthusiastically as it did? Why have managerialist ideas not yet penetrated very deeply into the French administrative system? Why do most observers argue that in Canada, bureaucratic reform policies informed by managerialist ideas and often imported directly from Britain, have not been as widely implemented as their British counterparts, and have not received strong political support from the government? These are questions that this study addresses.

In order to account for cross-national variation in the reception given to managerialist ideas, one has to go beyond the current emphasis on globalization found in much of the mainstream literature on recent bureaucratic reforms. If the move towards the implementation of bureaucratic reform policies informed by managerialist ideas was uniquely driven by the process of globalization, there would be no differences between France, Canada and Britain. The intent of this study is not to deny that broad structural forces such as the process of globalization and the rise of the new information society produced a situation where policies tend to converge. However, the extent to which managerialist ideas have been embraced differs. It is these differences that this study wants to investigate.

Even the New Right interpretation does not completely explain why these differences exist. Although managerialist ideas are said to have not yet penetrated very deeply in France, they

are still reported to having been part of the ideas that informed the 1989 Socialist government Renewal initiative. The extent to which the French government has embraced managerialist ideas may not have been as important as in Britain and Canada, but the New Right hypothesis alone cannot explain why a left-wing government would embrace, even weakly, managerialist ideas. But then, of course, one can fall back on the globalization approach to explain the French case and argue that the relative acceptance of managerialist ideas and policies is something which transcends political ideologies and that is determined by the rise of the new information society and global economic restructuring. What is more problematic for the New Right interpretation, however, is not to account for the French case but to explain why New Right governments across the developed world have not supported managerialist ideas with equal fervour. Why is the British Conservative government said to have been a champion in diffusing managerialist ideas while the Conservative government in Canada did not give strong political support to such ideas?

The globalization (structural) and the New Right (ideological) explanations are quite valid, but far too incomplete to account for cross-national differences in the reception given to managerialist ideas. As for the management consultants driven interpretation, it has been seen earlier that there are in Britain, Canada and France, a number of indications showing that the implementation of managerialist bureaucratic reform policies in the 1980s has been accompanied by the use, or by an encouragement to use, the services of management consultants. These indications are consistent with the interpretation that the rise and spread of managerialist ideas and policies is be a process driven by the interests of "rational" and profit-maximizers management consultants. However, the cases of Britain, Canada and France also show the limits of the management consultants' interests-driven interpretation. The weakness of this interpretation is that it cannot account for variation in the reception given to managerialist ideas, a weakness it shares with the globalization and the New Right perspectives. If the management consultants interpretation were correct, French and Canadian management consultants would to some extent be "irrational", because in these two states managerialist ideas have not been embraced as enthusiastically as they have been in Britain. Although present in France, managerialist ideas have not yet penetrated deeply

the administrative system, while in Canada, managerialist ideas and policies, often directly imported from Britain, have not received the same political support that their British counterparts have had. If the management consultant interest-driven interpretation were adequate, there would be less variation between Britain, France and Canada in the acceptance of managerialist ideas and policies. Does the fact that managerialist ideas have not been as influential in France and Canada as in Britain, mean that French and, maybe to a lesser extent, Canadian, management consultants are not as "rational" as their British counterparts? Or is it that management consultants may have similar preferences cross nationally but that they cannot influence policy in the same way or to the same extent in different national contexts?

It may well be that in attempting to account for the diffusion of managerialist ideas, the structural, ideological and interest-driven interpretations have neglected an important factor which could explain differences in the reception given to managerialist ideas. This neglected factor may well be the state. In all these interpretations - and especially in the case of the globalization hypothesis where the state is said to be "hollowed out" or "eaten away" - there is no serious examination of the intervening processes by which ideology, interests or structural factors enter state institutions and shape policies. In the same way, in the management consultants interpretation, the state is also invisible. The state is assumed to be an empty shell through which consulting interests can easily press their views concerning public management issues and get their preferences almost automatically translated into policies. Since the state is not seen as something that could constrain the capacities of consultants to promote their interests, the result is that bureaucratic reform policies across the planet tend to converge because the managerialist preferences of management consultants are assumed to be everywhere the same. To be able to explain policy variation, the state needs to be "brought back" because, as discussed below, one of the reasons for taking the state seriously is to explain cross-national differences in policy.

## **5. Theoretical Framework and Research Design**

This study explains variation in the reception given to managerialist ideas by examining the role of management consultants in the bureaucratic reform policy process in Britain, Canada and France. This is done to fill a gap in the literature on comparative bureaucratic reform because the role of consultants as a source of managerialist ideas has not yet been the object of scholarly examination<sup>7</sup>. However, in order to understand why managerialist ideas have been embraced more enthusiastically in some countries than in others, the consultant-centered approach reviewed above needs to incorporate a more complete model of the policy-making process. Using historical-institutionalist theories, this section first develops an approach that stresses the interrelations between management consultants and the state, and then outlines the method of analysis used in this study.

### **5.1 Historical Institutionalism and Policy Variation**

The last decade has witnessed a "rediscovery" of institutions in the study of political phenomena (March and Olsen, 1984; 1989). As is well known, there are a number of different approaches that have been labeled "neo-institutionalist" (Pal, 1994). Although they may differ in terms of their level of analysis (micro, meso, macro) or their epistemological assumptions (rational choice vs historical-interpretive), what all varieties of neo-institutionalist approaches have in common, is that they have been rarely used to study issues pertaining to bureaucratic reform or state management in general (Helper, 1987; Knott and Miller, 1987; March and Olsen, 1983). Indeed, bureaucratic reform has not often been conceived as a policy sector *per se*. In the public administration literature, where the famous policy-administration dichotomy still tends to prevail, issues related to bureaucratic reform have usually fallen within the administrative sphere and therefore, have not been conceived as policy. However, once the topic of bureaucratic reform is analyzed from a neo-institutionalist perspective there is no compelling reason why it should not be seen as policy.

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<sup>7</sup> The need for such examination is important, especially in the light of recent surveys (based on the opinions of management experts and practitioners) which have found that consultants lead ministers and legislators as sources of innovative ideas in public administration (Gow, 1994: 47).

In trying to understand why managerialist ideas have been embraced differently in Britain, Canada and France, I will use the historical institutionalist stream of the neo-institutionalist literature. One central theme in the work of historical institutionalists is to explain "the persistence of cross-national differences despite common challenges and pressures" (Thelen and Steinmo, 1992: 5). By being situated between state and society centered analyses, and by looking at the institutional arrangements that structure relations between the two, historical institutionalism seeks "to illuminate sources of variation on a common theme" (Thelen and Steinmo, 1992: 10). As Hall indicates in Governing the Economy, it is an approach that attempts to explain "cross-national variations in policy" (1986: 19). In the same vein, others have argued that

those who advocated 'bringing the state back in' in order to examine cross-national differences in policy outcomes were most interested in exploring variations in the role of institutions across space. In trying to account for policy differences, they emphasized the autonomy of the state from civil society and the independent role of policy decision makers...they focused on state structures in order to explore how politics and policies were jointly conditioned by institutional arrangements and social relationships (Jenson, 1991: 45-6).

In the historical-institutionalist literature, institutions are not only those associated with a country's constitution and formal political practices. The historical-institutionalist approach "ranges more widely to consider the role of institutions located within society and the economy, as well as less formal organizational networks, in the determination of policy" (Hall, 1986: 20). Examples of "less formal" organizations that are located within society and the economy that will be discussed in the next chapter include, for instance, the structure of the consulting market and the organization of the management consulting industry and profession.

## **5.2 Management Consultants, the State and Managerialism**

In developing an approach that stresses the interaction between consultants and the state in the bureaucratic reform policy process to account for differences in the reception accorded

to managerialist ideas, this research will use some of the insights derived from recent work examining the links between state-building processes and the deployment of "expert" knowledge in public policy-making (Farmer and Supple, 1990; Peters and Barker, 1993; Rueschemeyer and Skocpol, 1996).

Questions about the influence of ideas on policy suggest that closer attention be paid to "expert" groups because these are often instrumental in defining problems and establishing the scope of alternative policies (Weir, 1992: 16). Although there exists nothing pertaining specifically to consultants, there are in this body of literature a number of studies from which useful theoretical lessons concerning the interaction between "experts" and the state in the policy-making process can be gleaned. Such studies include, for instance, the comparative research of Immergut (1992) on the role of the medical profession in the health policy sector; Jenson's study on the impact of demographers on natality policies (1986), and the work of Orloff (1993), Steinmo (1993), and Weir (1992) on the influence of professional economists in the development of pension, tax, and employment policies. As Weir argues, "in the field of employment policy, the influence of economists is particularly important to understand because they early on established themselves as intellectual gatekeepers for discussions of policy" (1992: 16). Although it does not deal directly with the issue of "experts" in the policy process, Skocpol's Protecting Soldiers and Mothers nevertheless contains interesting passages on the role played by women physicians and female medical societies in the development of what she calls "maternalist social policies" in the United States in the early 1900s (1992: Chapter 9). In particular, the study by Peter A. Hall (1989) on the spread of Keynesian ideas and the concomitant rise of economists within government circles after the economic depression of the 1930s, provides, for the purposes of this research, an important source of intellectual inspiration to conceive the relationships between the role of management consultants and the rise of managerialist ideas in the context of the structural changes associated with the process of "globalization".

One important factor that often stands out from these studies is that in a technically complex policy domain, ideas are more likely to influence policy and to be better received by policy-

makers when they are advocated by a relatively well-established and credible group of specialists or professionals. For instance, in her study of American employment policy after the Second World War, Margaret Weir found that the most important "determinants" for explaining which ideas would be most influential in employment policymaking, depended, in part, on the development of networks and organizations of professional economists and on the cohesiveness of these organizations (1992: 21). Similarly, Peter A. Hall has suggested that one important factor that affected the speed with which Keynesian ideas were diffused and assimilated into policy-making, concerned the "organization" of the economics profession. "Not surprisingly", Hall argues, Keynesian ideas and "concepts spread more slowly in nations where the economics profession was small" (1989: 365). In underlining the importance of such factors, neither Weir nor Hall are trying to reduce the influence of ideas on policy simply to the organizational characteristics of the economics profession. Ideas have a causal power and a persuasiveness of their own that cannot be simply reduced to organizational factors (Goldstein, 1989). However, questions about how to isolate the influence of ideas on policy are not easy to address (Goldstein, 1993). The literature has often linked the power of ideas to the influence exercised by their "bearers" and to their location in policy-making institutions. For instance, in the field of economic policy, Keynesian ideas were influential when Keynesian economists occupied strategic positions in government, or when channels of communication were established between members of the economics profession and the state (Coats, 1981). In probing the routes by which some ideas become influential it is important to examine how ideas enter the policy process on the "shoulders" of certain groups and to look at whether these groups are able to make their views known within the inner circles of policy making. If they are to influence policy, ideas must come to the attention of those who make decisions within government.

In attempting to explain the influence of ideas on policy, organizational factors and ideas should not be treated separately (Laumann and Knoke, 1987). The influence of ideas does not depend on the innate qualities of those ideas alone (Hall, 1989: 369). Influence is a relational concept determined as much by the content of the ideas themselves as by the organizational characteristics of their advocates. Thus, in trying to see whether the

differences in the acceptance of managerialist ideas that were noted in the preceding section can be linked to the role of consultants in the process of bureaucratic reform, one of the first tasks that needs to be undertaken is to study the organization of the management consulting profession and industry in the three countries under investigation. To do so, I will use the concept of "organizational development" derived from the works of analysts who have studied patterns of relations between societal interests and state institutions in various policy domains (Grant, 1987; Schmitter and Streek, 1981).

In studying the organizational development of management consultancy, one crucial element deserving careful attention is the extent to which the services of management consultants are used by the private sector. To the extent that managerialism consists in the importation of business management ideas and techniques into the public sector, the experience that consultants have of private sector administration becomes a key factor to determine the possibilities for managerialist ideas to be used by state officials as the basis for bureaucratic reform policy. The specialized knowledge that consultants have of private sector management and consequently, the extent to which their expertise can be seen by policy-makers as useful for improving the administration of the state by importing business management ideas and practices into the public sector, depends on how much their services are used by businesses. If the use of management consulting services by businesses is not a well developed practice, this is likely to affect the level of knowledge that consultants have of private sector management and therefore, their ability to be seen as "experts" who could help to improve the efficiency of state administration by transplanting business management ideas in the public sector. How can consultants be credible in selling their services as business management specialists if they only have a limited practical experience of private sector administration? In such circumstances, it is likely to be more difficult - although not impossible - for states to adopt managerialist policies and for management consultants to participate as "expert" advisers in the development of bureaucratic reforms based on ideas imported from the private sector.

### **5.3 Organizational Development, Policy Legacies and Access**

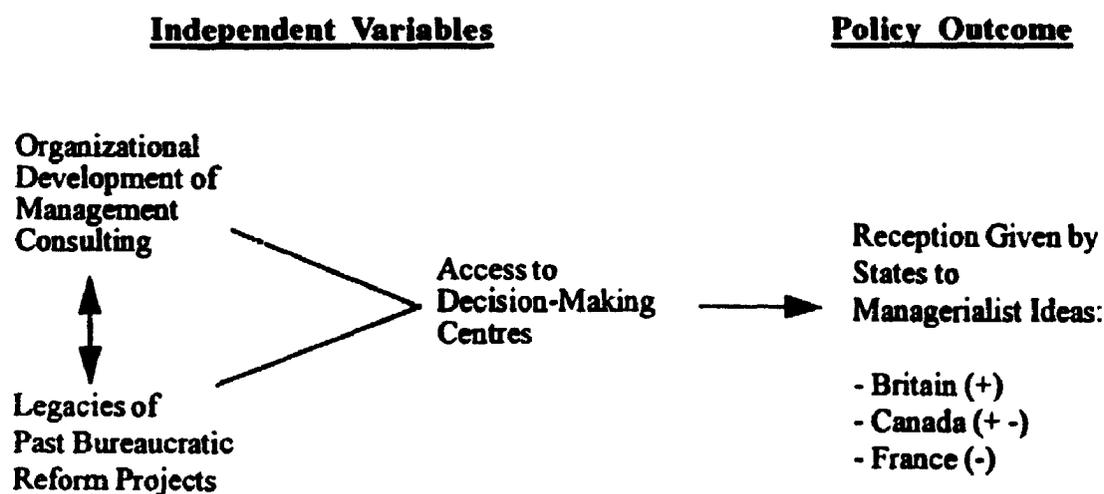
Of course, the organizational development of management consulting does not alone determine the acceptance of managerialist ideas and policies by states. Managerialist ideas can be present in a given national setting and they can be advocated by well-developed management consulting organizations, but their chances of becoming influential and being used by decision-makers depends on how these ideas are linked to past policies. Decision-makers within the state may reject or support policies depending on past experiences with similar measures.

This proposition requires an approach that is fundamentally historical, looking for connections among policies over time. As noted earlier, in the domain of bureaucratic reform the "new" managerialism of the late 1980s has its roots in the "old" managerialism associated with the planning and rational management (i.e PPBS) movement of the 1960s. To understand the possibilities for "new" managerialist ideas and policies to become influential, it is therefore necessary to go back and study the policies associated with the period of the "old" managerialism. One has to see if there are any connections over time between the policies derived from the periods of the "old" and the "new" managerialism. To do so, this study uses the concept of "policy legacy", in part elaborated by Weir and Skocpol in their study on Keynesianism. Based on the work of Hecl (1974), Weir and Skocpol start with the insight that policy-making is inherently a historical process in which actors learn from past experience and consciously build on or react against previous governmental efforts dealing with similar problems (1985: 119). According to this view, policy-making is a process of learning and of solving the puzzles often generated by past policies (Hall, 1986: 16). The form which new policies take is most influenced by the legacy and lessons of older policies in related fields. Policy legacy and learning are two closely related concepts. Policy learning approaches generally hold that states can learn from their experiences and that their present actions are in part influenced by their interpretations of how previous actions have fared in the past (Bennet and Howlett, 1992).

Used in the context of our study, the concept of policy legacy implies that the reception accorded to managerialist ideas is influenced by the state's prior experience with bureaucratic reform policies (Rose and Davies, 1994). However, to say that legacies can shape the course of subsequent policies leaves unanswered the question of why some legacies are more important than others. How are we to know exactly which of the legacies left by past reforms are most likely to influence the course of future policy? As Hall asks "Why are some lessons learned from a given policy experience, rather than others?" (1989: 362). One way to address this question is to suggest that the lessons learned from past experiences partly depend on who has the established authority to speak on the policy issues under examination (Weir, 1992: 21). Understandings of what the "problems" are and how they should be defined very often depend on previous policies, which allowed some expert groups to enter the state and play a role in interpreting the problem and devising solutions in a particular policy field (Dery, 1984). In turn, the extent to which the solutions and ideas that expert groups advocate can become influential and affect further developments, depends on their access to decision-making centres. Policy ideas can be sponsored by powerful professional groups but they are not likely to become influential if these groups are not able to make their voice heard within the inner circles of policy-making. Even though ideas may be favorably endorsed by expert groups, if they are to influence policy, they must come to the attention of those who make policy.

For the purposes of our study, these insights suggest that in trying to see whether differences in the acceptance of managerialist ideas can be linked to the role of consultants in the process of bureaucratic reform, we can not examine all the possible legacies left by the policies that preceded the Next Steps and Citizen's Charter in Britain, PS 2000 in Canada and the Renewal initiative in France. Rather, our approach will primarily focus on the legacies that affected the participation of consultants in the process of bureaucratic reform and their access to decision-making centers through which managerialist ideas did (or did not) enter into the formulation of policy.

Schematically, the hypothesized model of causal relationships that this study proposes to account for cross-national variation in the reception given to managerialist ideas can be represented in the following way:



As the diagram suggests, as a causal variable “Organizational development” precedes “Policy Legacies” and “Access” simply because one can assume that if management consultancy does not exist or is relatively undeveloped in a national setting, there is little chance that consultants can be involved in the bureaucratic reform policy process and diffuse within the state a conception of state management based on their private sector experience. In this sense, “organizational development” represents a kind of pre-condition that can facilitate the introduction of policies by which the state seeks the expertise of private sector consultants to improve the efficiency of its administration which in turn, create opportunities for consultants to have their ideas come closer to the attention of decision-makers.

This point can be briefly illustrated by using examples from the three cases discussed in the following chapters. In Britain and Canada, the creation in the 1960s of the Fulton Committee and the Glassco Commission, coincided with the development of business and

professional associations of management consultants. In these two countries, Fulton and Glassco are among the main legacies of past bureaucratic reform experiences that facilitated the entry of external consultants into state institutions. Fulton and Glassco both recommended that private sector consultants be brought into the civil service as way to internalize their knowledge of business management within state structures. Such recommendations were relatively radical at that time. Unlike the more open American bureaucracy, for instance, where a new administration can bring a wide range of outside advisors, in Britain and Canada advice has traditionally come from an echelon of permanent civil servants who have a virtual monopoly on access to official information and to decision-makers. But partly as a result of the legacies left by Fulton and Glassco, the British and Canadian bureaucracies became more open to advice from outside consultants and it is in these two countries that managerialist ideas made their fastest inroads into policy.

By contrast, managerialist ideas penetrated only slowly in France, where management consulting is less developed than in Britain and Canada, and where the legacies left by post-war reforms (the creation of the *École Nationale d'Administration* and of a central ministry responsible for administrative reform), made the civil service more impermeable to outside advice, at least until the 1982 decentralization reforms.

#### **5.4 Method of Analysis: Mill's Two Comparative Logics**

Britain, Canada and France have been selected as case-studies to examine the relationship between the role of management consultants in the bureaucratic reform policy process and the reception given by states to managerialist ideas for two main reasons. First, it has been seen earlier in the chapter that the wide-ranging program of bureaucratic reforms introduced since the end of the 1980s in these three countries have all more or less been influenced by managerialist ideas. Second, it was also noted that there existed a comparable trend where, in the process of developing and implementing bureaucratic reform policies recently adopted in the three countries, British, Canadian and French public administrators have been encouraged to use the services of management consultants.

Britain, Canada and France thus all apparently have in common the phenomenon that this study is trying to explain (the presence of managerialist ideas) and there is evidence suggesting that the three cases may also have in common one of the hypothesized causal factors (the presence of management consultants). At first glance, the three cases look as if they could be investigated by using Mill's "Method of Agreement". However, although Britain, Canada and France may all have in common the phenomenon to be explained, there are variations in the character or in the intensity of the phenomenon because, as seen earlier, there are differences in the reception given by each state to managerialist ideas and these differences are especially noticeable in the French case. In France, managerialist ideas are not absent but they are not as influential as in Britain and Canada. Furthermore, the "form" of one of the hypothesized causal factors (the presence of management consultants) is also different in France because unlike Canada and Britain, the French state internalized the management consulting function in 1991.

Because of these differences, I will use France as a contrast to the British and Canadian cases because in terms of the "presence of managerialist ideas" and the "presence of management consultants", there is less difference between the British and Canadian cases than there is between these two countries and France. Mill labeled this procedure the "Method of Difference". Taken alone, it is a more powerful method than the "Method of Agreement" for attempting to establish valid causal links (Skocpol and Somers, 1994: 81). The major point of contrast between the methods of "Agreement" and "Difference" is that the latter uses negative instances to reinforce conclusions drawn from positive instances (Ragin, 1987; Tilly, 1984). The method of analysis used in this study will therefore combine Mill's two comparative logics. This will be done by using Britain and Canada as "positive" or similar cases along with the French case as contrast. This method of analysis has been used, for instance, by scholars such as Barrington Moore (1966) and Theda Skocpol (1979) in their broad historical comparative work on social revolutions.

Without entering immediately into a detailed discussion of the specific characteristics of each of the three cases, suffice it to say for the moment that differences between Britain and

Canada in the acceptance of managerialist ideas and policies, have not primarily been caused by differences in the strength of their management consulting industry. In Britain, managerialist ideas have been embraced more enthusiastically than in Canada because of differences in policy legacies and the access of management consultants to decision-making centres. In Britain, management consulting interests under Thatcher were institutionalized in the Prime Minister and Cabinet Offices, where they had direct access to decision-making centres and where their ideas received strong government support. By contrast, in Canada consultants have primarily been institutionalized since the 1970s in the Office of the Auditor General (OAG). As a result, their access to decision-making centres and their influence on policy are more limited than in Britain, because the OAG is separated from the executive and independent of its control and direction.

As for the French contrasting case, the absence of a well developed consulting industry has affected the possibilities for French consultants to play an important role in the process of administrative reform and to diffuse management ideas based on their private sector experience within the central state. In France there is less of a "story" to tell concerning the relationship between managerialism and the role of consultants in the bureaucratic reform policy process. Because the organizational development of management consultancy in France is at a much earlier stage than in Britain and Canada, and because of the postwar legacy of *étatisme*, managerialism penetrated French state institutions later. Unlike their British and Canadian counterparts, French consultants started to become involved in the process of administrative reform only after the 1982 decentralization, when the ideas that they they first advocated in local governments later spread into the central administration.

### **5.5 Organization and Limits of this Study**

As the other explanations reviewed earlier to account for the rise and influence of managerialism, this study has also its limits. The goal of this thesis its not to deny that the rise of the New Right, the fiscal crisis, expenditure reductions and globalization all played a major part in accounting for the rise and influence of managerialism. Rather, the intent of this study is to highlight a promising new set of factors - the interrelations of consultants

and the state in the bureaucratic reform policy process - that has not yet been looked at in explaining cross-national variation in the influence of managerialism. The objective is not to argue that management consultants are more important than the New Right, the fiscal crisis and so on in accounting for the influence of managerialism, but that they may be important too.

The study also does not seek to provide the definitive answer to the question of whether there is a link between the organizational development of management consulting, the legacies of past bureaucratic reform and the impact of managerialist ideas. Rather, its objective is to probe the plausibility of these hypothesized links. This is done by using Britain as a "leader" case where these links appear to be the strongest, while Canada is used as a "medium" and France as a "weak" case. If the basic relationships posited by the study to explain variation in the influence of managerialist ideas are evident, then this would warrant more extensive comparative analysis.

Methodologically speaking, a "hard test" of the hypothesis explored in this research would be one where managerialism is very strong and where the consulting industry is weak and where consultants have not been involved at all in the bureaucratic reform policy process. But such cases do not seem to exist in the "real world". For most of the "paradigmatic" cases of strong managerialism generally mentioned in the literature - Australia, Britain and New Zealand - there is empirical evidence suggesting that management consultants from the private sector have been importantly involved in the process of administrative modernization. Another "hard test" would be one where, in a given national setting, managerialism non-existent and where the consulting industry is strong. However, instances where managerialism has had no influence at all on the recent changes that states have made in the functioning of their administration are difficult to find. After all, most observers in the field agree that in the last ten or fifteen years, managerialism has been displacing the Weberian model of bureaucracy as the main paradigm in public administration. Thus, although France may not be the most significant instance (of weak managerialism), it is nevertheless one case where managerialist ideas are said to have had

only a limited impact on policy.

Within the scope of these methodological limits, this study relies on several types of evidence in trying to see if there is a link between managerialism and the role of consultants in the bureaucratic reform policy process. To evaluate the organizational development of management consultancy I have primarily used quantitative data pertaining, for instance, to the size of the management consulting market and the size of membership of management consulting professional and business associations. Since the role of management consultants in the process of bureaucratic reform is a topic for which there exists no serious studies, I have relied to a large extent on primary sources from government agencies and from the records of management consulting organizations in London, Paris and Toronto. I also conducted interviews with civil servants and management consultants involved in the process of bureaucratic reform (see Appendix 1). When available, I have used quantitative evidence (e.g. public expenditures) to measure the importance over time of the participation of consultants in government administration.

In studying the processes by which the ideas of consultants concerning state management did or did not enter into the formulation of bureaucratic reform policy, one factor to underline is the "identity" of those who advocate those ideas, because ideas are always the product of human beings and the organizations for which they work. In this sense, the names of individuals or organizations advocating the kind of policy ideas that one is studying can become a relatively useful "indicator" to examine how ideas enter the policy process. In studying the participation of consultants in the recent history of bureaucratic reform, I have used a number of "qualitative" indicators such as the names of the consultants involved in the process of administrative modernization, especially those who were appointed from the private sector to the bureaucracy; the role these consultants played and the hierarchical position they occupied in the bureaucratic reform policy sector; the name of the firm for which they worked, and the position they occupied in the firm and/or in management consulting associations.

Including this one, this study is divided into six chapters. Chapter Two examines the history and structure of the management consulting industry and profession in Britain, Canada and France. A major finding of this chapter is that management consulting has become an important industry in those countries where it has been developed as the extension of the institutionalized relationship that accounting firms have historically established with their audit clients. Chapters Three, Four and Five consist of a retrospective examination of the history of bureaucratic reform since the period of "rationalism" and the "old" managerialism, beginning with the introduction of the British, French and Canadian versions of PPBS in the early 1960s up to the 1980s and the period of the "new" managerialism. The purpose of these three chapters is not to analyze in great detail all the particular aspects of the recent history of administrative reform but rather to examine whether past bureaucratic reform experiences have left legacies that affected the access of consultants to policy-making centres and the adoption of their ideas in government policy. Chapter Six turns to a comparison and interpretation of the observations and findings made in the previous chapters.

Management consultants "operate at the boundaries of government and may provide a way of bridging ideas and values from the private and the public sector" (Henkel, 1991: 71)

## **Chapter Two: The Management Consulting Industry: History and Structure**

The previous chapter showed that in reforming their bureaucracies in the late 1980s, Britain, and to a lesser extent Canada, have embraced managerialist ideas more enthusiastically than France. This study attempts to explain these differences by looking at the interrelations of management consultants and the state in the bureaucratic reform policy process. To do so, the study relies on a two-step causal model. First, it focuses on the organizational development of the management consulting industry in the three countries. Second, it looks at whether the state's prior experience with bureaucratic reform left legacies that facilitated or impeded the access of management consultants to decision-making centres through which managerialist ideas did (or did not) enter into the formulation of bureaucratic reform policy.

Before proceeding to the study of the role of consultants in the recent history of bureaucratic reform in the following chapters, the first task is to look at the organization of management consultancy in each of the three countries. Obviously, the mere existence and level of development of management consultancy is likely to affect the extent to which states can use the services of management consultants in reforming their bureaucracies. Although in the 1980s it may have seemed "normal" for policy-makers to call on management consultants to help them reform their bureaucracy to deal with the consequences of the "fiscal crisis" or "global economic restructuring", the possibilities for doing so depended on the presence of a consulting industry, its development, size and professional reputation.

This chapter examines the history and structure of the management consulting industry both globally in the first part and with respect to each country in the following section<sup>1</sup>. The chapter begins by providing a definition of management consulting and a brief sketch of the current world market for consulting services. This is followed by a discussion of the origins of management consulting, from the creation of the first consulting firms in the United States at the turn of the century to the entry of the large international accounting firms in the 1960s. These firms, today known as the Big Six, dominate the world management consulting market.

The second part of the chapter analyzes the specific organizational development of management consulting in Britain, Canada and France. As an industry and profession, management consulting is more developed in Britain and Canada than in France. In Britain and Canada - but not in France - management consulting has been developed as the extension of the institutionalized relationship that accounting firms have historically established with their audit clients. In these two countries, management consulting started to grow in the 1960s when accountants moved into consultancy. In Britain and Canada, the development of the accounting profession is closely linked to the history of the British colonial empire where UK accountants, following the trail of UK investment in the colonies, started to set up offices and create professional associations of accountants in North America during the end of the 19th century. Today, there are approximately 167,000 professional accountants in Britain and about 85,000 in Canada. In Britain and Canada, the

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<sup>1</sup> In part because it is a young and diverse industry, it is important to be aware that there is not much published information on the topic of management consulting (Kubi, 1993). As pointed out in a survey of management consultancy by The Economist, very few practitioners and academics have written about management consulting (Peet, 1988: 4). Management consulting is also a very secretive industry. Consulting firms rarely reveal the names of their clients, although recently, partially in reaction to growing competition, large firms have asked and received clients' permission to advertise some of their major assignments. Most management consulting firms are private partnerships, meaning that all are owned by the firm's senior executives, which also means that none of the firms are required to report their profits (Kepos, 1994: 198). The materials they publish about themselves are generally intended to improve their public relations and contain very little quantitative financial data. As noted in a recent United Nations survey of the management consulting industry and its largest firms, reliable figures on revenues, and especially on profits or market share, are difficult to obtain (United Nations, 1993: 2). And when they can be obtained, various inconsistencies sometimes exist between figures published by firms, professional associations or other sources.

accounting professions are wholly self-regulating bodies which do not prohibit their members from providing management consulting services to their audit clients. By comparison, there are only 21,000 accountants in France and their first professional associations were created 50 years ago. There are fewer accountants in France because of historical patterns of industrial and corporate development (i.e. the prevalence of small and medium-sized family-owned businesses). In France, the accounting profession is placed under the authority of the state and French accountants are legally restricted from performing management consulting work for their audit clients. Thus, in moving into consultancy, British and Canadian accountants have had a key organizational advantage over their French counterparts because they have been able to use their existing audit client contacts as a platform on which to build their management consulting businesses.

The concluding section of the chapter compares some of the most important points made in the analysis of the three cases, and tries to situate the significance of the link between accounting and consulting vis-à-vis the theoretical framework used in this study to explain variations in the acceptance of managerialist ideas and policies across states. The historical and institutional links between accounting and consulting are central for appreciating the possibilities for management consultants to sponsor managerialist ideas that can enter into the formulation of bureaucratic reform policy. If the "status of the idea's bearer" is important in determining whether the idea will appeal to policy-makers (Goldstein, 1993: 15), the historical link with accounting - which has enhanced the status, prestige and reputation of management consultancy - then becomes a key mediating variable in the relationship between the role of consultants in the bureaucratic reform policy process, and the reception given by states to managerialist ideas. Chapter One noted that managerialist ideas were more influential in Britain and Canada in the 1980s, and it is in these two countries that the management consulting industry is the most developed because of its link with the accounting profession. In France, however, managerialist ideas have been less influential. The French consulting industry is also less developed, and France is the only one of the three cases where management consulting has not evolved as an extension of the accounting profession. The link with accounting, therefore, emerges as one crucial factor in

structuring the possibilities for consultants to advocate managerialist ideas that can be used by decision-makers as the basis for redesigning policy.

### **1. The Boundaries of Management Consulting**

Management consulting is defined in many different ways and its boundaries are unclear (Wilkinson, 1986). Unlike the older or liberal professions, in most countries the market for management consultants is almost unregulated; an affiliation with some governing association is not mandatory to conduct business and management consultants do not need to be licensed (United Nations, 1993: 1). This is why management consultancy is often seen as a "quasi-profession" (Aucoin, 1995: 68). There are low barriers to entry to the management consulting industry: anyone can "hang out a shingle" bearing the title "Management Consultant" (Pal, 1992: 72). Qualifications are thus not easy to determine<sup>2</sup>.

In many countries, including those studied in this chapter, there have been some developments towards certification where management consulting institutes or associations establish and apply admission criteria indicative of their members' competence (Kubr, 1986: 104). Certification is seen by many practitioners as a step towards recognition of management consulting as a true profession (Kinard, 1986). Some argue, however, that certification cannot really guarantee anything more than the application of a few general and rather elementary criteria of admission to the practice (Moore, 1984). Certification cannot show whether a consultant is actually suitable for a complex job, and after all, consulting to management is a business and if a consultant finds enough clients, his or her service is regarded as technically valid by those clients (Klein, 1977). This debate reflects the ongoing and unresolved controversy among firms and practitioners as to whether management consulting is really a business or a profession (Fisdall, 1982: 78).

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<sup>2</sup> It is interesting to note that the province of Ontario has been the first jurisdiction in the world where the legislature has recognised, through a private member's bill, management consulting as a profession. The designation CMC (Certified Management Consultant) is now recognized as certifying the competence of a management consultant, although management consultants can practice in Ontario without a CMC - this is a certificate and not a license (Robinson, 1984). In 1993, the National Assembly in Quebec adopted a similar bill (LeDevout, 1994).

In 1986, the International Labour Office (ILO) in Geneva identified the main features of management consulting (Kubr, 1986). First, consulting is an independent service provided to a range of different clients. The management consultant is detached from the employing organization and is urged to retain a degree of objectivity. Secondly, consulting is an advisory service. The management consultant's recommendations do not have to be implemented; they give an account of the problems that are perceived to exist and then provide advice. Thirdly, management consulting as a professional activity, providing professional knowledge and skills which are applicable to problems of management. The I.O definition (used in this study) includes strategy advisers, management information systems (MIS) consultants, accounting firms and human resource specialists. It excludes, on the other hand, head-hunters and public relations advisers since they do not deal with mainstream management problems (Peet, 1988: 4). It also does not cover consultancy services such as engineering consulting or technological and scientific services.

### **1.1 The World Market for Management Consulting**

In the last decade, management consulting has been a major growth industry (Golembiewski, 1993). In the last half of the 1980s the management consulting market in Europe and North America grew at a rate between 25 to 30 per cent a year (Rassam and Oates, 1991: 1). Rapid change in information technology, downsizing, and outsourcing created perfect conditions for consultancy-fee income to increase in the 1980s. As seen in Table 2.1 below, in 1991 the size of the world market for management consulting services was estimated at \$25.3 billion (US), with more than 50 per cent accounted for by the United States market alone. The rapid growth of the 1980s has been accompanied by increasing concentration, with the the world's 40 largest management consulting firms accounting for approximately 59 per cent of the world market in 1991. During the 1980s, many of the large international management consulting firms grew by 30 per cent annually (United Nations, 1993: 12). United-States based transnational corporations strongly dominate the management consulting industry in most countries.

**Table 2.1:**  
**World Market for Management Consulting, by Region, 1991**  
**(Billion of U.S. Dollars)<sup>3</sup>**

<u>Region</u>	<u>Management Consulting Revenues</u>
North America	13.9
Europe	6.6
Asia-Pacific	2.8
Rest of the World	2.0
<b>Total</b>	<b>25.3</b>

Only five of the top 40 management consulting companies in the world are not headquartered in the United States and the only country in which local firms have a significant market share is Britain (United Nations, 1993: 17).

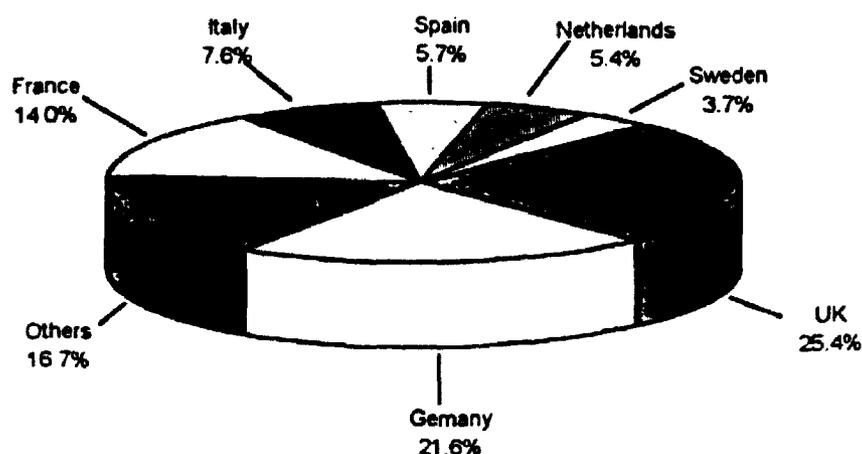
The global management consulting market consists of large transnational and independent firms, but also of certified public accountants, thousands of freelance practitioners, as well as business-school professors and in-house consultants (Barcus and Wilkinson, 1986). Approximately 100,000 people worldwide work fulltime in the management consulting industry. Just over half of these consultants come from the United States; another quarter from Europe (Collis, 1994: 1).

About a third of the management consulting business is supplied by one-person operations, many of them university professors or retired executives. Another third is supplied by the large international accounting firms and the remainder by other large firms. The largest 40 firms of the last two kinds employ more than 75 per cent of all consultants (United Nations, 1993: 15).

<sup>3</sup> Source: United Nations, 1993 Management Consulting: A Survey of the Industry and its Largest Firms. United Nations Conference on Trade and Development, Programme on Transnational Corporations New York, p.12.

As Figure 2.1 indicates below, in the European Union in 1992, Britain was the first and France the third (after Germany) most important market for management consulting services. The British management consulting market is nearly twice as large as that of France (25.5 vs 14 per cent). As has been noted, management consulting is "better developed in Britain and America than elsewhere" and as discussed below, this is partly due to the fact that, historically, management consultancy first emerged in the United States and then rapidly spread in Britain (Peet, 1988: 3).

**Figure 2.1:**  
**The Western European Management Consulting Market'**



### 1.2 The American Origins

Management consulting has both an accounting and engineering background (Jeans, 1993). Management consulting services are reported to have been first applied in the late 18th century when a Scottish merchant asked his accountant to provide advice concerning business matters on a fee for service basis (Wilkinson, 1986: 9).

<sup>4</sup> Source: Financial Times, 1992. Survey: Management Consultancy, Section IV, October 21, p.2.

It is especially in the United States, however, that modern management consulting has been developed. In the United States, management consulting has its origins in engineering and time-and-motion studies and was first concerned with issues such as employee output, machine efficiency, and factory productivity. Management consulting began around the turn of the century with Frederick Taylor and his "scientific management" approach to the work process (Pattenaude, 1979: 203). None of the early American practitioners described themselves as management consultants but were usually known as "industrial engineers"<sup>5</sup>. Most of their work concentrated on work-method improvements in factories. They were mainly interested in exploring new methods for saving resources. They believed that one could define a universal set of management rules, principles and activities.

The first management consulting firms emerged in the United States with the creation of Arthur D. Little in 1886, Booz Allen in 1914 and McKinsey in 1926. As has been noted "American practice in the 1920s was also influential outside the USA, most noticeably in the UK" (Rassam and Oates, 1991: 3). The creation in the 1920s of Urwick Orr (one of the first and most important consulting firms in Britain) was inspired by the early industrial engineering work of Taylor (Rassam and Oates, 1991: 3-4). American practitioners also brought their experience of consulting over to Britain, and sometimes found their own firms. For instance, one such firm was Bedeaux Consulting which later spawned major firms in Britain such as PE Consultants in 1934 and the PA Consulting Group in 1943. Today, these firms are among the top 10 consultancies in Britain.

Although the early years of management consulting were relatively successful, with several firms emerging both in North America and in Western Europe, consultants were often viewed sceptically (Mellett, 1988: 3). In the 1930s it was considered a disgrace for a company president to hire a management consultant. It was an admission that s/he did not know how to run a business. A business employing management consultants appeared

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<sup>5</sup> In the United States, industrial-engineering firms created the first association of management consultants in the world. Founded in 1929, the Association of Consulting Management Engineers (ACME) started to admit to membership the management consulting arms of accounting firms in 1982 (Mellett, 1988: 7).

weak or sick in the eyes of its competitors, shareholders and customers. Similarly, management consulting was often perceived as a threat by employees believing that companies only employed consultants when they had difficulties. Furthermore, consultants had to deal with the bad reputation the industry began to earn in the 1940s and 1950s because of incompetent or fraudulent practitioners<sup>5</sup>. As a result, management consultants became known "as people who borrowed your watch to tell you the time and then walk off with it" (Townsend, 1971: 89).

The negative reputation of management consulting as a field of activity "attractive to charlatans and quacks who preyed upon the gullible" started to hit the consultancy companies in their balance sheets (Mellett, 1988: 5). Thus, in the 1960s began the quest for professional recognition which, as discussed below, coincided with the entry of accountants into the management consulting field (Tisdall, 1982: 79).

### **1.3 The Entry of Accounting Firms into Management Consulting**

The entry of major accounting firms into management consulting was one of the main developments to take place in the 1960s (United Nations, 1993: 6). Management consultancy really started to establish itself as a multi-billion industry and as a professional body selling expertise in the 1960s when the large international accounting firms started to move into consulting (Armstein, 1967).

In the sixties, the growth of audit work had slowed and accounting firms were looking for new fields. Faced with intense competition and low prospects for growth in the marginally profitable mature tax and audit sectors, the international accounting firms attempted to expand their services into management consulting. These firms, which were then known as the "Big Eight", included: Arthur Andersen, Coopers & Lybrand, Ernst & Whinney, Arthur

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<sup>5</sup> The reputation of management consulting suffered from the activities of a number of unqualified and unscrupulous practitioners. For instance, a 1953 *Fortune* article reported that the management consulting firm George S May of Chicago, encouraged its employees "to overstate the size of the savings possible by its methods and to overstate the time really needed to accomplish such savings" (quoted in Mellett, 1988: 5)

Young, KPMG Peat Marwick, Deloitte, Haskins & Sells, Touche Ross, and Price Waterhouse. Although these firms are now all American-owned, most of them were originally British and emerged during the mid-19th century when British accountants, following the trail of investment from the City, established offices in North America (Hussein and Ketz, 1980).

In moving into management consulting, accountants improved its image considerably. Accountants brought with them a certain aura of respectability, seriousness, and professionalism (Mellett, 1988: 6). Contrary to the efficiency measurers or the industrial engineers, the involvement of accountants in management consulting was not seen as that of an "intruder or snoop" in the operations of a company, since accountants had already developed an organized relationship with their audit clients (Mellett, 1988: 5).

In addition, the capital that the large accounting firms provided, along with their international reputation, were key factors in the rapid growth of their management consulting divisions (Mellett, 1988: 20). As the auditors to blue chip North American and European businesses and industries, many of the Big Eight firms had earned a reputation for being the world's premier accountants. The prestige coming with this reputation helped the Big Eight to become the world leaders in management consulting services (Hanlon, 1994).

Although most of them had started to enter into management consulting in the 1960s, it was in the 1980s that consulting became as important as auditing for many big accounting firms. As table 2.2 below shows, during the 1980s management consulting revenues have grown from 9 per cent to 40 per cent (depending on the firm) of Big Eight revenues. During that period, losses in audit and accounting revenues were compensated by increases in management consulting fee income.

**Table 2.2:**  
**Revenues by Big Eight Firms, Consolidated Data, World-Wide**  
**(Millions of U.S. Dollars)**

	<u>Tax, Accounting and Audit</u>		<u>Management Consulting</u>	
	<u>1983</u>	<u>1988</u>	<u>1983</u>	<u>1988</u>
Arthur Andersen	909 (74%)	1,692 (60%)	329 (26%)	1,128 (40%)
Coopers & Lybrand	n/a			
Ernst & Whinney	836 (86%)	1,708 (78%)	136 (14%)	482 (22%)
Arthur Young	903 (90%)	1,642 (80%)	100 (10%)	410 (20%)
KPMG Peat Marwick	2,011 (91%)	3,330 (86%)	218 (9%)	570 (14%)
Deloitte, Haskins & Sells	851 (91%)	1,652 (86%)	84 (9%)	269 (14%)
Touche Ross	806 (89%)	1,509 (82%)	98 (11%)	331 (18%)
Price Waterhouse	901 (90%)	1,623 (81%)	111 (10%)	386 (19%)

n/a: data are unavailable for Coopers & Lybrand

#### **1.4 The Big Six**

In 1989, following the megamergers uniting Ernst & Whinney with Arthur Young and Touche Ross with Deloitte Haskins and Sells, the oligopoly of the Big Eight was reduced to six firms (Stevens, 1991: 13). Just before these mergers took place, some commentators were already suggesting that management consulting was becoming "a highly concentrated industry" (Peet, 1988: 7). Like their predecessors, the Big Six operate within international networks which are essentially an affiliation of independent firms (Ridyard and de Bolle, 1992: 18). They emerged during the twentieth century as behemoth professional firms with nearly ten thousand partners among them and aggregate revenues in 1991 of nearly \$30 billion worldwide (The Economist, 1992: 19). As illustrated in Table 2.3 below, in 1991 the top 10 management consulting companies in the world shared 37.5 per cent of the world market. These dominant firms are all American. In 1991, the Big Six alone controlled 25 per cent of the world management consulting market.

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Source: Moody's Investors Service and United Nations Centre on Transnational Corporations, 1990  
 Directory of the World's Largest Service Companies

**Table 2.3:**  
**The World's 10 Largest Management Consulting Firms, 1991**  
**(Millions of U.S. Dollars)<sup>a</sup>**

<b>Rank</b>	<b>Firm</b>	<b>*Consulting Revenues</b>
1	Arthur Andersen	2,260
2	McKinsey & Co.	1,050
3	Coopers & Lybrand	930
4	Mercer Consulting Group	894
5	Ernst & Young	862
6	KPMG Peat Marwick	801
7	Deloitte & Touche	800
8	Price Waterhouse	733
9	Towers Perrin	622
10	Booz-Allen & Hamilton	539
<b>Total Big Six:</b>		<b>6.4 billion</b>
<b>Total Top 10 Firms:</b>		<b>9.5 billion</b>
<b>Total World Market:</b>		<b>25.3 billion</b>

\*This amount excludes accounting revenues

As can be seen from Table 2.3, the top largest consultancies also include non-accounting firms such as McKinsey, Mercer, Towers Perrin and Booz Allen. Unlike the Big Six accounting firms, which are specialized in financial management and in management information systems (MIS) consulting, these companies are specialized in management/strategy consulting and they are generally referred to as the "strategy consultancies" (Collis, 1994). Their practices focus on business strategy, diversification strategies, human resources consulting, logistics, and so forth.

When the accountants arrived in consulting in the 1960s, they had an organizational advantage over existing consultants. As discussed later, this was their long familiarity with

<sup>a</sup> Source: United Nations, 1993. Management Consulting: A Survey of the Industry and its Largest Firms. United Nations Conference on Trade and Development, Programme on Transnational Corporations. New York, p.13.

audit clients. In order to be competitive and be able to maintain their share of the market in the face of the Big Six, the strategy consultancies have increasingly been involved in the last 20 years in research development and in the production of new management ideas and theories. Whereas the Big Six's comparative advantage lies in the relationship with their audit clients, that of the strategy consultancies lies in their research and marketing capacities. As shown below, some of the ideas that have increasingly come to influence the management practices of several states during the 1980, have often been produced and marketized by the strategy consultancies.

### **1.5 The Strategy Consultancies and the Production of Management Ideas**

It is estimated that large strategy consultancies such as McKinsey spends \$50 to \$100 million (US) a year on research. McKinsey also publishes a review (the McKinsey Quarterly), and has produced 54 books on management since 1980 (The Economist, 1995: 57). The most famous book produced by two management consultants from McKinsey is the best-selling In Search of Excellence by Peters and Waterman (1982). This book has been described as being one of the "most influential" sources of ideas in the development of managerialism in public administration in the 1980s (Aucoin, 1990: 117). Similarly, in studying the origins of managerialism in Britain, Pollitt found that

in the mid-1980s, notions of excellence drawn from Peters and Waterman's In Search of Excellence became a very popular component of seminars and conferences for managers in the U.K. state sector. Subsequently, the public services served as test beds for a series of management techniques drawn from U.S. private sector practice, including performance-related pay, total quality management (TQM), benchmarking, and more recently, re-engineering (Pollitt, 1996: 84-5).

For large consultancies such as McKinsey, Booz Allen, Gemini and Arthur D. Little, "creating new management theory" has become a favoured marketing tactic in the firms' attempts to increase their share of the market (The Economist, 1995: 57). For instance, since its publication in 1993, Re-Engineering the Corporation by Champy and Hammer has sold nearly two million copies worldwide. Subsequently, the management consulting firm

that employed the two authors increased its annual revenues from (US) \$70 million the year preceding publication, to more than \$160 million the year after (The Economist, 1995: 57).

Many of the firms that are part of the "strategy" category are keen to be seen at the forefront of management thinking. Several firms offer their brightest consultants time to write books, and then the firms throw the full weight of their marketing divisions behind the final products. Consultancies arrange for such books to be serialised in magazines, advertised in newspapers, and endorsed by well-known business persons or even by the President of the United States. On the front cover of Osborne and Gaebler's Reinventing Government, a best-seller written by two management consultants, there is a quotation from Bill Clinton saying that this book "should be read by every elected official in America". Reinventing Government has been a major source of managerialist ideas across the Western world in the 1990s, with Osborne and Gaebler giving speeches to senior government officials in places such as Ottawa and London (Kamensky, 1996).

A common practice among the "strategies", and increasingly also among the accounting firms, is to buy large quantities of books written by their employees to pass along to clients as "gifts". This practice also provides consulting firms with a mean by which they can have their ideas come to the attention of those they want to influence. For instance, in 1991 Coopers & Lybrand published Excellence in Government which advocated the application of Total Quality Management (TQM) ideas first developed in business to the American government. In the introduction, the authors wrote that

We hope this book will help promote TQM in government, because we see it as the best way to improve public services...To this end we are giving copies of Excellence in Government to Members of Congress, the President, federal cabinet secretaries, the heads of

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<sup>7</sup> However, that practice raised a number of questions in 1995 when it was discovered that The Discipline of Market Leaders by Treacy and Wiersema (1993), had been artificially maintained on the New York Times best-seller list for 15 weeks because its authors, associated with the consulting firm CSC (the 12th largest management consulting firm in the world) had bought tens of thousands of copies of their book in small bookshops all around the United States, particularly in those thought to be monitored by the New York Times. In addition, many other copies (between 30,000 and 40,000) were bought by third parties who were reimbursed by CSC (The Economist, 1995: 57).

major independent agencies, and the governors of all states...We address the last chapter of the book to them: they must lead the way to government excellence (Carr and Littman, 1991: 1).

### **1.6 The Accountants' Organizational Advantage**

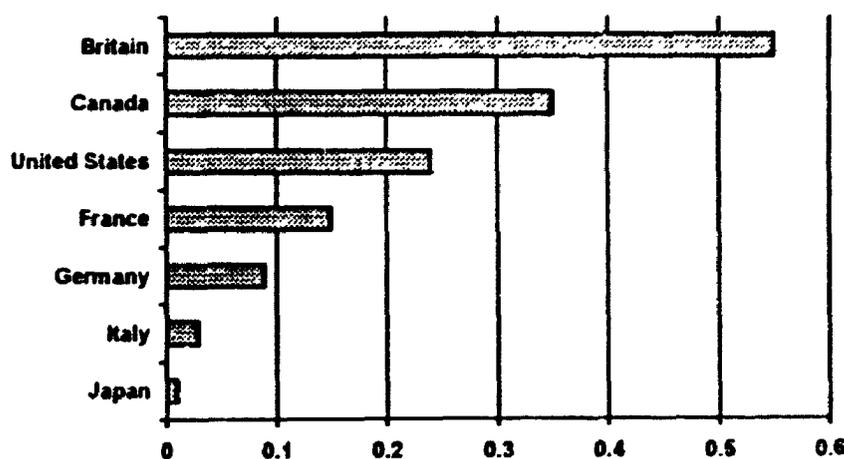
Since the 1980s, the big accounting firms have climbed up to the top of the list of large companies that dominate the world's management consulting market. This has happened essentially because the accounting firms had an immediate advantage over management consultant competitors since they had long familiarity with their audit clients, many of whom found it convenient to buy both audit and management consulting services from the same company. Possession of the audit contract enhances the possibility for the accounting firm of attracting further work from the client for two main reasons (Ridyard and de Bolle, 1992: 65). First, the accountant is likely to have a cost advantage over his or her competitors for the management consulting business originating from the audit client firm. Execution of the audit involves the accounting firm in developing a significant body of inside knowledge about the client's business. Consequently, for management consultancy projects which require the consultant to acquire such knowledge the accountant clearly starts any competition with other consultants with an in-built advantage. This advantage applies mainly to those areas of management consulting for which the accounting firm can use the same personnel to conduct both the audit and the consultancy projects. The need to duplicate learning costs is thus avoided, and the accounting firm can pass some of the savings along to the client. In addition to the learning cost advantage, the long-term nature of the relationship between the accounting firm and its audit clients confers a "reputation" effect which means that the client may be more likely to use the known firm for consulting work than to risk giving the contract to an outside firm of which it has no direct experience.

Thus, in moving into management consulting accountants had a head start since they already knew their audit clients and were party to their business secrets. At the same time, however, they faced potential conflicts of interests between their roles as certified public accountant and management consultant. An accountant may feel he or she cannot comment on a management information system installed by a consultant employed by the same firm.

Accountants argue that the proportion of "dual" clients is exaggerated: some estimate that fewer than a quarter of their consulting clients are also their audit clients (Peet, 1988: 9). A 1991 survey of public accounting by Industry, Science and Technology Canada indicates, however, that 30 per cent of the consultancy clients of the large international accounting firms are also their audit clients (ISTC, 1991a: 4). A survey done for the European Union shows that in Britain 35 per cent of the big accounting firms are dependent on their audit-clients for consulting and other non-audit incomes, while "dependence on audit clients for such income appears to be the lowest in France" (Ridyard and de Bolle, 1993: 70). As explained later, in France this situation is due to the fact that the independence restrictions already imposed on accountants are stricter than in Britain and Canada.

In Britain, the large accounting firms now produce over 0.5 per cent of GDP, a greater share than in other G7 countries. As Figure 2.2 indicates, in terms of the aggregate income produced by the large international accounting firms as percentage of GDP, Canada was in second place, after Britain and before the United States, with France in the fourth place of the G7 countries.

**Figure 2.2:**  
**Aggregate Big Accounting Firms' Income as % of GDP, 1990<sup>10</sup>**



<sup>10</sup> Source: *The Economist*, 1992 October 17, p 20.

In addition, Table 2.4 below shows that in terms of the number of offices and partners, the Big Six are much more present in Britain and Canada than they are in France. Together, the Big Six have 68 offices in France as compared to 185 in Britain and 180 in Canada.

**Table 2.4:**  
**Big Six Presence by Country, 1989**  
**(Number of Offices and Partners)<sup>1</sup>**

	<u>Britain</u>		<u>Canada</u>		<u>France</u>	
	<u>Offices</u>	<u>Partners</u>	<u>Offices</u>	<u>Partners</u>	<u>Offices</u>	<u>Partners</u>
Arthur Andersen	14	125	8	50	3	40
Coopers & Lybrand	41	365	24	245	14	58
Ernst & Young	48	469	96	931	11	94
KPMG	59	506	28	257	28	596
Deloitte Touche	n/a					
Price Waterhouse	23	364	24	242	12	48

n.a. data non available for Deloitte Touche

What emerges clearly from this first part of the chapter is a picture of management consulting as a relatively oligopolistic sector whose growth in the last 20 years has been led by a small number of large international accounting firms. Also emerging are a number of significant differences in terms of both the presence and the revenues produced by these firms among the three countries compared in this study.

As discussed in the following section, the Big Six are less established in France and the revenues they generated are less important than in Britain and Canada because of the restrictions on the extent to which accountants can perform management consulting work for their audit clients. The rationale for restricting management consulting work done by accountants for the audit clients is to ensure that their independence is not compromised by the financial incentives derived from consultancy work (Ridyard and de Bolle, 1992: 80).

<sup>1</sup> Source: Moody's Investors Service and United Nations Centre on Transnational Corporations, 1990 Directory of the World's Largest Service Companies.

In France, the accounting profession is state-regulated while the British and Canadian accounting professions are wholly self-regulating bodies. In these two countries, the independence of the accountants is not guaranteed by state regulation as in France, but by ethical guidelines issued by accounting bodies and these guidelines do not restrict the ability of accountants to provide consulting services to their audit clients<sup>12</sup>. As a result of these restrictions, the French management consulting industry is less organizationally developed than in Britain and Canada. In these two countries, accountants have played a leadership role in the creation of business and professional associations of management consultants in the early 1960s. By contrast, in France management consulting is an occupation whose organizational and professional development has taken place only recently and which has, to a large extent, been state-led.

## **2. The Organizational Development of Management Consulting and the Link with Accountancy**

This second part of the chapter analyzes the organizational development of management consulting in Britain, Canada and France. Derived from recent work looking at the interactions between organized interests and the state in the policy process, organizational development can be broadly defined as the degree to which the organizations of private actors within a given sector of activity are well-resourced, mature, autonomous from state direction, and capable of providing specialized and policy relevant knowledge (Atkinson and Coleman, 1989; Coleman and Skogstad, 1990; Wilks and Wright, 1987). It is a concept which assumes that there is reciprocal link between the extent to which societal interests can participate in the policy process and have their ideas come to the attention of those who make policy, and their level of organizational development. Applied to the study of the differences between Britain, Canada and France in the acceptance of managerialist

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<sup>12</sup> These differences are of course closely linked to broader issues dealing with the state's relationship with professional groups. In the literature on professions there are basically two models of state-professions relations: the Anglo-American and the Continental models. The first assumes that professions such as accountants have historically developed independently of the state and stresses the freedom and autonomy of the professional to regulate his or her own working conditions. In the Continental model, it is believed that professional development and dependence on the state go hand in hand. The Continental model emphasizes the protective role of the state in the control and supervision of professional authority. The state represents a defender of professional groups rather than something to be suspected (Gerson, 1984; Suliman, 1987; Torstendahl and Burrage, 1988).

ideas and policies, this concept suggests that managerialist ideas should be better received by policy-makers and be more influential in countries where they are sponsored by a well developed management consulting industry. In analyzing the organizational development of management consulting, special attention is given to the revenues derived from government consulting. Because this study is interested in the role of consultants in bureaucratic reform, the revenues from public sector consulting provide an indicator, though a very general one, of the extent to which consultants participate in the public management process.

The historical and institutional link with accountancy emerges from the analysis that follows as a key structuring factor in the organizational development of management consulting. To highlight the causal relation between the two, each sub-section starts by describing the history of accountancy and then turns to the analysis of the organizational development of management consultancy. This allows us to identify, for each case, the historical and institutional factors that made possible the involvement of accountants in the establishment of management consultancy in Britain and Canada and their absence in France. The most important of these factors pertain to differences in historical patterns of industrial and corporate development, in the importance and size of the accounting profession, and in independence restrictions already imposed on accountants, an aspect which, as indicated earlier, is linked to the state's relationship with professional groups.

## **2.1 Britain**

The history of accounting in Britain is inextricably linked to the history of the Industrial Revolution (Jones, 1981: 19). In Britain, the early creation and growth of accounting firms, as well as the establishment of a well developed accounting profession, was due to the process of industrialization which began in the 18th century. During this time, the corporate form of ownership began its rise to prominence, along with a corresponding separation of management and ownership. It is this separation that was to stimulate the growth of the accounting profession (Bailey, 1984; Carey, 1969; Puxty, 1990).

### **2.1.1 The Separation of Management and Ownership**

In the 18th century England, the Industrial Revolution remained limited in its impact, with small-scale workshops, artisan technology and restricted family and partnership enterprise still characterizing the organization of business (Jones, 1981: 23). In the 18th and early 19th centuries industrial units remained relatively small, which meant that they could be managed on a family or close partnership basis. Such a structure of business organization did not provide strong incentives for the employment of specialist accountants. During that period, most entrepreneurs did not feel the need for an independent accountant. Undertaking "simple book-keeping in the counting house, they were capable of performing virtually all the calculations required for the practical operation of their business" (Jones, 1981: 25). But later, as many companies expanded and became more complex, with much of their capital no longer provided by families but subscribed by outsiders, specialist accounting skills were then increasingly demanded. As Stacey mentions in his history of English accountancy, there is an important difference

when the capital of a company is owned by members of a family or group of families, and companies where the capital is owned by a large number of small or medium-size shareholders without any direct participation in the organization or direction of the company whose funds they have collectively contributed (1954: 82).

The divorce between capital ownership and management thus made it necessary that accountants be called upon to examine the accounts of companies and to report on what has been found (Bailey, 1990). It was only with the advent of shareholders or partners outside the family circle, and the need to calculate their dividends or profits share, that accountants tended to be called in to verify and report on a company's or firm's accounts (Jones, 1981: 55).

The most critical decade for the development of the accounting profession in Britain was the 1840s (Stacey, 1954: 36; Jones, 1981: 28). At that moment, the accounting profession started to blossom as a result of the conversion of family-owned businesses into public companies that required examinations of companies' records and financial statements

(Armstrong, 1987). The creation of many of these public companies was related to the completion of Britain's railway network (Littleton, 1966). Parliament granted railway companies the right to raise the vast sums of money needed for their construction by the sale of shares to the public. In terms of organization and finance, these large firms were the antithesis of small family businesses as joint stock companies were controlled by managers and financed by investors, remote from the board of directors and anxious to see a return on their capital. Before the 1840s, few safeguards existed in law against the fraudulent use of money subscribed by shareholders. The government recognized that vast enterprises such as the railway companies, with capital often running into millions of pounds, "had overstepped the traditional family partnership and hence required greater public controls" (Jones, 1981: 29).

For instance, the joint stock company legislation of 1844-45 included mandatory provisions regarding the keeping of books of account, the preparation and registration of annual balance sheets, and the appointment of auditors (Edey and Panitpakdi, 1956). It provided companies with an administrative and financial framework which required, among other things, that the auditors, "one of whom at least shall be appointed by the shareholders", be given open access to the company's books while compiling their report on the balance sheet (Jones, 1981: 30). The 1856 and 1862 Companies Act allowed companies to sell shares to the public in order to raise capital for improvements and expansion with the protection of limited liability for shareholders (Stacey, 1954: 36-7). These two acts resulted in the formation of hundreds of joint stock companies each requiring an annual audit, thus opening the doors for accountants to this kind of work (Jones, 1981: 50).

### **2.1.2 Following the Trail of UK Investment: Internationalization and Professional Consolidation**

The second portion of the 19th century also witnessed the establishment and the internationalization of a number of leading accountancy practices which today are part of the Big Six international network. For instance, Deloitte was created in 1845 and Price

Waterhouse in 1849 (Allen and McDermott, 1993; O'Malley, 1990). In fact, five of the Big Six trace their origins to chartered accountants from the United Kingdom who first came to the United States during the end of the 19th century to oversee the commercial interests of British industrialists and entrepreneurs (Stevens, 1991: 18). The first international accounting firms began to emerge around the turn of the last century when UK accountants, following the trail of UK investment, set up offices in North America (Wootton and Wolk, 1992). As the profession grew and expanded on both sides of the Atlantic, further offices were established throughout the world. The result was that the professions of both continents soon became dominated by a relatively small number of firms from which evolved the Big Six international accounting firms of today.

British accountancy firms benefited from London's position as the finance capital of the world, picking up the audit of a number of companies based overseas and throughout the colonies, but controlled from the City (Jones, 1981: 61). British accountancy firms followed a parallel path to the evolution of businesses which they served. British accountants followed British business overseas, operating wherever important clients became established in the world. In the 19th century, they started to cross the Atlantic because at that time large sums of British capital often coming from the City were invested in the newly industrializing countries of North America. As discussed later, it is during that period that British accountants first arrived in Montreal and formed their professional association.

The second half of the 19th century was also an era of professional consolidation for accountants in Britain. During that period, six professional associations of accountants were created (Wilmott, 1986). It was reported that there were some 167,000 professional accountants in Britain in 1989 (Revue française de comptabilité, 1989: 34-36). In fact, British accounts for about half of the total number of professional accountants in the European Union (Ridyard and de Bolle, 1992: 142).

The British accounting profession is a self-regulating body that formulate for itself the basic principles that guide the conduct of the accountant (Briston, 1979; Cooper, Puxty, Lowe and Willmott, 1990). The profession does not forbid its members from providing management consulting services to their audit clients (Lee, 1984: 263). British professional bodies issued ethical guidelines to ensure that the independence of their members is not threaten by commercial considerations associated to the provision of management consulting services to the audit clients (Ridyard and de Bolle, 1992: 144). As has been noted, these ethical guidelines "are relatively relaxed, relying upon fairness, reasonableness, and high standards of conduct, rather than harsh prohibitions" (Lee, 1984: 263). As discussed below, it is because they were not prohibited from performing consulting work for their audit clients that British accountants were interested in playing an important role in the organizational development of management consultancy in the 1960s.

### **2.1.3 The Management Consulting Industry and Profession**

In Britain, management consulting is currently represented by two main organizations: the Management Consultancies Association (MCA) and the Institute of Management Consultants (IMC). The MCA is made of companies while the IMC is made of individuals (Hook, 1994). The MCA is the main UK trade association and the IMC is the British's industry professional body. The MCA has 34 member firms, including all the Big Six and the other large firms, while the IMC has 3,600 individual members (James, 1994; The Institute of Management Consultants, 1994: 31). Both associations rely upon the fees paid by their members for financial resources.

The MCA was formed in 1956 by the four largest British-owned consulting companies: PA Management Consultants, PE Consulting Group, Urwick Orr and Inbucon (Davidson, 1972). In 1956, these four companies alone accounted for three-quarters of all consultancy work when it was estimated that about £4 million annually was being spent on management consulting assignments and there were about 1,000 practising consultants (Tisdall, 1982: 9). It is noteworthy that the four firms that founded MCA in 1956 were all industrial engineering firms. At its founding, the MCA did not admit the management consulting

practices of accounting firms which at that time were starting to enter the field (Gopalan, 1986). The MCA started to admit accounting-related firms in 1962, after the creation of the Institute of Management Consultants established as a result of pressures exercised on the MCA by chartered accountants (Mellett, 1988: 7). Although it was formed without a single accounting firm on its register of members, in 1986 the MCA numbered 15 accounting consultancies amongst its total membership of 27 (Gopalan, 1986: 10).

The engineering firms that founded the MCA did not want it to be a professional institute. The MCA's founding companies wanted to create a business association; they were looking for cooperation mainly for promotional reasons. The association did not attempt to set itself up as a professional body which would examine individuals or provide them with qualifications (Tisdall, 1982: 80). The engineering profession believed that it would be inappropriate for the MCA to act as a qualifying body. The engineers maintained that "that there were no appropriate grounds for a 'Professional Institute' [because] there were no means of establishing a proper qualification" (Tisdall, 1982: 84). Chartered accountants thought otherwise, however. The MCA had been approached by accountants who desired a professional institute, separate from the MCA, which would be comprised of individuals rather than firms (Cheadle, 1994). Accountants thought that the MCA had given itself terms of reference which were too narrow (Tisdall, 1982: 80). The Institute of Management Consultants (IMC) was formed in 1962 by the MCA in response to a threat posed by two young accountants who were ready to start the IMC themselves, in competition with the MCA (Mellett, 1988: 15). The MCA decided to create the IMC because its members were concerned that they could be embarrassed by the creation of such an institute if the MCA was not itself responsible for its formation. It is reported that "the Institute of Chartered Accountants welcomed the arrival of the IMC from the start" while the "reaction by the engineering institutions was one of disapproval" (Tisdall, 1982: 84).

In the late 1970s, the British market for consulting services was estimated at £200 million annually and consisting of 5,000 consultants (Tisdall, 1982: 9). During that period, the revenues of the four engineering firms that created the MCA in 1956 accounted for a little

less than half of the market, the remaining portion being primarily absorbed by the big accounting firms which had entered the consulting market and joined the MCA at the end of the 1960s (Gopalan, 1986; Tisdall, 1982: 9). During the late 1980s and early 1990s, total turnover for the management consulting industry grew steadily, from £1.3 billion in 1988 to £2.9 billion in 1992 (Efficiency Unit, 1994: 32). As can be seen in Table 2.5, the top ten firms alone hold a third of the British management consulting market and employ an important proportion of management consulting practitioners.

**Table 2.5:**  
**The Top 10 Management Consulting Firms in Britain<sup>14</sup>**

	<u>UK Revenue, 1992</u> <u>(£ million)</u>	<u>Number of UK-Based</u> <u>Consultants</u>
Arthur Andersen	215	2125
Coopers & Lybrand	124	1180
Mercer Consulting	107	900
Price Waterhouse	98	800
PA Consulting Group	90	798
KPMG	82	812
Ernst & Young	67	282
McKinsey & Co.	60	240
Touche Ross	58	576
PE International	52	n/a

n/a: data non available

The British management consulting industry can be divided in at least two broad categories: global firms and smaller firms consisting of individual practitioners (Studer and Walters, 1994). The first category is dominated by the Big Six but also included the major "strategy" consultancies such as McKinsey, Mercer Consulting and PE International. In the second category, the number of small businesses registered as management consultants rose steadily during the 1980s. In 1991, there were over 8,000 sole proprietors registered as management consultants as well as another 8,000 companies (efficiency Unit, 1994: 32).

<sup>14</sup> Source: Efficiency Unit, 1994 The Government's Use of External Consultants. London: HMSO, p 156

Towards the end of the 1980s, when a growing number of their adherents were starting to derive an important part of their revenues from government consulting, both the MCA and the IMC created within their organization, structures dealing specifically with public sector consulting. The MCA created a "Public Sector Working Party", while the IMC established a "Public Sector Special Interest Group" which had 366 members in 1992 (10 per cent of the IMC's total membership). In the 1980s, in Britain, government consulting "was growing faster than private-sector business" (Peet, 1988: 9). This trend is noted also by articles appearing in *Management Consultancy*, a monthly journal published since 1993 by the MCA. In various issues, one reads that "consultants are once more preparing for an upsurge in Whitehall work" (Horrell, 1994: 4); that "public sector consultancy is big business" (Corneille, 1994: 27), and that government has now become "the most important source of fee income to the consultancies" (Abbott, 1994: 1; see also Abbott, 1993).

**Table 2.6:**  
**MCA Members' Annual UK Consulting Income, 1985-1993<sup>14</sup>**

	<b>£ million</b>								
	1985	1986	1987	1988	1989	1990	1991	1992	1993
<b>Public Sector</b>									
Central Government	18	27	34	51	70	90	91	82	93
Nationalised Industries	6	10	10	4	38	52	17	10	9
Other Public Bodies	-	-	15	16	29	38	27	20	19
Local Government	11	19	9	12	19	21	46	23	20
Health Service	-	-	-	6	12	17	26	50	66
<b>Total</b>	<b>35</b>	<b>56</b>	<b>68</b>	<b>89</b>	<b>168</b>	<b>218</b>	<b>207</b>	<b>185</b>	<b>207</b>
<b>Private Sector</b>	<b>108</b>	<b>145</b>	<b>194</b>	<b>260</b>	<b>406</b>	<b>486</b>	<b>520</b>	<b>510</b>	<b>538</b>
<b>Total Income</b>	<b>143</b>	<b>201</b>	<b>262</b>	<b>349</b>	<b>574</b>	<b>704</b>	<b>727</b>	<b>695</b>	<b>745</b>
<b>Income from Central Government as % of Total Revenue</b>	<b>12.6</b>	<b>13.4</b>	<b>12.8</b>	<b>14.6</b>	<b>12.1</b>	<b>12.7</b>	<b>12.4</b>	<b>11.8</b>	<b>12.4</b>

<sup>14</sup> Source: Efficiency Unit, 1994. *The Government's Use of External Consultants*. London: HMSO, p. 31.

Empirical evidence in Table 2.6 above shows that the income from central government for MCA member firms rose steadily during the second half of the 1980s. Throughout the period, the British public sector in general has contributed around 25 per cent, and the central government, 12 per cent, of MCA firms' total income.

## **2.2. Canada**

The historical development of the accounting profession in Canada has been strongly influenced by the tradition of the pioneering practitioners coming from Britain in the latter part of the 19th century (AICPA, 1964: 6). The first of the colonies to form an association of accountants was the Dominion of Canada (Brown, 1905: 253). As other Commonwealth countries, Canada shares the heritage of the British accounting tradition. Among other things, this means that it is self-regulating, awarding its own qualifications and enforcing its own ethical codes without aid from government (Carrington, 1984).

### **2.2.1 The Heritage of the British Accounting Tradition**

The Association of Accountants in Montreal, today known as the Ordre des comptables agréés du Québec, was the first official accountancy organization in North America (Collard, 1980: 18). In June 1879, a preliminary meeting was held in Montreal to consider the advisability of forming an association of accountants and of applying to the Legislature of the Province of Quebec for an act of incorporation (Brown, 1905: 253). The meeting had been organized under the leadership of James Court and Philip Ross. Both Court and Ross were accountants from Britain who arrived in Montreal in the mid-1800s. Court and Ross first arrived in Montreal to oversee the commercial interests of their clients because during the 1850s, the Canadian Dominion was witnessing a spectacular period of railway investment dominated by British capital (Mackintosh, 1964: 36). In 1858, Ross founded the accounting firm P. S. Ross (Collard, 1980: 21). In 1899, P. S. Ross merged with Touche & Co. creating Touche & Ross, which is one of the predecessors firms of Deloitte Touche, one of the Big Six international accounting firms (Kepos, 1994: 167)

In Canada, there is no federal act governing the use of the designation "chartered accountant". The legislation involving accountants is a provincial rather than a federal responsibility. Membership in a provincial institute automatically carries with it membership in the Canadian Institute. There are three associations at the national level: the Canadian Institute of Chartered Accountants; the Society of Management Accountants of Canada and the Certified General Accountants Association (Roslender, 1992: 31). The provincial counterparts of these national accounting organizations are self-regulating bodies that bestow the professional accounting designation of Chartered Accountant (CA), of Certified Management Accountant (CMA) or Certified General Accountant (CGA) on students who successfully complete their studies and examinations (ISTC, 1991a: 1). The total number of professional accountants in Canada was estimated at 85,000 in 1989 (ISTC, 1991a: 1).

Canadian accountants share the British "philosophical attachment to the notion of professional self-regulation" (Standish, 1990: 168). In Canada accounting professions are self-regulating entities that formulate for themselves the basic principles that guide the conduct of their members (Anderson, 1984: Chapter 2). Like their British counterparts, professional accounting bodies in Canada allow their members to perform management consulting services for their audit clients (ISTC, 1991a: 6). In 1986, the Canadian Institute of Chartered Accountants (CICA) launched a study on the public's expectations of audits based on a survey conducted by Decima Research. Interestingly, the survey found that 50 per cent of the respondents believed "that there is a serious potential for auditors to lose their objectivity when the audit firm provides such services as management consulting" (CICA, 1988: 13). To address these concerns, CICA recommended that the profession's codes of conduct should clearly stress "that the auditor has a professional obligation to avoid any bias or predisposition that could result from advice given to the client in a consulting capacity" (CICA, 1988: 80)<sup>17</sup>.

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<sup>17</sup> To respond to the public perception that the auditor's independence could be threatened by the provision of consulting services to audit clients, the idea that auditors should be forbidden to provide consulting services to their audit clients was raised, but CICA believed that such a measure would be too "drastic" and "interfere with the rights of business to obtain advice where it seems more advantageous" (CICA, 1988: 80).

### **2.2.2 The Management Consulting Industry and Profession**

The oldest management consulting organization in Canada is the Canadian Association of Management Consultants (CAMC). The CAMC was incorporated under federal charter in 1963<sup>1</sup>. The group that organized the preliminary meeting in 1962 that led to the establishment of a national association of management consultants consisted of the heads of the six major consulting practices associated with accounting firms in Canada<sup>2</sup>. They met under the sponsorship of the Management Consultants Committee of the Quebec Institute of Chartered Accountants (Mellett, 1988: 2). As has been noted, the early "involvement of the chartered accounting profession has been a distinguishing feature of management consulting in Canada" (Mellett, 1988: 2). The membership of the MCA has traditionally been dominated by accounting firms (Despatis and Tunney, 1987: 32).

In the immediate postwar period, the accounting firms' first ventures into management consulting were informal and tentative (Leach, 1976). For instance, Price Waterhouse created its management consulting arm in 1945 and in 1954, a chartered accountant from Britain (Gordon Coperthwaite), immigrated in Canada to begin the management consulting practice of Peat Marwick (Mellett, 1988: 6). In Canada, the consulting services offered by accounting firms were habitually performed for their audit clients, not being seen as a distinct service from the accounting work. The reason for the rather tentative steps of accountants into management consulting was apparently their reluctance to become associated with an activity which, as discussed earlier, had a negative image.

In Canada, James J. Macdonell of Price Waterhouse is said to have been the driving force behind the movement that sought to extend the professional reputation of accounting into the field of management consulting. Macdonell "was convinced that consulting was destined to enjoy the professional status accorded to auditing, to law and medicine" (Mellett, 1988: 7). In December 1957, he published an article entitled "The Professional

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<sup>1</sup> The following paragraphs discussing the origins of the CAMC draw heavily on a document describing the history of the first twenty-five years of the CAMC (Mellett, 1988)

<sup>2</sup> These were Woods Gordon, Peat Marwick, Urwick Currie, P. S. Ross, Price Waterhouse and Riddell Stead (Mellett, 1988: 8)

Practice of Management Advisory Services" in Canadian Chartered Accountant. In that article, Macdonell (who would later become the third president of CAMC in 1965-66 and Auditor General of Canada in 1973) called for the establishment of a Canadian organization of management consultants<sup>10</sup>. At the time, Macdonell was serving as chairman of the Management Consulting Committee of the Quebec Institute of Chartered Accountants, which had been formed in 1956 to study "ethical and other considerations relating to management consulting practices" conducted by accountants (Mellett, 1988: 8).

Besides the CAMC, the other organization representing consultants in Canada was the Institute of Certified Management Consultants (ICMC) founded in 1969. The ICMC was the pan-Canadian organization that represented the professional institutes of management consultants first established in the provinces of Ontario and Quebec (Mellett, 1988: 23). In 1990, the CAMC merged with the ICMC, retaining the ICMC name. Since 1990, the ICMC now represents both the corporate and professional interests of its members and engages in professional and business development activities (ISTC, 1991: 2).

A study conducted by Industry, Science and Technology Canada (ISTC) estimated that in 1988 the Canadian management consulting industry generated revenues approaching \$1.5 billion and employed more than 25,000 practitioners (ISTC, 1991: 3). The ISTC survey also found that the industry is very fragmented. Firms with fewer than five employees constituted in 1986 the greatest number of consulting businesses, accounting for 84 per cent of establishments but only 24 per cent of industry employment. Management consulting firms with fewer than 20 employees accounted for 97 per cent of the establishments that year, but only 49 per cent of employment. Establishments with 100 employees or more in 1986 represented less than one per cent of management consulting businesses but accounted for 27 per cent of employment (ISTC, 1991: 3).

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<sup>10</sup> The role of Macdonell as Auditor General of Canada is discussed later in Chapter Four. As will be seen, Macdonell played a key role in expanding the powers of the Office of the Auditor General of Canada and in institutionalizing management consulting interests in that office.

The Canadian management consulting industry has become increasingly polarised, characterized by a few very large firms and a large number of small firms (ISTC, 1991: 2). Many small management consulting firms consist of sole practitioners, often providing unique services to niche markets. According to the ISTC study, "many of the consultants in this category were formerly associated with government" (ISTC, 1991: 5). Nonetheless, the big international accounting firms are the major players in management consulting in Canada (Despatis and Tunney, 1987: 32). They have the fastest growing consulting practices (ISTC, 1991: 3). Accounting firms are estimated to hold an aggregate market share of the Canadian management consulting market in the 40-50 per cent range (Despatis and Tunney, 1987: 32). In 1989, the revenues of the management consulting practices of accounting firms in Canada was estimated to be in excess of \$600 million (ISTC, 1991a: 2).

In recent years, public sector consulting work has become increasingly important for a number of management consulting firms. For instance, management consulting firms have been closely involved in the development of the "evaluation movement" in the Canadian federal government (Pal, 1992: Chapter Four). As a result of the construction of program evaluation capacities within the federal state in the 1970s, many management consulting firms have created, within their organization, new government consulting and program evaluation divisions (CCAF, 1984; Stewart, 1987; Zalinger, 1987). It has been estimated that government contract (both provincial and federal) work accounted for 40 per cent of the Canadian management consulting revenues in 1988 (ISTC, 1991: 9). This figure is more important than in Britain where, as indicated earlier, public sector consulting (central and local) accounted for 25 per cent of firms' income in the mid-1980s.

### **2.3 France**

The development of the French accountancy profession reflects to a large extent the overall pattern of French industry and the capital market (Forrester, 1985). In the late 1940s, France was still a nation of small producers, heavily agricultural and industrially stagnant (Lauber, 1983). The French industrial structure has long been characterized by small and

medium-sized family-controlled businesses. Also, the *Bourse* has not played an important part in company financing. Until recently, the stock exchange has not been important as the channel for corporate financing and the number of listed companies has been comparatively small<sup>19</sup>. Consequently, there has not been a large body of shareholders and this is one of the most important reasons for the underdeveloped state of the accounting profession in France (Lafferty, 1975: 1).

### 2.3.1 The Prevalence of Family-Controlled Businesses

The development of French commerce and industry in the 19th and early 20th centuries differed significantly from the major nations of the English speaking world. France was not touched as deeply nor as soon by the Industrial Revolution. Until recently, businesses with closely-controlled ownership, often within families, were prevalent (Standish, 1980). Thus, in France the demand placed on accountants for audit services has traditionally been low because of the small number of publicly owned companies. Corporate finance has generally come from family members. This implies that the major financiers are "insiders" and that they can obtain up-to-date detailed information as owners of the companies. As a result, there has been no great demand for publication of financial reports or for external audit. The interweaving of these elements in French experience explains why the French accounting profession "has never attained the status and influence which it enjoys in other countries" (Lafferty, 1975: 24).

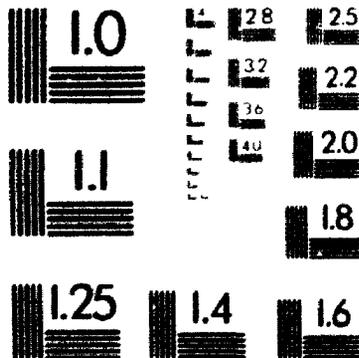
Because corporate financing has traditionally come from family members, the demand for audit services has been weak and consequently the audit function has been slower to develop in France. French accountants have not developed a strong expertise in statutory auditing. As has been noted, the French "expert comptable is not primarily concerned with auditing. Since France is essentially a country of small companies, closely or family held the comptable has not been used to work "as an independent auditor giving an opinion upon fairness of financial statements" (AICPA, 1975: 201).

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<sup>19</sup>The number of domestic companies listed on the stock exchange in Canada and Britain is much more important than in France. In 1991, 1,804 such companies were listed on the London stock exchange, as compared to 1147 and 459 for the Toronto and Paris stock exchanges respectively (Nobles, 1991: 76).

2

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**PRECISION<sup>SM</sup> RESOLUTION TARGETS**

After the Second World War, the French state initiated a wide-ranging program to rebuild the economy and intervened in the business sector through nationalization and direct investment (Hayward, 1986). As a result, large-scale commercial and industrial organizations were created. These large, publicly-owned organizations no longer relied for corporate financing on family members but on banks and the government which demanded financial reports and audited published information. This situation created a demand for statutory auditing knowledge and although the French accounting profession had existed since at least the 1940s, its members had no experience in that field of activity. Thus, in the 1960s the state sought the constitution of a separate body for statutory auditors distinct from the organization representing the accounting profession (Standish, 1990: 169).

### 2.3.2 The Dualism of French Accounting

In 1969 the government created the *Compagnie Nationale des Commissaires aux Comptes* (CNCC) with statutory audit functions reserved to its members. The other professional organization that represents accountants in France is the *Ordre des Experts-Comptables et des Comptables Agréés* (OECCA) established by law in 1942. The CNCC represents the accountant in his or her capacity as statutory auditor appointed by the shareholders, and OECCA in his or her capacity as a professional whose services are contracted by the management of a particular company. The CNCC is placed under the authority of the Ministry of Justice and the OECCA comes under the auspices of the Ministry of Finance (Most, 1984). In 1989, there were 10,692 commissaires aux comptes and 11,018 experts comptables (*Revue française de comptabilité*, 1989: 34-36).

The position of the accounting profession in France is notable for at least two reasons. First, because of the separation of the auditing and accounting activities<sup>27</sup> that took place in 1969 with the creation of the CNCC (Nobes, 1991; Scheid and Walton, 1988). Second, because it is the state (i.e. the departments of Justice and Finance) and not the profession

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<sup>27</sup> Although accounting and auditing are sometimes believed to be the same thing, there are some basic differences. Accounting can be described as measuring and reporting the effects of economic activities of individual entities. Auditing, on the other hand, involves an independent examination to determine the propriety of accounting processes, measurements, and communication. Stated simply, the accountant prepares financial information; the auditor checks it (AICPA, 1977: xii).

that formulate the basic principles guiding the rules of accounting and auditing (OECD, 1980). Some have argued that the accounting profession is "weaker" in France because the "government or government-run committees control most of the rules of accounting and auditing" (Nobes, 1991: 26).

The CNCC is the professional body of official statutory auditors. The primary responsibility of a *commissaire aux comptes* is to certify the regularity and legal correctness of companies' financial statements. To ensure their independence, *commissaires aux comptes* are restricted to statutory audits and they cannot provide management consulting services (Campbell, 1985: 61). The rationale for restricting consulting work by auditors is to ensure that the auditor is above all suspicion of being influenced by other interests<sup>21</sup>. It is sometimes argued that differential rates of profitability between audit and non-audit work (such as consulting) where both are done for the same client runs the risk of threatening this independence, since the accounting firm is in some sense under pressure to please the client on the audit in order to keep the (sometimes more profitable) non-audit work. In these conditions, it might be argued, the auditors' freedom to say no to the client, on which independence is ultimately dependent, is compromised (Ridyard and de Bolle, 1992: 80).

The OECCA includes all qualified *experts-comptables* (Moliterno, 1992). The *expert-comptable* primarily provides accounting, taxation, financial and general business and management consulting services (Blake and Amat, 1993: 115). An *expert-comptable* is the equivalent of a certified public accountant with the notable exception that he or she cannot perform a statutory audit unless qualified as a *commissaire aux comptes*, but most *experts-comptables* are also *commissaires aux comptes* (and vice versa). However, when acting as *commissaires aux comptes* to perform a statutory audit, the *experts-comptables* cannot provide consulting or other type of services to the audit client (Barrington, 1989: 19).

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<sup>21</sup> The only other European country where the instruments used to regulate auditor independence are stricter than in France, is Greece. To ensure that the auditor can have no direct financial interest in whether the audit client is pleased with the outcome, in Greece audit services are provided by the state. In Europe, the states where restrictions on the extent to which auditors can perform management consulting work are the most liberal are Britain, Ireland and the Netherlands (Ridyard and de Bolle, 1992: 80-1).

Thus, both *experts-comptables* and *commissaires aux comptes* are not totally forbidden to be management consultants. However, they are prohibited to perform consulting services to their audit clients, and it is precisely the link with the audit client that has served as the platform on which accountants in Britain and Canada have developed their lucrative management consulting businesses (Welchman, 1983). In France, this institutional advantage is not present because of the separation between the accounting and auditing activities established in 1969 with the creation of the CNCC (Wyman, 1989). In most countries such as Britain and Canada, there is no such separation because the statutory audit function has historically come to be occupied by accountants. But in France, accountants had no developed expertise of statutory auditing because of the prevalence of family-controlled businesses. If the statutory audit function had fallen under the control of the professional association representing accountants, there would probably be no prohibition concerning the provision of consulting services to audit clients because, like their British and Canadian counterparts, French *experts-comptables* are not prohibited from providing consulting services. They are only prohibited to do so when they act as *commissaires aux comptes* and perform a statutory auditing role.

Because of the duality<sup>22</sup> of the accounting profession, that is, the separation of accounting from auditing, and because of the fact that accountants, when acting as statutory auditors, cannot provide management consulting services, it has been argued that "management consultancy", is one "ground that the French accountancy profession has yet to cover" (Lafferty, 1975: 31).

### **2.3.3 The Management Consulting Industry and Profession**

For reasons that should now be clear, the accounting profession has not been involved in the organizational development of management consulting in France (ISÉOR, 1993). Consultants in France are represented by two main organizations: Syntec-Management, which is a committee of the national organization Syntec-Conseil; and the *Office*

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<sup>22</sup> The idea of "dualism" in the French accounting profession comes from Raffegaue, Dutils and de Ménonville (1994: 17).

*Professionnel de Qualification des Conseils en Management* (OPQCM). Syntec-Management is a trade association representing management consulting firms and the OPQCM is the profession's certifying body. Syntec-Management is made up of companies, not individual practitioners (Shays, 1985: 52).

Syntec-Management is one of the four committees which compose Syntec-Conseil (the other three being Market Studies, Recruiting and Public Relations). Syntec-Conseil was created by engineering firms in 1958, and its Management Consulting Committee has been set up in 1972-73. The internal structure of Syntec-Management is divided into working committees organized on the basis of cross-cutting "horizontal themes" that are likely to interest all members (quality and certification, communication, international development, etc.) rather than by type of clients or sector of activities. Unlike its British and Canadian counterparts, Syntec-Management has no public sector committee. However, this does not mean that government consulting does not exist in France (Boyer, 1992). For instance, the Bossard firm claims to be number one in consulting services to local governments and number two in the hospital sector (Crawford, 1991: 11). But according to Bossard, consulting for central government is not as well developed as in other countries, although "recent reforms are increasing demand from government ministries" (Crawford, 1991: 11). A 1991 document reported that Bossard had recently put together a team of 15 to 20 people for starting to develop contacts with central government ministries. "All the ministries are potential markets. But it takes time, you need the expertise, you need to know the milieu and to have good references" said the Bossard spokesperson (Crawford, 1991: 11). In the early 1990s, it was estimated that public sector consulting (both local and central) represented less than 10 per cent of the total market for management consulting services in France (Bruston, 1993: 180).

In 1992, Syntec-Management represented 50 firms employing 3,200 professionals most of whom have a professional background in engineering (Syntec Management, 1994: 8). Membership in Syntec-Management is limited to companies which are at least three years old and employ more than five people. Management consulting must be the firm's main

activity for membership in Syntec-Management and at least one of its directors must have a minimum of five years experience in the profession (Stern and Tutoy, 1995: Chapter One).

The professional body for management consultants in France is the *Office Professionnel de Qualification des Conseils en Management* (OPQCM). The OPQCM is a certifying agency. Its purpose is to promote the management consulting profession and to act, vis à vis potential clients, as a reference to facilitate the selection of management consulting firms. It was founded by the *Ministère de l'Industrie* and Syntec Management member firms. In the early 1980s, the *Ministère de l'Industrie* ordered a study to encourage the penetration of management consulting in medium and small enterprises to help them modernize administrative practices and increase efficiency and competitiveness in the context of the developing European common market (Salvall, 1988: 268).

Submitted to the *Ministère de l'Industrie* in 1984, the report concluded that, compared to other European countries, medium and small enterprises in France had not yet used management consulting services very widely. To change that situation, the report suggested that the government should act to stimulate both the demand for and supply of management consulting services. To stimulate demand, the report recommended the creation of *Fonds Régionaux d'Aide au Conseil* (FRAC) that would provide money to medium and small enterprises so that they can buy consulting services. The lack of professionalism of consulting was identified in the report as one reason why the demand for such services was not strong in industry (Sauviat, 1991). To act on the supply of consulting services, the report proposed to develop the professionalism of consultants (Salvall, 1992). It is thus that the operation *Développement du professionnalisme des consultants* was born in 1985 and that the OPQCM has started its activities in 1987.

In the 1980s, the management consulting market in France grew steadily from one billion Francs in 1982 to seven billion in 1992 and 1993, or 13 per cent of the European market (Gastou and Thévenet, 1990: 24; Syntec Management, 1994: 7). Table 2.7 indicates that the top 15 firms hold more than half of the French consulting market. It is estimated that

**Table 2.7:**  
**The Top 15 Management Consulting Firms in France<sup>21</sup>**

<b>Rank</b>		<b>1993 Revenue (Fr million)</b>	<b>1992 Revenue (Fr million)</b>
1	Andersen Consulting	900	858
2	Bossard	500	455
3	Peat Marwick	258	217
4	Gemini Consulting	217	139
5	Sema Group	200	210
6	Price Waterhouse	200	192
7	Coopers & Lybrand	199	176
8	McKinsey	196	n.a.
9	Solving International	195	190
10	Cegos	160	175
11	Boston Consulting	158	n.a.
12	Ernst & Young	135	145
13	Deloitte Touche	124	120
14	Eurogroup Consultants	110	105
15	Eurosept Associés	107	106

Andersen Consulting alone holds more than 12 per cent of the French market (Basini, 1994: 72). Other large consultancies in the market include Bossard and Cegos, which are both French-owned firms. The management consulting industry in France is quite fragmented, with a considerable number of small companies and independent consultants.

Although it has increased a great deal during the 1980s, the French management consulting market is still not as well developed as the British and German ones, for instance (Boyer, 1992: 32). A recent survey of the French association of management consulting firms noted that management consultants are "an underused asset in France" (Syntec Management, 1994: 7). The survey indicated that management consulting services are used almost twice as often in Britain as they are in France, and that American managers use consultants five to

<sup>21</sup> Sources: Chevilly, P. 1994. Andersen, Bossard et Peat Marwick en tête du marché français du conseil. *Les Echos*, 17 juin. *Le Figaro Économique*, 29 août, pp.15-16. Dossier: Métiers du conseil en management; Kileen, R. 1994. France endures another sluggish year. *Management Consultant International*, April.

ten times more frequently than their French counterparts. While average growth for the European community in 1992 was estimated at 8 per cent, during the same period, the French market grew only by 3 per cent (Syntec Management, 1994: 7). The study concluded that "France, which is not a major consumer of consulting services, seems to be accentuating its lag with respect to other large European countries" (Syntec Management, 1994: 7). Similarly, a study of the *Fédération Européenne des Auditeurs et Conseils* found in 1992 that France allocated only 0.15 per cent of its GNP to management consulting services as compared to 0.26 per cent in Britain and 0.29 in the United States (Basini, 1994: 72).

### **3. Conclusion**

The development of accounting and management consulting must be understood in relationship with each other. The evolution of the former shaped the development of the latter. The two countries where accountants played a leadership role in the organization, professionalization and legitimization of management consultancy – Britain and Canada – are the same where that industry is more developed. Management consulting is less developed in France, where accountants were not involved in organizing the consulting industry and profession. Table 2.8 below summarizes the main variables that facilitated the participation of accountants in the development of management consulting in Britain and Canada and their absence in France.

Although the differences in terms of the link between accountancy and the organizational development of management consulting are more striking between France ~~one~~ on one hand, and Britain and Canada on the other, Table 2.8 also shows some interesting "smaller" differences between Britain and Canada. One such difference is the role played by engineers in Britain in the establishment of management consulting. As noted, in Canada the involvement of accountants in the organizational development of consultancy has taken place sooner than in Britain. In Britain, the Management Consultancies Association (MCA) was founded by four British-based consulting firms created in the 1930s by engineers and until 1962, the MCA did not accept accountants in their association. As a result, British accountants became the majority in the MCA only in the 1970s. In Canada, management

**Table 2.8:  
Summary of Key Factors Affecting  
the Accounting-Consulting Relationship**

	<u>THE LINK WITH ACCOUNTANCY</u>			<u>ORGANIZATIONAL DEVELOPMENT OF MANAGEMENT CONSULTING</u>			
	<u>BRITAIN</u>	<u>CANADA</u>	<u>FRANCE</u>	<u>BRITAIN</u>	<u>CANADA</u>	<u>FRANCE</u>	
Forms of Corporate Ownership	Shareholders	Shareholders	Family Members	Lead Role in Organizational and Professional Development	Engineers Accountants	Accountants	Engineers State
Size of Stock Exchange (1991)	1,804	1,147	459				
Year Period of Establishment of Accounting Profession	1850s	1890s	1942-1969	Year-Period of Establishment of Consulting Profession	1962	1969	1987
Size of Accounting Profession (1989)	167,000	85,000	21,710	Revenues Generated by Consulting Firms	£3 billion (1992)	\$1.5 billion (1988)	FF7 billion (1992)
Mode of Regulation of Accounting Profession	Self-Regulated	Self-Regulated	State Regulated	Existence of "Government Committee" - % of Revenues from Public Sector	YES 25% (1993)	YES 40% (1988)	NO 10% (1991)

consultancy has since the beginning been dominated by accounting firms, most of which are now part of the Big Six group. In Britain, the four engineering firms that created the MCA have until the late 1970s occupied at least half of the consulting market. Although today the large accountancies also hold an important share of the consulting market, two of the MCA founding firms (PA Consulting and P&E International) are still part of the top 10 consulting companies in Britain.

Of course, these differences are not major because, as in Canada, British accountants played a key role in the professionalization of consulting in the 1960s. They now also tend to lead the market because of their organizational advantage over engineers (the link with audit clients). However, these differences are nevertheless important for the analysis of the role of consultants in the process of bureaucratic reform that followed in the next chapters. In Britain, one of the legacies left by the early involvement of engineers in the development

of consulting is that in the 1960s and early 1970s, the firms that were often the most closely involved in advising decision-makers on bureaucratic reform policy issues, were not the large accounting firms, but firms such as PA Consulting. As will be seen in the chapter on Britain, it was only in the early 1980s that the firms associated to the Big Six group emerged as important sources of ideas and advices for bureaucratic reform policy. By contrast, the case of Canada indicates that since the early 1960s, this role has almost always been played by the consultants from the large accounting firms. The state's use of consulting services as a source of policy advice on bureaucratic reform is thus to a large extent structured by the organization of the consulting market. In turn, it may well be that the policies and management practices adopted as a result of this advice, are themselves shaped by the nature of the professional knowledge that tends to dominate the consulting market at certain points in time and across countries.

The evidence reviewed in this chapter showed that management consulting is more developed in Britain and Canada than in France. Therefore, the possibilities for French policy-makers to reform their bureaucracy by using the services of consultants to import business management ideas and practices into public administration are not as great as they are for their British and Canadian counterparts. If the knowledge base required for implementing given lines of policies does not exist, policy makers are not very likely to pursue them. Has noted in Chapter One, this is in part why managerialist ideas have been less influential in France than in Britain and Canada. In attempting to reform their bureaucracy along the lines prescribed by managerialism, British and Canadian policy makers have had the possibility to use the services of a well developed management consulting industry that has existed since the early 1960s and which has enjoyed a certain reputation of professionalism derived from its links with accounting.

The weakness of the French consulting industry and the relative absence of managerialist ideas in French public administration, is why France is used in this study as a contrasting case to underline the links drawn from the British and Canadian cases between the strength of the consulting industry and the influence of managerialist ideas. In France, managerialist

ideas only started to become influential in the mid-1980s, first in local governments and then in the central state, at the same time that the management consulting industry became stronger as a result of government initiatives designed to stimulate its development.

As for the two other cases, Chapter One noted that managerialism was less influential in Canada than in Britain, even though the evidence gathered in the previous pages clearly show that the Canadian consulting industry is as well developed as in Britain. Indeed, the revenues derived from government consulting are more important in Canada than in Britain (40 per cent of total revenues vs. 25 per cent), implying that managerialism should be more influential in Canada. But this is not the case. Therefore, there must be something that mediates the relationship between the organizational development of management consulting and the acceptance of managerialist ideas and policies. The theoretical framework introduced in Chapter One assumes that the state, and its prior experience with administrative reform policies, structures the possibilities for consultants to promote managerialist ideas that can appeal to decision-makers and influence policy. One of the main differences between Britain and Canada is the way in which management consulting interests have historically been institutionalized in the state apparatus. In Britain, consultants from the private sector were coopted into bodies located in the executive machinery, first in the Civil Service Department and then, following its abolition by Thatcher in 1981, into the Efficiency and Policy Units attached to the Prime Minister's Office. By contrast, in Canada one of the main institutional channels through which private sector consultants have advocated managerialist ideas since the 1970s is the Office of the Auditor General (OAG). One consequence of the institutionalization of consultants in the OAG is that their access to decision making centres and the possibilities for their ideas to mobilize strong government support are much more limited than in Britain.

**Chapter Three:  
Britain: Providing Outside Management  
Advice Through the Centre of Government**

Although the previous chapter showed that Britain has one of the most organizationally mature management consulting industries and professions, organizational development alone is not sufficient to understand why during the 1980s, managerialist ideas were enthusiastically embraced by British policy-makers. In Canada, the consulting industry is as strong as in Britain but there are differences between the two countries in the reception given to managerialist ideas. In Canada, government support for managerialism has been weaker than in Britain. It would thus be a theoretical oversimplification to make a direct correlation between the level of organizational development of management consultancy and the extent to which states have embraced managerialist ideas in the process of administrative reform. Strongly developed management consulting organizations may well sponsor managerialist ideas, but it is unlikely that these ideas will rise to political influence and become an important component of bureaucratic reform policy if their advocates do not have access to policy-making centres within the state.

The objective of this chapter is to explain why, during the 1980s, managerialist ideas have been more influential in Britain than in the two other countries analyzed in this study. This is done by looking at the policies of bureaucratic reform that have preceded more recent initiatives such as the Next Steps, the Citizens' Charter and the Market Testing discussed earlier in Chapter One. These past bureaucratic reform policy experiences are: (i) the 1968 Fulton Committee Report on the Civil Service; (ii) the 1970 White Paper on the Reorganization of Central Government; (iii) the 1979 Rayner efficiency scrutinies and, (iv) the 1982 Financial Management Initiative. This chapter does not analyze the detailed aspects of each of these reforms. Rather, its purpose is to examine whether these administrative changes left legacies that affected the access of management consultants to decision-making centres through which managerialist ideas did (or did not) enter into the formulation of bureaucratic reform policy.

British management consultants became visible players in the bureaucratic reform policy process soon after having created their business and professional associations in the 1960s. Based on the advice of its Management Consultancy Group, in 1968 the Fulton Committee on the Civil Service recommended to Prime Minister Wilson that he modernize the management of the bureaucracy by importing ideas and techniques from the private sector. As a result, the Labour government created the Civil Service Department (CSD) which was to be the administration's central management consulting service and the lead agency in the area of bureaucratic reform. Following its creation, the CSD went through an important process of institution-building and subsequently became the main access point through which management consultants were linked to the British state. To build its expertise, the CSD institutionalized links with the consulting industry and coopted management consultants from the private sector. However, contrary to Fulton's recommendations, the consultants and other management experts recruited to the CSD from outside the civil service were not appointed to senior positions and were thus unable to influence policy significantly. The CSD remained under the control of "generalist" bureaucrats whose position Fulton wanted to undermine. As a result, the CSD presented throughout its existence a relatively strong obstacle to managerialist-style policies.

Later in the 1970s, in a process first initiated by Heath and pushed much further by Thatcher, a different type of organization was used to bypass the established bureaucratic hierarchy and to bring in private sector allies and consultants to provide advice on management policy. This involved the development of a number of small organizational units, such as Heath's Businessmen's Team and Thatcher's Efficiency Unit. Often situated at the centre of the executive machinery and generally composed of a mix of career civil servants and external management consultants, these units were close to the Prime Minister's Office and had direct access to centers of decision-making power. Under Thatcher, such units were in part created to replace the CSD she abolished in 1981. Thatcher dismantled the CSD because it was perceived as impeding the emergence of managerialist ideas and policies within the British bureaucracy. In abolishing the CSD and in centralizing its responsibilities for bureaucratic reform issues in the Cabinet Office, the

Thatcher government brought the institutional channel through which consultants had entered into the bureaucratic reform policy process since Fulton closer to the political direction of the Cabinet and the Prime Minister. The management consulting industry link with, or its primary access point to the British bureaucracy, shifted from the CSD to the Cabinet Office. This political centralization of authority for issues dealing with bureaucratic reform greatly facilitated the implementation of managerialist innovations by the Thatcher government in the 1980s.

The cumulative effect of the legacies left by these organizational changes has been to bring consultants closer to the centres of powers, thereby giving them the possibility to influence the process of administrative reform by having their ideas come directly to the attention of those who make policy. However, this process is far from having followed a linear path. As will be seen, there are as many discontinuities than continuities in the legacies left by almost 30 years of bureaucratic reform. Management consultants were sometimes brought in by decision-makers to develop policies intended to reverse rather than extend previous civil service changes.

The concept of policy legacy used to explain the acceptance of managerialist ideas, implies that policy-making is an essentially historical process where actors learn from past experiences and where decisions taken at one time can powerfully shape policies adopted at a later moment. This does not mean that change is impossible and that policy making is necessarily an "incrementalist" process associated with broad continuities (Lindblom, 1977). Policy-making is a process in which actors do not always extend and build on, but also react against previous government attempts to deal with similar issues. For instance, the emergence of monetarism and supply-side ideas in the 1970s as a reaction against Keynesianism was possible only because of the previous existence of Keynes' ideas on demand management (Hail, 1990). Policy-makers can make changes but what they choose to do is shaped by the historically given possibilities among which they find themselves. They can make transformations and develop new policies, but only on the basis and within the framework of what their predecessors have constructed for them (Castles, 1989).

### **1. The Fulton Committee**

The Committee on the Civil Service chaired by Lord Fulton was established in 1966 by Labour Prime Minister Harold Wilson with the mandate "to examine the structure, recruitment and management, including training, of the Civil Service and to make recommendations" (quoted in Garrett, 1980: 11). The Fulton inquiry was not a Royal Commission but a departmental committee of twelve members including civil servants, MPs, academics and industrialists.

The Fulton Committee was very much a product of its time. This was the period of Harold Wilson's scientific and technological revolution (1964-70) where faith in "rationalism" and in the capacity of social sciences and technical expertise to solve public or political problems was relatively high (Coopey, Fielding and Tiratsoo, 1993). In the run-up to the 1964 general election, Harold Wilson adopted the theme of bureaucratic reform as part of his "modernist" appeal (Jones and Keating, 1985). Once elected, Wilson told the House of Commons that the decision to create the Fulton Committee had been made because of new demands placed upon the civil service and that the time had come to insure that the British administration "was properly equipped for its role in the modern state" (quoted in Garrett, 1972: 35)

Published in 1968, the Fulton report contained 158 recommendations. Its first chapter opened by saying that the civil service was "still fundamentally the product of the 19th century philosophy of [public administration whereas] the tasks it faces are those of the second half of the 20th century. This is what we have found; it is what we seek to remedy" (The Civil Service, Vol.1, 1968: 9). The report asserted that the civil service was still based too much on the model of the "amateur, generalist or all-rounder" and that "too few civil servants are skilled managers" (The Civil Service, Vol.1, 1968: 11-12). The Committee sought to create more opportunities for scientists, engineers, accountants, management consultants and other specialists by giving them more responsibilities and authority (Robertson, 1971).

In professionalizing government management, Fulton saw the need to learn from the private sector. Because it argued that civil servants needed to adopt a more business-like approach, the Fulton report has been described as “the high-water mark of managerialism” and as being imbued with a “business-managerial philosophy” (Drewry and Butcher, 1991: 195).

The Fulton report argued that although public administration was different from private administration, the managerial problem was the same. Fulton defined management as “being responsible for organization, directing staff, planning the progress of work, setting standards of attainment and measuring results, reviewing procedures and quantifying different courses of action” (The Civil Service, Vol.1, 1968: 12). Fulton found that too few civil servants perceived their role in those terms. In particular, senior officials still saw themselves as policy advisers to ministers above them, rather than as managers of organizations below them. Fulton attempted to establish within Whitehall the idea that civil servants were and should be managers (Horton, 1993: 129).

### **1.1 The Management Consultancy Group's Report**

One of the two pieces of evidence<sup>1</sup> commissioned by the Fulton Committee which “heavily influenced its report” was a study by a Management Consultancy Group (Garrett, 1980: 13). The Fulton Committee on the Civil Service was the first committee investigating the British civil service to commission outside research (Chapman, 1973: 17). Unlike any previous consideration of the civil service, the Fulton Committee decided to carry out its own investigation of what civil servants were doing by establishing a Management Consultancy Group in 1966. The Group consisted of a senior official from the Treasury, an executive from British Petroleum<sup>2</sup> and a management consultant from Associated Industrial Consultants Ltd, an engineering-based consultancy (Garrett, 1972: 41). The idea of

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<sup>1</sup> The other piece was a Social Survey of the civil service based on nearly 5,000 replies to questionnaires done by two social scientists from Oxford and the University of Lancaster (Garrett, 1972: 51).

<sup>2</sup> In the 1960s, British Petroleum owned an autonomous management consulting business that worked not only for BP but also competed with other firms in the consultancy market.

creating a management consulting group attached to the Fulton Committee came from Dr Norman Hunt of Oxford University<sup>3</sup>. An acquaintance of Prime Minister Wilson, Dr Hunt was appointed as member of the Fulton Committee in February 1966 and the Management Consultancy Group was placed under his responsibility (Garrett, 1972: 40). The Group examined the management and organization of each block of work in the civil service, comparing these with the best practice in business firms (Garrett, 1972: 40). The Group's report was published as Volume II of the Fulton Report. It has been argued that many of the Fulton report's "ideas were taken from the Management Consultancy Group's report" (Garrett, 1972: 53).

The fact that Fulton relied on outside management consultants for advice on bureaucratic reform issues facilitated the entry into the policy process of innovative ideas concerning state administration. By bringing in outsiders, Fulton provided an hospitable setting for the emergence of managerialist ideas and for introducing new ways of looking at administrative problems. If Fulton had relied only on permanent bureaucrats rather than on members of the management consulting industry, its final report would probably have been neither as critical of the bureaucracy's management practices nor as apologetic of business administration as it was. However, Fulton's critique of the "amateurish" character of the senior bureaucracy generated opposition from high-ranking civil servants. As discussed later, this affected support for managerialist ideas in the civil service and as a result, many of Fulton's recommendations were not implemented. Thus, although Fulton may well have facilitated the entry of managerialist ideas into the policy process, without the support of important policy actors these ideas did not have a strong and immediate impact on bureaucratic reform initiatives.

In establishing its own management consulting group, the Fulton Committee recognized that the services of private sector consultants could be useful for dealing with issues

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<sup>3</sup> Later Hunt wrote a book about his experience on the Fulton Committee in which he argued that many of Fulton's ideas were not translated into policy because of the resistance of the senior official in charge of the Civil Service Department, which was to be the main driving force for implementing the Fulton recommendations (see Kellner and Crowther-Hunt, 1980: Chapter Four: How Armstrong Defeated Fulton).

pertaining to bureaucratic reform. Fulton contributed to the legitimization of management consultancy and, as noted in Chapter Two, this followed the efforts of accountants who had attempted to enhance the "professional" character of management consulting by playing a leadership role in the creation of the Institute of Management Consultants in 1962. In creating its own Management Consultancy Group, the Fulton Committee also ensured that the Group's work had a "bigger impact on its own thinking" than is often the case when a Royal Commission or investigating body commissions "research" from outside organizations (Kellner and Crowther-Hunt, 1980: 32). This was because the Fulton Committee was not organizationally "separated" from the Management Consultancy Group and was thus able to keep in constant touch with the day-to-day investigations of the management consultants. There were regular and informal weekly meetings between the Group and Committee members, enabling the management consultants "to have a constant and continuous impact on the thinking of the Committee whilst this was still in a relatively formative and fluid state" (Kellner and Crowther-Hunt, 1980: 32).

Among the principal measures that Fulton recommended to increase the professionalism of the civil service and to keep departmental organization up to date with management developments in the private sector were: i) the creation of departmental Management Services Unit and the use of outside management consultants; ii) the establishment of a new Civil Service Department and of a new Civil Service College; and iii) the application of the principle of "accountable management" in the organization of executive activities (The Civil Service, Vol.1, 1968: Chapters 5 and 7). These recommendations, which are discussed below, were all based on ideas derived from the work of the Management Consultancy Group. According to one academic observer, these ideas were relatively well received by the Labour administration (Chapman, 1973). Fulton, a personal friend of Prime Minister Wilson, lobbied senior members of the Labour cabinet to have the government commit itself early to supporting the report or, failing that, at least some of its key recommendations on the day of its release (Savoie, 1994: 70). The Prime Minister circulated a memorandum to the Cabinet recommending "that we immediately accept the main recommendations of the Fulton report" (quoted in Kellner and Crowther-Hunt, 1980:

56). As it happened, the Prime Minister announced his support the day the report was published. He said that this would embrace, if not the entire report, at least most of the key recommendations designed to strengthen the management capacity of the civil service such as, the creation of the Civil Service Department and the Civil Service College.

While the Fulton report gained valuable political support from the Labour government, it faced strong bureaucratic opposition from the senior civil service. Fulton's ideas concerning the need for greater "specialism" among public administrators appealed to Labour's socialist egalitarian ideology and were favourably endorsed by the government because they were intended to break the dominance of the "amateur" (i.e. upper class) Oxbridge civil servants. This was to be done by widening the access of entry to senior positions and bring in people with relevant professional and managerial skills (Jones and Keating, 1985: 143). Fulton believed that the dominance of the "generalist" in the most senior positions of the bureaucratic apparatus represented a strong block against the entry into policy of management ideas imported from the private sector. This is why it recommended to recruit people from outside Oxford and Cambridge and outside the civil service as a way to produce lasting management policy innovation. However, these suggestions were strongly resisted by "generalist" senior civil servants and collapsed at the implementation stage. The new Civil Service Department (CSD) was intended to be the main driving force for implementing Fulton's recommendations. But contrary to what Fulton had recommended, most senior bureaucrats in the CSD did not come from outside the bureaucracy but were "generalist" civil servants. As a result, Fulton's managerialist policy proposals made little headway (Kellner and Crowther-Hunt, 1980: 79-80). As discussed later, this happened in part because the outsiders recruited to the CSD - who were supposed to be the advocates of managerialism in the civil service - did not occupy strategic posts where they could influence bureaucratic reform policy.

### **1.2 Management Services Units and the Use of External Consultants**

In order to ensure that each department kept its organization informed of management developments in industry, Fulton proposed that the Organization and Methods (O and M)

divisions of departments be replaced by new Management Services Units which would have "wider responsibilities and functions than are given to O and M divisions today" (The Civil Service, Vol.1, 1968: 55). This suggestion came from the study of the Fulton Committee's Management Consultancy Group, which found that the staff engaged in O and M "are not sufficiently expert; they are frequently "generalists" who lack the necessary qualifications" (The Civil Service, Vol.1, 1968: 55). To help departments apply the best available management methods and techniques from the private sector Fulton suggested that "the use of outside consultants... should be an effective spur" (The Civil Service, Vol.1, 1968: 54). The Committee recommended that the staff of these new Management Services Units should be drawn "from appropriate specialists, including accountants, and from those with experience of similar work outside the Service, including with some practical experience of management in industry" (The Civil Service, Vol.1, 1968: 56). More specifically, the Report urged that

The qualifications and training of the management services staff of the Civil Service must compare favourably with those doing similar work outside, e.g. in large management consultancy firms....Our proposals are not intended to discourage Departments from bringing in outside consultants for special assignments. Departments have done this to an increasing extent over the last few years. It is in our view a necessary supplement to the work of their own management services units; it will help to keep the units themselves fully up to date and it can be of particular value when problems of organisation arise at the highest levels within department (The Civil Service, Vol.1, 1968: 56).

In 1966 an inter-departmental working party under Treasury chairmanship issued a report on the use of management consultants in government departments (O&M Bulletin, 1966). The Treasury Working Party report studied the questions of when and how to use, and how to select management consultants. One senior government official has argued that the report "added impetus to the wider use [of consultants] in Departments" (Archer, 1968: 23). In the course of their study, members of the Treasury Working Party met several times with representatives of the British management consulting industry. For instance, a seminar was held at the Treasury in December 1965 with representatives of about twenty

management consulting firms and organizations such as the Management Consultancies Association and the Institute of Management Consultants which, as seen earlier in Chapter Two, had recently been established in 1956 and 1962 (Archer, 1968: 25). These meetings led to the formalization of selection procedures for the engagement of consultants and to the establishment, within the Treasury, of a register of management consultants (including about 125 firms) that government departments were required to consult before selecting and using external consulting services (Archer, 1968: 25).

Under the selection framework for the use of consultants that the Treasury developed with the help of management consulting associations, departments were asked to consult the Treasury before engaging consultants and to supply confidential reports on performance. Departments interested in commissioning consultants drafted a letter of invitation defining as precisely as possible the scope and nature of the assignment, together with a background paper giving further information on the problem and the department. These drafts were then discussed with the Treasury and a list of appropriate firms of consultants was drawn up. The department would send letters of invitation to two or three firms, asking if they wished to be considered for the assignment, and if so, to come to a meeting to discuss it. Treasury officials normally joined with the department in interviewing the consultants, who were often asked to carry out a short unpaid preliminary survey of the problem. Treasury and departmental officials made their final decision based on the preliminary survey report, the impression made by consultants and the references from previous clients (Archer, 1968: 26). Later in the end of the 1960s, responsibility for managing the selection process for the engagement of management consultants moved from the Treasury to the newly created Civil Service Department.

### **1. 3 The Civil Service Department and Civil Service College**

On the day the Fulton Report was published, Prime Minister Wilson announced the establishment of the Civil Service Department (CSD) in response to the Committee's call for the establishment of a central department separate from the Treasury which would have responsibility for all aspects of pay, manpower, personnel and civil service management.

The Fulton Committee had reported that while historically, the Treasury had held joint responsibility for public expenditure and civil service management, this arrangement had been to the detriment of the development of the managerial skills of the civil service (Gray and Jenkins, 1985: 96). Fulton therefore recommended separate responsibilities for public expenditure and civil service management, and the transfer of the latter to a new central department. The Committee concluded that the new department should report directly to the Prime Minister to secure the necessary political clout to ensure its success. It was also suggested that the CSD be responsible for implementing the recommendations made by Fulton, and this is why Fulton urged that it report to the Prime Minister, since "No other minister could assert the needs of the government service as whole over the sectional needs of powerful departmental ministers" (The Civil Service, Vol.1, 1968: 84). Upon its creation, the CSD was thus placed under the formal responsibility of the Prime Minister, but in practice the day-to-day running of the department was delegated to a Minister of State (Gladden, 1972).

After the establishment of the CSD in 1968, the Head of the Civil Service moved from the Treasury to take charge of the new department. Upon its creation, the CSD took over the Treasury's Pay and Management Division. The CSD was not, therefore, a completely new department with a new staff because many of its most senior officials came from within the civil service, especially from the Treasury. However, Fulton had made it clear in its report that this new department should not simply be the existing Pay and Management side of the Treasury hived off and expanded so it could then masquerade as the new CSD. The report emphasized that "the staffing of this new department will be of critical importance". It said that it was important that a number of appointments "within the new department be made from outside the Service of people with appropriate knowledge and experience of managing large organizations" (The Civil Service, Vol.1, 1968: 82). Fulton believed that if the CSD was allowed to bring in outsiders, this would create a more hospitable setting for the implementation of its innovative management policy proposals (Pollitt, 1984: 77).

Following the creation of the CSD, the head of the department reported that in its first year, the CSD had a hundred new entrants, all from within the civil service, and especially from the Treasury<sup>4</sup>. "In fact", some argued, "the new department turned out to be very much like the old Pay and Management side of the Treasury" ( Kellner and Crowther-Hunt, 1980: 80). By comparison, during that period, the CSD brought in only 23 people from outside the civil service, including 8 from universities and 10 from private industry, including 5 from management consulting firms (Armstrong, 1970: 79). The management consultants were recruited to help the department build its new management consulting capacities. As new entrants to the civil service, they were appointed to middle and lower level positions and placed under the authority of an Under Secretary in charge of the consulting services in the CSD<sup>5</sup>.

In Fulton's view, the CSD was to be the government's main internal management consulting service. The idea of establishing within the government a central management consulting unit came from the Fulton Committee's Management Consultancy Group, which argued in its report that the "need for an awareness by management of developments outside the Service" required the creation of "a highly professional internal management consultancy service" (The Civil Service, Vol. 2, 1968: 98). The Group recommended that this unit be responsible for consultancy training, research into the development of new techniques, inter-departmental and high-level assignments and reviews of the efficiency of the management of departments as a whole.

Besides recruiting within its organization consultants from the private sector, the CSD also organized a series of seminars with consultants designed to help the department to

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<sup>4</sup> As has been noted, because the CSD resulted from an "hiving off process of a section already existing in the Treasury", it "did not bring in the new men (sic) the Fulton Committee believed were needed if the reforms they recommended were to be implemented" (Armstrong, quoted in Pollitt, 1984: 77).

<sup>5</sup> In the CSD, the Under Secretary responsible for management consulting services was not a professional consultant recruited from the private sector but rather, as he described himself, a "general administrator who move about in the Civil Service from one kind of job to another. I have no formal training in management, and I had had no experience of taking part in management consultancy assignments until I was put in this job where I have to supervise them" (Wilding, 1976: 60). He also added that most of his "staff are civil servants, many of them with long service" (Wilding, 1976: 63).

consolidate its management consulting expertise". In an address to one such seminar, the head of the CSD, praised management consultants for their help "in putting at our disposal" their knowledge of private enterprise for improving public management practices (Armstrong, 1970: 79). However, he also warned consultants of the limits of managerialism and "of the differences between the situation in private enterprise and that in the Civil Service....[where] we come up against the political factor - the fact that what we do must be subject to democratic control" (Armstrong, 1970: 73).

In a talk given to the Institute of Management Consultants, one CSD senior official mentioned that since its creation, the CSD was "the central point of reference in Whitehall for the employment of management consultants from the private sector" (Wilding, 1976: 60). Similarly, another CSD representative argued that since its establishment, the CSD has "developed firm links with the businessmen and outside consultants with whom we frequently work in joint teams" (Archer, 1972: 13).

The Fulton Committee also recommended the establishment of a Civil Service College under CSD direction to provide management training courses. The College was intended by Fulton to be the source of the new professionalism in government administration, teaching the new style of management and "spreading new ideas throughout the Service" (Garrett, 1980: 37). In opening the College in June 1970, the Prime Minister said that it was intended to promote "cross-fertilization" and "exchanges among the world of business and the civil service" (reported in Hayzelden, 1972: 21). The College offered training in cost accounting and control, planning and programming, and management consultancy (Garrett, 1972: 56). Courses on managerial techniques offered to civil servants by the College were taught by management consultants and practitioners from private industry (Grebentik, 1972:

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<sup>6</sup> In organizing such meetings with private sector consultants, the CSD was only continuing a practice initiated in the 1960s by the Pay and Management Division of the Treasury. In a memorandum on management services submitted in 1966 by the Treasury to the Fulton Committee, it is reported that the Pay and Management Division "maintain contacts with industry, commerce and management consultants. Recently, there has been an increase in consultation with the management services departments of larger firms and particularly with management consultants" (The Civil Service, Vol. 4, 1968: 614). Thus, in taking over the Treasury's civil service management responsibilities, the CSD also inherited the institutional relationship that the Treasury had started to develop with the management consulting industry.

129). With the CSD, the College provided another route through which new ways of looking at state management could be disseminated in the civil service by consultants.

#### **1.4 Accountable Management**

Another recommendation made by Fulton's Management Consultancy Group was the creation of a "new managerial style" based on the application of "accountable management", an idea first developed at General Motors in the USA (Drewry and Butcher, 1991: 195). "Accountable management" was defined as

holding individuals and units responsible for performance measured as objectively as possible. Its achievement depends upon identifying or establishing accountable units within government departments; units where output can be measured against costs or other criteria, and where individuals can be held personally responsible for their performance (The Civil Service, Vol.1, 1968: 51).

The Fulton Committee proposed that certain areas of government work should be designated as separate "accountable units" and that the managers of these units should be made accountable for results they achieved as compared with pre-determined budgets or standards. The Committee saw these accountable units as the equivalent of budget or responsibility centres used in private sector organisations (The Civil Service, Vol.1, 1968: 51-2). Such units would be located within a government department under the direction of a Minister accountable to Parliament, but with an executive head with a large degree of freedom on personnel and management matters. As one observer noted, these units are the direct ancestors of the Next Steps model, "an idea which in the UK goes back at least to the Fulton Committee which, in 1968, recommended accountable units of management" (McDonald, 1992: 31). However, before rising to prominence in the late 1980s with the Next Steps initiative, the accountable unit idea remained in the shadows, not widely implemented for most of the 1970s and early 1980s. Although the idea of accountable unit was taken up as part of the "new style of government" introduced by the Conservative government under Mr Heath in 1970, its application was very limited, with less than ten units established in the mid-1970s (Drewry and Butcher, 1991: 196). In its 1997 report on the Fulton recommendations, the House of Commons Expenditure Committee argued that

the creation of accountable units remained limited because its implementation was left to "unenthusiastic" civil servants in the CSD (Expenditure Committee, 1977: para. 91).

### **1.5 The Legacies of the Fulton Reforms**

In retrospect, although they may not have had a direct influence on the policies of bureaucratic reform adopted by the Labour government at the end of the 1960s, many of Fulton's ideas

set the agenda for much of the discussion that took place in the 1970s and 1980s....The central philosophy behind the important Next Steps programme carries strong echoes of Fulton. Much of the vocabulary of debate about today's civil service and its functions derives from or was highlighted by the Fulton report (Drewry and Butcher, 1991: 54).

The impact of Fulton and of its Consultancy Group on subsequent reform policies has been most important in the conceptualization of the "problems" that were believed to plague the administration in the 1960s, and in the definition of the solutions deemed appropriate for coping with them. Fulton and its Group argued that the "problems" of the British bureaucracy in the 1960s were the lack of managerial skills in the civil service, and the archaic character of the methods used to manage the state. In this context, the idea that the government should emulate business management emerged from Fulton as the best solution to solve the deficiencies of the British bureaucracy<sup>7</sup>. That this idea was made available to policy-makers at that particular moment was not a coincidence. This was possible because some consultants were able to make their views known within the government of the day through their presence on Fulton's Management Consultancy Group. In limiting the range

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<sup>7</sup> Some policy researchers, challenging the notion of linear policy development where the problem precedes the solution, point out that sometimes it is solutions that determine problem definition. For instance, Wildavsky has argued that policy-makers will not take a problem seriously unless there is a proposed course of action attached to it. As he states, "A problem is linked to a solution, a problem is a problem only if something can be done about it" (1979: 42). Whatever the direction of influence in policy-making among recognizing problems, finding causes, and selecting solutions, one crucial concern in problem definition is the availability of the solution (Rochefort and Cobb, 1994: 25). It can thus be suggested that the idea that the government should copy the private sector to modernize its administration, would not have emerged as the solution to the problems of the British civil service if there had not been in Britain a relatively well developed management consulting industry that could provide the body of expertise necessary to put the proposed solution in place.

of solutions available to policymakers to the idea that government should import business management practices to rationalize its administration, Fulton also helped create a need for the state to use the services of individuals with expertise in private sector management. When it was established in 1968, the CSD was to be the government's central management consulting capacity. Following its creation, a number of management consultants were brought in the new department from the private sector and thus were given an organizational basis within the agency that had jurisdiction over bureaucratic reform policy issues. Although they originally were not in a position to exercise strong influence on policy (because of the dominance of "generalist" civil servants in the CSD), from their location in the CSD management consultants still had the capacity to make sure that managerialist ideas would not totally disappear from the bureaucratic reform policy agenda. This was done, for instance, through the publication of various articles advocating the use of business methods in the public sector in O&M Bulletin, a quarterly publication of the CSD linking together government, private industry and management consultants.

## **2. Heath and the White Paper on the Reorganisation of Central Government**

The Fulton recommendations had hardly been tabled, when the Labour government was defeated in the June 1970 election. Under the leadership of the new Conservative government of Prime Minister Edward Heath administrative reform took in a different direction (Theakston and Fry, 1994).

Four months after being elected, Prime Minister Heath issued a plan for bureaucratic reform in a White Paper on The Reorganisation of Central Government (Cmnd 4506, 1970). The White Paper was critical of the fact that "government has been attempting to do too much" and thus, one its main goals was to reduce the burden that the Conservatives thought had been placed on society and government by the Labour administration (Cmnd 4506, 1970: para.2). As stated in the opening paragraph of the White Paper "This Administration has pledged itself to introduce a new style of government" (Cmnd 4506, 1970: para.1). This "new style of government", which sought to strengthen the decision-

making capacity of the centre by overcoming departmentalism", was to be based on what the White Paper saw as a "functional" and "analytical" approach to policy formulation.

The White Paper underlined the need to remove areas where ministerial departments overlapped, causing delay and conflict in decision-making. Therefore it announced the formation of two giant departments (Trade and Industry, and Environment) as an illustration of the new functional approach which aimed at creating more strategic units of government. The White Paper stated that the aim of creating functionally integrated departments was to reduce "parochial" departmentalism. A large department would have "less need to fear and defend its interests against other interests so that in the formative stages of policy it must and will be ready to discuss issues with other departments" (Cmd 4506, 1970: para.13). Another reason was that large departments "would have greater control over resources and be more efficient at achieving broad objectives within the government's overall strategy" (Radcliffe, 1991: 2).

The need to develop a more strategic form of decision-making also shaped the analytical approach advocated in the White Paper, which aimed at assessing the relevance of departmental policies to the government's broader objectives. This resulted in the implementation of the British version of PPBS, the system of Program Analysis and Review (PAR), which sought "to increase the capacity of the centre for strategic management" (Gray and Jenkins, 1985: 107). The PAR system was designed to analyse and review: (i) the goals of the programme; (ii) the amount and use of allocated resources and, (iii) any alternative means of achieving programme goals. The White Paper also created the Central Policy Review Staff (CPRS), an organization located in the Cabinet

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<sup>6</sup> In stating the goal of creating a new style of government, the White Paper contained a criticism of the traditional "departmentalist" style of British government. This style of government, which stresses the autonomy of ministerial department and the weakness of the coordinative capacity of the centre, has been defined as follows: "British government, while centred on a political Cabinet, is composed of a number of departments whose responsibility for policy and control of management information establishes their partial autonomy from the strategic coordination of the centre. The convention of accountability to Parliament reinforces this autonomy by placing responsibility for departmental activity in the hands of the minister and the permanent secretary at the top of the bureaucratic hierarchy. The relationship between ministers and their civil servants embodies the structural integration of the political and administrative components of government" (Radcliffe, 1991: 30-1)

Office designed to provide ministers with a non-departmental source of advice (Pollitt, 1974). The CPRS was intended to aid the government collectively and relate departmental policies to the broader government strategy (Barnes and Cockett, 1994). It was seen as an instrument of the Cabinet as a whole. The rationale behind the creation of the CPRS was the need to develop a new "central capability" able to provide to the Cabinet strategic analysis of policy across departmental boundaries (Pollitt, 1984: 87). This was in order that long-term goals should not be lost sight of due to the pressure of day-to-day departmental activity (Radcliffe, 1991: 161). The CPRS was composed of about 20 members: "about half of them were career civil servants seconded from departments, the rest recruited from outside: business, management consultancy, the universities" (Plowden, 1991: 229). Because it consisted of a mix of external advisers and civil servants, the CPRS was seen as an interesting experience in the importation of "outside ideas into a traditionally closed system of government" (Drewry and Butcher, 1991: 89). The origins of the CPRS lay in the Heath's government "impulse to bringing in outsiders" as a way to provide the Cabinet with countervailing advice intended to prevent the career bureaucracy from distorting the achievements of a newly elected government (Campbell, 1993: 317). Heath is said to have appointed "outsiders" in the Whitehall bureaucracy "in far greater numbers than had ever occurred before" (Campbell, 1993: 325). This situation gave rise to criticism that the civil service was being politicized and that Heath was "presidentializing" the Westminster system of cabinet government (Campbell, 1983: 4). As discussed later, these critiques became more important in the 1980s with the Thatcher government, which continued and expanded the Heath's practice of bringing "outsiders" in government.

## **2.1 The Background to PAR**

The ideas that went into PAR and that informed the Conservative government's 1970 White Paper are reported to have come from a variety of sources (Pollitt, 1984: 88; Gray and Jenkins, 1985: 106). First, there was Fulton. "The White Paper had some links with issues raised by the Fulton report....There was a general sense in which both documents saw the need to learn from the private sector" (Radcliffe, 1991: 70). The PAR system was also influenced by rationalist innovations such as PPBS which in Britain had been applied

selectively and incrementally, first in the Ministry of Defense in 1963, and then in other high-spending departments such the Home Office, Education and Science, Transport and Health (Else, 1970).

The main origins of the White Paper and PAR can be traced back to work begun inside the Conservative Party's policy-making bureaucracy, especially in the Public Sector Research Unit (PSRU) and the Businessmen's Team, two new organizations created by Heath in the mid-1960s (Radcliffe, 1991: 61). On becoming leader of the Conservative Party in 1965, Heath established an elaborate policy-making exercise, at its height involving over thirty separate policy groups with a combined membership of well over 200 MPs and outside experts, including academics and management consultants (Johnman, 1993: 187; Kavanagh, 1987: 221; Seldon, 1994: 56).

Heath was very much preoccupied with the structure of government, with eliminating waste and increasing efficiency (Lindsay and Harrington, 1979: 252). Under his leadership, a Policy Group on Machinery of Government and a privately financed body, the Public Sector Research Unit (PSRU) were created within the Research Department of the Conservative Party (Campbell, 1983: 213; Ramsden, 1980: 254). The work of the PSRU "was to be very influential with Edward Heath" (Radcliffe, 1991: 68). The primary input of the PSRU into the 1970 White Paper was a concern with policy analysis and policy review outlined in a Conservative Party's publication called A New Style of Government (Radcliffe, 1991: 68; Ramsden, 1980: 257). The main task of the PSRU consisted of commissioning research by management consulting firms on specific aspects of government activity (Butler and Pinto-Duschinsky, 1971: 85). These included research reports on government procurement procedures, and especially studies on machinery-of-government questions (Pollitt, 1984: 84). For instance, one such study produced in 1965 recommended the creation of a new management consultancy central unit to be charged with improving the efficiency and effectiveness of Whitehall as a whole. This unit, known as the "Crown Consultants Unit" is said to be "the direct progenitor" of the Central Policy Review Staff created by the White Paper (Pollitt, 1984: 84).

Many of the studies prepared by management consultants for the PSRU suggested “that considerable savings could be made by the introduction of more businesslike management into several sectors of the public service” (Butler and Pinto-Duschinsky, 1971: 85). These studies, conducted over the period 1967-1970, primarily came from some of the largest management consulting firms<sup>9</sup> existing in Britain in the 1960s such as Arthur D. Little and Booz-Allen (Pollitt, 1984: 84). In the The Private Government of Public Money, Hecllo and Wildavsky report that one important source of advice which served as a basis for PAR and the ideas introduced in the 1970 White Paper came from “the nation’s leading firms of business consultants [which] were hired to advise the [Conservative Party] leadership” on public management issues (1981: 271). One of these firms included, for instance, Rio Tinto Consultants which produced for the PSRU a study in 1968 that included case-studies of policy-making in government entitled Decision-Making in Government (Pollitt, 1984: 84).

A final source of ideas for PAR came from the “Businessmen’s Team”, a group of advisers to the Conservative leader Edward Heath created in 1969 (Pollitt, 1984: 85). The work of the Businessmen’s Team was “closely directed by Heath” and thus its ideas could feed their way directly into the inner circles of the Conservative Party policy-making machinery (Theakston and Fry, 1994: 394). Two firms of management consultants, PA Consulting and Booz-Allen, were employed by the Conservative Party to recruit the individuals who would become members of Mr. Heath’s Businessmen’s Team (Butler and Pinto-Duschinsky, 1971: 86). Those recruited included business persons from large companies such as Shell (Richard Meyjes), a merchant banker from Hambros (H. R. Hutton), and senior partners from the management consulting firms Rio Tinto (Ken Lane) and PA Consulting (Alan Fogg). The Businessmen’s Team also included Derek Rayner from Marks & Spencer who would later become Prime Minister Thatcher’s main advisor on efficiency (Jones, 1970: 19).

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<sup>9</sup> These firms are all non-accountant management consulting businesses. As indicated earlier in Chapter Two, the big international accounting firms started to enter the British management consulting market especially in the 1960s, at about the same time that the PSRU was created within the Conservative Party. This partly explains why the PSRU did not make an important use of the consulting services of the big accounting firms in the 1960s.

The businessmen worked for Heath in their spare time on the understanding that if and when the Conservatives won the election their companies would loan them to the government for two years. In the meantime their efforts were devoted to developing specific proposals for bureaucratic reform, some members of the Businessmen's Team working on the development of output-oriented decision-making systems, and others on computer utilization, public purchasing and so on (Hennessy, 1989: 212). By the spring of 1970, in collaboration with the Conservative Party policy-making machine, the Businessmen's Team had helped produce a "Black Book", an internal party document containing the strategy that informed the 1970 White Paper and with which the Conservatives took over the Whitehall policy-making machine (Pollitt, 1984: 86).

According to Hecló and Wildavsky, it is the Businessmen's Team which "pulled together the ideas that eventually became Programme Analysis and Review" (1981: 272). In order to know more about planning and PPBS, some members of the Businessmen's Team were dispatched to the United States (Hecló and Wildavsky, 1981: 272; Pollitt, 1984: 84). Once in Washington, the Businessmen's Team liked what they saw but soon discovered that some of the bloom was already off PPBS (Hecló and Wildavsky, 1981: 272). Almost at the same time, Treasury officials also sent emissaries to the United States to study PPBS. They returned full of caution at the immense size of the task and the strong resistance to be encountered in introducing PPBS. As a result, Britain did not embrace PPBS ideas as much as other countries such Canada and France for instance.

## **2.2 The Businessmen's Team and the CSD's Management Services**

The result of the research work done by the PSRU and the Businessmen's Team was that in 1970, the "Conservative Party entered office armed with an unprecedented volume of advice on improving administrative structures" (Pollitt, 1984: 87). One of the first tasks of the Conservative Party leader in taking office in 1970 was to find organizational homes for his personal advisers within the Whitehall machinery (Pollitt, 1984: 89). By the time Heath became Prime Minister, a number of his "advisers" from the Businessmen's Team, along with party professionals from the Conservative Research Department, moved into

Whitehall either to temporary posts in the civil service or to positions as political advisers to ministers. "This", it has been suggested, "gave them the opportunity to pursue the plans that they had prepared in opposition" (Kavanagh, 1987: 221).

Immediately after the June 1970 election the Businessmen's Team moved within the CSD. To the extent that the Businessmen's Team was supposed to keep an eye on the implementation of the changes contained in the 1970 White Paper, its institutional location within the CSD was seen as important because that department had jurisdiction for bureaucratic reform related issues (Jones, 1970: 19). Originally, the PAR process was supposed to be housed in the CSD, under the authority of the Businessmen's Team (Heclo and Wildawsky, 1981: 277). But the businessmen soon discovered that they could not make PAR work in the CSD for at least two reasons. First, CSD senior officials were not strongly in favour of the Businessmen's Team's goal to "radically change the machinery of government" by making it more "businesslike" as members of the Team indicated in a Times interview (Jones, 1970: 19). Before being brought into the CSD after the 1970 election, two members of the Businessmen's Team (Rayner and Meyjes) had met CSD officials to discuss their plans for reforming the bureaucracy (Hennessy, 1989: 212). Members of the Team found "well-briefed" officials who, in Pollitt's words, were ready to comment on "the disadvantages of the businessmen's projects" (1984: 88). A second and more important reason why the businessmen could not make PAR work in the CSD had to do with the opposition of the Treasury. As one senior official argued, "Putting PAR in the CSD caused the Treasury to be anti. The Treasury wanted to take it over" (reported in Heclo and Wildawsky, 1981: 277). Because PAR was intended to question the use of budgetary resources in the achievement of programme goals, Treasury officials saw it as an extension of their jurisdiction over financial management issues. After a short experience in the CSD, the PAR was moved to the Treasury, thereby reducing the role of the businessmen in the supervision of the White Paper's reforms.

Following the PAR episode with the Treasury, the Businessmen's Team began to work on the re-organization and consolidation of the CSD's management consulting services

(Archer, 1971: 8). Of special interest among the changes made in 1970 is the creation of the Senior Consultant position and of the Special Assignment (SA) Teams division (see Appendix 2). These changes were in part intended to enhance the CSD's management consulting services which, some officials argued, were "not sufficiently high in status to act as a positive force for efficiency" (reported in Garrett, 1980: 144). According to one CSD official, the establishment within the civil service of the new position of Senior Consultant (at or about Assistant Secretary level) "parallels developments in management consultancy where the trend is towards the greater full-time involvement of senior staff in [consulting] assignments" (Archer, 1971: 7). Senior Consultants in the CSD supervised the work of the new SA Teams which were conducting high-level consulting projects in departments known as "management reviews" (Hughes, 1975). In 1970, about a quarter of the Senior Consultants and their SA teams were drawn from private sector management consulting firms on secondment for about a year (Archer, 1971: 11). At that time, a Secondment Program between the civil service and large management consulting firms had just been developed and institutionalized. Management consultants from large consulting firms were sometimes seconded to the CSD for periods of time as long as 15 months, and CSD officials were seconded to the big firms to work on private sector, fee-earning consulting assignments as a way to familiarize themselves with business management practices (Hayzelden, 1972; Matthews and Maxwell, 1974; Owen, 1972).

The establishment of the Secondment Program not only strengthened the links between the bureaucracy and management consulting firms, but also allowed the CSD to bring in the civil service more management consultants from the private sector whose career advancement -unlike permanent bureaucrats- was not tied to established civil service procedures. The more flexible standards of recruitment introduced by the Secondment Program whereby consultants could temporarily be appointed to administrative posts within the civil service, provided a much more hospitable setting for the entry of new ways of looking at state management. It also meant that the British bureaucracy could be more or less continuously refreshed with management ideas from the private sector.

**Table 3.1:  
Central Government Management Consulting Expenditure<sup>10</sup>**

	<u>1964</u>	<u>1969</u>	<u>1972</u>
Cost	£20,000	£830,000	£4.8 million
Number of Assignments	3	60	300

The consolidation of the CSD's management consulting services in the early 1970s reduced the government's reliance on private sector consultants. As indicated in Table 3.1 below, in the first years following the creation of the CSD, government expenditures on external management consulting services increased significantly. In the late 1960s and early 1970s, firms such as Urwick Orr, McKinsey, Booz Allen and PE Consulting were all involved in providing policy advice designed to help the government build its management capacity (Prince, 1983: 33). However, after this period of growth the level of work done for government by management consulting firms decreased somewhat by the mid-1970s. In a speech given to the Institute of Management Consultants in 1975, the Under Secretary in charge of the consulting services in the CSD said that

I am very much aware that I am talking to you at a time when the level of Government business for consultants is pretty low. Part of the reason for this is the way in which Government Departments have been developing their own management services skills (Wilding, 1976: 69).

<sup>10</sup> Sources: Archer, J. N. 1972. *Business Methods in Government*. O&M Bulletin. (27): 1, p.12; Matthews, R.S., Maxwell, R. J. 1974. *Working in Partnership with Management Consultants*. Management Services in Government. (29): 1, p.27. Data in Table 4.1 exclude assignments from the National Health Service, computer consulting and work by consultants on secondment from their firms to the civil service. Data concerning management consulting assignments commissioned by government departments come from O&M Bulletin. From time to time between 1968 and 1981, O&M Bulletin issued samples of management consulting assignments commissioned to private sector firms by government departments. Before the creation of the CSD in 1968, O&M Bulletin was published by the Treasury. In 1973, O&M Bulletin was re-named Management Services in Government. The O&M Bulletin and its successor contain valuable information on the role of consultants in government. The publication of Management Services in Government was ended in the early 1980s after the abolition, by the Thatcher government, of the CSD in 1981.

### **2.3 Departmentalism and the Decline of Rationalism**

For political, organizational, and economic reasons support for the reforms initiated by the White Paper had already started to decline by the second half of the 1970s. After the 1974 election, a new Labour administration assumed office to find itself inheriting the reforms of the Heath government. Many of the changes introduced by the 1970 White Paper were regarded by the new administration "with great suspicion" because "they were seen as part of an alien legacy" (Gray and Jenkins, 1985: 106).

According to Gray and Jenkins, the White Paper and PAR demonstrated the "difficulties of institutionalising rational policy analysis in governmental organisations" (1985: 128). They argue that PAR was unable to meet the technical, organizational and political preconditions for effective policy analysis. It has also been suggested that the White Paper's attempts at strengthening the centre by introducing a new "rational" approach were "defeated by the perceived need to defend departmental policies against threats from the centre" (Radcliffe, 1991: 160). The maintenance of the autonomy of departments is said to have undermined a reform aimed at greater policy integration and co-ordination. "The characteristic departmentalism of British government was maintained at the expense of the broader concept entailed [in the White Paper] approach" (Radcliffe, 1991: 160-1).

The historian of Whitehall, Peter Hennessey, has argued that the CSD, and especially Treasury, played a key role in resisting the full implementation of some of the ideas that were part of the 1970 White Paper. As indicated earlier, from its location in the CSD, Heath's Businessmen's Team was supposed to supervise the implementation of the White Paper reforms, including the PAR process. In the case of the PAR, Hennessey argued that the "first step" of senior officials from the Treasury "towards smothering it was to remove it from the grasp of Heath's businessmen in the CSD and to draw it into their own citadel in Great George Street from which it never emerged alive" (Hennessey, 1989: 235).

One final element contributing to the decline of support for the White Paper, was the crisis in public expenditures of the mid-1970s that overtook the Wilson-Callaghan government.

The introduction of cash limits in 1976 shifted the attention from long-term strategic planning to more rapid cost-cutting (Gray and Jenkins, 1985: 114). This shift is seen by some as illustrating the "fall of rational decision-making" in British government (Jenkins and Gray, 1990: 56). The decline of rationalism was formalized when the Thatcher government abandoned PAR soon after the 1979 election and abolished the CPRS in 1983 (Gray and Jenkins, 1985: 102).

### **3. Thatcherism and the "Efficiency Strategy"<sup>11</sup>**

In October 1979, a Cabinet decision ordered that PAR be set aside and replaced by a new Scrutiny Programme which would be placed under the direction of Sir Derek Rayner, Chief Executive of Marks & Spencer (Gray and Jenkins, 1985: 116). Rayner was appointed by Prime Minister Thatcher after the 1979 election to advise her on ways of improving efficiency and eliminating waste in central government. Rayner was familiar with the corridors of Whitehall, having served as a member of the Businessmen's Team which advised Edward Heath in 1969-70 (Drewry and Butcher, 1991: 201).

In implementing his Scrutiny Programme, Rayner was supported by a small unit known as the Efficiency Unit, based in the Prime Minister's Office. The Efficiency Unit had a small staff of career civil servants and private sector management consultants (Metcalf and Richards, 1990: 9). The appointment of Rayner as head of the Efficiency Unit has been seen by some as "following the Heath government's precedent of inviting private sector consultants to advise on public sector management" (Zifcak, 1994: 15). The "precedent" created by Heath consisted in the establishment of the Businessmen's Team. As has been noted, the "groundwork" for some of Mrs. Thatcher's changes in Whitehall, including the use of consultants as advisers on bureaucratic reform issues, were "laid in the Heath period" (Theakston and Fry, 1994: 395). This is in part why some have argued that "Conservative governments have favoured bringing management consultants from the private sector more than Labour governments" (Henkel, 1991: 74).

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<sup>11</sup> "Efficiency Strategy" is the umbrella term used to describe the managerialist programme of bureaucratic reforms implemented by the Thatcher government (Metcalf and Richards, 1990: vii).

### **3.1 The Efficiency Unit, the Use of "Outsiders" and Prime Ministerialism**

From 1979 to 1983, the Prime Minister's Efficiency Unit was directed by Rayner. After the 1983 election, Rayner was replaced as the Prime Minister's adviser on efficiency by Sir Robin Ibbs, at the time an executive director of Imperial Chemical Industries. The Efficiency Unit was headed by a chief of staff of under-secretary rank. The first, Clive Priestly, was a civil servant and the second, Ian Beesley, a senior member of the consulting firm Price Waterhouse which, as discussed later, was closely involved in developing the ideas that went into the Next Steps policy (Times Higher Education Supplement, 1986: 3).

One of the key innovations of the Efficiency Strategy was the "machinery created to give effect to political intentions, notably the Efficiency Unit established within the Prime Minister's Office" and which had direct access to the Prime Minister (Metcalf and Richards, 1990: viii). The locus of the Efficiency Unit within the Whitehall machinery, where it had high-level political access, was seen as crucial to making the process of reform work and for securing the acceptance, by ministers and civil servants, of the managerialist ideas and policies that were part of the government's Efficiency Strategy (Metcalf, 1993: 356). The privileged location of the Efficiency Unit, first in the Prime Minister's Office and later in the Cabinet Office, ensured Unit advice a direct route to the top. It also made clear that the Head of the Unit and his team of civil servants and management consultants could call on prime ministerial backing if it was needed, and ensured that bureaucrats and ministers in departments took the Efficiency Unit's work seriously.

In creating the Efficiency Unit in 1979, and particularly in deciding not to locate it in the CSD (which at that moment was still the organization formally responsible for administrative reform in Whitehall), the Thatcher government learned from the past bureaucratic reform experiences of Fulton and of the 1970 White Paper. As discussed earlier, some of the reforms recommended by Fulton and derived from the 1970 White Paper were not fully implemented as a result of the resistance organized by senior officials. In appointing someone like Rayner with experience in Whitehall managerial reform to direct the Efficiency Unit, and in locating the Unit within the Prime Minister's Office, the

Thatcher administration wanted to bypass the bureaucracy, and especially the CSD. It wanted to make sure that, unlike the Fulton and Heath's reforms, its bureaucratic reform policy agenda would not be blocked by senior departmental officials (Young and Sloman, 1982). The government abolished the CSD in 1981. In her early years in office, Prime Minister Thatcher perceived "the civil service, especially the higher civil service, as an adversary" and saw the CSD as one of the "relics" left by Labour's interventionist ideology (Fry, 1984: 325). In one meeting, the head of the CSD "provoked her wrath by disputing the aptness of private sector management principles to the public service" (Campbell and Wilson 1995: 208). According to Savoie, soon after her election Thatcher became "exasperated with the officials of the CSD who were constantly defending the department's practices, insisting that government administration was entirely different from business management....In short, the CSD did not fit the business-management model" (1994: 201).

Following the abolition of the CSD, responsibility for civil service personnel and pay were then returned to the Treasury and functions related to the organization, management and efficiency of the civil service, together with personnel matters and policy on training and recruitment, were transferred to a new Management and Personnel Office (MPO) located in the Cabinet Office. In 1987, the MPO was disbanded and its functions went to a new Office of the Minister for the Civil Service, attached to the Cabinet Office (Drewry and Butcher, 1991: 95).

Thatcher's preference for more politically-oriented advice can be seen in the reintroduction, in 1983, of the Policy Unit. The Unit had originally been created by the Labour government in 1974 to provide countervailing advice to the Prime Minister by inserting "outsiders" into the interstices of the Whitehall policy-making hierarchy (Jones, 1987). The Policy Unit, whose size and influence were said to be in "expansion" under Thatcher, consisted primarily of individuals with policy expertise drawn from the Conservative Party and of management consultants from big firms such as McKinsey and Coopers & Lybrand (Jones, 1987: 59; Willetts, 1987: 446). During the Thatcher era, the Policy Unit thus

became, along with the Efficiency Unit, another organizational channel located at the centre of government through which management consultants could make their voices heard within the inner circles of policy-making<sup>12</sup>. In addition, the fact that private sector management consultants employed in the Efficiency and Policy units worked closely with career public servants seconded from their department to the Prime Minister's Office, helped to secure the acceptance by the bureaucracy of the ideas that they promoted. Some of these seconded civil servants were to provide a link between the management consultants working in the units and the bureaucracy. The secondment of civil servants to small organizational entities such as the Prime Minister's Efficiency and Policy units, stimulated charges of "politicization" and indeed, a number of seconded officials who became identified with Thatcher's prime ministership, were not able to return to the public service at the conclusion of their term in the Prime Minister's Office (Aucoin, 1995: 55).

The creation of small organizational entities such as the Efficiency and Policy units, under the direct political control of the Prime Minister, has been seen as evidence of the increasing "prime ministerial" or "presidential" style of the Thatcher administration. Like the American presidential system of government, this style of leadership tends to rely more on "outsiders" for policy advice than on the permanent public service and cabinet colleagues (Foley, 1993; Jones, 1991; Mackenzie, 1987). In relying on "outsiders" Thatcher was, to some extent, following the recommendations of a report of the Machinery of Government Policy Group, an internal Conservative Party body, which suggested building on the experience of the Heath government with special external advisers and the use of businesspersons in government. Over the course of Mrs. Thatcher's tenure the numbers of "outsiders" grew and became an established part of the Whitehall scene (Barnes and Cockett, 1994: 368).

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<sup>12</sup> Other small organizational units located at the centre of Whitehall in the Cabinet Office which have been discussed earlier in Chapter One, include the Next Steps Project Team and the Citizens' Charter Unit. After the 1992 general election, these units were moved together under one roof in the new Office of Public Service and Science, which is not an independent ministerial department as the Civil Service Department was, but rather a sub-division of the Cabinet Office.

By the 1990s, it was suggested that Thatcher's use of "outsiders" to provide the political executive with countervailing advice had contributed to the "death" of the Whitehall paradigm, whereby the permanent career bureaucracy has traditionally acted as the principal source of policy advice to ministers (Campbell and Wilson, 1995). The "death" of the Whitehall paradigm under Thatcher also implied that during the 1980s the British bureaucracy became more "permeable" than in the past. Traditionally, the closed character of the British bureaucracy had often impeded the entry of innovative ideas into the policy process and prevented "outside" voices from making much political headway (Davidson and Lowe, 1981). As discussed next, Thatcher's practice of bringing in "outside" policy advisers, particularly management consultants, facilitated the emergence of managerialist ideas and their translation into government actions. As one observer noted, "the increased infiltration of the civil service by the ideas of people from other walks of life", such as "management consultants who are increasingly used to work alongside existing staff", has made "it easier for government to implement policies directly with little civil service resistance or distortion" (Greer, 1994: 104).

### **3.2 The Scrutiny Programme**

Launched by Rayner soon after his appointment as Head of the Efficiency Unit, the Scrutiny Programme had three main objectives: (i) to examine a specific policy or activity, questioning all aspects of work normally taken for granted; (ii) to propose solutions to problems and to make recommendations to achieve savings and increase efficiency and effectiveness, and (iii) to implement agreed solutions, or to begin their implementation within 12 months of the start of a scrutiny (Greenwood and Wilson, 1989: 123).

In implementing the Scrutiny Programme, the civil servants and private sector management consultants working in the Efficiency Unit learned from previous attempts at reforming the Whitehall bureaucracy. In fact, the experts in the Efficiency Unit sought to reverse the effects of the 1970 White Paper designed by Heath's Businessmen's Team as a way to curtail the autonomy of departments and strengthen the coordinative capacity of the centre. Improved management in government was seen by the Efficiency Unit as depending

substantially on securing the commitment of the civil service and on obtaining the support of senior officials. "And this meant working with, rather than against, the grain of departmentalism" (Metcalf and Richards, 1990: 11). By going with the "grain of departmentalism" (and not against it as the 1970 White Paper) the Scrutiny Programme was designed to secure high-level departmental support. Jealous of their own autonomy, departments "were allowed a large measure of discretion in deciding how and where to seek savings and effect improvements" (Metcalf and Richards, 1990: 134). Although the scrutinies took place in the departments and were conducted by departmental personnel sometimes helped by outside management consultants, the total programme was coordinated by the Efficiency Unit (Taylor, 1983). The choice of scrutiny topics was the responsibility of the minister in charge of the department, but under the oversight of the Efficiency Unit (House of Commons, 1986).

One of the early rounds of the Scrutiny Programme included a study of the provision of management information system for ministers in the Department of Environment (DOE). The result of that study was the establishment in early 1980 of the DOE system known as Management Information Information System for Ministers (MINIS), which was designed to bring together, for the purpose of the minister, information about activities, past performance and future plans for each part of the Department. The system was intended to show how the work of the Department was organized and who was responsible for each activity. The MINIS idea attracted the attention of the Treasury and Civil Service Select Committee (TCSSC), which recommended the introduction of MINIS in all departments (Metcalf and Richards, 1990: Chapter 3). The government replied to the TCSSC report in September 1982 with a White Paper announcing the Financial Management Initiative.

### **3.3 The Financial Management Initiative**

The Financial Management Initiative (FMI) has been described as "an extension of the Scrutiny Programme on a broader front to achieve savings and raise efficiency" (Metcalf and Richards, 1990: 178). The White Paper (Cmd 8616) of September 1982 specified the three basic principles of the FMI intended to promote in each department an organization

and system in which managers at all levels have:

- a clear view of their objectives, and means to assess and, wherever possible, measure outputs and performance in relation to those objectives;

- well-defined responsibility for making the best use of their resources, including a critical scrutiny of output and value-for-money; and

- the information (particularly about costs), the training and the *access to expert advice* that they need to exercise their responsibilities effectively (*italic added*, Cmnd 8616, para.13).

The FMI had full prime ministerial backing and it was presented by the government as a major management reform initiative. In the mode of the Scrutiny Programme, a small organization like the Efficiency Unit - the Financial Management Unit - was created at the centre to provide the "access to expert advice" that the FMI promised to give to managers. The FMU was a joint creation of the Treasury and the Cabinet Office designed "to help them promote the FMI" (Russel, 1984: 149). The FMU was directed by A. W. Russell, an Under Secretary in the Cabinet Office. In an article published in 1984, Russell reported that since its creation in 1982, the FMU had been composed of six civil servants and eight outside management consultants. Most of the consultants came from the big international accounting firms, some of which played an influential role in producing the ideas that went into the FMI (Clark, 1982; Hills, 1982). "The majority of the Unit's members have had accountancy qualifications....The consultants have been drawn from four well-known firms: Arthur Andersen, Coopers & Lybrand, Peat Marwick and Hay-MSL" (Russell, 1984: 146-7). Although joint work in departments between civil servants and private sector management consultants was something that, according to Russell, "occurs fairly often", the character of the FMU was "more unusual" because it brought "together consultants from a number of firms with civil servants in a Unit working in and advising a wide range of departments" (1984: 150).

Russell also claimed that the FMU had "contributed to the development" of the Financial Management Initiative and that members of the Unit had helped to disseminate FMI ideas through their engagement "in courses, seminars, discussions at the Civil Service College, in departments and outside the Service" (Russell, 1984: 148). The "successful contribution" of the consultant members of the Unit in helping the Whitehall civil service community to accept and support the ideas part of the FMI, was due to their previous involvement in the bureaucratic reform policy process and their "experience of work in departments" (Russell, 1984: 151). Francis Plowden<sup>13</sup>, the FMU's management consultant from Coopers & Lybrand, has been described as "an influential shaper of the Thatcher's Administration Financial Management Initiative" (Hennessey, 1989: 552). But Coopers & Lybrand is not the only firm to have had consultants who helped develop the FMI. Large consultancies such as Peat Marwick, which also had consultants working in the FMU, were deeply involved in producing and diffusing FMI ideas. Following the implementation of the FMI, Peat Marwick organized seminars for civil servants and consultants involved in the process of bureaucratic reform, and published books on financial management which provided important sources of managerialist ideas<sup>14</sup>. These publications supported the FMI and advocated the adoption within Whitehall of "a more managerial approach in government which is seeking to learn from (and where appropriate to emulate) some of the culture and attitudes and values of the private sector" (Peat Marwick, 1986: 14).

In implementing the FMI, departmental managers not only used the services of the consultants working in the FMU, but they also increasingly sought the expertise of consultants in private sector firms. Following the FMI, one study found that government expenditure on external management consulting services increased from £27.5 in 1984 to £70 in 1986 (Henkel, 1991: 74). That study also discovered that private sector management consultants "thought that the FMI meant that departments needed the technical skills of

<sup>13</sup> After his work in the FMU, Plowden was appointed to the position of Head of the Government Services Division of Coopers & Lybrand (Coopers & Lybrand, 1993: 142).

<sup>14</sup> These publications, all published in the early 1980s, included: Financial Management in the Public Sector: A Review 1979-1984; Management Information and Control in Whitehall; Developing the FMI: Changes in Process and Culture; Policy Management and Policy Assessment.

consultancy firms. The new approaches in government were felt to have provided a rapidly growing market for management consultants" (Henkel, 1991: 77). In the early 1980s, the access of public managers to outside management consulting expertise was greatly facilitated by changes in the way consultants were recruited for assignments in government. The CSD operated a centralized system for the use of management consultants, but with the abolition of the CSD in 1981, decision-making was decentralized and departments were given responsibility for recruiting consultants (Henkel, 1991: 78). Moreover, with the delegation of financial authority introduced by the FMI, the decisions on the use of management consultants were devolved to "individual line manager budget holder" (Efficiency Unit, 1994: 64).

### **3.4 The Institutionalization of Value-for-Money Ideas**

At the heart of the FMI were a host of quantitative techniques and ideas predominantly derived from accountancy (Henkel, 1991: 12). The FMI implied a "tremendous emphasis on new accounting procedures" such as value-for-money, a technique first developed in the private sector (Pollitt, 1990: 181). In the context of the FMI, value-for-money was defined as having three elements: (i) economy: obtaining inputs of the right quality at the lowest possible cost; (ii) efficiency: producing the greatest useful output from the given level of inputs and, (iii) effectiveness: achieving the objective or objectives of the activity (Likierman, 1988: 97).

Following the implementation of the FMI, value-for-money ideas spread in other institutions of the British central state. In 1983, the government adopted the National Audit Act which gave to the National Audit Office (NAO), the body that audits the revenue and expenditure of the government, new responsibilities in the field of value-for-money<sup>15</sup>. Without entering into a detailed description, it is worth mentioning that the NAO is headed by the Comptroller & Auditor General (C&AG), an officer of the House of Commons

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<sup>15</sup> As will be discussed more in length in Chapter Four in a comparison with the Canadian situation, the value-for-money powers of the British C&AG are far more limited and politically constrained than those of its Canadian counterpart, who has become since the 1970s a key actor in the bureaucratic reform policy process.

independent of the government. All the reports on the accounts of the government, including the value-for-money and evaluation studies performed by the C&AG, are submitted directly to the MPs members of the Public Accounts Committee (PAC). The PAC then studies the findings made by the C&AG and report its own observations to the public and the media at the same time as it releases the C&AG study (Sutherland, 1993: 33). The C&AG is accountable to the Public Accounts Commission, a statutory body created by the 1983 National Audit Act and not a parliamentary committee like the Public Accounts Committee. The Commission is a statutory body and consists of nine MPs. It is involved in the process of appointing and setting the salary of the C&AG. Through the consideration of the NAO's budget, the Commission also has some input in the Office's programme of work, although the choice of areas or policies to be investigated through a value-for-money audit ultimately lies with the C&AG (Likierman, 1988: 173).

Equipped with its new value-for-money responsibilities, the NAO audited in 1986 the efficiency of the government's FMI policy (HC 588, 1986-87). Although the review painted a relatively positive picture of the FMI's development and influence, it nevertheless suggested that more could be done to improve financial management. Following the NAO study, the Thatcher government asked the civil servants and management consultants working in the Efficiency Unit to carry out an evaluation of the FMI and its other efforts to strengthen management practices in Whitehall<sup>16</sup>. The Efficiency Unit study argued that civil servants were now more cost-conscious and that the FMI represented an important start at changing the attitudes of the civil service toward management. This had happened in part because the implementation of the FMI had created a more decentralized style of budgetary control that broke the structure of department down into "cost centres" or "responsibility centres", with the managers of these centres made more accountable for the management of the costs under their control and for the results they achieve (Zifcak, 1994: Chapter 2). With the FMI, authority to middle management may had started to be

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<sup>16</sup> Published in 1988, the study in question is entitled Improving Management in Government: The Next Steps. As mentioned in Chapter One, it is generally referred to as the Ibbs Report because of the name of the Head of the Efficiency Unit. Because the final study was in part drafted by the management consultants employed in the Efficiency Unit, it has been suggested that it looks "more like a report from a management consultancy firm than a traditional civil service review" (Greer, 1994: 6).

delegated, but it was clear, according to the Efficiency Unit study, that many managers still felt frustrated with what they saw as unnecessary controls. The answer, or the “Next Steps” to be taken after the FMI, was simple: devolve the cost centres of the FMI still further and turn them into autonomous agencies, thereby giving managers what was seen as real responsibility. This is why the FMI is generally seen as the “immediate predecessor” to the 1988 Next Steps initiative described earlier in Chapter One (Greer, 1994: 9). The Next Steps policy seeks to push further the decentralization of control and responsibility to line managers that had been initiated with the FMI. Like the FMI, a small organization -the Next Steps Unit- was established at the centre of the executive machinery to help develop and implement the policy. The Next Steps Unit was headed by a senior Treasury official and maintained close links with consulting firms. “Developing the Next Steps”, as a senior consultant from Price Waterhouse noted, “has involved the extensive use of management consultants who have been involved in advising agencies and departments on how to develop the appropriate structures and systems” (Greer, 1994: 129). Large firms such as Price Waterhouse participated in producing the ideas that shaped the Next Steps. Since the introduction of the initiative in 1989, Price Waterhouse publishes every year Executive Agencies: Facts and Trends, a document that evaluates the Next Steps policy and make recommendations on how to improve the performance of agencies. In addition, Price Waterhouse has set up a jury that awards an annual prize for the best managed Next Steps agency (Auditor General of Canada, 1993: C-9).

The implementation of managerial changes in the British bureaucracy in the mid-1980s led to a significant increase in public expenditures on external management consulting services. Because it was felt that since the mid-1980s, “substantial and increasing sums of money have been spent by Departments and Agencies on external consultants”, in 1993 Prime Minister Major commissioned a multi-departmental scrutiny on the costs of external management consulting services (Efficiency Unit, 1994: 1). In a study entitled the Government’s Use of External Consultants published in 1994 by the Efficiency Unit, it is reported that

Over the past ten years the Government has substantially increased its use of external consultants. This has happened for a number of reasons. The initial stimulus came in the mid to late 1980s, primarily from privatisation....More recently there has been a further boost from several major changes in Civil service structure and operations -particularly the creation of Next Steps Agencies (Efficiency Unit, 1994: 19).

Officially released in August, the Efficiency Unit study discovered that "the expenditure by Government on external consultancy grew sharply between 1985 and 1990, increasing nearly fourfold over this period" (Efficiency Unit, 1994: 46). It found that in 1992-93 government departments and agencies spent approximately £242 million on external management consulting services out of a total of nearly £3.5 billion spent on external professional services. This money was expended on computer and various forms of management consultancy to assist with the development of new management information systems, to make possible the delivery of new or improved services to the general public, to enable work to be done by fewer staff, or to improve the quality or effectiveness of a Department or Agency and to improve efficiency (Efficiency Unit, 1994: 41).

According to Christopher Pollitt, the increasing use of external management consulting services is one indication of the growing influence of managerialist ideas within the British state. In his book on public service managerialism in Britain and the United States, Pollitt found that in Britain, "there is no doubt that the Thatcher administration has had repeated recourse to the major consultancies such as Peat Marwick, ...Coopers & Lybrand, Touche Ross and Arthur Young" (1990: 135). During the 1980s, British policy-makers "increased their use of this kind of advice" Pollitt argued, "because the ideological dominance of private-sector management was such that central departments were less likely to question recommendations from a consultancy than from an internal analysis" (1990: 136).

#### **4. Conclusion**

The evidence reviewed above indicates that the adoption of managerialist innovations in the 1980s has been accompanied by a significant growth in the British state's use of private

sector management consulting services. As this chapter demonstrated, however, the participation of consultants in the process of bureaucratic reform in Britain is not a recent phenomenon, although both its form and its extent have changed considerably, as well as its political rationale. The involvement of consultants in the process of bureaucratic reform in Britain did not start in the 1980s with the election of Thatcher and the emergence of the new managerialism. Although it may be true that “the era of Conservative government since 1979 has certainly been the age of management consultancy” (Beale, 1994: 13), it has been shown that consultants became visible actors in the bureaucratic reform policy process at least since the creation of the Fulton Committee in 1966. At that time, consultants were engaged to help rationalize state intervention. But has shown in Figure 3.1 below, later in the 1980s, in a different political and economic context, consultants became “cost-cutters” whose services were used often to reverse previous changes by helping the government to reduce the size and costs of its administration.

**Figure 3.1:**  
**Management Consultants in Whitehall<sup>17</sup>**

## Con artists or cost-cutters



<sup>17</sup> Source: Willman, J. 1994. Con Artists or Cost-Cutters? Do Whitehall's Outside Consultants Provide Value-for-Money? *Financial Times*, April 30, p.7.

This chapter has argued that the effects of past bureaucratic reform experiences, and the way management consulting interests under Thatcher were institutionalized in the Prime Minister and Cabinet Offices and had direct access to decision-making centers, provide important clues to the British pattern of support for managerialism. The approach used has been historical, looking for connections among bureaucratic reform policies over time. To understand how managerialism has been institutionalized in the British policy process, let us summarize what these connections were, and how they affected the access of consultants to centers of power where they could advocate new ways of looking at state management that emerged as the basis for redesigning policy.

In Britain, the change from a "generalist" to a more managerially skilled civil service, started with the work of the Fulton Committee, which was the first committee to study the administration by using the services of external management consultants. The creation of Fulton's Management Consultancy Group coincided with the establishment around the 1960s of business and professional associations of management consultants. By using private sector consultants to study the administration rather than the expertise of civil servants as done in the past, Fulton established consultants as an authoritative voice in the field of bureaucratic reform and made the perspective of civil servants less credible. Because of bureaucratic resistance from the senior "amateur" civil service and the electoral defeat of Labour in 1970, Fulton's recommendations did not have an immediate impact on bureaucratic reform. However, Fulton helped to establish managerialism within the British state by arguing that the government should emulate private sector management practices as a way to rationalize and strengthen state intervention. That idea, which would later have a very different political appeal for Conservatives, originally entered into the policy process "on the shoulders" of Fulton's Management Consultancy Group. It was institutionalized in 1968 when Prime Minister Wilson created the CSD, which was to be the organization that would help the government to become more business-like. To build its new management consulting capacities, the CSD recruited consultants from the private sector and this gave them a professional and institutional holds on bureaucratic reform policy issues. These holds, however, were not very strong because consultants were not appointed to senior

positions and because the CSD was under the control of career bureaucrats who oppose managerialist ideas.

In terms of the access of management consultants to decision-making centers, the Businessmen's Team represents the most important legacy left by the Heath government. A feature of the Conservative Party under Heath was the use of private sector consultants recruited inside the party's policy-making machinery to advise the leader on bureaucratic reform issues. Among the members of the Businessmen's Team recruited by the Conservative Party to advise Heath were two senior partners from the management consulting firms Rio Tinto and PA Consulting. The Team represented an influential institutional site for the production of managerialist ideas. Members of the Team could also have their ideas come directly to the attention of the Conservative leader and as a result, their views significantly shaped the development of the 1970 White Paper. Of course, the White Paper did not have a significant impact on policy because it failed at overcoming "departmentalism". However, the practice of using business persons and outside management consultants to advise the Conservative Party leadership on public management issues was thus initiated, and expanded under the "presidential" or "prime ministerial" regime of Mrs. Thatcher, who established her own Efficiency Unit in 1979. When she created the Efficiency Unit, Mrs. Thatcher built on the precedent established by Heath, with his Businessmen's Team. The main difference between the two bodies, however, is that after the 1970 election, the Businessmen's Team was located within the administration and thus its access to decision-making centers was not as direct as that of the Efficiency Unit. The Businessmen's Team operated inside a government department, in the CSD, whereas the Efficiency Unit was originally situated at the heart of the politics-administration nexus, in the Prime Minister Office.

Organizationally speaking, the Efficiency Unit differed considerably from the machinery on which previous governments had generally relied to coordinate their program of bureaucratic reform. Contrary to what had been done since Fulton, the Thatcher administration did not use the services of the CSD to coordinate its program of bureaucratic

reform. Rather, it relied on small organizational entities placed under the direct political control of the Prime Minister and the Cabinet. Such organizations included the Efficiency Unit and the Management and Personnel Office (MPO), a sub-division of the Cabinet Office created in 1981 as a result of the abolition of the CSD. In dismantling the CSD and in transferring jurisdiction over bureaucratic reform issues to the Cabinet Office, the Thatcher government not only abolished an organization that had previously served to block managerialist ideas from making rapid inroads into policy. It also brought the access point of management consultants to the British state closer to the political control of the Cabinet and the Prime Minister. In terms of their access to decision-making centres and capacity to have their ideas influence policy, consultants profited from the abolition of the CSD. Once directly connected to the political centre of government, consultants had a more direct access to the inner circles of policy-making. An indication of this is the Financial Management Unit (FMU), created as a joint production of the Cabinet Office and the Treasury to coordinate the 1982 Financial Management Initiative (FMI). In the same way as the Efficiency Unit, the FMU consisted of career civil servants and outside management consultants from big accounting firms such as Arthur Andersen, Coopers & Lybrand and Peat Marwick.

The establishment of the FMU as a mechanism used to provide managers with the expertise needed to develop the FMI greatly facilitated the entry and institutionalization of managerialist principles dealing with value-for-money into the British state in the early 1980s. Most of the consultants who helped develop the FMI had an accountancy background and were primarily drawn from the Big Six group. It is especially with the FMI that consultants associated to the Big Six emerged as influential actors in the story told in this chapter. The consultants involved in the provision of management policy advice in the Fulton and Heath reforms came from engineering firms such as Associated Industrial Consultant Ltd and PA Consulting. As noted in Chapter Two, engineering firms founded the first association of management consultants (which excluded accountants until 1962) and have traditionally occupied an important place in the British consulting market. But during the 1970s, the Big Six (than Eight) climbed to the top of the list of firms that now

dominate the consulting industry. By comparison to the Fulton and Heath reforms, the consultants who were part of the inner circles of the Thatcher government in the 1980s (the Efficiency Unit, the Policy Unit, the FMU) often came from the Big Six. It is also during this period that the British state began to initiate policies such as the FMI, based on value-for-money ideas and techniques derived from accountancy. This is in part why some argued that the "FMI seeks to encourage the import of accounting professions and their codes" in public administration (Gray and Jenkins, 1986: 183). Similarly, others suggested that "the nature of the managerialist practices" introduced in the UK public sector during the 1980s, has been "constrained and shaped by accounting knowledge and techniques" (Robson and Cooper, 1990: 372).

This indicates that the management policies that a state adopts as a result of advice provided by consultants are significantly shaped by the nature of the professional knowledge that dominates the consulting market. As will be seen in the next chapter, in Canada managerialist policies dealing with value-for-money emerged earlier than in Britain. This happened in part because the accounting profession has always dominated the management consulting industry in Canada. Another reason is that in Canada, since the early 1970s, consultants drawn from the large accounting firms have acquired an influential voice over bureaucratic reform through their institutional basis in the Office of the Auditor General (OAG). Managerialist ideas rapidly took hold in the OAG. But paradoxically, because the OAG is separated from the executive, managerialism never became as firmly entrenched as in Britain.

**Chapter Four:  
Canada: Spreading Managerialist Ideas  
Through Politically Independent Bodies**

In trying to understand why Canada has been less enthusiastic than Britain - but more than France - in embracing managerialist ideas, this chapter analyzes the past reforms that preceded the 1989 PS 2000 initiative discussed in Chapter One. This is done to see whether the Canadian state's prior experiences with bureaucratic reform left legacies that facilitated or impeded the access of consultants to decision-making centres through which managerialist ideas did (or did not) become an important component of policy.

According to the White Paper on the Renewal of the Public Service of Canada which officially launched PS 2000, the past reforms that led to the 1989 initiative were: (i) the 1960 Glassco Royal Commission on Government Organization; (ii) the "post-Glassco financial reforms" such as the implementation of the Planning, Programming and Budgeting System in 1969; (iii) the Lambert Royal Commission on financial management and accountability in 1976; (iv) the creation of expanded and new institutions such as the Auditor General in 1977 and, (v) the Comptroller General in 1978 (Canada, 1990: 30). Again, as in the case of Britain, there are many discontinuities among the legacies left by these past administrative changes. And indeed, PS 2000 and subsequent reform initiatives such as the 1994 Programme Review (briefly discussed in the conclusion) have tried to reverse the reassertion of central control believed to have taken place as a result of the post-Glassco reforms.

As noted in Chapter Two, in Canada the organizational development of management consulting started at the turn of the 1960s under the leadership of the accounting profession. As will be seen in this chapter, it is also at that moment that consultants began to participate in the process of bureaucratic reform and that managerialist ideas became influential in the administration of the Canadian government. The examination of the past policy experiences on which PS 2000 was built, reveals that in the last 30 years, management consultants entered the bureaucratic reform policy process and disseminated

managerialist ideas within the federal state primarily through politically "independent" bodies. Although Canada has generally been said to have a "fascination" with the creation of central executive agencies (Campbell, 1983: Chapter 4), it has also been argued that "in Canadian government, 'independence' is often a sacred cow" and that policy-makers have been equally fascinated with the creation of advisory bodies independent of political (i.e. ministerial) control (Sutherland, 1993: 24). These are bodies that generally have a research or evaluation function, consisting of individuals whose objectivity in the formulation of advice is based on professional expertise and on institutional separation from immediate control of the government. In the last 30 years, consultants have been brought in the bureaucratic reform policy process through vehicles such as royal commissions, task forces, independent study groups and increasingly since the 1970s, through the Office of the Auditor General (OAG). From 1973 to 1980, the position of OAG was filled by James J. Macdonell from Price Waterhouse who, as discussed in Chapter Two, played a key role in the organizational development and foundation of the Canadian Association of Management Consultants in 1962. Following his appointment as Auditor General, Macdonell initiated an important institution-building process that resulted in the expansion of the powers of the OAG in 1977 and in the creation of the Office of the Comptroller General in 1978, a position filled in the mid-1980s by a partner from Price Waterhouse.

In sharp contrast with the British situation, where consultants have advocated managerialist solutions through small organizational entities located at the centre of government and controlled by the political executive, in Canada management consultants have often pressed their views on bureaucratic reform through "arm's length" organizations. However, management consultants in Canada - like their British counterparts in the Civil Service Department - were also institutionalized at the centre of government following the establishment of the Treasury Board Secretariat (TBS) in 1966. The TBS was created on the advice of the Glassco Commission which also recommended the adoption of program budgeting which led to the implementation of PPBS in 1969. One consequence of PPBS was the presentation to Parliament of departmental expenditures in the program budget form. That change, which coincided with the minority position of the government in the

early 1970s and with the appointment of Macdonell as Auditor General, created for the OAG an opportunity to justify an expansion of its mandate in order to adapt its functions to the new PPBS approach. As a result, the OAG was given important new powers in the area of value-for-money management and consequently became one of the main access points through which consultants have diffused managerialist ideas in the Canadian federal state<sup>1</sup>.

As this chapter shows, the institutionalization of management consulting interests in the OAG has meant that their access to decision-making centres in government and their influence over policy have been somewhat more limited than in Britain. Because they were expressed through the OAG, a body independent of the government and linked to the legislature, the managerialist ideas sponsored by consultants did not mobilize strong support from policy-makers and did not have a significant impact on policy. When they did have an impact, it is because they were almost "forced" onto the government as a result of public pressures exercised by the OAG and the legislature. In Canada, government support for the managerialist views often pressed by the network of consultants linked to the OAG has been weak, because managerialism has been packaged by the OAG with issues dealing with parliamentary accountability that were seen by decision-makers as threatening the policy prerogatives of the executive, or the balance of power between the government and the legislature.

### **1. "Let the Managers Manage": The Glassco Commission**

In Canada, the roots of managerialism and of its emphasis on the deregulation of central administrative controls, go back at least to the 1960 Glassco Royal Commission on

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<sup>1</sup> As shown in the previous chapter, Britain did not embrace PPBS but only some aspects of it when it introduced its Programme Analysis and Review in 1971. Unlike Canada, "Britain never formally adopted any form of program budgeting" (Plumptre, 1988: 251). In Canada, the legacies left by program budgeting opened a space that allowed the OAG to justify an expansion of its powers and to subsequently become a key actor in the bureaucratic reform policy process. This is why the OAG emerged as an important part of the story told in this chapter. In part because of the absence of program budgeting, the Comptroller & Auditor General (C&AG) was not an influential actor in the British case. Of course, it was noted in Chapter Three that the C&AG was also given new powers in 1983 in the area of value-for-money. As this will be shown in this chapter, these powers are, however, much more politically constrained than those of its Canadian counterpart because of differences in the accountability mechanisms linking the C&AG to the House of Commons and in reporting arrangements.

Government Organization. Its most enduring phrase was to "let the managers manage" (Aucoin, 1988: 154). The Commission was created in 1960 by the Conservative government of Prime Minister Diefenbaker with the mandate "to inquire into and report upon the organization and methods of operation" of the government of Canada and to recommend changes that "would best promote efficiency, economy and improved service in the dispatch of public business" (Canada, 1962: 8).

The Glassco Commission proposed a "new approach" to management (Chapter 5, Volume 1). The Commission envisaged a system of "checks and balances" (p.61) where departments were to be given increased responsibility for the management of their operations and where a new central agency (an expanded Treasury Board) would be established to provide a framework of guidance. Within this new framework, detailed administrative controls would be reduced and complemented by performance evaluation as the main vehicle for accountability (Johnson, 1992: 9). According to some, Glassco's decentralizing approach to management was based on the belief that differences between private and public organizations should not prevent the incorporation of the best practices and principles of private business management into government (Johnson, 1963; McLeod, 1963). Although it recognized that "between government and business there are, of course, significant differences" the Glassco Commission argued that despite these

apparent differences both kinds of organization share the same objective of maximum productivity. The immediate aim of the techniques of management developed for industry is to attain the organization's goals with the greatest possible economy of effort. Consequently, most of the techniques of management developed for business can be adapted to government (Canada, 1962: 46-7).

### **1.1 The "Most Prominent Assault" of Consultants on the Bureaucracy**

The tendency of the Glassco Commission to attenuate the essential differences between public and private sector management, it has been suggested, was in part related to the fact that many of the experts employed in the Commission's research staff, were "drawn from management consulting firms whose experience lay mainly in the field of private rather than

public administration" (Hodgetts, 1973: 257). The research staff of the Commission was divided into 21 Project Teams. Each Project Team produced a study investigating various areas of government organization and management which was published as part of the Commission's final report. Almost 80 per cent of the Glassco budget (\$2.2 million) was spent on research services (Canada, 1962a: 126; Tunnoch, 1964). At least six of the Glassco Commission's Project Teams were under the direction of senior partners in some of Canada's largest and most important accounting and management consulting firms<sup>2</sup>. According to one estimate, "well over half" of the research staff of some 170 specialists engaged by the Commission were associated with accounting and management consulting firms and most of the remainder were drawn from executive positions in the private sector (Hodgetts, 1973: 25).

The Glassco Commission has been described as a "major breakthrough for management consultants in the public service" (Meredith and Martin, 1970: 386). According to a document describing the history of the Canadian Association of Management Consultants (CAMC), created two years after Glassco,

The practice of using external consultants was given a significant boost by the Royal Commission on Government Organization....The list of specialists working for the Commission often resembled directories of Canadian management consulting....The Glassco Commission gave virtually every management consulting firm an opportunity to work in Ottawa and be schooled in the machinery and mechanisms of the management of the federal government (Mellett, 1988: 22).

The Glassco Commission's suggestion that "the federal government increase its use of external advisers" such as management consultants, also "helped establish the federal public sector as a major market for CAMC firms" (Mellett, 1988: 22). The Glassco

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<sup>2</sup> The study on Financial Management was directed by an accountant and partner from the firm Peat Marwick; the study on Paperwork and Systems Management was directed by a senior consultant from Urwick Currie Ltd.; the study on Purchasing and Supply was directed by a partner from the accounting firm McDonald Currie & Co.; the study on Printing and Publishing was directed by a senior consultant from the international firm P.A. Management Consulting Ltd.; the study on The Make or Buy Problem was directed by a senior accountant and partner from Price Waterhouse; and the study on the Canadian Broadcasting Corporation was directed by a representative of Peat Marwick.

Commission is said to have represented the “first and most prominent assault of the outside management expert on the barricades” of the public service (Hodgetts, 1973: 25). Hodgetts also argued that Glassco has been “by far the most impressive demonstration of the influence” of what he called - in a term illustrating the domination of accountants in consulting in Canada - the “management expert-cum-accountant” (Hodgetts, 1973: 25). The Glassco Commission’s massive use of management consulting expertise also reflects the legitimacy that consultancy had acquired since the late 1950s with the entry of accountants into the field<sup>3</sup>.

## **1.2 The Bureau of Government Organization**

The final product of the work of the Glassco Commission consisted of more than 20 studies printed in five volumes, containing about 300 recommendations. The most important proposals for reforms made by the Glassco Commission were in the area of financial management and included the re-organization of the Treasury Board and the replacement of the government’s line-budgeting approach by a program and performance-base budget system (White and Strick, 1970: 90).

Prime Minister Diefenbaker enthusiastically endorsed the findings of Glassco and immediately established, within the Privy Council Office, a Bureau of Government Organization to review the Commission’s report and to select those recommendations that appeared readily applicable and desirable. The Bureau was intended to act as a “ginger group” to ensure that the recommendations would not fall by the way side (Savoie, 1994: 64). “Uneasily housed, under somewhat indirect supervision, and with slender resources, the Bureau”, according to Hodgetts,

nevertheless played the invaluable role of instigator, gadfly and facilitator. At least, it ensured that all the major recommendations of the commission were canvassed and, where agreements were secured, that action on them was initiated (1973: 260).

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<sup>3</sup> Like many other Royal Commissions created throughout the post-war years in Canada, by relying heavily on management consultants for expert advice on bureaucratic reform policy issues. Glassco provided a definition of “who has a legitimate right to speak on the matter at hand” (Jenson, 1994: 45).

The Bureau was placed under the political direction of a Minister without portfolio in the Diefenbaker cabinet (Senator W. McCutcheon), and some of its members were drawn from the group of management consultants who had been employed by the Glassco Commission. For instance, one senior advisor to the Bureau of Government Organization was Mr. Donald Yeomans from the management consultancy Urwick Currie Ltd. Yeomans had been loaned by his firm to the Glassco Commission staff in 1961, to serve as director of the Organization Research Group (Institute of Public Administration, 1970: 1). Through the Bureau, management consultants who had been involved in the Glassco Commission were given direct access to decision-making centres in government. In part as a result of this situation, the majority of the financial management recommendations made by the Commission were implemented by the new Liberal government, which announced its support for Glassco soon after its election in 1963<sup>4</sup>.

Following the election of the Pearson government, the Bureau of Government Organization was moved from the Privy Council Office to the Department of Finance and Yeomans was appointed Assistant Secretary to the Treasury Board. In the Treasury Board Secretariat, which went through an important process of institution-building after its creation in 1966, Yeomans was responsible for the Management Improvement Branch, created following a recommendation of the Glassco Commission to encourage the use within the public service of modern management techniques (Hodgetts, 1973: 306). The new Management Improvement Branch took over the functions of the Bureau of Government Organization<sup>5</sup> and became responsible for evaluating and promoting the implementation of the recommendations of the Glassco Commission (White and Strick, 1970: 108). The recommendation to create a Management Improvement Branch had been formulated by the Glassco Commission's Research Group on Paperwork and Systems Management, which

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<sup>4</sup> For instance, in March 1967 the President of the Treasury Board, E. J. Benson, said that "If I were to read the 48 recommendations of the first volume [which dealt mostly with financial and personnel management], I would be able to insert after 36 of them, the response: 'and we have implemented that'" (quoted in White and Strick, 1970: 93).

<sup>5</sup> After the 1963 election, the Bureau of Government Organization was gradually abolished and its staff dispersed to other departments or absorbed into the staff of the Treasury Board (Hodgetts, 1973: 261).

was under the direction of a senior consultant from Urwick Currie Ltd.<sup>6</sup>, the same management consulting firm that had previously loaned the services of Yeomans to the government (Canada, 1962: 190). In the course of its study, the Research Group on Paperwork and Systems Management observed that “the newer administrative techniques developed by large-scale industrial and commercial enterprises have been less than adequately utilized throughout the government” (Canada, 1962: 220). To compensate for this situation, the Research Group proposed to establish a division (the Management Improvement Branch) that would act as the government’s central management consulting service<sup>7</sup>. The Research Group also suggested that in its early years, the Management Improvement Branch would “need to draw upon resources outside the government, such as universities and consultants” (Canada, 1962: 223). The Research Group had previously found that public servants in departments were often “reluctant” to “employ outside consultants” to assist them in implementing new management techniques such as system analysis (Canada, 1962: 219).

It has been suggested that individuals such as Mr. Yeomans were part of the “influx” of personnel, “some from the Glassco Commission itself and some from consulting firms brought in to implement the Glassco recommendations” which “produced a cadre of officials” that was “primarily centred in the Treasury Board” (Doern, 1971: 87). “One of the consequences of the Glassco Commission”, it has similarly been argued, “was the appointment to the government service, and in mostly senior positions, of many of the persons who conducted the study” (Mansbridge, 1979: 530). In the recent history of Royal

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<sup>6</sup> Urwick Currie was bought by Price Waterhouse in 1984.

<sup>7</sup> The Research Group noted that there existed in the Civil Service Commission since 1946 an Advisory Services Branch but argued that this service could not act as the government’s central management consulting services because it was located in an agency that is not subject to the executive (Canada, 1962: 221). The Civil Service Commission’s Advisory Services Branch later became the Bureau of Management Consulting, which is today known as Consulting and Audit Canada (CAC), a body loosely attached to the Department of Public Works. Like its ancestor in the Civil Service Commission, as a special operating agency, CAC is also autonomous from direct executive control. Because it is not part of the legacies of past reforms that led to PS 2000, this chapter does not analyze the history and organization of CAC. However, CAC corresponds to the main argument made in this chapter that in Canada, management consultants have generally been linked to the federal state through “arm’s length” bodies rather than through organizations located at the centre of the executive machinery as in Britain.

Commissions in Canada, the case of Glassco is somewhat exceptional because some of the "experts" involved in the Commission's research groups not only played an important role at the advisory stage through the production of ideas, but they also helped to translate these ideas into policies. Many of Glassco's ideas entered public administration on the "shoulders" of those who often had contributed to developing them. Through the Bureau of Government Organization, and its successor the Management Improvement Branch (located in the new Treasury Board Secretariat), management consultants who had been involved in the Glassco Commission were thus given an institutional basis within those state agencies that have jurisdiction over the issue of bureaucratic reform. They were also provided with an opportunity to influence the process of deciding which of the recommendations that they had previously helped to formulate, would be chosen for implementation. One such recommendation whose implementation later paved the way for the introduction of the Planning, Programming and Budgeting System (PPBS) concerned program budgeting. The program budgeting idea was based on a report produced by accountants and consultants drawn from the firm Peat Marwick\*.

## **2. The Search for a Framework of Central Direction**

If the management reforms implemented following the Glassco Commission decentralized authority to departments and agencies, the late 1960s and early 1970s witnessed the first attempts to implement the control side of the equation. Some seven years later, the Treasury Board Secretariat (TBS) started to initiate the kind of broad framework of central direction and accountability that Glassco had advocated in its report in 1962. As indicated earlier, the Glassco Commission envisioned a "checks and balances" system where the TBS would provide a framework of central guidance within which detailed controls would be reduced and complemented by performance evaluation as the main vehicle for accountability. The implementation by the government of PPBS in 1969 was intended to set into motion the kind of central framework suggested by Glassco.

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\* The Glassco Commission's recommendations on program budgeting are contained in "Report 2: Financial Management". The Project Group responsible for the research and drafting of the report on financial management was under the direction of James C. Thompson, a chartered accountant and partner in the accounting and management consulting firm Peat Marwick. Associated with Mr. Thompson on the Project Group were eleven project officers all drawn from Peat Marwick (Canada, 1962: 84)

## **2.1 The Planning, Programming and Budgeting System**

Although Glassco did not speak of PPBS (it referred to the need to develop budgeting techniques on a program basis), the “essential Canadian inspiration for the development of PPBS” can be linked to the Royal Commission on Government Organization (Doern, 1971: 87). In 1969 the President of the Treasury Board issued a guide to departments and agencies on how to implement PPBS. The Treasury Board guide explained that PPBS was intended to introduce an “analytic approach to government decision-making” (Government of Canada, 1969: 6).

At the time PPBS was introduced, major changes were made to the machinery of government. Besides the creation of the TBS mentioned earlier, the Cabinet committee system was restructured and a Priorities and Planning committee was established. Changes in Cabinet committees were accompanied by a significant expansion of the Privy Council Office to facilitate policy coordination (Savoie, 1990: 59). Important changes were also made in the way the estimates were compiled and presented to Parliament. One of the results of PPBS was the presentation for the first time in February 1970 of departmental expenditures in the program budget format in the Estimates Blue Book. As discussed below, this format created an opportunity for the Office of the Auditor General, to justify an expansion in its mandate, with important consequences for the access of consultants to decision-making centres and the institutionalization of managerialist ideas.

## **2.2 Feeding the Information Requirements of the PPB System**

A major element of the PPB system is its application of cost-benefit analysis to departmental programs and activities (Hinrichs and Taylor, 1969). In the information system envisioned by the 1969 PPBS guide, cost-benefit analysis represented one of the main feedback mechanisms through which departments were to generate the data required by the TBS to measure attainment of program objectives. Thus, an important aspect of PPBS was to establish within departments workable measurement devices and techniques whereby programs performance could be evaluated. With PPBS, the aim of the Treasury Board was to make performance measurement an integral part of the budgetary process and

to provide an empirical basis upon which to conduct program reviews. Within the bureaucracy, the implementation of PPBS meant that each department and agency had to establish in its organization a unit (called "Program Analysis Unit") composed of a small staff of experts whose sole responsibility was to perform the "analytic work" (i.e. cost-benefit analysis and performance measurement) associated with program budgeting (Government of Canada, 1969: 50). In setting up their Program Analysis Unit, departments were encouraged by the Planning Branch to use the services of outside management consultants in order to get help in producing the quantitative data necessary to feed the PPB System. The 1969 PPB Guide suggested that

the capability of the analysis unit could with profit be supplemented by outside consulting service drawn from the Bureau of Management Consulting Services, universities, or commercial management consulting firms (Government of Canada, 1969: 54).

To attempt to feed the information requirements of the PPB System, the Planning Branch of the Treasury Board also issued a number of guidelines on performance measurement, including the manual on Operational Performance Measurement in 1974, and a booklet entitled A Manager's Guide to Performance Measurement in 1976. The Treasury Board also published the Cost-Benefit Analysis Guide in 1976. These various measurement devices were all "designed primarily to close the information gap in PPBS" (Yeomans, 1975: 27). Although they were presented by the government as "crucial to the success of PPBS" it was noted, however, that the information base that these measurement techniques were expected to generate was "still lacking to a large extent" (Treasury Board, 1974: 2). It was difficult to meet the information requirements of PPBS'. And if the information base needed to make the PPB System "work" was incomplete, this meant that the TBS framework of guidance established to balance the decentralization of authority was also incomplete. In the mid-1970s, actors such as the OAG started to suggest that the government's central framework of guidance was not working properly because departmental data were not adequate to meet the information needs of the PPB System.

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<sup>9</sup> As it has been noted "As early as the mid 1970s it was clear that these approaches to cost-benefit measurement and performance measurement could generate only a drop in the ocean of analysis" required by the PPB System (Sutherland, 1990: 144).

### **2.3 The OAG's Study on Financial Management and Control**

In 1974, in his second annual report to Parliament, the newly appointed Auditor General of Canada, Mr. James J. Macdonell (whose role in the transformation of the Audit Office will be discussed later in the chapter) launched a government-wide investigation called the Financial Management and Control Study (FMCS).

The initiation of the FMCS by the OAG was made possible by the expectations created by the PPB System introduced in 1969. Traditionally, the "audit entity" (i.e. the organizational parameters within which the scrutiny takes place) consisted of concrete elements such as budget categories or parliamentary votes (appropriations). However, with the implementation of PPBS the audit entity became much broader, often including whole government programs and departments (Sutherland, 1986: 125). State auditors have accordingly assumed duties of a wider scope than their traditional financial audit work and since the 1960s they conduct broad-scope scrutinies that sometimes cover abstract entities such as "management systems" (Chan and Jones, 1988). One unintended consequence of PPBS has been to contribute to the expansion of the powers of state auditors<sup>10</sup>. Thus, in launching initiatives such as the FMCS in the early 1970s, the OAG justified the qualitative change in the audit function of his Office by the "new approach to expenditure management of the 1960s, the adoption of PPBS and the decentralization of financial control following upon the Glassco Commission's report" (Sutherland, 1980: 24). The objective of the Auditor's two-year FMCS was to assess both the adequacy of systems and controls in departments and agencies and whether additional responsibilities delegated to departments after the Glassco Commission report were being properly discharged (Auditor General of Canada, 1974: 67-8). According to the OAG, the Financial Management and Control Study

turned out to be the most comprehensive independent examination of the government's financial management and control systems since the Royal Commission on Government Organization (Glassco) reported in 1962 (Auditor General of Canada, 1975: 3).

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<sup>10</sup> This is paradoxical to the extent that PPBS was originally designed to strengthen the executive and not the legislative branch of government to which state audit institutions are generally linked (Arnold, 1986).

The OAG's comparison of its 1974 study on Financial Management and Control with the Glassco Commission is relevant in more than one way. The two studies were not only "independent", in the sense of both having been conducted by bodies autonomous from the direction and control of the political executive, but like the Glassco Commission, the OAG also made important use of individuals drawn from large accounting and management consulting firms. In transforming the function of his Office from the traditional financial audit to the audit of the government's "management systems", the Auditor started to bring in a large number of management consulting experts. As a result, the OAG became an important access point in the federal state for consultants. For instance, the outside help for the FMCS came from 34 partners and managers associated with 16 of Canada's most important accounting and management consulting firms such as Arthur Andersen; Coopers & Lybrand; Deloitte, Haskins & Sells; Ernst & Ernst; Peat Marwick; Price Waterhouse and Touche & Ross (Auditor General of Canada, 1974: 69-70; 1975: 3). Heading the study on Financial Management and Control as Director General was Mr. Robert B. Dale-Harris from Coopers & Lybrand.

Based on the findings of this group, Mr. Macdonell expressed serious concerns about the adequacy of departmental systems and procedures for financial management and control in his 1975 and 1976 reports. In 1975, the OAG stated in its annual report to Parliament that

**The present state of the financial management and control systems of departments and agencies of the Government of Canada is significantly below acceptable standards of quality and effectiveness (Auditor General of Canada, 1975: 4).**

The results of the second year of the special study of Financial Management and Control were apparently worse than the first. In its 1976 annual report, the OAG rocked the government to its foundations when he claimed that he was "deeply concerned that Parliament - and indeed the Government - has lost, or is close to losing, effective control of the public purse" (Auditor General of Canada, 1976: 9). The Auditor argued that he had been "inescapably" led to this opinion by the full results of the two-year study on Financial

**Management and Control**". That study, the OAG argued, had come to the conclusion that the government's financial management system was "grossly inadequate" (Auditor General of Canada, 1976: 9). According to the OAG, the inadequacy of the government's financial management control system was due to the fact that certain key recommendations on management control made by Glassco in 1962 had not been implemented and were misunderstood. Although the Glassco recommendations concerning the decentralization of financial authorities had been fully implemented, the concurrent and equally important counterbalancing controls had not been instituted. The PPB System was not functioning properly, and this meant that "control over public funds would appear to have been deteriorating for at least the last 15 years" (Auditor General of Canada, 1976: 11).

To rectify the situation, the OAG recommended major changes to the machinery of government. The OAG recommended the creation of a new central agency, the Office of the Comptroller General (OCG), that would be responsible for helping departments produce the data necessary to close the PPBS information gap (Auditor General of Canada, 1976: 14). The OCG's mandate would include government-wide responsibility for the evaluation and measurement of the effectiveness, economy and efficiency of government programs. The recommendation that the government establish a single agency that would be responsible for unified central direction and leadership to departments in all matters relating to financial management and control, had already been made by the OAG in its 1975 report (recommendation 10.40). Accordingly, in March 1976 the Treasury Board president announced the establishment of a Financial Administration Branch within the TBS under the authority of a deputy secretary (House of Commons Debates, November 22, 1976: 1230). But later in the course of his appearance before the Public Accounts Committee, the Auditor argued that the establishment of the Financial Administration Branch was not enough; what was needed was an agency separated from the TBS and placed under the authority of a new officer reporting directly to the president of the Treasury Board. But the

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<sup>11</sup> As the Auditor stated in his 1976 report "My over-all conclusion and opinion is based on the breadth and depth of the Financial Management and Control study that my Office, with the very substantial support of the Canadian public accounting profession, conducted throughout the government during the last two years. More than 100,000 professional hours have been devoted to the study by my staff and by more than 50 partners and staff members of leading public accounting firms" (Auditor General of Canada, 1976: 10).

Treasury Board president originally resisted that idea. He argued that this would confuse the chain-of-command within his organization and that "he did not want two deputy ministers reporting to him" (Jean Chrétien quoted in Savoie, 1990: 113). But again in its 1976 annual report, the OAG re-formulated its recommendation about a separate Office of the Comptroller General, this time arguing that this change was urgent because the government was in the course of "losing control of the public purse".

There was an immediate and vociferous public demand from the House of Commons that the Trudeau administration do something immediately to correct the situation (Hartle, 1979: 369). The government offered a "three-faceted response" to the OAG (Jordan and Sutherland, 1979: 586). First, the government appointed in 1976 the Royal Commission on Financial Management and Accountability. Second, in August 1977, Parliament adopted Canada's first Auditor General Act which considerably extended the responsibilities of the OAG by including in its mandate the powers to undertake "value-for-money" auditing. Third, in June 1978, the government amended the Financial Administration Act to create the Office of the Comptroller General, which was given the responsibility for the development of government-wide procedures to ensure that efficiency and effectiveness were measured by departments and agencies. Each element of the government's three-faceted response to the 1976 OAG's report are discussed separately in the following sections.

### **3. The Royal Commission on Financial Management and Accountability**

The Royal Commission on Financial Management and Accountability was created in November 1976. Also known as the Lambert Commission (its chair was Mr. Allan Lambert, president of the Toronto Dominion Bank), the mandate of the Royal Commission was to examine the structure, systems, and procedures whereby financial management and control were exercised and administrators held accountable for their administration (Canada, 1979).

The Lambert Commission's final report produced 165 recommendations contained in a 586 page document which was made public in 1979. In organizing its research agenda, the Lambert Commission did not adopt the broad strategy of the Glassco Commission. Besides a small permanent staff, the Lambert Commission also had a group of six Special Advisors who could communicate their ideas directly to the commissioners. One member of the group was Mr. Donald Yeomans, who had previously worked as a management consultant on the Glassco Commission before being appointed to the TBS in 1965. Another member was Mr. Robert B. Dale-Harris from Coopers & Lybrand (Canada, 1979: 2-3). As indicated earlier, Mr. Dale-Harris was the same person who headed the OAG's two-year Financial Management and Control Study (FMCS), whose findings, according to Mr. Macdonell, had "inescapably" forced him to declare that the government's financial management system was "grossly inadequate". The fact that the research conducted for both the OAG's two-year FMCS and the Lambert Commission had in part been directed and supervised by Mr. Dale-Harris, may help to explain some of their strong similarities. But more important is the fact that the OAG defined, if not the mandate<sup>12</sup>, at least the "problem" that the Lambert Commission was intended to address, and this had a significant influence on the solution developed by the commissioners.

### **3.1 Administrative and Parliamentary Reforms**

In deciding in its 1976 report to define the problem as one of "control" on the public purse by Parliament and government, the OAG created a situation where most of the recommended reforms would also have implications for the accountability relationships existing between bureaucrats, ministers and the legislature in parliamentary system of government (Johnson, 1992: 15). In parliamentary states based on the Westminster model, the accountability relationships of senior officials to ministers and of ministers to Parliament, are essentially what make "control" possible (Judge, 1993). The definition of the problem as one of "control" by Parliament and government almost ensured that this would have an impact on the broader issue of parliamentary accountability. As a result, the

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<sup>12</sup> The Commission's terms of reference stated that "Reports from the Auditor General have caused the government serious concern that the state of financial administration in the Government of Canada is not now adequate to ensure full and certain control over and accountability for public funds" (Canada, 1979: v).

Lambert Commission made recommendations to reform both the administration and the House of Commons.

The Commission called for a strong emphasis on management rather than policy and made suggestions to reform parliamentary committees and to hold senior officials more accountable for their actions. Lambert suggested that parliamentary committees be greatly strengthened and be given a staff budget in order for MPs to undertake in-depth studies of the impact of government programs. Lambert also recommended that deputy ministers be held "directly accountable to Parliament for matters of daily administration that fall under [their] responsibility" (Canada, 1979: 43). The deputy head should be designated Chief Administrative Officer of the department and be liable to appear before the House of Commons' Public Accounts Committee (PAC) to render an accounting of his or her administration<sup>13</sup>. In recommending such sweeping deputy ministerial accountability to Parliament, Lambert argued that it did not intend to weaken ministerial responsibility. Lambert argued that ministerial responsibility had to be reconciled with the growing complexity of modern government which meant, in the commissioners' view, that ministers have less time to oversee the management of departmental affairs (Canada, 1979: 42). Lambert believed that its ideas for direct administrative accountability would reinforce the convention of ministerial responsibility, in the sense that the minister's accountability for the overall administration of the department would become clearer through the recognition that certain spheres of departmental operations were, *de facto*, under the deputy's control.

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<sup>13</sup> The notion of Chief Administrative Officer suggested by Lambert was an attempt to adapt into Canadian political institutions the British Accounting Officer convention (Sutherland, 1991: 110). In Britain, the Permanent Secretary, or deputy minister, is also the Accounting Officer of his or her department and he or she is held directly accountable for financial matters to the House of Commons' Public Accounts Committee (PAC). The Accounting Officer is the person who signs the accounts for a department, defends them before the PAC and is held directly responsible for the faults the committee finds in them (Franks, 1987: 244). In Britain the issue of direct administrative accountability, although very much present, has not permeated recent bureaucratic reform policy experiences as much as in Canada because the notion of Accounting Officer, which has been extended to the chief executives of Next Steps agencies, is a long established convention that has existed since at least the beginning of the century. In addition, the British Accounting Officer convention is much less difficult to operationalize than the Canadian notion of Chief Administrative Officer because it is easier to draw lines between the overall political responsibility of the minister and the responsibility of senior officials for matters relating specifically to the accounts of the department than for matters dealing with the entire administration of the department.

Lambert's recommendation implied that lines would have to be drawn between the political responsibility and the administrative responsibility of ministers and deputy ministers respectively.

### **3.2 The Question of Direct Administrative Accountability**

Although the Trudeau government rejected them and they have never been formally implemented, Lambert's ideas for direct administrative accountability represent its most enduring legacy in recent discussions about administrative reforms in Canada. In making recommendations on bureaucratic reform policies as part of a package that also included parliamentary reforms, Lambert ensured that subsequent attempts at reforming the federal administration would almost always be linked with questions dealing with parliamentary reforms<sup>14</sup>. As mentioned earlier, Lambert was led to look at questions dealing with parliamentary accountability because of the way the OAG initially framed the problem in its 1976 report as one of "control" by Parliament and government of the public purse. And as a result, the OAG, along with backbenchers in the House of Commons, has been one of the most fervent partisans of Lambert's recommendations on direct administrative accountability<sup>15</sup>. The way bureaucratic reform policy was packaged<sup>16</sup> by Lambert affected the process of alliance formation by generating opposition from the government but support from MPs for the idea of direct administrative accountability. For actors located in the legislative branch of the state, Lambert's ideas on accountability are politically attractive because they would give to the OAG and MPs a more important role in scrutinizing the executive. These ideas are predictably opposed by governments because they would substract whole areas of public administration from the minister's sphere of intervention. Nonetheless, they did not disappear in 1979 with the Lambert Commission because the interests attached to them (the OAG, MPs, the Public Accounts Committee) had sufficient

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<sup>14</sup> One long-time practitioner and observer of Canadian public administration has noted that, especially since Lambert, most bureaucratic reform policies put in place in Ottawa have generally not received strong government support and have "failed to take" because they did not "adequately cope with the question of how the reforms would "fit" in parliamentary government" (Johnson, 1992: 15).

<sup>15</sup> Since Lambert, the OAG has stated publicly its support for the idea of direct administrative accountability on a number of occasions. For a review of these statements, see Sutherland (1991) and Johnson (1992).

<sup>16</sup> On the concept of "policy package" see Weir (1992: 24-5).

institutional power to maintain them on the bureaucratic reform policy agenda. In associating issues dealing with parliamentary accountability to managerialist innovations such as such as the Commission's recommendation to introduce a "management-by-objective system", the Lambert report did not mobilize strong governmental backing for managerialist ideas and policies (Hartle, 1979: 375).

Although some of the recommendations were accepted, the Lambert report has had very little influence on government operations (Savoie, 1990: 131). By the time the Commission's report was made public, a number of events had taken place which distracted attention from its recommendations. First, there was a change of government. In May 1979, two months after the publication of the Lambert report, the Trudeau government was defeated by Joe Clark's Conservatives. In addition, some of the most important reasons that had justified the creation of the Lambert Commission had already evaporated when its final report was made public. In April 1977 the government announced its decision to create the Office of the Comptroller General (OCG) along the lines first suggested by the Auditor General. And finally, while the Lambert Commission was conducting its inquiry, the government had adopted in 1977 the new Auditor General Act which, as discussed below, was seen as another tool that would help to rectify "waste or maladministration" in government (Canada, 1975: 108).

#### **4. The 1977 Auditor General Act**

In Canada, the OAG is one of the most visible and well-known actors in the financial management system. The position of Auditor is occupied by an appointed official who makes reports to the legislature. To carry out its functions appropriately, it is believed that the OAG must have what private sector auditors call "independence", i.e. the auditor must not be under the direct control of the organization being audited - in this case the executive branch of the government (Kernaghan and Siegel, 1991: 623). One element of this independence is ensured by the fact that the Auditor is an officer of Parliament. The Auditor's powers to report directly to the House of Commons, his or her method of appointment and the fact that he or she has protection from arbitrary dismissal from office

by the government, are all aspects intended to ensure the OAG's independence from the control and direction of the political executive.

The Auditor General Act was proclaimed law in August 1977. However, the idea of having legislation dealing specifically with the OAG started during the late 1960s and early 1970s, when the responsibilities and relationships of the Auditor General became the source of considerable controversy. Before the adoption of the Act in 1977, a number of draft acts had been proposed. In the early 1970s, the Treasury Board was in the course of drafting a proposed Auditor General Act and it is in this context that James J. Macdonell, head of Price Waterhouse's management consulting division and co-founder of the Canadian Association of Management Consultants, was appointed Auditor General by the government in the spring of 1973.

A few months before the retirement of Macdonell's predecessor (Auditor General Maxwell Henderson), the president of the Treasury Board had established a committee which consisted of the heads of five major accounting firms to identify suitable candidates for the position of Auditor General<sup>17</sup>. One member of the search committee was Mr. Gordon Cowperthwaite, head of the Toronto-based accounting and management consulting firm Peat Marwick. Like Mr. Macdonell, Mr. Cowperthwaite was also a co-founder of the Canadian Association of Management Consultants (CAMC) and a past-president of the CAMC in 1967-68 (Mellett, 1988: 51). In February 1973, Mr. Cowperthwaite communicated with Mr. Macdonell to let him know that his name was on the top of the short list of qualified candidates. A few days later, the Treasury Board president officially announced the appointment of Macdonell. Macdonell took leave of the CAMC in 1973 when he left Price Waterhouse to become Auditor General of Canada (Mellett, 1988: 23).

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<sup>17</sup> In Canada, the Auditor is appointed by Parliament on the nomination of the Prime Minister. However, to help ensure the highest quality appointment, there is a tradition that, in making this nomination, the Prime Minister will rely on the advice of a committee of senior representatives from leading accounting firms. Once appointed, the Auditor serves a fixed term of ten years or until he or she reaches sixty five years of age. One way to insure the independence of the Auditor from the executive, is that he or she can only be dismissed for inappropriate behaviour after a majority vote of the House of Commons and Senate and the concurrence of the Governor General.

In mid-April, Macdonell met with the Treasury Board president (Charles Drury) to discuss with him the responsibilities he was about to take. One item on the Treasury Board president's agenda was the proposed Auditor General of Canada Act, drafted in the last months of Auditor Henderson's tenure, and pronounced satisfactory by him before his retirement and now ready to be presented to Parliament (Sinclair, 1979: 104). The Treasury Board president wanted to know if Macdonell would object to the early launching of the draft act. Macdonell did indeed object. The draft bill contained a number of clauses which awarded to the OAG control over the recruitment and classification of his personnel. These were the powers that Auditor Henderson had asked for, and they were the ones that the new legislation would give to his successor. But Macdonell believed that the new act should also address the issue of the scope of the investigating and reporting powers of his Office. The draft legislation was thus shelved.

In October 1973, appearing before the Standing Committee on Public Accounts, Macdonell announced that he had just created an independent review committee that would inquire into the OAG's responsibilities and recommend needed legal and administrative changes (Canada, 1975: 3). One of the responsibilities Auditor Macdonell believed was "crucial" to be included in the mandate of his Office was "value-for-money" auditing, or the power to report on whether public funds were spent economically, efficiently and effectively (Sinclair, 1979: 115).

It is important to note that while Macdonell was attempting to give new life to the OAG, the government was in a minority position. During 1972-74, Canadian parliamentary government was more "legislature-centred" than "executive-centred" and consequently, there was a possibility for the legislature and the organizations attached to it to play a stronger role in influencing government actions or in initiating policy (Franks, 1987: 16). Between 1972 and 1974, the balance of power was in favour of the legislature that is, in favour of the same body to which the OAG is institutionally linked, and this shaped the unfolding of the events that are discussed next.

#### 4.1 The Wilson Report and Value-for-Money Auditing

The Independent Committee for the Review of the Office of the Auditor General of Canada consisted of three members (two accountants and one lawyer), appointed by Mr. Macdonell. The Committee's chairman, Mr. J. R. M. Wilson, was a retired partner of Clarkson Gordon & Co<sup>10</sup>. The Wilson Committee issued its report in March 1975. Among the 47 recommendations made by the Committee, the one which the OAG was most enthusiastic about and the one which it believed would generate "the most heated debate", was recommendation number three on "value-for-money" (Sinclair, 1979: 119). The Wilson Committee recommended that the role of the OAG be substantially expanded to allow the Auditor to report to Parliament cases where

money has been expended other than for purposes for which it was appropriated by Parliament or value for money has not been obtained for any expenditure or expenditures (Canada, 1975: 36).

As the Commissioners pointed out, "the Auditor General has for some years now been interested in assessing value for money" (Canada, 1975: 33). First developed in the private sector, the concept of value-for-money, which later became known as "comprehensive auditing", examines whether the money is expended: (i) economically; (ii) efficiently and, (iii) whether the program on which it is expended is effective in meeting its goals (CCAF, 1985). The Commission contended that the first two components, economy and efficiency, "are susceptible to reasonably objective definition and measurement" (Canada, 1975: 33). The application of the concept of effectiveness, however, was more problematic. Effectiveness is the extent to which a program achieves its objectives and is often a matter of value judgement rather than objective measurement. The Committee admitted that the concept of effectiveness raised methodological problems of measurement in that many government "programs defy quantification. For instance, how can one translate the

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<sup>10</sup> Clarkson Gordon was originally a Canadian-based accounting firm. One of its directors, G. P. Clarkson, was part of the group of the ten accounting firms that founded the Canadian Association of Management Consultants (CAMC) in 1963. Mr. Clarkson was in fact the first president of the CAMC in 1963-64 (Mellett, 1988: 51). Clarkson Gordon and its management consulting practice, Woods Gordon, have changed their names to Ernst & Young in the mid-1980s as a result of the mega-mergers that have produced the Big Six group that now dominate the world accounting and management consulting market (ISTC, 1991: 8).

purposes of the Department of External Affairs into quantitative terms that permit objective measurement of performance?" (Canada, 1975: 34). Yet in spite of these problems, the Committee argued that "significant progress" had been made in the social sciences in the development of "methods of measuring effectiveness" (Canada, 1975: 35). The fact that the systematic measurement of the effectiveness of a program "presents problems of identification and evaluation should not be taken as an excuse to question the Auditor General's right of reporting on obvious case of ineffectiveness" (Canada, 1975: 35). It "is important that the new legislation be broad enough", wrote the Committee in recommending a new legal status for the OAG, "to ensure that the Auditor has the right to report...on the evaluation of the effectiveness of programs" (Canada 1975: 35). Although it was recognized that it is "true that there is a strong element of personal judgement involved in [effectiveness] reporting" and that some future holder of the office may be tempted to overstep the boundaries of his powers, the commissioners believed that this represented only a "very slight" risk (Canada, 1975: 36). They concluded that

even if the risk become reality, it would be better that the Auditor General exercise greater latitude than was intended, than any Member of Parliament or private citizen should feel that he was unable to speak freely about the facts he had discovered in the performance of his duties (Canada, 1975: 36).

#### **4. 2 The Effectiveness Evaluation Question**

In the Spring of 1975, the recommendation of the Wilson Committee that the OAG be given the powers to report on value-for-money was greeted with "great reserve" by ministers and senior civil servants, particularly the proposal dealing with the evaluation of programs effectiveness (Johnson, 1992: 11). The government was unenthusiastic about the Wilson Committee's idea on the evaluation of programs effectiveness because it believed that effectiveness evaluation was largely a political function that should be performed by the executive and the parliamentary opposition. The government was not willing to allow the OAG to investigate the effectiveness of its programs because this would have almost amounted to "open pronouncement on policy" (Sutherland, 1980: 630). It was thus argued that the value-for-money recommendation would have to be modified if it were to prove

acceptable to the government (Hartle, 1975). However, the government's original resistance concerning the effectiveness evaluation question became politically more difficult to sustain when the OAG published, just a few months after the Wilson Committee's report, its 1975 annual report where, as mentioned earlier, it was argued that the government's management control system was "grossly inadequate". That statement, added to the suggestion made the next year by the Auditor that the government "was close to losing control of the public purse" created, in the words of the parliamentary opposition, "a crisis situation" in the federal bureaucracy that required rapid and drastic actions (House of Commons Debate, November 22, 1976: 1232). In periods of crisis, state structures often become more malleable and crisis also supplies opportunities for new ideas to influence the direction of policy (Goldstein, 1989: 32). As a result, the ministers and senior bureaucrats opposed to the value-for-money idea found their objections swept away. The government argument that effectiveness evaluation involved judgements on policy was presented by the media and parliamentary opposition as self-serving resistance to managerial improvement (Sutherland, 1981: 193). This situation eventually turned the tide in favour of the OAG. Following a period of negotiation between the TBS and the OAG, the government agreed to allow the Auditor not to undertake effectiveness evaluations himself, but as will be discussed later, to report on the systems established by the Comptroller General to measure program effectiveness (Johnson 1992: 24).

In April 1977, in second reading of Bill C-20, the Auditor General Act, the Treasury Board president said that the power of the OAG to audit internal evaluations of the effectiveness of government programs was "restricted to an assessment of the procedures that have been established to measure the quality of government programs" (House of Commons Debates, April 25, 1977: 4947-8). The part of the Auditor General Act of 1977 which pertains to the concept of value-for-money, states that the Auditor shall call attention to cases where:

money has been expended without due regard to economy or efficiency; or satisfactory procedures have not been established to measure and report the effectiveness of programs, where such procedures could appropriately and reasonably be implemented (Auditor General Act, 7 (2) (d) and (e)).

### **4.3 The OAG's Reporting Powers**

In calling attention to cases where the mechanisms used by the government to measure program effectiveness do not work appropriately, article 7 (3) of the 1977 Act empowers the Auditor to submit his report directly to the House of Commons. Unlike its counterpart in Britain for instance, the Canadian OAG does not report to one specific body made of a small number of politicians, such as the Public Accounts Committee (PAC), but rather directly to the entire House of Commons and through the House, to the media and public in general. This situation is believed to enhance the political independence of the Canadian OAG. In Britain, it was noted in Chapter Three that the Comptroller & Auditor General (CA&G) reports directly to the PAC, and then the PAC examines the audit findings and reports its own conclusions to the public and the press at the same time that it releases the audit report. The PAC's members get media and public attention in return for their work, which can help their chances of re-election and legitimizes their role vis-à-vis the public. In contrast, in Canada it is the Auditor General, and not the MPs who are members of the PAC, who gets media and public attention. In Canada, the public sees only the Auditor General as he tables his report in the House of Commons in a "budget-type lockup, after which he dominates the paper for a few days" (Sutherland, 1993: 33).

The publicity and all the media attention that the Auditor gets from the tabling of his report creates a powerful political leverage for the OAG. The reporting powers of the OAG greatly enhance its capacity to diffuse ideas about how government should be managed. This point is particularly important when one notes that in Canada, the individuals who have occupied the position of Auditor General have not, as in Britain "been career civil servants, but have been hired from careers in management consulting and accounting" (Sutherland and Doern, 1985: 49). The media coverage of its annual report also means that the OAG is able to bypass the government by addressing its message directly to the public. Moreover, as "Parliament's servant", the OAG also often tends to present itself as the servant of all Canadian taxpayers. In the eyes of the public, the institutional separation of the OAG from the executive is a key legitimizing factor which helps to strengthen the belief in the objectivity of its observations regarding government management. This helps make the

OAG a high-profile public actor in discussions pertaining to state management and bureaucratic reform and it can also sometimes give to the OAG the capacity to more or less impose its ideas on the government. For the government, being against the ideas suggested by the OAG or critical of its studies, is almost like being against "Parliament's servant" and indirectly, against the "servant" of all Canadian taxpayers. In the face of the OAG the "government and the bureaucracy are continually in a defensive posture, guilty until proven innocent" (Sutherland, 1981: 196). As shown in the next section, to the extent that most of the OAG's ideas for bureaucratic reform come from private sector consultants, this means that consultants can potentially exercise, through the Audit Office, significant influence on the government's management policies.

#### **4.4 Value-for-Money Expertise and the Executive Interchange Program**

A few months before the adoption of the Auditor General Act in 1977, in anticipation of his new expanded responsibilities, Macdonell launched a Study on Procedures in Cost Effectiveness (SPICE) intended to help his Office develop the methodologies and techniques needed for auditing economy, efficiency and for evaluating program effectiveness. The SPICE had three objectives: (i) to compile information on the 'state of the art' of management control systems in the public sector, in terms of economy, efficiency and effectiveness; (ii) to assess and report on existing procedures for planning, measuring and controlling activities in Canada's public service (in the interest of economy, efficiency and effectiveness) and, (iii) to recommend to the Office of the Auditor General how this new mandate should be exercised in the future (Auditor General of Canada, 1977: 249).

Management consultants were a major source for the ideas that went into the development of the OAG's methodology for value-for-money auditing. Macdonell appointed two management consultants as directors of the SPICE process: Kenneth Belbeck, president of the management consulting firm Stevenson & Kellog Ltd.<sup>17</sup> and his associate Ronald Robinson (Auditor General of Canada, 1977: 249). Mr. Belbeck was not unknown to

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<sup>17</sup> Stevenson & Kellog is now part of the Peat Marwick organization (ISTC, 1991: 8).

Auditor Macdonell. Like Macdonell, Belbeck was also a founding member of the Canadian Association of Management Consultants (CAMC). Mr. Belbeck succeeded Mr. Macdonell as President of the CAMC in 1966 (Mellett, 1988: 51).

Working in the SPICE process under the direction Belbeck and his associate, were "approximately 60 senior professionals" recruited from "leading accounting and management consulting firms across Canada" (Auditor General of Canada, 1977: 249). The intent of the SPICE was very similar to that of the 1974-76 Financial and Management Control Study (FMCS) described earlier. Again the purpose was to scrutinize and describe management control systems in government which monitor or measure economy, efficiency and effectiveness. The information would help the OAG develop the knowledge and technical strategies for its new responsibilities. And again like the two-years FMCS which used the outside help of 34 partners and managers associated with 16 of Canada's most important accounting and consulting firms, the SPICE process was also under the direction of private sector management consultants from large accounting firms.

Many of the accountants and management consultants involved in the FMCS and the SPICE were recruited and lent by their firms to the OAG under the Executive Interchange Program of the Public Service Commission (PSC). In 1974, the Auditor negotiated with Mr. John Carson, Chairman of the PSC (the federal body responsible for overseeing merit appointments to the public service), the application, on a large scale, of the Executive Interchange Program (EIP) to his Office<sup>20</sup>. In negotiating the application of the EIP, Mr. Macdonell argued that his Office had personnel problems and was operating at 25 per cent below its authorized establishment of professional staff (Auditor General of Canada, 1974: 69). It has been reported that PSC Chairman was "a little startled" when he was told that

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<sup>20</sup> The EIP was an exchange program which the PSC had launched in 1971 to encourage a cross-pollination of managerial talent between the federal government and the private sector. It was seen as "means of developing a better understanding of the problems as well as the areas of interest common to industry business and government" (Appendix III, Auditor General of Canada, 1974: 100). By introducing flexible standards for recruitment, the EIP not only allowed the OAG to bring in large number of management consultants from the private sector, but it also facilitated the entry of managerialist ideas into the federal state.

Auditor Macdonell was contemplating using the EIP on a large scale for the loan of 40 to 50 top-level accountants and consultants, considerably more than the total number of executives exchanges in all the government during the three years since the program first came into existence (Sinclair, 1979: 130). Carson accepted Macdonell's requirements<sup>21</sup>, and in early 1974 the Auditor received assurance from the Chairman of the PSC that the EIP could be applied "on a significant scale" to his Office (Auditor General of Canada, 1974: 69). In March 1974, the Auditor met with the President and Vice-President of the Canadian Institute Chartered of Accountants (CICA) to inform them of his intention to approach leading firms of accountants and management consultants across Canada for secondments.

#### **4.5 The Institutionalization of Links with Accounting and Consulting Firms**

According to the OAG, "the melding of the professional resources of the Audit Office and private sector audit and consulting firms proved so effective and successful" in the conduct of government-wide studies such as the FMCS and the SPICE, that it "has become an integral part of our operations" (Auditor General of Canada, 1979: 32). Starting in the mid-1970s, Mr. Macdonell began to institutionalize, at the top of the hierarchy of his Office, the practice of receiving advice from members of Canada's major accounting and management consulting firms. In doing so, the Auditor General was to some extent following the recommendations of the Wilson Commission which had encouraged the Audit Office to develop "close and cooperative relationships" with accounting organizations outside of the federal government (Canada, 1975: 79).

In May 1976 for instance, the Auditor created the Independent Advisory Committee on Financial Management and Control Standards. As briefly mentioned earlier in the section

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<sup>21</sup> It has been suggested that Carson and Macdonell had no difficulties reaching an agreement over the Executive Interchange Program because "with their common management consulting background, the two men soon discovered that their ideas moved along parallel wavelengths" (Sinclair, 1979: 129). Before being appointed Chairman of the Public Service Commission in 1965, Mr. Carson was a management consultant who had been the project director on the Personnel Management study for the Glasco Commission in the early 1960s. After finishing his work with the Glasco Commission, Mr. Carson joined the Treasury Board in 1964 as a special management consultant. As Chairman of the Public Service Commission, Carson presided over the creation of the Bureau of Management Consulting in 1967 (Hodgetts, McCloskey, Whitaker and Wilson, 1972: 320-2 and 336).

discussing the FMCS, the Chairman of the Auditor's Independent Advisory Committee was Mr. Robert Dale-Harris from Coopers & Lybrand, who had led the OAG's two years FMCS, and who acted as special adviser to the Lambert Commission from 1976 to 1979. Mr. Macdonell's Independent Advisory Committee was originally composed of the partners of the same accounting and management consulting firms who, according to the Auditor, had been "intimately involved" in his study on Financial Management and Control between 1974 and 1976 (Auditor General of Canada, 1976: 11). Macdonell invited the partners of these firms to become the Independent Advisory Committee, because he believed that

in this way, their valuable counsel, based on their wealth of knowledge and experience in financial management and control systems and practices in both the public and private sectors, will continue to be available to me and my senior officers (Auditor General of Canada, 1976: 11).

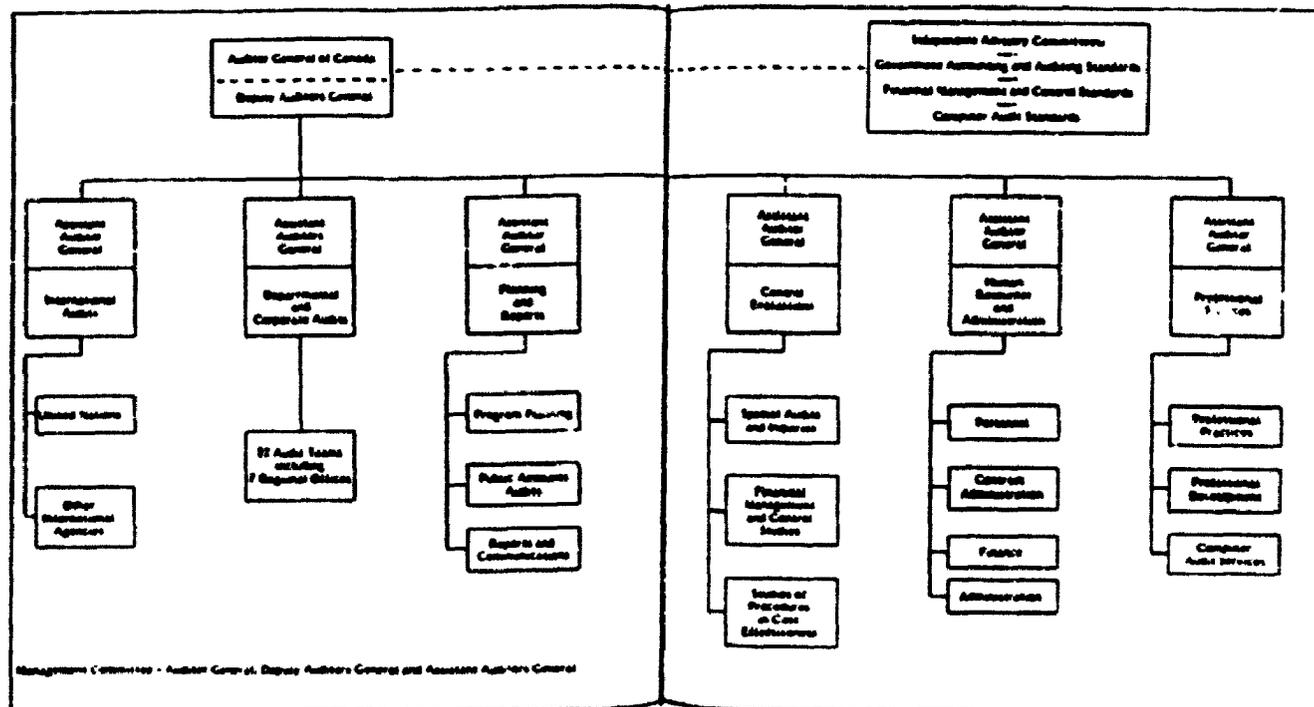
The Auditor's Independent Advisory Committee consisted in 1976 of a majority of firms associated with what was known then as "the Big Eight group (now Big Six)". The organizational chart of the OAG shows the Independent Advisory Committee on Financial Management and Control Standards at the top, linked directly to the Auditor himself (Auditor General of Canada, 1978: 243). As Figure 4.1 below indicates, the 1978 organizational chart of the OAG also shows two more independent advisory committees created in the mid-1970s: the committee on Government Accounting and Audit Standards and the committee on Computer Audit Standards. These two committees also consisted of a majority of accounting and management consulting firms associated to the Big Eight group (Auditor General of Canada, 1978: 245).

In the Auditor General's 1980 annual report, the Independent Advisory Committee on Financial Management and Control Standards created in 1976 disappeared. It was replaced by the Panel of Senior Advisors. Like its predecessor, the Panel of Senior Advisor also

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<sup>11</sup> It was composed of two partners from Coopers & Lybrand, one partner from Touche Ross, one partner from Peat Marwick, one partner from Woods Gordon, and one partner from Price Waterhouse (Auditor General of Canada, 1976: 11)

**Figure 4.1:  
Organizational Chart of the OAG, 1978**



consisted of seven members, most of them associated with the Big Eight group<sup>21</sup>. As the 1980 report indicates, the Panel of Senior Advisors "is made up of leading members of the major accounting and management consulting firms" and it counsels the Auditor General on its program of activities and strategies and on the application of comprehensive auditing (Auditor General of Canada, 1980: 364). As noted in Chapter Three, in the case of the British Comptroller & Auditor General (C&AG), the body that fulfils some of the functions

<sup>21</sup> The Panel of Senior Advisors still exists today and according to the most recent information concerning its membership published by the Audit Office, in 1991 it was still composed of a majority of firms that are associated with the Big Six group (Auditor General of Canada, 1991: E-2). Upon its creation in 1980, one member of the OAG's Panel of Senior Advisors was Mr. Kenneth Belbeck, from the management consulting firm Stevenson & Kellogg who, as seen earlier, had been director of the SPICE process in 1976. Other members of the Panel appointed by Macdonell included: Warren Chippindale from Coopers & Lybrand; Gordon Cowperthwaite from Peat Marwick; Kenneth Gunning from Thorne Riddell; Richard Mineau from Price Waterhouse; Robert Rennie from Touche & Ross, and Jack Smith from Woods Gordon (Auditor General of Canada, 1979: 224). Besides being leading members of some of Canada's largest accounting and management consulting firms, a majority of the Auditor's Panel of Senior Advisors shared another element in common: four out of seven have been, like Mr. Macdonell himself, past-president of the Canadian Association of Management Consultants (CAMC). Belbeck had succeeded Macdonell as president of the CAMC in 1966. Cowperthwaite has been president of the CAMC in 1967; Jack Smith in 1974, and Richard Mineau was appointed by Mr. Macdonell to the OAG's Panel of Senior Advisors while he was finishing his mandate as president of the CAMC in 1978-79 (Mellett, 1988: 51).

of the Panel of Senior Advisors in Canada is known as the "Public Accounts Commission". This Commission is composed not of senior management consultants but of nine MPs from all the major parties represented in the House of Commons. The Commission is involved in the process of appointing and setting the salary of the C&AG and also has some input in deciding which departments and policies should be audited by the C&AG (Adonis, 1990: 121). It is clear that the Canadian OAG is much more politically autonomous from Parliament than its British counterpart, while also being more intimately connected to the management consulting industry. Indeed, in his 1979 annual report, Mr. Macdonell proudly noted that the combination of the resources of his Office and of management consulting firms was a feature that "is believed to be unique both in Canada and elsewhere" (Auditor General of Canada, 1979: 32). Without the use of outside management consultants "on the scale and on the basis applied" argued the Auditor, it would have been "extremely difficult" to carry out in the mid 1970s the "far reaching government-wide studies which have drastically reformed the organization and audit practices of the Audit Office to meet the challenges presented by Parliament through the new Auditor General Act" (Auditor General of Canada, 1979: 32). According to Mr. Macdonell, one result and benefit of this is that

more than 500 partners and staff members of public accounting and management consulting firms from across Canada have rounded out their professional qualifications and competence by gaining public sector audit experience and first hand knowledge of the workings of public administration (Auditor General of Canada, 1979: 33).

The CAG claimed that to build the value-for-money auditing capacity of his Office, it was "more economic, efficient and effective" to rely on the professional resources of accounting and management consulting firms rather than on a "permanent bureaucracy" of comparable range of skills (Auditor General of Canada, 1979: 33). Although he may have believed that he had not created a permanent bureaucracy, it has been suggested that by relying on external resources to strengthen the expertise of his Office, the Auditor had at least created a professional network of like minded people. Thus, according to the author of the history of the Audit Office "Macdonell's advisory boards and successive contingents of Executive

Interchange recruits add up to a network of supporters which encompasses virtually everybody who is anybody in Canada's accounting and consulting professions" (Sinclair, 1979: 201).

Among the "more than 500" accountants and management consultants that are reported to have been involved during the second half of the 1970s in the reform of the organization and practices of the OAG, some were either loaned to the Auditor under the Executive Interchange Program or "under short-term professional service contracts" (Auditor General of Canada, 1979: 8-9). The frequent use of service contracts during that period led to an increase in the portion of the OAG's budget spent on external professional services as indicated in Table 4.1 below.

**Table 4.1:**  
**Audit Office's Expenditures on External Management Consulting and Accounting Services (in thousands)<sup>21</sup>**

	<u>Management Consulting</u>	<u>Accounting</u>	<u>Total Professional Services</u>
1971	4,926	0	35,811
1972	4,997	0	43,259
1973	5,000	0	48,149
1974	290,778	132,333	469,481
1975	242,515	269,093	577,804
	<u>Management Consulting and Accounting</u>		
1976	2,473,773		2,896,934
1977	5,969,951		7,821,820
1978	7,643,119		8,640,284
1979	7,444,720		8,812,966
1980	6,543,449		8,263,727
1981	7,198,539		9,036,211
<b>Average Annual Growth Rate, 1971-81:</b>	<b>107.2%</b>		<b>73.8%</b>

<sup>21</sup> Sources: Public Accounts of Canada. Starting in 1976, the two categories "Management Consulting" and "Accounting" concerning the Auditor General's expenditures on professional services were integrated together in the Public Accounts.

The OAG's expenditures on external professional services went from \$35,000 in 1971 to \$9 million in 1981. Although the amount of money spent by the Office on external professional services was not very considerable at the beginning of the 1970s, it started to increase rapidly following the appointment of Mr. Macdonell in 1973. The most important increase on professional services took place between 1976 and 1977 at the moment of the adoption of the 1977 Act.

#### **4.6 The Canadian Comprehensive Audit Foundation**

One final means through which Auditor Macdonell institutionalized links with leading accounting and management consulting firms in order to strengthen the technical expertise of his Office, was the creation of the Canadian Comprehensive Audit Foundation (CCAF) in 1980. In 1978, to mark the 100th year of the OAG, a centennial conference dealing with the theme of comprehensive auditing was held in Ottawa in December. Organized by Auditor Macdonell, almost a third of the conference's panelists was made of representatives of the big accounting and management consulting firms, many of which were also members of some of the Auditor's independent advisory committees (Auditor General of Canada, 1978a). During that conference, it was agreed that a non-profit, research-oriented organization should be established "to encourage the development of methodology and professional development programs in comprehensive auditing" (Auditor General of Canada, 1980: 20). "Working with senior representatives of public accounting and management consulting firms", the OAG began planning for the establishment of the CCAF within the next several months (Auditor General of Canada, 1979: 30). The CCAF was officially created in February, 1980. Since its establishment, it has been a major source of managerialist ideas, publishing numerous studies promoting the development of value-for-money principles and arguing for an expansion of the role of legislative bodies in the scrutiny of executive actions (CCAF, 1984; 1985). The CCAF founding Board of Governors included the Auditor General of Canada, a number of his provincial counterparts, the president of the Canadian Institute of Chartered Accountants (CICA), the Comptroller General of Canada, senior government officials "and several partners of public accounting and management consulting firms" (Auditor General of Canada, 1980: 20). The

CCAF is primarily financed by individual membership fees, fees paid by accounting and management consulting firms, and by contributions from the OAG (Auditor General of Canada, 1980: 20). During the first half of the 1980s, the Audit Office's grants to the CCAF rose from \$110,000 to \$363,000 (Sutherland, 1986: 140). Upon his retirement in 1980 as Auditor General of Canada, Mr. Macdonell was elected first chairman of the CCAF (Auditor General of Canada, 1980: 9).

The 1980 Auditor's annual report describes the main changes that have taken place in the Office during the mandate of Mr. Macdonell which began in 1973 and ended in 1980. According to the report, one of Mr. Macdonell's most enduring legacies, is that he has "worked incessantly" to improve the professional capacities of the Office by establishing "a close working relationship with the public accounting and management consulting firms" and by recruiting "leading members of the Canadian accounting and consulting professions" to serve on his advisory bodies (Auditor General of Canada, 1980: 9). Indeed, during his tenure as Auditor General, Macdonell not only built up the professional capacities of his office but also contributed to strengthening the organizational development of the Canadian management consulting industry by using the resources of the OAG. For some of the "more than 500" accountants and consultants employed by the Auditor after 1973, the knowledge of the workings of the federal bureaucracy acquired through their work for the OAG was apparently so important, that they became experts in public sector management and were subsequently appointed heads of the Government Consulting divisions that some of the big firms have created in their Ottawa offices since the 1970s. For instance, Mr. Pat Lafferty, head of the Government Consulting Division at Coopers & Lybrand, assumed in the mid-1970s the position of Executive Director in the Audit Office. Similarly, Mr. Michael Rayner occupied the function of Acting Auditor General in 1980-81 before becoming partner-in-charge of Price Waterhouse's Ottawa office where many consultants work for the federal government (Rayner, 1986: 3). Rayner was later appointed Comptroller General in 1985. These examples suggest that during the 1970s, the construction of the value-for-money powers of the OAG and as discussed next, of the program evaluation capacities of the OCG, coincided with the establishment of an

organizationally more sophisticated management consulting industry in Canada. In this particular case, institution-building inside the state (the OAG and the OCG) and organizational development of societal interests (management consultants) have been two closely related processes. Mr. Macdonell who, as seen in Chapter Two, played a key role in the foundation of the Canadian Association of Management Consultants in the early 1960s, continued after his appointment as Auditor General to further the organizational development of management consultancy by using the state to familiarize consultants with public sector management. This in turn, gave to a number of firms the chance to expand their expertise; create Government Consulting Divisions within their organization and sell their services as "specialists" in the field of public management.

### **5. The Office of the Comptroller General**

The creation of the Office of the Comptroller General (OCG) in June 1978 represents the last element in the government's three-faceted response to the allegations made by the Auditor in 1976 that Parliament was losing "control of the public purse". There is a direct institutional continuity between the 1977 Auditor General Act and the creation of the OCG in 1978. The latter can only be understood in direct relationship with the former. As discussed below, the terms that the government agreed to include in the 1977 Act concerning the effectiveness evaluation component of the value for money concept, produced a situation where the adoption of a particular type of OCG in 1978 was almost "inevitable" (Sutherland, 1980: 616).

It was seen earlier that in March 1976, in response to the recommendation from the OAG's Financial and Management Control Study, the government had already implemented its own version of the OCG by creating the Financial Administration Branch within the TBS. The government originally resisted the Auditor's recommendation concerning the creation of an OCG but as events unfolded, the government's position changed. The implementation of the 1977 Auditor General Act paved the way for an OCG whose role would be different from that originally envisioned in the Financial Administration Branch. As a result of the OAG's 1976 statements about the "control of the public purse", pressure on the Treasury

Board president mounted. Many government MPs reported in caucus that their constituents were more concerned with the issue of financial control than with the newly elected sovereignist government in Québec (Savoie, 1990: 111). The Treasury Board president initiated a series of one-to-one meetings with the Auditor General to discuss the OCG idea. Then, the Treasury Board president sought approval for the idea from the Cabinet's Priorities & Planning committee. It met considerable resistance from senior bureaucrats, especially those in the TBS who believed that many of the responsibilities that were to be given to the new OCG would overlap with their own. However, the Treasury Board president reported to the cabinet that he had struck a deal with the Auditor General. Unless he could deliver it, the government would be subjected to a new round of criticism from the media, the opposition and the Auditor himself. On the basis of those arguments, and with the support of the Prime Minister, the Treasury Board president was finally able to get his proposal through. Notwithstanding the support from the Cabinet, there was still strong opposition to the creation of the new office in the Ottawa bureaucracy. Indeed, it took the government nearly one year to appoint the first Comptroller, and many outside government believed that bureaucrats "were deliberately dragging their feet in the hope that the idea would eventually die" (Savoie, 1990: 113).

In retrospect, the statements that the OAG made in its annual reports in the mid-1970s initiated a process that led to fundamental changes in the government's management policies. The OAG's statements created the perception (whether warranted or not) of failure in the government's management system. The perception of failed policy represented an important pre-condition for change in the government's management policies. It produced a period of policy delegitimation<sup>21</sup> that then led to the opening of a political space or opportunity, which in turn created an interest in change among policy makers and the public. However, for change in policy to occur, new ideas or some alternative policy strategy had to be available. In the present case, value-for-money ideas and other related managerialist concepts imported from business management were available and had been sponsored for some years by the OAG and its network of management consulting experts.

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<sup>21</sup> On the concept of "policy delegitimation" see Goldstein (1993: 13)

And as discussed below, once they became embedded in the 1977 Auditor General Act, value-for-money ideas were perpetuated and institutionalized into new government organizations such as the OCG which contributed, after its establishment in 1978, to the creation of new constituencies in support of managerialist policies.

### **5.1 The Legal Link Between the OAG and the OCG**

In allowing the OAG to report directly to the House of Commons on the procedures established by the government to measure program effectiveness, the terms of the Auditor General 1977 Act assumed that such procedures did in fact exist. If such procedures were believed to be non-existent or not "appropriate" by the Auditor, then a body had to be responsible to develop them wherever the Auditor would judge they could "reasonably be implemented". The terms of the Auditor General Act thus opened the door for the creation of the Office of the Comptroller General (OCG). The OCG was intended to be the organization that would establish the procedures that would allow the Auditor to fulfill the value-for-money mandate conferred upon his Office by the 1977 Act. As has been noted, there is a situation of "reciprocal legal obligation and of mutual supports and legitimation" between the OAG and the OCG. The OAG's value-for-money mandate "operates symbiotically with the responsibility of the OCG to ensure that effectiveness evaluation is conducted" (Sutherland, 1980: 621). It is through the OCG that the OAG, a body independent of the executive and attached to the legislature, can apply its power to the bureaucracy<sup>25</sup>. Through its link with the OCG the OAG acquired a more dominant voice in

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<sup>25</sup> The relationship between the two bodies basically works in the following manner. First, the OAG reports to the legislature that procedures to ensure the evaluation of program effectiveness are not in place, according to the 1977 Auditor General Act, the OAG can recommend where such procedures should be "appropriately and reasonably be implemented", the OCG then put in place the recommended procedures and, as indicated in the 1977 Act, if these procedures are not judged to be "satisfactory" by the OAG - the Auditor, in the following year, formulates critical observations about the state of government management in its annual report to the legislature. Armed with its new value-for-money powers, the OAG has been in a position to exercise - through the OCG - continuous pressures on the bureaucracy in order for government departments to put in place the systems or techniques that can measure or evaluate the effectiveness of public programs. In the face of such pressures, and to avoid being publicly blamed in the OAG annual report and thus put their minister in political "hot water", government departments have developed and implemented the various techniques designed to measure program effectiveness and in doing so, they have increasingly come to rely on the services of private sector management consultants. As discussed later, following the creation of the OCG, in the 1980s government's expenditures on management consulting services increased significantly.

the bureaucratic reform policy sector. Following the implementation of the 1977 Auditor General Act and the creation of the OCG in 1978, jurisdiction over management issues in Canada to some extent became a policy domain shared by the OCG and the OAG<sup>26</sup>.

The creation of the OCG opened new possibilities for the Audit Office to have its ideas influenced the government's management policies to the extent that the OCG was created to put in practice the ideas about the evaluation of program effectiveness that the OAG thought, as stated in its 1977 Act, could "reasonably be implemented". To the extent that many of the management ideas promoted by the OAG since the 1970s have come from studies done by consultants from the private sector, the creation of the OCG as an institutional extension of the OAG into the center of the federal bureaucracy, provided for the network of consultants attached to the Audit Office a new channel through which they could press their views.

The position of Comptroller General was created in 1978 by Bill C-10, an Act to Amend the Financial Administration Act, to oversee the quality and integrity of financial administration systems and related practices and procedures in use throughout the federal public service. The OCG was also responsible for developing and maintaining policies, procedures and practices necessary to evaluate and report upon the efficiency and effectiveness of government programs (Rogers, 1978). Besides its responsibilities in the domain of program evaluation, the OCG also assumed "the role of management consultant to departments" (Savoie, 1990: 113). Upon its establishment, the OCG was an independent body within the TBS, headed by a public servant of senior deputy minister rank who reports directly to the president of the Treasury Board. The first Comptroller General of Canada, Mr. Harry Rogers, vice-president of Xerox Canada, was recruited to government from the private sector. The second, Mr. Michael Rayner, was a partner-in-charge of the Ottawa office of Price Waterhouse.

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<sup>26</sup> This situation contrasts with that of Britain for instance where the Comptroller & Auditor General (C&AG) forms only one position and responsibility for its functions is not separated between the government and the legislature as in Canada.

## **5.2 Building Program Evaluation Capacities**

One of the main policies through which the OCG began discharging its responsibilities for evaluation, was the Treasury Board Policy Circular 1977-47, "Evaluation of Programs by Departments and Agencies". The period from 1978 to 1981 was one of intense institution building where the OCG attempted to give substance to the 1977 Circular. To that end, the OCG launched in 1978 two government-wide initiatives: the Task Force on Program Evaluability, and a study known as the Improvement in Management Practices and Controls (IMPAC) intended, among other things, to help departments and agencies develop and design the planning systems needed for conducting program evaluations (Rogers, 1980). One manager from Coopers & Lybrand (Mr. Roy Salmon) is reported as having played an "important role in the development and application" of IMPAC (Treasury Board of Canada, 1980).

The development of the program evaluation function by the OCG in the early 1980s involved extensive consultation with senior department officials, as well as outside management consultants (Segsworth, 1990). During that period, the OCG started to establish regular contacts with management consulting organizations. For instance, Mr. Harry Rogers delivered an address to the Management Consulting Institute, the consulting industry's professional body which organized in April 1979 a workshop for its members on program evaluation (Rogers, 1979). Similarly, in July 1981 the representatives of the Canadian Association of Management Consultants met with the Comptroller General to discuss a number of issues related to the contracting process (Mellett, 1988: 40).

Within the OCG, the Program Evaluation Branch (PEB) was responsible for promoting value-for-money ideas and for helping departments to establish appropriate policy and frameworks for the evaluation of program effectiveness. The PEB was also responsible for training evaluators in the use of government wide evaluation concepts, vocabulary and techniques of analysis (McQueen, 1992). To promote professional development, the PEB organized a seminar series on program evaluation. One such seminar dealt with "Working with Consultants in Evaluation" which focused on the evaluation manager's interaction with

management consultants (Comptroller General, 1983). The PEB also worked to create new constituencies in support of value-for-money ideas and program evaluation policies<sup>7</sup>. One initiative of the PEB was the "Program Evaluation Newsletter", a quarterly publication sent to public managers, academics and private sector management consultants, and whose goal was to create, linked to the OCG, a "program evaluation community" (Comptroller General, 1981). It is also in this context that the Canadian Evaluation Society (CES) was created in 1981, whose main objective is the development of training in program evaluation (Love, 1991; House, 1993). The CES was founded by government departments, the OAG, the OCG, academic institutions and management consulting firms (Mayne and Hudson, 1992: 16). The CES also published a biannual journal, the Canadian Journal of Program Evaluation, whose editorial board was originally directed by senior officials from the OAG and composed of academics and management consultants associated with firms such as Price Waterhouse.

By the fall of 1981, the 1977 Circular on evaluation, as re-interpreted by the (PEB) was outlined and operationalized in two publications: Guide on the Program Evaluation Function and Principles for the Evaluation of Programs by Federal Departments and Agencies. According to the Guide and Principles, deputy heads of departments and agencies have overall responsibility for the organization and functioning of program evaluation within their areas of jurisdiction. To assist deputy heads, the policy requires that evaluation units be established in all departments. In a section on the use of management consultants, the 1981 Guide encourages evaluation units to supplement their resources "through the use of outside consultants". According to the Guide, "consultants can be an effective additional means of bringing expertise, experience and credibility to the evaluation process" (Program Evaluation Branch, 1981: 56-7). As a result, there has been since the

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<sup>7</sup> Writing in 1978, shortly after the creation of the OCG, one observer of Canadian public administration noted that the establishment of this new organization at the center of the federal bureaucracy and the government's increasing emphasis on program evaluation would lead to the creation of "a new industry, the Evaluation industry" (Lafontaine, 1978: 39). Similarly, in 1990 Donald Savoie argued that more than ten years after the implementation of the government's program evaluation system, we now know "that program evaluation did indeed develop into a growth industry and that it grew around the Office of the Comptroller General" (1990: 114).

1980s a significant increase in the government's use of private sector management consulting services. As Table 4.2 below indicates, in the period between 1973 and 1984, the average annual growth rate in expenditures for management consulting services only (22.3 per cent) was almost equal to the rate of increase for all the money spent by the government on contracts for professional and special services (20.2 per cent). However, this trend was radically transformed in early 1980s. Although during that period initiatives were taken to reduce the pace of government spending, between 1984 and 1993 the rate of increase in expenditures for management consulting services (14.4 per cent) is more than twice the growth rate in all contracting for professional and special services combined (6.6 per cent). It is clear that the increase in expenditure on management consulting services during the 1980s is not to be explained away as merely part of the more general trend to contract out, but leads the trend. This increase follows the implementation of major managerialist reforms whose adequacy, as discussed below, has been questioned several times in the last ten years.

**Table 4.2:**  
**Federal Government's Contracting Expenditures on Management Consulting and Professional Services (in thousands)<sup>28</sup>**

	<u>1973</u>	<u>1984</u>	<u>1993</u>	<u>Average Annual Growth Rate</u>	
				<u>1973-84</u>	<u>1984-93</u>
Management Consulting	6,129	56,454	189,209	22.3%	14.4%
Total Contracted Professional and Special Services	383,780	2,933,857	5,205,600	20.2%	6.6%

<sup>28</sup> In order to compare over time the evolution of government spending on management consulting and other professional and special services, the data have been divided into two periods which have been defined according to the availability and comparability of information obtained from the Public Accounts of Canada and the Treasury Board Secretariat. The first period covers most of the 1970s and the second most of the 1980s.

### 5.3 Political Support as the Missing Link of the 1970s Reforms

One day after the Conservatives victory in 1984, Prime Minister Mulroney created the Ministerial Task Force on Program Review with the mandate of evaluating the effectiveness of existing programs and the efficiency with which they are functioning. The Task Force was an ad hoc Cabinet committee consisting of four ministers, chaired by Deputy Minister Erik Nielsen. Nielsen established a twelve-member private sector advisory committee whose role it was "to inject new ideas into the management of the Government of Canada" (Canada, 1985: 2). The committee was chaired by a senior partner from Coopers & Lyt., and also included Ted Netten of Price Waterhouse and 1984 president of the Canadian Association of Management Consultants (CAMC)<sup>19</sup>. The Nielsen Task Force established 19 study teams, involving 102 business people and 99 civil servants that reviewed 989 programs reflecting annual expenditures of more than \$92 billion (Canada, 1986). In the course of conducting their review, members of the Task Force found that the government's program evaluation system was "useless and inadequate" (Canada, 1986,

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<sup>19</sup> CAMC directors considered "the Nielsen representation to have been one of the Association's most significant achievements in recent years. It marked the first time the federal government had singled out CAMC, and the management consulting profession in general, for direct input into policy formation" (Mellett, 1988: 41). Although consultants may have had some input in the recommendations made by the Task Force, the Nielsen inquiry did not have an important impact on policy. This happened because three months after the tabling of the reports, Nielsen's left the cabinet, and in part because of bureaucratic resistance. As it has been noted, some senior civil servants in the Ottawa bureaucracy disliked the Nielsen exercise because they believed that "the private sector people [on the Task Force] were walking around with a slashing mentality" (reported in Savoie, 1990: 135). However, Nielsen fostered a continued effort at reducing the cost of government and it can be seen as the direct predecessor of the Chrétien government's Programme Review policy. The two initiatives not only have almost the same name, but they also have in common a similar emphasis on program delivery to the public. In addition, both the Nielsen Task Force and Programme Review are coordinated by a group of ministers. One major difference, however, is that unlike Nielsen, Programme Review is assisted not by outsiders from the private sector but rather by a group of deputy ministers chaired by the Clerk of the Privy Council. This difference not only explains why support within government circles seems to have been stronger for Programme Review than for Nielsen. It also shows how the Mulroney and Chrétien governments rely on different sources for policy advice. Contrary to the Liberals who have traditionally relied on the senior bureaucracy for policy advice, the Mulroney government preferred to solicit input into policy development from outside the regular bureaucratic systems of the federal government (Aucoin, 1986). Mulroney attempted to bring political allies into the bureaucracy and to bypass the established hierarchy by creating new organizational vehicles such as the private sector advisory panel attached to the Nielsen Task Force; by increasing the number of political aides working in ministerial offices and by "opening up the public service to outside appointment" (Manion, 1991: 362). These moves gave rise to charges that the Mulroney government was, like Thatcher in Britain, "politicizing" the ranks of the senior civil service and presidentializing the system of cabinet government, in particular as a result of the increase in the size of the Prime Minister's Office (Bourgault and Dion, 1989).

23). They claimed that the evaluations conducted by departments whose results can be made public under Access to Information legislation, contained little useful information on the effectiveness and relevance of programs. "Because there is a tendency for these evaluations not to question the fundamental rationale for the reviewed programs", the Task Force noted, "the basic question of whether these programs should exist at all, is rarely raised" (Canada, 1986: 24).

Similarly, in concluding a study of the government's program evaluation system, the OAG argued that there were still many "unfulfilled expectations" of the 1970s reforms (Auditor General of Canada, 1993: 229). The Auditor argued that the program evaluation system designed by the OCG did not work (Auditor General of Canada, 1993: Chapter 10). In the OAG's view, the Comptroller General had carried out "only a part" of its responsibilities since its creation in 1978 (Auditor General of Canada, 1993: 266). According to the OAG, one of the OCG's functions was to encourage departments to make available and publish the results of their internal evaluations of the effectiveness of their programs. As indicated earlier, the 1977 Auditor General Act did not empower the Auditor himself to conduct effectiveness evaluations of government programs, but to report to Parliament on the evaluations done by the OCG and departments themselves. Thus, if departments were not forced by the OCG to publish information addressing questions related to the effectiveness of programs, the Auditor could not fully use the powers conferred upon his Office by the 1977 Act.

The reasons for this state of affairs, it has been suggested, are political and are in part to be found in the secrecy that often surrounds the work of cabinet ministers in parliamentary systems of government (Robertson, 1982). According to Al Johnson, the evaluation system does not work because ministers and their senior officials are not willing to have the results of the evaluations of politically sensitive programs made public and criticized". The OAG sees program evaluation as an instrument of accountability to Parliament. It assumes

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As he noted, "To ask ministers to table in Parliament rigorous, and rigorously criticized, program evaluations is to ask them to commit a form of political hara kiri at least from their point of view. This explains the reserve of governments about tabling internal effectiveness evaluations." (Johnson, 1992: 27)

that program evaluations done within government should be employed as instrument of accountability between ministers and Parliament. And since deputy ministers are responsible for the program evaluation function in their department, the consequence is that they should be held directly accountable for the management of their programs, and of their results, to the legislature (i.e. the OAG and parliamentary committees).

This is the idea of direct administrative accountability suggested by the Lambert Commission in 1979 and which has been echoed since a number of times by the OAG and parliamentary committees such as the 1985 McGrath Committee on the Reform of the House of Commons which sought to create a greater role for backbenchers in Parliament<sup>11</sup>. For MPs, the idea of administrative accountability is politically attractive because it would empower them and their "servant", the OAG, to play a more interesting and broader role in scrutinizing the work of senior officials in the bureaucracy. There is therefore a community of interest in favour of bureaucratic reforms that would put into place the idea of direct administrative accountability, made up of backbenchers, the OAG and its network of management consultants who are likely to have more contract work if the Auditor's powers are increased. But for the government, the idea of making available to Parliament, and thus to the opposition, the results of the evaluation studies done internally for the purposes of ministers and their senior officials is not popular and has been strongly resisted<sup>12</sup>. Thus, the program evaluation machinery put in place as a result of the pressures made by the OAG in its 1975 and 1976 reports existed, but support from ministers and senior officials for the ideas embedded in this machinery has been weak. The cases of the OCG and of program evaluation illustrates an important aspect of the dynamics of bureaucratic reform in the

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<sup>11</sup> The McGrath Committee echoed the sentiments of Lambert and the OAG. It argued that "a minister cannot know everything that is going on in a department" and concluded from this that "the doctrine of ministerial accountability undermines the potential for genuine accountability on the part of the person who ought to be accountable - the senior officer of the department". The Committee then suggested that "a new doctrine of deputy ministerial responsibility relating exclusively to matters of administration should be established" (House of Commons, (1985: 21).

<sup>12</sup> The most striking example of this is when the OAG took the government of Canada to court in 1985 because the government had refused to give to the Auditor access to all the "cabinet's papers", studies and evaluations done for ministers regarding the acquisition by Petro Canada of Petrofina Canada Inc. in 1981 (Sutherland, 1986). In 1989, the Supreme Court made public its unanimous decision to refrain from giving any legal basis to the OAG's quest for cabinet confidences.

federal state. Although since the 1970s the OAG may sometimes have had enough political leverage to have its ideas influenced policy, this does not mean, however, that it can force the government to "like" or to be enthusiastic about the initiatives adopted as a result of the public pressures exercised by the Auditor. For senior bureaucrats in government, the creation of the OCG and the implementation of program evaluation were purely political moves intended to placate the media, the parliamentary opposition and the OAG."

## 6. Conclusion

From the 1960 Glassco Commission, to the 1973 Independent (Wilson) Committee for the Review of the OAG, to the Lambert Commission in 1976, and to the several "Independent Advisory Committees" (such as the Panel of Senior Advisers) established in the Audit Office, this chapter has shown that in Canada, management consultants have often been brought in the bureaucratic reform policy process through politically independent bodies. These bodies have provided one of the main routes by which consultants entered the policy process and by which managerialist ideas penetrated state institutions.

This situation contrasts significantly with the case of Britain where consultants entered the policy process through small organizations located at the centre of the executive machinery. As noted in Chapter Three, a number of the advisers and consultants who worked for Heath and Thatcher were often party operatives with policy backgrounds recruited from the party's policy-making bureaucracy. It was seen, for example, that Heath's Businessmen's Team provided many of the ideas that went into the 1970 White Paper. However, in Canada it is a well known fact that because of the brokerage nature of the Canadian party system, federal parties have almost no policy-developing capacities (Clarke, Jensen, LeDuc, and

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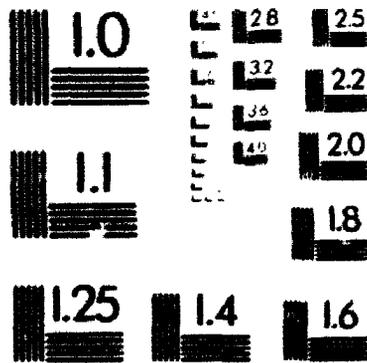
In one interview with a senior civil servant, Savoie was told that with the creation of the OCG, the problem they [ministers] wanted resolved was a political one: their intention was not to institute greater financial controls in government or to improve public administration generally. The consideration that went into all this was "we've got a political problem. Now, how do we get out of it?" The answer was, if we can appoint a comptroller general we will make a good number of people happy, let's do it, and the hell with the rest. We [senior bureaucrats] knew right from the start that this office would not do much... (Savoie, 1990: 114)

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Pammett, 1991)<sup>34</sup>. Because parties lack the capacity to innovate, new ideas have more often come from policy advisers, whether from temporary bodies such as royal commissions, or from bodies that have been given a permanent base in the state apparatus (Jenson, 1994: 51). The latter category consists of a great variety of entities that often have in their mandate both an advisory and monitoring or watchdog functions<sup>35</sup>. Although these entities are very different from one another, they all have an element in common: they are all outside of the direct political control of the government. And because they are separated from direct executive control, this means that the administrative arrangements and procedures that govern their modes of recruitment are often much more flexible than those of the permanent civil service. This greater flexibility plays a critical role in facilitating the entry of "outsiders" and new ideas into the policy process. If bodies located outside the direct control of the executive may facilitate the entry of innovative ideas, this does not mean, however, that these ideas will become influential and translated into policy. To understand the potential of managerialist ideas and policies to attract government support, this chapter has used the concept of policy legacy, which suggests that policy actors may reject or support policies depending on past experiences with similar measures or with policies that appear similar (Weir, 1989: 60).

The chapter has argued that the government's prior experiences with earlier bureaucratic reform policies, provides much of the answer for understanding the question raised in Chapter One concerning the relative weakness of the Canadian government's support for the managerialist ideas that informed the PS 2000 initiative. Although they may have strongly agreed with its key concepts of efficiency, cost-reduction and so on, federal ministers and their senior officials have often tended to see managerialism as inimical to

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<sup>34</sup> In the first volume of its final report, the Royal Commission on Electoral Reform and Party Financing noted that in Canada political parties have historically lacked a capacity for policy development (1991: 295). To change this situation, the Commission recommended that federal parties establish party foundations to provide a permanent institutional base for the development and promotion of policy (1991: 298). For a discussion on the work of that commission, see Dobrowolsky and Jenson (1993).

<sup>35</sup> With organizations such as the Office of the Commissioner of Official Languages, the Human Right Commission and many others, the OAG is part of those entities that have been given a permanent base in the state apparatus and whose mandate includes both an advisory and watchdog functions (Sutherland and Doern, 1985: 47). Article 12 of the 1977 Auditor General Act specifies the "advisory powers" of the OAG.

their interests. Managerialism, especially as defined and promoted by the OAG since the publication of the Lambert report, has been packaged with measures intended at reforming parliamentary institutions and at re-designing accountability relationships, which made it politically unattractive to ministers and their senior bureaucratic officials.

The effects of bureaucratic reform policy legacies, coupled with the way managerialist ideas have in the past been associated with a series of measures more or less imposed on the government by the OAG, offer important insights into why government support for managerialist policies such as PS 2000 has been weak in Canada. Of course, PS 2000 itself is not a policy that the OAG has "forced" onto the government, but it is informed by managerialist principles similar to those advocated in the past by the Auditor<sup>36</sup>. PS 2000 has been preceded by reforms that the government more or less unwillingly implemented in the 1970s as a reaction to the OAG's famous comment on the "lost of control of the public purse". As Peter A. Hall wrote, the concept of policy legacy implies "that states will be predisposed toward policies with which they already have some favourable experience" (1989: 11). Based on this insight, it can be argued that if in the 1980s the Canadian state did not strongly support the managerialist ideas on which PS 200 was based, it is because it did not have a "favourable experience" with the 1970s reforms which were based on similar ideas and which were adopted to address the "criticisms" of the OAG<sup>37</sup>.

This chapter has shown that since the mid-1970s, the OAG has become a key public actor in the bureaucratic reform policy process and one of the main access points or platforms through which management consulting interests have promoted managerialist ideas within the Canadian state. The chapter has also made clear that there was nothing inevitable in the

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<sup>36</sup> The 1993 annual report of the Auditor General to the House of Commons indicates that "because PS 2000 appeared to be based on principles that we have promoted...the Office supported the initiative from the outset" (Auditor General of Canada, 1993: 161).

<sup>37</sup> The White Paper on the Renewal of the Public Service which introduced PS 2000 in 1989, contains a section on the history of bureaucratic reform in Canada (pp.26-31). Concerning the post-Glasco reforms of the 1970s, it is written that "the criticisms of the Auditor General...led to a preoccupation with financial management, an inquiry into financial management and accountability (Lambert) and the establishment of greatly expanded and new institutions (the Auditor General and Comptroller General)" (Canada, 1990: 30).

fact that the OAG became in the 1970s the main institutional basis of management consultants within the federal state. Rather, this has been an unintended consequence of the PPB System adopted as a result of the recommendations made by the consultants who worked for the Glassco Commission. Following Glassco, management consultants were primarily institutionalized, as in the case of the British Civil Service Department (CSD), at the center of the federal bureaucracy, within the new TBS. But in the 1970s the main channel through which they were linked to the state moved from the TBS to the OAG and was later prolonged in the OAG's institutional extension in the federal bureaucracy, the OCG. PPBS opened a space that allowed the development of organized and regular links between management consultants and the OAG. One result of PPBS was the presentation to Parliament of departmental expenditures in the form of the program budget in the Estimates Blue Book. That transformation, coupled with the minority situation of the government in the early 1970s, created for the new Auditor appointed from Price Waterhouse a possibility to justify an expansion of its powers in order to adapt its functions to the new approach to expenditure management.

One consequence of the institutionalization of management consulting interests within the OAG is that the access of consultants to decision-making centers and the possibilities for their ideas to mobilize strong political support from the government and to strongly influenced policy, are rather limited because the OAG is organizationally separate from the executive and independent of its control and direction. From the government's point of view at least, the OAG is a body that belongs to the opposition and any suggestions coming from the Audit Office tend to be seen with "suspicion"<sup>36</sup>. As a body attached to the House of Commons, the OAG is also linked to interests (MPs, parliamentary committees, the

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<sup>36</sup> In theory, the OAG is supposed to be a body independent of the government that belongs to the legislature. But in parliamentary systems where one party alone forms the government, there is no political separation between the executive and the legislature because the government is the legislature to the extent that it controls a majority seats in the House of Commons (Norton, 1990). The real separation is not between the executive and the legislature but between the government and the opposition and in this context, any organizations that is not owned by the government, therefore belongs to the opposition. The impression, from the government perspective at least, that the OAG "belongs to the opposition" is even stronger when it is noted that the Public Accounts Committee (PAC), which is the only institutional link of the Auditor to the House of Commons, is also the only parliamentary committee to be chaired by a member of the opposition and not by a member of the ruling party.

opposition) that are advocating changes in the balance of power between the executive and the legislature. Thus, the managerialist solutions sponsored by consultants for reforming the administration are packaged by the OAG with ideas unpopular with the government because they seek to re-structure accountability relationships.

Does this conclusion mean that strong government support for managerialist ideas is impossible in Canada? Because of the legacies left by the 1970s reforms and the way managerialism has, since Lambert, been packaged with issues dealing with accountability, the possibility for managerialist ideas to be well accepted by a given government to a large extent depends on its willingness to make changes in the relationships between the legislature and the executive. This, in some measure, possibly explains why support from the Chrétien government for the Programme Review initiative launched in 1994 has so far been relatively solid.

According to Peter Aucoin, the Chrétien government's agenda for bureaucratic reform is closely linked to its "ethics agenda" which seeks to restore confidence in government (1995: 189). One way to restore confidence has been to improve the accountability of the government by strengthening the capacity of the legislature to scrutinize the actions of the executive<sup>4</sup>. This has implied a strong emphasis on performance indicators, business plans, and other related managerialist measures intended to increase the accountability of public servants by putting better information in the hands of legislators (Lindquist, 1996). For instance, since 1994, parliamentary committees have been given the power to review the evaluations of programs done by departments (Aucoin, 1995: 189). Recent changes to the House of Commons rules and the introduction of the government's new Expenditure Management System (EMS) in 1995 "have enhanced the role of Parliament in the budget process" (Canada, 1995: 12). Playing the "integrity card" by enhancing the role of

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<sup>4</sup> On the question of "Government Integrity" the Liberal's 1993 Red Book promised, for instance, to restore public confidence in government by enhancing the role of MPs in the legislative process (via free votes and increased consultation) and in the scrutiny of order-in-council appointments (Atkinson, 1995).

Parliament has also meant increasing the powers of the OAG<sup>40</sup>.

In sum, it may well be that the Chrétien government has been supportive of the managerialist principles that inform its Programme Review initiative, because it has been less reluctant than its predecessors to increase the scrutinizing powers of the legislature over the executive as a way to restore public confidence in government.

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<sup>40</sup> In June 1994, Parliament approved bill C-207 which enlarged the reporting powers of the OAG by allowing the Auditor to table to Parliament up to three reports per year in addition to the annual report. In April 1995, the Minister of the Environment introduced bill C-83 which seeks to expand the mandate of the OAG in order to give to the Auditor the new position of Commissioner of the Environment. As Commissioner of the Environment, the OAG will be empowered to report to Parliament each year on the environmental performance of the government and there will be an estimated \$10 million increase in the budget of the Office. Interestingly, management consulting firms such as Peat Marwick that sit on the OAG's Panel of Senior Advisers and that recently entered the field of environmental consulting, strongly supported bill C-83 (see House of Commons, 1994, Minutes of Proceedings and Evidence of the Standing Committee on Environment and Sustainable Development, Issue No.26, April 21, p.4)

## **Chapter Five: France: Reforming from Within or Étatism and Managerialism**

The previous chapters showed that the construction of intragovernmental management consulting capacities in Britain and Canada during the “rationalist 1960s” coincided with the entry of accountants into the management consulting field and with the emergence and development of business and professional associations of management consultants. In Britain, internal management consulting capacities were established in the Civil Service Department (CSD) in 1968 and in Canada in the new Treasury Board Secretariat (TBS) in 1966. These new institutions were intended to modernize the state administration by importing business management practices into the public sector. In building their expertise, they often established more or less formal channels of communication with management consulting organizations and coopted consultants from the private sector into the state apparatus, thereby giving them an institutional and professional hold on bureaucratic reform policy issues. The legacies left by the creation of central management consulting capacities within the British and Canadian states in the 1960s powerfully shaped further developments in the area of bureaucratic reform and the acceptance of managerialist ideas and policies in the two countries.

### **1. France as a Contrasting Case**

By contrast, the French state began to incorporate management consulting knowledge within its structures not in the 1960s but much later, following the adoption of the 1989 Renewal policy. The Renewal initiative gave a high priority to: (i) human resource management, through training sessions, professional and geographical mobility, career path renewal; (ii) *responsabilisation* or accountability, through the creation of *centres de responsabilité* (CDR) and the use of *projets de service* or administrative statements describing targets and resources in each service; (iii) program evaluation, through the creation of the *Comité interministériel de l'évaluation*, the *Conseil scientifique de l'évaluation*, and the *Fond nationale de l'évaluation* and (iv), service delivery, through the *Charte des services publics* designed to improve relations between the bureaucracy and

citizen-users. Within these broad guidelines, each agency and bureau was free to set up experiments or long-term innovative procedures. The Civil Service Department was only given a co-ordinative role.

As noted in Chapter One, many of the techniques required to implement the measures introduced by the 1989 Renewal policy are associated with managerialism. They included the use of decentralized budgetary techniques, program evaluation, techniques for setting standards and raising the quality of public services and the contractualization of relationships that were previously hierarchical (through the *projet de service* and the creation of CDR). In implementing these new techniques, French civil servants often used the services of private sector consultants during the first year of the Renewal policy. However, civil servants resisted the solutions recommended by private sector consultants. As a result, the French government decided in 1990 to create its own internal management consulting service.

### **1.1 The Underdevelopment of Management Consulting and Managerialism**

In building within its administration a management consulting capacity, the French state was doing more than twenty years later what the British and Canadian governments had done in the 1960s on the advice of the Fulton Committee and Glasseco Royal Commission. While this chapter will show that part of this "delay" can be attributed to the étatist legacies left by the postwar reforms, Chapter Two indicated that this can also be linked to the fact that France has a smaller management consulting market, and a more recently established industry and profession than Britain and Canada. It has been possible for the British and Canadian states to incorporate consulting knowledge within their structures in the 1960s because in these two countries, management consultancy is more organizationally developed because of its historical and institutional links with accountancy. As a result, British and Canadian policy-makers have been much more likely than their French counterparts to entertain managerialist policies, either because they have had internal management consulting capacities for implementing such policies, or because they have been able to rely on a large and relatively sophisticated body of consulting experts outside

the state. By comparison, because management consulting is not as strongly developed in France, state officials have sometimes viewed it as an esoteric field of activity of limited use to their efforts to improve the administration of the state<sup>1</sup>. Clearly, if ideas are advocated by those whose expertise in the field is seen as being limited, there is little chance that they can be influential and become an important component of policy.

Although managerialist ideas are present in France, they have not been incorporated into policy as readily as they have been in the British and Canadian reforms. As noted in Chapter One, the use of market criteria for allocating public resources by allowing private sector involvement in the delivery of public services, and the perception of the recipients of such services as "clients" rather than citizens, were absent from the 1989 French policy. By contrast, countries like Britain have placed systematic introduction of market elements at the heart of their reforms. Such elements include the "market testing" initiative introduced by the 1991 Competing for Quality White Paper. Examples in Canada derived from PS 2000 include, for instance, the creation of Special Operating Agencies designed to improve the delivery and cost effectiveness of government services "by applying private sector management techniques" (Canada, 1990: 24). Furthermore, the managerialist conviction that there are no major differences between business management and public administration is clear in the Canadian approach. "The Public Service", claims the PS 2000 White Paper, is "like any other enterprise and must be efficient and well-managed" (Canada, 1990: 14).

Managerialist ideas have been less influential in France because they are coupled with bureaucratic reform policy ideas that emphasize the distinctive public dimension of state administration (Trosa, 1995). The French administrative modernization policy is said to be "a blend of managerialism and statist interpretation of public administration reform" (Rouban, 1993: 410). Therefore, the principal problem in the French case is to explain why managerialist ideas were less influential, and why they were "blended" with statist ideas.

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<sup>1</sup> For instance, one senior official from the *Ministère de l'Éducation nationale*, reported that he initiated a "rebellion" in the civil service against private sector management consultants because of the very poor quality of the work that they had done for his department (Bruston, 1993: 179).

Unlike the British and Canadian cases, which received extensive discussion, the contrasting or control case of France is here discussed in less detail because it is used strictly for the purpose of helping to validate the main argument about the links between: (i) the organizational development of management consulting; (ii) the legacies left by past reforms in terms of facilitating or impeding the access of management consultants to decision-making centers, and (iii) the influence of managerialist ideas on bureaucratic reform policy. The French case illustrates that the influence of managerialist ideas on bureaucratic reform policy is less important when the organizational development of management consulting is weaker as a result of the absence of links with the accounting profession; and when past administrative changes left legacies that limited the access of private sector consultants to the inner circles of policy-making within the central state.

As discussed below, one of the consequences of the legacies left by the creation in 1945 of the *École nationale d'administration* (ÉNA) and of the *Ministère de la Fonction publique et de la Réforme administrative* (MFPRA), has been to provide state officials with the knowledge, capacity and means that they think are necessary for policy-making in the area of bureaucratic reform. As a result, those charged with responsibility for policy-making in that area have not looked outside the state for management expertise, thereby limiting the possibilities for external consultants to influence bureaucratic reform policy. The French approach to bureaucratic reform has traditionally been *étatist*<sup>2</sup>, in the sense that the impulse for change has come from inside the central administration. This will be illustrated through a brief discussion of the French version of PPBS. Like Canada, and unlike Britain, France embraced PPBS ideas enthusiastically in the 1960s. However, the French version of PPBS did not lead, as in Canada, to the subsequent introduction in the late 1970s of managerialist

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<sup>2</sup> According to Peter A. Hall, one aspect of *étatisme* in France, has to do with the extent to which policy-making is centralized. When public officials have at their disposal, within the state, the expertise and instruments for policy-making in a sector such as bureaucratic reform, for instance, their "points of contact with other societal institutions are minimized, and the initiatives for policy are consequently more likely to come from within the state itself" (Hall, 1986: 165). In the literature on France, *étatisme* is a concept that has been heavily identified with economic planning (Hayward, 1973; 1986). As will be seen later, *étatisme* can also be applied to the bureaucratic reform policy sector to the extent that the French approach to administrative modernization has traditionally been based on the planning model developed by Jean Monnet after the Second World War.

innovations such as value-for-money auditing and program evaluation. As will be shown, this was due to differences in the organization of the French state supreme audit institution, the *Cour des comptes*.

The influence of managerialist ideas has not only been felt in different ways in France, but it has also been felt later than in Britain and Canada. In these two countries the focus on performance indicators and evaluation goes back at least to the 1970s with the Program Analysis and Review (PAR) system in Britain and the creation of the Office of the Comptroller General (OCG) in Canada. In France, however, the government formally implemented a program evaluation system in 1990 following the introduction of the Renewal policy. This is why some have argued that the case of France is one of “managérialisme à rebours avec dix ans de retard sur les autres pays occidentaux” (Rouban, 1993a: 207). Managerialist ideas slowly entered into the formulation of policy in France, especially during the 1980s at the same time that private sector consultants started to play a more important role in administrative modernization. As will be seen in the third section of the chapter, this began after the passage of the framework law on decentralization in 1982 which opened the doors of the newly empowered territorial administrations to consultants, and facilitated the entry of managerialist ideas into local government policy. Following the decentralization, local officials increasingly sought the services and expertise of consultants to help them develop the practices and systems needed for managing and co-ordinating the new administrative functions that they inherited from the central state. In turn, the increasing use of their services by local governments stimulated the organizational development of consultants. In the mid-1980s, consultants established more or less formal channels of communication with local officials through which they began to sponsor Total Quality Management (TQM) ideas. These ideas were first translated into policy (in the form of quality circles) at the territorial level, and later spread in the central state. As discussed in the fourth section, this happened when the Chirac government introduced its Quality policy in 1987 on the advice of consultants who had previously been actively involved in the dissemination of TQM ideas in local governments. However, the TQM ideas imported from the private sector by consultants did not take hold in the central administration as much as

they did in local governments. By the end of the 1980s, the TQM policy was considered a failure, in part because the business management solutions advocated by consultants were not sufficiently adapted to the central administration. It is as a reaction to the legacy left by the TQM failure that the government decided to build its own management consulting capacity in 1990.

## 2. **Étatism and the Legacies of Past Reforms**

The legacies left by the post-war reforms in France did not make the administration more open to advice from outside consultants. This played a crucial role in impeding the entry of managerialist ideas into policy. During the period of the Liberation, far-reaching administrative reforms were believed to be urgently needed in France to rebuild the legitimacy of the administration, especially the top administration, a portion of which had been discredited by collaboration during the Vichy regime (Paxton, 1972). One of the reform measures was the creation in 1945 of the ÉNA, whose role is to select and train the nation's top administrators (Owen, 1990). In France the administrative elite (as opposed to the technical elite recruited from the *École Polytechnique*) is almost entirely recruited from ÉNA (Suleiman, 1978; Boltanski, 1987). ÉNA serves three main purposes: first, it conducts the initial recruitment of potential top civil servants; second, through its own testing, examining and ranking procedures it selects the members of the different *corps*<sup>3</sup> and thus singles out those who are destined for high-flying careers and third, it provides an initiation into various aspects of administrative life and a measure of work experience and training (Kesler, 1985).

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<sup>3</sup> In France, civil servants are organised into categories defined by the educational qualification required for entry. Each of these categories is made up of different *corps*. Nowadays, there are over 900 *corps* (Wright, 1989: 119). The most prominent *corps* are the so-called *grands corps* (Kesler, 1986). All the *grands corps* were established 150 years ago (Osborne, 1983). Although there is no strict definition of the *grands corps*, it is generally recognized that there are three administrative *grands corps* (the *Conseil d'Etat*, the *Cour des comptes* and the *Inspection des finances*) and two technical *grands corps* (the *Mines* and *Ponts et Chaussées* engineers). The three administrative *grands corps* are primarily concerned with controlling and checking the work of other civil servants. The *Conseil d'Etat* is the highest court in administrative law cases and also the government's chief legal adviser; the *Cour des comptes* is the audit authority for the verification of all public accounts, and the *Inspection des finances* is responsible for controlling the financial procedures in any organization disbursing public funds (Suleiman, 1974 Chapter 10). The administrative *grands corps* are almost all recruited from the ÉNA and the technical *grand corps* from Polytechnique (Stevens, 1992: 125-6).

The ÉNA has gained a great reputation in its rather short existence and its students, nicknamed *Énarques*, have now "colonised" many of the top management positions of the state and private sector (Bodiguel, 1978; Wright, 1990). Although the ÉNA was not intended to train managers for private enterprise (this is the function of the *Écoles des Hautes Études Commerciales* - HÉC) recent studies have shown that French employers prefer former ÉNA students to their HÉC counterparts (Barsoux and Lawrence, 1990: 40). Because of the process of economic and industrial planning initiated by the state after the Second World War, the competence of the members of the administrative *grands corps* recruited from ÉNA in relation to economic and industrial matters has generally been broadly accepted (Armstrong, 1973). Because of the state's involvement in economic affairs, senior civil servants are believed to possess an intimate knowledge of the rules and regulations and thus, have clearly something to offer most private employers. As a result, the practice of *pantouflage*, by which state officials moved from the administration to posts in nationalized companies or in the private sector, has become increasingly common during the Fifth Republic (Birnbaum, 1978). For instance, in 1973 it was estimated that 43 per cent of the heads of the hundred largest corporations in France had at one time been senior civil servants (Birnbaum, 1977: 141). Thus in France, unlike Britain and Canada, it is not as much private managers who come to work in the administration to help improve the efficiency of government as the *Énarques* and members of the *grands corps* who move on to key positions in business. As the president of one of the largest management consulting firms in France recently noted, rather sarcastically,

Dans la plupart des pays démocratiques occidentaux, il est courant que des responsables du secteur privé fassent un passage dans l'Administration publique pour la faire bénéficier de leurs compétences pendant quelques années. Ils savent que durant cette période leur rémunération sera moins importante mais, outre la satisfaction d'apporter leur contribution à l'intérêt général, ils pensent y acquérir une meilleure compréhension des grands mécanismes administratifs, une vision plus systémique de la société dans laquelle ils vivent. De son côté, l'Administration qui, par nature, n'est que gestionnaire et peu habituée à la pratique du management, bénéficie, à l'occasion de la venue de ces responsables du secteur privé, d'un véritable transfert de compétences managériales. Est-ce à cause de son histoire et d'un sentiment de supériorité qu'auraient eu longtemps ses hauts fonctionnaires par

rapport au monde des affaires, toujours est-il que l'Administration française fait exception et que sur la passerelle qui unit le public et le privé, on circule essentiellement dans un seul sens: de hauts fonctionnaires viennent "pantoufler" au sommet des organigrammes du secteur privé (Sérieux, 1993: 141).

The practice of *pantouflage* whereby managerial expertise goes from the public to the private sectors, and the existence of the ÉNA as an institution producing specialists in the field of administration have significantly limited the opportunities of French consultants to enter the state by participating as expert advisers in the process of bureaucratic reform (Ashford, 1982: 95).

As shown in the two previous chapters, the institutional arrangements governing recruitment to administrative posts that bring "outsiders" into state institutions, were crucial factors in determining the penetration of managerialist ideas in the bureaucracy<sup>4</sup>. In the case of France, however, it has been suggested that the ÉNA's "quasi monopoly of access to top administrative posts does not permit the recruitment of businessmen experienced in dealing with problems of organization and management". This is believed to have hindered "the introduction of new management techniques" and stifled the emergence of managerialist ideas (Ashford, 1982: 95). During the 1970s, a number of public reports by academics and parliamentary committees denounced the lack of external influence on the bureaucracy, and

<sup>4</sup> In both the British and Canadian cases, it was seen that the introduction of the Secondment Program between the Civil Service Department and large management consulting firms in the early 1970s, and the use by the Office of the Auditor General of the Executive Interchange Program in 1974, provided these two organizations with flexible standards of recruitment that facilitated the entry of outside consultants and the diffusion of managerialist ideas within state institutions. Of course, in France the existence of ministerial *cabinets* (the minister's private office charged with important political and administrative functions) give to ministers the flexibility to recruit their personal staff, but those who are selected are usually "insiders" (senior civil servants). This is why the French senior civil service has often been accused of being politicized (Stevens, 1978). As has been noted, although a minister may in theory nominate to his or her cabinet "someone from outside the administration he [sic] almost never does. The mobility between private and public sectors evident in the United States simply does not exist in France. What does exist is a one-way channel: from the public to the private sector, and never the other way. Moreover, civil servants look with great disfavor upon the appointment of a 'foreigner' to an administrative post" (Suleiman, 1974: 140). Interestingly, Suleiman, in a comparison with Britain, argued that "The Fulton Committee strongly emphasized the need for and importance of bringing into the British Civil Service people with other than administrative backgrounds...In France, such a practice is unlikely to occur. [French] higher officials argue that a man [sic] from the outside could not win the confidence of his subordinates" (Suleiman, 1974: 141).

suggested replacing the ÉNA and establishing more systematic exchanges between the public and private sectors as a way to vitalize the administration (Bouvard Report, 1974; Lombard, 1978).

Besides the ÉNA, another important post-war reform was the creation of the *Ministère de la Fonction publique et de la Réforme administrative* (MFPRA). Among the three countries compared in this research, France is the only one to have had for a long and sustained period of time<sup>5</sup> a Minister (generally of State) presiding over a government structure specifically dedicated to administrative reform (Massot, 1979: 201). The MFPRA, and the *Direction générale de l'administration et de la fonction publique* placed under its authority in 1945, were established to design, plan and coordinate the postwar reforms of the civil service (Grémion, 1979). The MFPRA responsibilities include: (i) questions relating to staff management (recruitment, promotion, training, and remuneration); (ii) supervision of ÉNA and (iii), actions to promote, stimulate, and coordinate the modernization of administration and management methods, and the diffusion of innovative management practices (Pinet, 1993: 393).

The first Minister appointed to direct the *Ministère de la Fonction publique* was Maurice Thorez, general secretary of the Communist Party and a member of Général De Gaulle's second coalition government in 1945 (Legendre, 1968). In creating a specialized organization that dealt on a permanent basis with issues exclusively related to administrative reform, the French government tried to emulate the étatist model of its Planning Commission created in 1946 and first directed by Jean Monnet. As it has been reported "L'idée d'une réforme administrative organisée et planifiée s'est répandue à la Libération en même temps que celle du plan Monnet" (Lanza, 1968: 47). The idea underlying the creation

<sup>5</sup> In France, as in Britain and Canada, constitutional responsibility for the civil service and administrative reform comes under the Prime Minister, but this function is sometimes delegated to a more or less junior minister. The difference in the French case is that administrative reform has been given a higher political priority because there has always been in the last 50 years a departmental structure possessing the resources for developing bureaucratic reform policies placed under the authority of a Minister. In Britain, besides the Civil Service Department episode, there has never been in the recent past a self-standing ministry responsible for administrative reform while in Canada, it is only recently that the government has appointed a Minister for Administrative Reform (Marcel Massé).

of the MFPRA was to put at the disposal of policy-makers the knowledge and instruments needed for developing bureaucratic reform policies from within as way to facilitate their acceptance by civil servants. The intent was “d’associer les fonctionnaires à la réforme” (Burdeau, 1989: 350).

### **2.1 The *Rationalisation des Choix Budgétaires***

The étatist approach to administrative reform inherited from the aforementioned institutions, was reflected in the *Rationalisation des Choix Budgétaires* (RCB), the French version of PPBS adopted in 1968. The introduction of the RCB in France was made possible by the example of PPBS in the United States and by the French experience with the National Planning System (Bréaud, 1970; Ducros, 1976; Huet and Bravo, 1973).

Originally, the Planning System had three main functions. It was intended to be: (i) a five-year macroeconomic forecast of the national accounts of the country (ii) a program of major public investments and (iii), a forum for discussions on past and proposed policies for government officials, trade unionists and industrialists (Estrin and Holmes, 1983). Initially, it was hoped that the introduction of RCB would result in a greater co-ordination between the annual budgetary process and the preparation of the National Plan (Green, 1980: 111). The idea was to use the RCB as a way to tie the short-term annual budget to the five-year National Plan.

The implementation of RCB was co-ordinated by a Central Group under the Chairmanship of the Secretary of State for the Budget (Agard, 1970; Lévy-Lambert and Guillaume, 1971). A “RCB Mission” consisting of civil servants was established in the Finance Ministry to overcome the resistance that was anticipated from the spending departments (Hayward, 1973: 188). Because of the RCB’s link with the National Planning System, the “RCB Mission” was also loosely tied to the Planning Commission, the agency responsible for the preparation of the Plan (Ashford, 1977).

### **2.1.1 The Administrative Origin of the RCB**

In France, the primary source of ideas for the RCB came from a group of upper-middle grade civil servants, many from the Finance Ministry, who went to the United States in the mid-1960s to study program budgeting (Ashford, 1977: 148). As noted, "RCB had an essentially administrative origin" and "the original impulse came from public administrators" rather than from the private sector (Bréaud and Gergorin, 1973: 117). This situation differs from the cases of Britain and Canada where some of the ideas that went into the British and Canadian versions of PPBS originally came from management consultants who visited the United States and who were part of the Classco Commission and of Heath's Businessmen's Team. Of course, like their French counterparts, British and Canadian civil servants also visited the United States in the 1960s to study PPBS practices. But in Britain and Canada the initial impulse came from management consultants who acted as agents of diffusion of PPBS ideas. In France, the closed character of the institutions that have jurisdiction over bureaucratic reform policy issues, and the fact that in the early 1960s management consulting was an almost nascent industry, made it difficult for PPBS ideas to enter the French state on the "shoulders" of consultants as in Britain and Canada. Moreover, the fact that in France PPBS ideas were intended to be linked to the National Plan meant that those involved in sponsoring these ideas, had to have some knowledge of the planning system. Senior bureaucrats from the Finance Ministry, which is responsible for the execution of the plan, were more likely to possess that knowledge than private sector consultants.

In France the RCB experiment was "more sensitive to the problems of implementation and acceptance" of PPBS ideas in the context of the public sector than have been comparable initiatives elsewhere (Ashford, 1977: 146). One aspect of that greater sensitivity to the problem of acceptance included the use of "insiders" as the agents of diffusion of RCB ideas in the administrative system (Bravo, 1972). One director general from the Finance Ministry argued that in implementing the RCB, it has been "essential to act from within" because "any attempt at a graft from the outside [would have] inevitably provoked fatal rejection symptoms on the part of the administrative body" (Huet, 1970: 284).

### **2.1.2 Program Budgeting and the *Cour des comptes***

Like Canada, and unlike Britain, France adopted the RCB in the late 1960s soon after the introduction of PPBS in the United States by President Johnson in 1965. France and Canada adopted their versions of PPBS before the American experiment with program budgeting was reported to have failed and was officially abandoned in the mid-1970s (Savoie, 1994: 78). Britain adopted its version of PPBS in 1971 at a time where there was already some disillusionment with PPBS in the United States. As a result, when compared with France and Canada, the British version of PPBS was not as comprehensive as the RCB in France and program budgeting in Canada (Heclo and Wildavsky, 1981: 272).

In Canada and France, one change resulting from the adoption of PPBS and RCB was the presentation to the legislature of departmental expenditures in program budget form (Kessler and Tixit, 1973). In France, the RCB and the presentation of government expenditures in the program budget form to the *Assemblée Nationale* did not lead, as in Canada, to program evaluation and to an expansion in the mandate of the *Cour des comptes* (Ducros, 1976). The *Cour des comptes* is the French state's supreme audit body. Members of the court are judges, they stand aloof from both legislative and executive branches of government (Descheemaeker, 1992). The French *Cour des comptes*, although reporting to Parliament, is not institutionally linked to the legislature as in Britain and Canada. Because political control (the legislature) and external audit institutions (the *Cour des comptes*) are dissociated, the construction of political alliance between the two is difficult. Contrary to the Canadian situation, it would not be possible for the court to promote management reforms that would expand its powers by presenting them as necessary to strengthen the oversight role of Parliament. In France, it is believed that the "absence of an institutionalized articulation" between the Parliament and the *Cour des comptes* has constituted "perhaps the main obstacle" to establishing managerialist policies dealing with value-for-money analyses (Quermonne and Rouban, 1986: 400). Similarly, others have suggested that this has been "a retarding factor" in the development of managerialism in France (Derlien, 1990: 158).

Another factor in the underemphasis on managerial efficiency is that the court's working methods are primarily rooted in public law and financial accounting. The use of these methods means that the Cour primarily "investigates the legality of decisions and actions, thus moving the focus away from the effectiveness of programs" (Derlien, 1990: 159). The control of the Cour is thus limited to working within the rules of public law and traditional financial accounting "which are not suitable for evaluating management according to a value-for-money strategy" (Dreyfus, 1990: 145).

### **2.1.3 The Development and Impact of the RCB**

In developing the technical knowledge needed to develop the RCB, the French state did not rely on outside resources, and this also played a critical role in impeding the entry of managerialist ideas in the administrative system. The "RCB developed without tight links with universities or private research institutions" (Bréaud and Gergorin, 1973: 117). To help civil servants to become more familiar with the management methods needed to implement the RCB, the French government created in the early 1970s the *Centre de formation supérieur au management* and the *Centre d'études supérieures du management public* (Pinet, 1993: 435). The creation of such centers had two effects. First, they provided a center of gravity and institutional support for producing management ideas that take into account the particular aspects of public administration (Chevallier, 1996). Second, they limited the possibilities for consultants to play a lead role in formulating innovative ideas about management policy based on their private sector experience.

Ten years after the start of the RCB experiment, results fell far short of expectations (Chevallier and Loschak, 1982). The RCB provoked the distrust of departmental managers and was rejected because it was seen as an attempt to reinforce the power of a few groups of high civil servants located at the centre of the bureaucratic machinery (Ashford, 1982: 75). In 1983, the RCB policy was officially abandoned (Perret, 1994: 106). Following the RCB experiment, the government more or less retreated from attempts at implementing centralized, rationalist and top-down schemes designed to push through across-the-board

management reform". One important indication of that retreat from "rationalism" was the decline in the process of central economic planning to which, as indicated earlier, the RCB experiment was closely tied (Hall, 1986: 185).

After President De Gaulle's departure, during the 1970s, attempts at improving the internal management practices of the administration were to some extent displaced by the implementation of policies aimed at "humanising the style of the civil service" (Clark, 1984: 68). The 1970s were marked by a growing desire of government to improve relations between the administration and the public<sup>7</sup>. After the Gaullist period, characterized by a powerful dirigist ideology and by an interventionist administration extending into the most diverse areas of social life, it appeared essential to give citizens new means of communicating with the state (Dreyfus, 1990: 148). Thus, in 1973 the government created the *Médiateur de la République* (ombudsman) whose mandate is to investigate complaints from members of the public about administrative malfunctioning (Clark, 1984a). Annual reports from the *Médiateur* to the President were important factors in the introduction, during the late 1970s, of further reforms which have enhanced the ability of the public to scrutinize administrative actions. In 1978 and 1979 two laws on administrative transparency were adopted. These laws specified that citizens had the right to know what computerized information was held about them, and that they also had a right to see all official documents, except those specifically exempt (Lasserre, Lenoir and Stirn, 1987). But more important for the purposes of this study is the 1982 law on decentralization which, not unlike the various reforms that preceded it in the 1970s, sought to make the central administration more accessible to the citizens by devolving powers from Paris to the local level of government. As discussed below, the 1982 decentralization reforms played a

<sup>6</sup> During the 1970s and early 1980s, the French government "did not introduce any general reforming measures" in relation to the management of the public service. "This failure to make major and general changes probably has much to do with the failure of RCB - the French equivalent of PPBS" (Fortin, 1988: 102).

<sup>7</sup> According to one observer, the recent history of administrative reform in France can be divided into two broad periods: the first one before the 1970s where "l'effort a principalement porté sur la recherche d'une meilleure efficacité des services; et dans une seconde période (à partir de 1970) où la préoccupation dominante, sinon exclusive, a concerné l'amélioration des relations entre l'administration et les usagers" (Bellon, 1983: 506).

critical role in facilitating the entry of private sector management consultants and the institutionalization of managerialist ideas into local governments.

### 3. The Decentralization Reforms of 1982

The Law on the Rights and Liberties for Municipalities, Departments and Regions was adopted by the National Assembly on 2 March 1982<sup>8</sup>. This was basically an enabling Bill: over the next four years a further 22 laws and 170 government decrees completed the decentralization programme (Mazey, 1990: 158). The goal of this discussion is not to describe and analyze in detail the 1982 decentralization initiative, which is a very complex policy consisting of several administrative, fiscal, legal and political dimensions. Rather, the intent is to identify those aspects that undermined the traditional *étatist* approach to bureaucratic reform and made possible the entry of consultants and the penetration of managerialist ideas into local administrations. The following section provides some background information on a number of key relevant aspects of the 1982 decentralization<sup>9</sup>.

<sup>8</sup> In France, the local government system is organized around three units: the *communes* (municipalities), the *départements* (counties) and the regions. The *communes* and the *départements* have existed for more than 200 years. They have long been recognised as units of local democracy with their own powers, subjected, however, to the a priori control of the prefects, the central state representative in the periphery. The regions are more recent. They were created after the Second World War as bureaucratic units to facilitate the planning process and to act as the intermediate level between Paris and the *départements*. The regions were given legal recognition and the power to elect their own representatives only with the 1982 decentralization (Bernard, 1983). For the purposes of simplifying the following discussion, the three units of territorial authority are referred to as "local governments", because in terms of the issues that are more relevant to our analysis (the transfer of executive powers and civil service reform), they were all more or less equally affected by the 1982 decentralization (Schmidt, 1991: Chapter Four).

<sup>9</sup> For a thorough study of the historical and institutional aspects of the 1982 reforms, see Schmidt (1991). Although the 1982 reforms were often described as "revolutionary" (Ashford, 1983: 263), they should rather be viewed as the culmination of a much longer process of local government modernisation initiated by previous governments (Grémion, 1987; Wright, 1984). However, the election of the Socialists in 1981 was certainly the *élément déclencheur* leading to the 1982 reforms. The Socialists intended their decentralizing reforms as *la grande affaire du septennat* (Schmidt, 1991: 105). Throughout the 1970s, left-wing demands for greater local autonomy were fuelled by the local electoral success of the Socialists and disillusionment with centralized planning (Mény, 1987). Before 1981, the Socialists and Communists repeatedly promised that a future Left government would enhance local participation (*autogestion*) by implementing a policy of political and administrative decentralization (Giard and Scheibling, 1981). On the French left's concept of *autogestion*, which has many different political meanings, see Jenson (1991a). Basically, the *autogestioniste* project sought to replace hierarchical modes of decision-making with participatory institutions that would allow those affected by the decisions to join in their formulation (Hall, 1986: 218).

### **3.1 The Transfer of Executive Powers and Administrative Functions**

The declared goals of the decentralization reforms were three-fold: (i) to devolve state responsibilities to local authorities; (ii) to transfer powers at each level (*départements, régions, communes*) from the administrative to the locally elected officials and (iii), to increase opportunities for local participation (Cahiers français, 1992)

The most significant symbolic aspect implemented by the March 1982 law on decentralization was the transfer of executive power from the prefects - the legendary symbol of central state authority in the periphery - to the presidents of the elected councils of local governments. This transfer signalled the abolition of the prefects' *pouvoir de tutelle* (i.e. power to impose all forms of a priori administrative and financial control) over the administrative acts and budgets of local authority. The *tutelle* has been replaced by an a posteriori legal and financial system of review and control over the actions of local governments (Schmidt, 1987).

The transfer of executive powers completed, the second item on the decentralization agenda was the transfer of administrative functions and authority. The list of functions transferred from the centre to local governments included regional economic planning, industrial development, professional education, the delivery of health and social services, transportation (for the complete list, see Schmidt, 1991: 122-125). Along with the transfer of new administrative duties came the transfer of personnel from the central civil service to the territorial civil service. To facilitate this process, the government adopted a national code for territorial civil servants designed to boost the low status of local officials.

Prior to the 1982 decentralization, territorial civil servants were placed under the formal authority of the prefect, thereby keeping them under the control of the central government in Paris (Ridley and Blondel, 1969: 93-96). Formally, they were part of the central or national civil service and regulated by the *Statut général des fonctionnaires*, the civil service code adopted in 1946 whose application is the responsibility of the *Ministère de la Fonction publique et de la Réforme administrative*. However, civil servants working in

the periphery never had the prestige nor the career opportunities of their counterparts in the central administration, whose main task is to provide policy advice to ministers (Grémion, 1981). On the whole, in comparison with civil servants in central administration, they were poorly trained, poorly paid and treated, with little opportunity for upward mobility (Mazey, 1990: 158).

The new territorial civil service code was to remedy this situation by making local civil service as attractive as the central service. By doing so, the Socialist government wanted to provide local officials with the experienced personnel from the central administration to enable them to exercise their new powers effectively (Schmidt, 1991: 130). However, the new code raised strong opposition, in particular from local elected officials. Although the law establishing the new code was passed in 1984, the promulgation of the rules allowing the government to implement the code were delayed for two years. They were adopted on the very day of the Socialist defeat in the March 1986 legislative elections. Local elected officials were against the establishment of a national code for territorial civil servants. They believed that this would represent a form of "recentralization" by the state that would curtail their powers significantly in personnel matters, by acting as a check on their ability to select whomever they considered best qualified for a given position (Schmidt, 1991: 132). This resistance helps explain the delay in implementing the reform. During the period of *co-habitation*, the government modified the reform by effectively giving control over the territorial public service to local elected officials. Local governments were given much greater flexibility in the rules governing recruitment and gained complete freedom in elaborating the internal organization of their bureaucracies (Schmidt, 1991: 115). These new powers subsequently played a critical role in facilitating the entry of management consultants and the penetration of managerialist ideas into local governments. Contrary to the previous situation where the rules governing recruitment were rigid, emphasizing uniformity, and imposed from the centre, the new flexible standards of recruitment allowed local elected officials to bring in external consultants, and this provided a more hospitable setting than before for the emergence of managerialist ideas in local administrations.

The decentralization reforms also gave to local governments some new financial resources directly through the transfer of state taxes and guaranteed others through a system of block grants (Richard, 1988). As a result, the financial capacity of local government became much more important than in the past. Total local government expenditures almost doubled in six years, from 300 billion francs in 1981 to an estimated 581 billions francs in 1987 (Schmidt, 1991: 347).

### **3.2 The Penetration of Managerialist Ideas into Local Administrations**

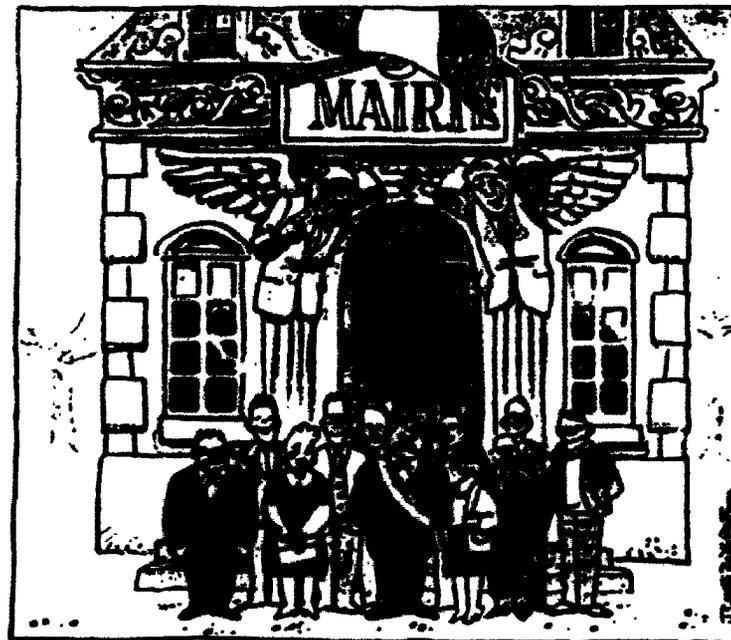
In her study of the political and administrative history of decentralization, Vivien Schmidt argued that one important political consequence of the 1982 decentralization was to deprive local elected officials of the "rhetoric of centralization" (1991: 342). With this "rhetoric", local politicians could in the past present themselves to the public as the defenders of local interests against the intrusion of the centre, and they could avoid taking responsibility for their actions. Deprived of this rhetoric, Schmidt suggests that local elected officials created a new line of argumentation that focused on the financial limits of decentralization. In the first few years of decentralization, the discourse in the periphery suggested that the state had not compensated local administrations adequately for their newly transferred powers. As a result, local politicians argued that they were left with the unpopular alternatives of raising taxes or cutting public services. Central state officials rebutted this view by arguing that local governments in fact had sufficient resources. In this context, Schmidt argues, local officials increasingly turned in the mid-1980s to the "rhetoric of good management" whereby they experimented with new administrative techniques, hired management experts, and tried to "adopt new managerial attitudes and run local government as they would a business" (Schmidt, 1991: 372). Nowadays, much of local officials' discussion focuses on mastering their expenditures, "all with an eye on the bottom line, as well as on seeking advice from consultants and getting management audits of their performance from outside experts" (Schmidt, 1991: 373).

Recent reports show that the development of this new managerialist thinking on the local government scene coincided with the increasing use of private sector consulting services by

local officials since the mid-1980s. An article in Le Monde, based on interviews with management consultants, indicated that “La décentralisation a ouvert aux consultants le marché des collectivités locales” (Chirot, 1993: 17). The caricature, reproduced below, which accompanied the article, shows two management consultants as archangels standing above the doors to the entry to the *mairie*.

Some of the most important players on the local government scene include firms such as Bossard, Ernst & Young and Price Waterhouse (Chirot, 1993: 17). According to two senior managers in the Price Waterhouse’s Paris Office, “An increasing number of large local authorities are employing auditing and consulting firms to advise them on specific areas of their own activity or the activities of their companies or other related bodies which they control” (Paquier and Towhill, 1991: 13).

**Figure 5.1:**  
**The Entry of Consultants into Local Governments<sup>10</sup>**



<sup>10</sup> Source: Chirot, F. 1993. Les élus se font conseiller. Les consultants ont convaincu les collectivités locales de leur utilité. Le Monde, October 11, p.17.

This phenomenon became so important in the last few years, that local government officials and consultants began to organize annual conferences entitled "Collectivité locales, du bon usage des consultants", intended to share experiences and best practices in the area of local government consulting (Chiro, 1993: 17).

Local governments have increased their use of private sector consulting services since the mid-1980s for at least three reasons. First, because the decentralization gave them the flexibility to recruit whomever they wanted and the powers to reorganize the management of their administration without first seeking the approval of the centre. Second, they have had greater financial resources at their disposal since 1982. A third reason why local governments not only increased their use of consulting services but also began to develop more regular links with consultants, has to do with their new responsibilities over industrial development. As indicated earlier, this was one of the main powers transferred from the centre to the periphery. Local governments' powers over industrial development include the promotion of local business and job creation, expansion and innovation (Schmidt, 1991: 128). In the "innovation" category, local governments and the central state jointly initiated in 1984 a policy designed to provide financial support to small and medium-sized industrial enterprises (SMIEs) to encourage them to call on outside management consulting expertise to improve their efficiency. Known as the *Fonds régionaux d'aide aux conseils* (FRAC), or the Regional Funds for Aid to Firms Calling on Consultancy Services, this programme was briefly discussed earlier in Chapter Two. As indicated then, the FRAC was one component of the operation *Développement du professionnalisme des consultants* launched by the Department of Industry in the mid-1980s. It was created in 1984 with the double objective of stimulating the development of management consulting, and of making SMIEs more efficient and competitive by encouraging them to use outside consulting expertise more often.

With the creation of the FRAC, local government officials came into increasing contact with consultants through the examination of the applications for FRAC aid submitted by the SMIEs. These applications are accompanied by a detailed proposal presented by the

consulting firm that the SMIEs intend to use with their FRAC grants. In 1993, 3,060 applications for FRAC aid were approved for a total amount of 173 million francs distributed among several hundreds management consulting firms involved in FRAC operations (OECD, 1995: 124).

### **3.3 The Emergence of the Total Quality Management Movement**

When it was established in 1984, the FRAC was supposed to help SMIEs to call on consultants to implement initiatives in the area of quality management (OECD, 1995: 121). Generally, more than 40 per cent of the money spent for FRAC aid goes to projects in the area of quality management (OECD, 1995: 124). Starting in the early 1980s, there emerged in France an important movement promoting Total Quality Management (TQM) and the implementation of quality circles in private sector organizations (Chevalier, 1991). Promoting this movement was the *Association française des cercles de qualité* (AFCERQ), an organization created in 1981 by management consultants and staff managers in large companies. In 1983, about 360 companies were members of the AFCERQ, whose mission is to promote TQM ideas and to help companies develop quality circles (Juron and Gryna, 1988: 35 c.7). The interest in TQM in France was such that 1981 was named the *Année de la qualité* by the government (Collignon and Wissler, 1988: 1). During that period, some of the largest French-based management consulting firms were very active in diffusing TQM ideas by publishing "recipe books" designed to help managers introduced quality circles in their company<sup>11</sup>.

In the public sector, local governments were the first to experiment with TQM ideas (Pochard, 1995: 49). The introduction of TQM ideas into local government was said to be an almost "natural" consequence of the decentralization which sought to improve the quality and responsiveness of public services by making their delivery closer to the citizen-users (Orgogozo, 1985: 23). Quality circles were first introduced, with the help of consultants and the AFCERQ, in municipalities such as Lyon, Angers and Amiens, and also spread in

<sup>11</sup> For instance, CEGOS published *Pratique des cercles de qualité* in 1982 and the director of Euréquip, published *Mobiliser l'intelligence dans l'entreprise* in 1982, and *L'entreprise du 3ème type* in 1984. For the complete list of TQM book published by French consultancies, see Chevalier (1991: 17).

regions, departments and public organizations such as the *Caisse des dépôts* (Chevallier, 1988: 133). By March 1985, the number of quality circles implemented in local governments had become sufficiently large to organize the first conference on *Les cercles de qualité dans l'Administration* (Orgogozo, 1985: 23). The conference was sponsored by the AFCERQ and attended by consultants, local and central government officials, and by the Socialist Minister of State responsible for the civil service and administrative reform. Without making any firm commitment, the Minister nevertheless promised at the end of the conference that his civil servants would study the applicability of TQM ideas for the central administration (reported in Chevallier, 1988: 134). Following that conference, the AFCERQ created in January 1986 a "Civil Service Group" designed to study the transposition of TQM ideas from the local to the central administration. The translation of these ideas into policies was greatly facilitated when in April 1986, following the election of the right-wing coalition led by Jacques Chirac, the government appointed the two consultants who led the AFCERQ as its senior policy advisors on bureaucratic reform.

#### **4. The 1987 Policy on Quality and Innovation**

Under the Chirac government, administrative reform policy took on first and foremost the guise of a quality and innovation strategy essentially aimed at enhancing the quality and productivity of services delivered to the public (Orgogozo, 1987). One month after its election, the government commissioned studies from two leading private sector management consultants on innovation and quality in the public service (Orgogozo and Sérieyx, 1989). One study on quality was directed by Gilbert Raveleau and the other on innovation, by Hervé Sérieyx. Both were senior partners of the management consulting firm Eurequip and founding members of the AFCERQ. One management consultant (Raveleau) was appointed as advisor on quality to the Minister of Economy, Finance and Privatization, Édouard Balladur; and the other (Sérieyx) served as advisor on innovation to the Minister for administrative reform, Hervé de Charette.

On the advice of the two consultants, the policy introduced by the government in 1987 was primarily based on employee participation in the operational definition of administrative

duties, intra-departmental communication and improved relations with users of public services. (Barouch and Chavas, 1993: 38-9). The new policy was influenced by TQM and participatory management theories. According to the Minister for Administrative Reform, the implementation of the quality policy "traduit une volonté d'adaptation à la culture administrative du savoir-faire du privé" (reported in Rouban, 1989: 450).

#### **4.1 The Effects of the Quality Initiative**

The innovation and quality initiative was intended to facilitate: (i) the introduction of "administrative statements" clearly specifying tasks and objectives, and defined by each departmental head; (ii) the development of "quality" indicators to improve understanding of user satisfaction; (iii) the setting up of quality circles to impel information flow between the different statement participants, and finally (iv), the linkage between individual performance and ancillary monetary awards through the introduction of an employee incentive plan stemming from "performance contracts" (Rouban, 1989: 455).

Largely implemented by departments themselves, the innovation and quality policy was loosely supervised by two new organizations: the *Observatoire de l'innovation et la qualité* located in the Cabinet office, and the *Comité interministérielle sur la qualité* made up of 20 ministries operating under the aegis of the Minister of Finance (Rouban, 1989: 460). The *Observatoire* was responsible for the diffusion of information pertaining to the introduction of new management methods in government, private sector and in other countries (Barouch and Chavas, 1993: 40). The *Observatoire* consisted of senior officials and representatives of the AFCERQ, which at that moment was chaired by one of the management consultants (Raveleau) advising the government on its quality and innovation policy<sup>12</sup>.

On the surface, the innovation and quality policy has had far-reaching effects, with the development of several hundred quality circles throughout the French administrative

<sup>12</sup> Following the creation of the *Observatoire*, it was suggested that the penetration of TQM ideas into the French administration was facilitated by "la nomination des dirigeants de l'AFCERQ au coeur de l'appareil d'État" and that the government discourse on quality "n'est en fait que la reproduction, à l'identique, du discours tenu depuis plusieurs années par l'AFCERQ, promue au rang de laboratoire d'idées" (Chevallier, 1988: 134).

system. It was estimated that 3,000 quality circles were in existence in the central administration by 1988 (Pochard 1995: 49). Budget appropriations for the development and implementation of the innovation and quality initiative rose from 10 million Francs in 1987 to 13.6 million in 1988. A portion of that money was spent on private sector management consultants whose expertise was increasingly sought by the civil service to appraise the functioning of the quality policy in departments (Rouban, 1989: 457).

The Right lost the legislative elections of 1988, one year after having launched its TQM policy. This, some argued, gave to the quality approach the negative image of "an initiative with no durability" (Trosa, 1995a: 267). The new Rocard government did not continue the policy and the *Observatoire de l'innovation et la qualité* no longer appears in the organizational chart of the Cabinet office (*Service public*, 1995: 32-33). Indeed, members of the AFCERQ abolished their own association in 1989, thereby indicating a diminution in French interest with TQM ideas (Chevalier, 1991: 17).

#### **4.2 The Creation of Internal Management Consulting Services**

The quality approach, and especially the introduction of quality circles, is said to have been a relative "failure" because "quality circles were often modelled on those of the private sector" and were not sufficiently adapted to the public sector (Trosa, 1995a: 268). In the private sector, the quality approach assumes that organizations are able to evaluate customer satisfaction through the market. Quality circles ended up being too inward-looking because they did not have the means to seek the opinions and expectations of their users. Quality circles ended up reproducing the methods of the private sector without adapting them to the public sector. This happened in part because their strategy was often based on the advice of external consultants with no knowledge of the "culture" of the central administration. It was as a reaction to this that the government decided in 1990 to create the new position of internal management consultant. Following the introduction of the TQM policy,

**Au milieu des années quatre-vingts, les services publics français ont du modifier de manière très significative leurs modes de fonctionnement... Pour réussir ces changements, les grandes institutions publiques ont fait appel aux services des consultants**

externes. Pour des raisons à la fois budgétaires et culturelles, les consultants externes n'ont pas su répondre à tous les nouveaux besoins d'aide et de conseils générés par toutes ces mutations. C'est dans ce contexte que sont apparues les premières tentatives de recours à des consultants internes (Bec, Granier and Singery, 1993: 15).

In 1990, the government created the *Groupe de modernisation des consultants internes dans l'Administration*, an ad hoc commission designed to advise the government on how to establish its internal management consulting services (DGAFP, 1991). The group consisted of 30 experts, including civil servants, academics and four private sector consultants. The group issued its final report in January 1991 and recommended the establishment of a training program for internal consultants designed to “développer le sens du Service Public, favoriser l'intégration des valeurs et l'appropriation des objectifs institutionnels assignés à la Fonction Publique” (DGAFP, 1991: Appendix 3). Those appointed to the new position of internal consultant were not consultants coopted into the state apparatus from the private sector, but civil servants who received special training in management consultancy. According to the group, experience since the mid-1980s and during the first year of the 1989 Renewal policy showed that the advice of outside consultants was sometimes resisted by civil servants<sup>13</sup>.

The group concluded that it was preferable for the government to have its own internal consulting service to implement the measures that are part of its Renewal policy because “les solutions proposées par les consultants internes sont en général mieux acceptées que celles des consultants externes marquées par un culture de l'entreprise privée” (DGAFP, 1991: 3).

<sup>13</sup> As one member of the group argued, the administration's experience with the use of private sector consultants has shown that “l'appel à des consultants externes présente quelquefois des inconvénients, dans la mesure où les gens venus de l'extérieur connaissent mal le fonctionnement de la maison. Le fonctionnement de l'administration est très particulier. Et chaque administration a même un fonctionnement particulier. Par ailleurs, cela entraîne un obstacle financier (ça coûte cher), parce qu'on met plus longtemps pour pénétrer dans la maison, et un obstacle psychologique, parce qu'on est plus difficilement admis par les gens de la maison. L'oeil extérieur est toujours un peu rejeté. C'est la raison pour laquelle nous avons constitué un groupe de consultants internes qui essaient de remédier à ces défauts” (B. Gauthier, reported in NIFRA, 1993: 134).

## 5. Conclusion

Because of the legacies of étatism left by the creation of the ÉNA and of the MFPRA; and because of the practice of *pantouflage*, French administrative institutions have not been open to advice from outside consultants, thereby affecting the speed with which managerialist ideas influenced policy. In Britain and Canada there is no institution comparable to the ÉNA<sup>14</sup>. In this institutional vacuum, private sector consulting organizations became for decision-makers a key source of management expertise and consequently, managerialist ideas made the fastest inroads into policy in these two states. By comparison, managerialist ideas penetrated only slowly in France because the expertise and instruments required for policy-making in the area of management reform have been centralized within the state in a number of key agencies. This limited the points of contact between these agencies and outside consultants - whose profession was in any case underdeveloped until the 1980s - and ensured that the initiatives for policy always came from within the state.

This situation broadly described the étatist approach to bureaucratic reform that prevailed in France until the 1982 decentralization. The 1982 decentralization undermined étatism. With the decentralization, the civil service at the local level was no longer under the formal responsibility of the centre. Local officials were given greater flexibility in the rules governing recruitment, greater financial resources, and the powers to reorganize their bureaucracies. This allowed local governments to increasingly bring in external consultants as a source of policy advice on management reform<sup>15</sup>.

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<sup>14</sup> Of course, as discussed in Chapter Three in Britain there is the Civil Service College created in 1970. However, it never became the elite training school that the ÉNA is in France (Fry, 1985: 63-69).

<sup>15</sup> The growing use of outside consulting services by local governments, coupled with initiatives such as the FRAC, which encouraged businesses to increase their use of consulting expertise, stimulated the organizational development of management consulting in the 1980s. It is also important to note that while these developments were taking place, the Ministère de l'industrie in Paris was in the process of launching its operation Développement du professionnalisme des consultants in 1985. As indicated in Chapter Two, the Office Professionnel de Qualification des Conseils en Management (OPQCM), the certifying agency for consultants created by the state, started its activities in 1987. Thus, in the mid-1980s there has been in France a number of interrelated factors that contributed to make consulting a more developed field of activity than before, and this is in part why French consultants emerged as relatively influential actors on the bureaucratic reform scene during the 1980s, and not in the early 1960s as in Britain and Canada.

As a result of decentralization, policy-making in the area of bureaucratic reform became less impermeable than before. The monopoly of expertise that central government officials had traditionally exercised in the area of management was eroded by the decentralization. Decentralization multiplied the points of contact between central government officials responsible for bureaucratic reform and other “societal” actors involved in management reform at the local level. This was seen, for instance, with the conference on *Les cercles de qualité dans l’Administration* organized in 1985 by the AFCERQ. As mentioned earlier, the conference was attended by consultants, local and central government officials, and by the Socialist Minister for Administrative Reform. Following this conference, management consultants and the AFCERQ became actively involved in attempting to transpose TQM ideas from the local to the central level of government<sup>16</sup>. Of course, this process of transposition was facilitated by the election of the right-wing coalition in 1986. However, to argue that managerialist ideas (in the form of TQM policy innovations) became influential after 1986 because of the election of a “New Right” government, is to forget that the central state’s interest in TQM first began under the Socialists. As it has been noted, “The change in government [in 1986] has not led to an abrupt change in the management of the civil service” (Rouban, 1989: 450).

The emergence of managerialism in France in the mid-1980s has much to do with the 1982 decentralization which opened the doors of local governments to management consultants.

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<sup>16</sup> Although in this chapter I have stressed the role of consultants and the AFCERQ as the main agents through which managerialist ideas were spread from the local level of government to the central administration in the mid-1980s, the French practice of *cumul des mandats* may possibly be another way through which TQM ideas were diffused from the local to the central government. As indicated earlier, TQM first became influential at the territorial level of government and in France, politicians often combine both local and national elective offices, a practice known as *cumul des mandats* (Dion, 1986). In 1986, over three-quarters of the Deputies of the Gaullist dominated National Assembly also held office as mayors or as regional councillors (Knapp, 1991: 19). This implies that many politicians sitting in the National Assembly in 1986 were likely to have been into close contact with TQM ideas in their duties as local elected officials. Moreover, a large portion of these *cumulards* were likely to have been part of the coalition led by Chirac since the Gaullists controlled the Assembly. They thus had easy access to members of the government. It may well even be that some ministers in the Chirac cabinet had themselves, in the recent past, presided over the implementation of TQM as mayor of one of the several cities that introduced quality circles in their administration. Of course, these are merely hypotheses but they are worth mentioning because of the centrality of the *cumul des mandats* as a process through local politicians have traditionally influenced national policy.

Local governments became the main access point or channel through which consultants and managerialist ideas have started, in the mid-1980s, to penetrate the institutions of the central state. However, although the decentralization may well have opened a route that initially facilitated the entry of consultants into the French state, it became much more difficult to travel on that route when consultants passed the local government "station" and tried to continue their way into the central state. As one French consultant indicated in discussing the entry of the members of his profession into the French state, "l'ouverture au conseil s'est faite progressivement des marges (collectivités locales) vers le coeur (administrations centrales)....D'autre part, plus on se rapproche du coeur, moins la culture d'entreprise du consultant est pertinente" (Bruston, 1993: 178). In the central administration, the ideas sponsored by consultants were not received as well as they had previously been in local governments. The étatist approach to bureaucratic reform may well have been undermined by the 1982 decentralization, but it has not yet disappeared, as both the TQM experience and the construction of internal management consulting capacities indicate. The decentralization has certainly allowed managerialist ideas to emerge and to become more visible in the French administrative landscape, but these ideas have not yet influenced policy as much as they did in Britain, and to a lesser extent, Canada.

## **Chapter Six: Conclusion: Managerialism and the State**

**This study sought reasons for the differences in the acceptance of managerialist ideas in Britain, Canada and France during the 1980s by using an historical-institutionalist approach that focused on the interrelations of management consultants and the state in the bureaucratic reform policy process. Existing explanations of the rise and influence of managerialism focus on three models: (i) the ideological model which stresses the emergence of the New Right; (ii) the structural and technological approach emphasizing the process of globalization and the rise of the information society and (iii), a more recent and largely unexamined line of argument that stresses the interests of profit-maximizing management consultants as the determinant of managerialist policies.**

**The New Right approach links the emergence of managerialism to the election of neo-conservative and anti-statist governments since the late 1970s. This explanation postulates that managerialist ideas are by definition right-wing ideas, but ignores the fact that some of these ideas, such as the accountable management unit in the case of the Next Steps in Britain for instance, were initially introduced by left-wing governments. The same can be said about the French case, where it was a Socialist Minister of Administrative Reform who first became interested in the ideas and techniques that led to the Total Quality Management policy adopted on the advice of two consultants by Chirac's right-wing coalition in 1987.**

**The New Right model also assumes that the political interests of right-wing governments almost always coincide with managerialist ideas. However, the Canadian case has shown that the state's prior experience with bureaucratic reform policies, and the way managerialist ideas have been packaged since the 1970s by the Auditor General with ideas that seek to restructure the balance of power between the executive and the legislature, led the Mulroney**

government to view managerialism as inimical to its interests<sup>1</sup>. As a result, political support for the managerialist ideas that were part of the PS 2000 initiative has been weak. The interests of the Mulroney government vis-à-vis managerialism could not simply be “read off” its ideological position as a New Right party. Instead, it has been important to examine how these interests have been defined in relation to the legacies of past bureaucratic reform policies.

In the globalization approach, the determinants of managerialism are to be found in the fiscal crisis, in the process of global economic restructuring and in the rapid development of information technology. In this interpretation, the story of managerialism starts in the late 1970s and early 1980s. It is a story that emphasizes constraints rather than choice and one where the key actors in the drama are structures rather than social or political agents. As the preceding chapters have shown, however, a number of the ideas informing managerialist policies adopted in the late 1980s go back at least to the 1960s when concepts such as the fiscal crisis and globalization were largely unknown. These ideas were originally imported from the private sector as a way to rationalize and consolidate, rather than weaken, state intervention. Globalization and the fiscal crisis in the 1980s did not give rise to new managerialist ideas, but changed the meaning and the political justification for the use of these policy ideas.

The third approach essentially argues that the interests of management consultants from the private sector drive the diffusion of managerialist ideas. While in this approach changes come from the actions of real human beings and not simply from “invisible” ideological and structural forces, the consultants-centred view of managerialism tends to overestimate the rationality of consultants and their capacity to have their preferences translated into policy. It is assumed that consultants are everywhere a powerful group and that “consultocracy” is the consequence of their growing influence in the bureaucratic reform policy process.

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<sup>1</sup> As Campbell and Wilson have recently noted in a comparison between Britain and Canada, “Oddly”, they write, soon after the election of the Progressive Conservatives, “the tremendous thrust toward managerialism which characterized the 1970s stalled” in the federal bureaucracy (Campbell and Wilson, 1995: 173).

Although they are all quite convincing, none of these three models seems entirely appropriate for explaining variations in the acceptance of managerialist ideas and policies across nations. They are all, to various extents, ahistorical and they neglect the importance of the state as a structuring factor in the determination of policy outcomes. They are either too “macro” or too “micro” and explain too much or too little<sup>2</sup>. What is needed is a middle-range approach that identifies the most salient factors behind the differences in the reception given to managerialist in Britain, Canada and France. The point of this study has been to develop an alternative model for explaining variations in the acceptance of managerialist ideas and policies that links the importation of business management practices into the state to the role of management consultants in the process of bureaucratic reform. As indicated in Chapter One, the model uses neo-institutionalist studies that have looked at the role of economists in the diffusion of Keynesian ideas across states.

In focusing on the role of management consultants in the bureaucratic reform policy process, this study, has not, of course, given equal analytical weight to all the factors that could explain the influence of managerialism. Rather, its aim has been more modest and the intent has been to shed some light on a topic (the role of consultants) that has almost never been looked at in studies of managerialism and bureaucratic change. Theoretically speaking, the contribution of this study has been to add bureaucratic reform and state management to the list of policy areas studied through the lense of neo-institutionalism. Although state-society approaches have been used to study topics as varied as industrial policies (Atkinson and Coleman, 1989), regional development policies (Bickerton, 1990), and citizenship policies (Pal, 1993), they have almost never been used comparatively to study bureaucratic reform. Usually, in studying a particular policy area, the researcher using neo-institutionalist theories puts the analytical focus on a number of state agencies that have jurisdiction over the issues under examination and that are assumed to have public

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<sup>2</sup> For instance, the “macro” concept of globalization attempts to explain almost everything. As has been noted “The term globalization has become the economic and political mantra of our time. Just repeat it and economic movements and phenomena are explained. Unemployment here, an agricultural trade war there...someone will inevitably say that these are merely the consequences of “global economic restructuring” or just plain “globalization” ” (Chodos, Murphy and Hamovitch, 1993: 1).

and "visible" relationships with some societal actors, be they doctors in the case of health policy, or green activists in the case of the environment. When using a neo-institutionalist approach, it is assumed that most public policies always have both a state and societal side. The way the arrow runs between the two is a matter of theoretical orientation, but the fact remains that neo-institutionalism, as an approach, binds together state and society. However, when using neo-institutionalism to study bureaucratic reform as a policy area, the societal side is not as "obvious" as in the aforementioned examples. Indeed, it is not even normally expected that there is a societal side in the bureaucratic reform policy sector because it is located in the command structure of the state, a closed policy sector made of "superbureaucrats" in central agencies whose "clients" are not members of the public but ministers and civil servants from other ministries (Campbell and Szablowski, 1979). In addition, bureaucratic reform has generally been studied by public administration scholars, and as a discipline, public administration sometimes tends to look at "bureaucracy as a self-contained entity, to be understood from within, and in isolation from both history and society at large" (Beetham, 1987: 5).

Applying neo-institutionalism to state management related issues forces the analyst to look for the societal side of the bureaucratic reform policy sector, and it is in this context that management consultants emerge as potentially interesting candidates to fulfill that role. But in part because they are believed to operate in a closed policy sector, the role of management consultants in the process of administrative reform has remained obscure, largely unexamined by scholars. "The activities of management consultants", wrote Pollitt, "have been more opaque" than that of politicians and bureaucrats in the construction of public service managerialism (1990: 135). The empirical contribution of this study has been to make these activities less "opaque" than in the past. Of course, much remains to be done, by including more countries for instance, but this study has provided a model that, broadly speaking, helps to illuminate how the development of modern management consultancy since the 1960s took shape in close interaction with the rise of the managerialist state.

This chapter is designed to summarize and compare some of the most important points made in preceding chapters in relation to each of the two sets of variables used to explain why managerialist ideas acquired more influence over bureaucratic reform policy in some countries than in others. These two sets of variables, discussed in the first and second section of the chapter, are: organizational development, and policy legacy and access to decision-making centres. The third section looks at the impact of political parties. Because it emphasizes the interrelations between consultants and bureaucrats in the process of administrative reform, the neo-institutionalist model used in this study tends to privilege the role of officials and experts, and devalues that of politicians and parties. However, parties emerged, especially in the case of Britain, as a relatively important variable that structured the access of consultants to decision-making centres and thus, affected their capacities to advocate managerialist ideas that could appeal to policy-makers. The last section concludes by discussing the relevance for democracy of issues raised by the close relationship that sometimes exist between management consultants and the state.

### **1. The Organizational Development of Management Consulting**

Clearly, if management consultancy does not exist or is relatively undeveloped in a national setting, there is little chance that consultants can be involved in the process of administrative modernization and can diffuse within the state management ideas based on private sector experience. This is why the first task of this research has been to study in Chapter Two the history and organization of management consulting in Britain, Canada and France.

Of the three cases examined, management consulting, both as an industry and profession, was found to be less developed in France than in Britain and Canada. France has a smaller management consulting market and a more recently organized consulting industry and profession. Since the entry of the large international accounting firms in the 1960s, management consulting has become a major industry in Britain and Canada where it has developed as the extension of the institutional relationship that accountants have established

with their audit clients. In Britain and Canada, the accounting professions are self-regulating bodies, largely autonomous from state intervention, which allow their members to provide management consulting services to their audit clients. For this reason, accountants in Britain and Canada have had a strong interest in being actively involved in the organizational development of management consulting. For a number of reasons that have to do with historical patterns of industrial and corporate development, in France the accounting profession is smaller and less important than in Britain and Canada. The French accounting profession is directly controlled and regulated by the state. Contrary to their British and Canadian counterparts, French accountants cannot perform management consulting work for their audit clients. Thus, unlike British and Canadian accountants, the French accounting profession did not have any interest in participating in the organizational development of management consulting and this is why this process has taken place later and been more state-led in France. Institutional differences between Britain, Canada and France in the independence requirements imposed on accountants have thus shaped the way the accounting profession has historically defined its interest in relation to management consultancy. This point highlights the fact that the interests, goals and the strategies pursued by groups or individuals cannot simply be deduced from their position in the social structure, but that they are also shaped by the institutional context in which they are situated.

One of the most important findings of this study is that the historical and institutional link with accountancy is a key variable for explaining the organizational development of management consulting. In Britain and Canada, accountants have been importantly involved since the early 1960s in the organizational and professional development of management consulting and these two countries, are also the ones where the management consulting industry is most developed. The link between accounting and management consulting in Britain and Canada helped to strengthen the professional reputation, credibility and prestige of management consultancy. The association of accounting with management consulting in these two countries in the 1960s improved the image of

consulting, thereby helping to establish it as a respectable and serious occupation or business. The dominance of the world management consulting market by the Big Six international accounting firms provides ample evidence of the fact that the historical and institutional association with accounting acted as a locomotive in the development and growth of management consulting.

Of the three cases studied, France has the smallest, most recently organized and least developed management consulting market and industry, and France is also the only country where accountants have not participated in the organizational development of management consulting. As the French case indicates, the state can compensate for the absence of a link with accountancy by playing a leadership role in the organizational development of management consulting. The state can assist the development of management consultancy by encouraging businesses to use consulting services and by taking the initiative for professionalizing this field of activity, as the French state did in creating the *Office Professionnel de Qualification des Conseils en Management* (OPQCM) in the 1980s. Although the role of the state has been much more direct in France, in Britain and Canada the state also contributed to the development of management consulting by using the services of consultants who, as a result, acquired experience in public administration and expanded their market into public sector consulting.

### **1.1 The Link with Accountancy and the Influence of Managerialism**

To the extent that the link with accountancy shapes the organizational development of management consulting, the historical and institutional relationship between the two occupations represents an important mediating variable in explaining differences in the reception given to managerialist ideas by the British, French and Canadian states. One crucial aspect of the relationship between the organizational development of management consulting and the acceptance of managerialist ideas by states is that policy ideas are usually better received by decision-makers when they are sponsored by a well established and credible profession or group of experts. Decision-makers are more likely to be interested in

managerialist ideas and policies if they know that they can rely on a mature and relatively sophisticated body of consulting specialists to help them improve the administration of the state through the application of business management practices and values to the public sector. This is in part why managerialist ideas have emerged earlier and been more influential in Britain and Canada than in France. In explaining the reception accorded by states to managerialist ideas, organizational development is one key factor because it tends to facilitate the participation of consultants in the policy process, which in turn allows certain policy ideas to come more directly to the attention of decision-makers.

In Britain and Canada, accountants became active in the organization and professionalization of management consulting in the 1960s. Although in Britain engineers created the first business association of consultants, it was the accountants who took the lead in the professionalization of consultancy with the creation of Institute of Management Consultants (IMC) in 1962. It is also during that period that the British and Canadian states both started to make relatively important use of management consulting knowledge by launching, with the Fulton and Glassco commissions, bureaucratic reform initiatives that sought to rationalize the intervention of the state in society. Similar timing of organizational development and policy participation in the process of bureaucratic reform characterizes France. However, the difference between France and Britain and Canada, is that the process of organizational development and professionalization of management consulting in France took place later, during the 1980s under the leadership of the Department of Industry. As a result, French management consultants only started to participate in the process of bureaucratic reform in the mid-1980s, following the decentralization reforms.

What the French situation shows is that when there is no link with accounting, the organizational development of consulting tends to be weaker and the possibilities for consultants to influence management policy with their private sector experience, more limited. To put it simply, the link with accountancy is what helps to make managerialism influential. Britain and Canada have strong accounting professions that were able to play a

key role in the development of management consulting by using their audit clients contacts as a platform on which to build their consulting businesses. The strength of the accounting profession in Britain and Canada is linked to the history of colonization and with the position of London as the financial capital of the world. New Zealand and Australia are two other former colonies where the accounting profession is strong and where management consulting is also a well developed field of activity (Carrington, 1984). In these two countries, the influence of managerialism in the last 15 years has been very strong (Boston, 1991; Yeatman, 1994). In New Zealand, it has been argued that managerialism has been "driven primarily by private sector consultants" (Boston, 1991: 9). In Australia, firms such as Cooper & Lybrand now advertise their services in the Australian Journal of Public Administration, arguing that they "lead the field" in government consulting in the area of financial management, program evaluation and so forth. Indeed, firms associated to the Big Six group advertise their public management expertise in all the Commonwealth countries. For instance, an ad for Coopers & Lybrand in the 1992-93 Commonwealth Ministers Reference Book, states that "We advise governments throughout the world on privatisation and commercialisation of their public sectors. Our credentials are well known with experience of privatisation in over 50 countries, including many throughout the Commonwealth".

Managerialism has often been associated with English-speaking countries, and observers have sometimes used "cultural" variables related to the so-called Anglo-Saxon model to explain this situation (Holmes, 1992: 472). Based on this argument, some have suggested that it is "in particular in the countries of the British Commonwealth that the concept of managerialism applies best" (Derlien, 1992: 292). What this study shows is that the link between consulting and the accounting profession - the latter often being more developed in Commonwealth countries - may be as important as culture to understand why managerialist ideas have acquired more influence in Britain and Canada than in countries such as France.

## **2. The Legacies of Past Bureaucratic Reform Experiences**

The links between accounting and the organizational development of management consulting represent only half of the story. The fate of managerialism cannot simply be "read off" from the strength or weaknesses of the management consulting industry. The cases of Britain and Canada clearly show that although they both have a well developed management consulting industry and profession, managerialist ideas have not been equally influential in the two countries. Differences in the reception given to managerialist ideas have also been caused by the state's prior experience with bureaucratic reform. In examining these past reforms, the study has primarily looked at whether they left legacies that facilitated the penetration of consultants into the state and their access to decision-making centres through which managerialist ideas entered into the formulation of policy. In the three cases, the openings created by past legacies included the 1966 Fulton Committee in Britain, the 1960 Glassco Commission in Canada, and the 1982 decentralization in France.

### **2.1 Fulton, Glassco and the Entry of Consultants into the State**

The 1960 Glassco Royal Commission in Canada and the creation of a Management Consultancy Group attached to the Fulton Committee in Britain in 1966 were two instances where the "expertise" of private sector management consultants in the bureaucratic reform policy domain was given official or public recognition by the state<sup>3</sup>. Through their participation in the 1960s on Glassco and on Fulton's Management Consultancy Group, management consultants in Canada and Britain contributed to framing what they thought to be significant managerial "problems" and the necessary solutions. One of the main problems identified by Fulton and Glassco had to do with what was seen as the archaic character of state management processes. In Britain, Fulton contended that the Whitehall bureaucracy was still following a 19th century philosophy of public administration while in

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<sup>3</sup> The idea of "public" recognition is important because management consultants, at least in Canada, did not begin to participate in the process of bureaucratic reform only in the 1960s with Glassco. Consultants have been present on the bureaucratic reform policy scene in Ottawa since the First World War (Roberts, 1996). However, the big difference is that before Glassco, the participation of consultants took place "behind closed doors" and not in public as in a Royal Commission. For instance, in the 1920s, the firm Arthur Young (now one of the Big Six as Ernst & Young) was heavily involved in the reorganization of the Civil Service but the firm's work was confidential because it reported directly to a Cabinet sub-committee (Hodgetts, McCloskey, Whitaker and Wilson, 1972: 79).

Canada, Glassco dismissed as out of date and "complicated" the government management system which, it argued, had virtually been "unchanged in the past thirty years" (Canada, 1962: 91). The two commissions recommended that management methods within the government had to be modernized with management ideas and techniques imported from the private sector. In order to modernize administrative practices, both Fulton and Glassco suggested the creation of new internal management consulting services which were to be primarily located in the TBS and the CSD.

The legacies left by the Fulton and Glassco reforms powerfully influenced the way subsequent bureaucratic reform policies unfolded. First, they granted new central agencies such as the Treasury Board Secretariat (TBS) in Canada and the Civil Service Department (CSD) in Britain jurisdiction over bureaucratic reform. Second, they also gave consultants a professional and institutional hold on bureaucratic reform policy issues. This happened because both Fulton and Glassco recommended that the TBS and the CSD be staffed, at least in part, with management consultants drawn from the private sector.

In the Canadian case, the new TBS and the construction of internal management consulting capacities were closely related to the development of PPBS, whose implementation required the use of new management techniques that were in part to be provided by consultants. In Britain, the creation of the CSD in 1968 was not linked to PPBS. The British version of PPBS was implemented later than in Canada, in 1970, when the Heath government launched its Program Analysis and Review (PAR). As has been noted, Britain did not embrace PPBS as strongly as Canada did (Plumptre, 1988: 251).

In Canada, the presentation to Parliament of expenditures in the program budget form created an opportunity for the Office of the Auditor General (OAG) to justify an expansion of its mandate in order to adapt its functions to the new PPBS approach. This happened at a moment where the government was in a minority situation and when James J. Macdonell, a management consultant from Price Waterhouse, co-founder and past president of the

Canadian Association of Management Consultants (CAMC), was appointed to the position of Auditor General of Canada. The appointment of Macdonell greatly facilitated the entry of consultants in the federal state. As seen in Chapter Four, Auditor General Macdonell expanded the power of his office through the adoption of the value-for-money clause in the 1977 OAG Act. He also significantly contributed to the organizational development of management consulting. During Macdonell's mandate, more than 500 private sector consultants were reported to have acquired, through their work in the OAG, first-hand knowledge of public administration. Some of these consultants subsequently became directors of Government Consulting divisions in a number of large management consulting firms.

In contrast to Britain, the Canadian Auditor General is not a civil servant appointed from the permanent bureaucracy, but a professional accountant appointed from the private sector. This practice is believed to enhance the independence of the Auditor General from the bureaucracy and the government. However, when the time comes to appoint a new Auditor General, the government's choice is structured by the organization of the market for accounting services, dominated by the Big Six. Since the 1960s, most auditors have come from the Big Six (the current Auditor General, Denis Desautels came from Ernst & Young). In addition, given that in Canada the accounting profession dominates the management consulting market and accounting firms do not maintain an institutional separation between their accounting and consulting activities, means that the Auditor appointed by the government may have either an accountancy or a consultancy background. Thus, the Canadian practice of appointing the Auditor General from the private sector and the structure of the market for accounting and consulting services, create possibilities for consultants to gain privileged access to decision-making centres in the OAG.

As a body that is located outside the permanent executive, the institutional arrangements governing recruitment and budgetary procedures in the OAG differ from those that apply to the civil service. Much of the expert advice on which the OAG relies does not come from

an echelon of permanent civil servants but from the Executive Interchange Program, which links the OAG to a large number of accounting and management consulting firms, and from professional service contracts<sup>4</sup>. The OAG is thus much more permeable or open to advice from outside experts than the permanent bureaucracy. This is why managerialism took hold rapidly in the OAG where the use of outside consultants is an institutionalized practice. However, once managerialist ideas had been introduced in the OAG, the same institutional feature that facilitated their entry (separation from the executive), also affected the degree to which they would become an entrenched component of government policy.

## **2.2 Contrasting Patterns of Institutionalization**

For Canadian management consultants, being institutionally linked to the OAG is a double edged sword. On the one hand, consultants have greatly benefited from their institutionalization in the OAG, with revenues derived from contract work in the Audit Office growing from \$5,000 to \$7 million between 1971 and 1981. On the other hand, the strategic opportunities of consultants to influence government policy are limited because the managerialist solutions that they advocate are packaged by the OAG with ideas intended to re-design accountability relationships that are not politically popular with the government. As a body attached to the legislature, the OAG is also linked to political actors (MPs, the opposition, legislative committees) who have an interest in changing the balance of power between the executive and the legislature as a way to enhance their role in the scrutiny of government business. Since the 1976 Lambert report, the OAG has been advocating ideas that seek to separate the political responsibility of ministers from the administrative responsibility of their senior officials by making the latter directly accountable to the House of Commons. However, such ideas have been strongly opposed by the government because they would reduce the powers of ministers who would see whole areas of public administration being substracted from their responsibility. The managerialist ideas that consultants sponsored through the OAG are thus packaged with ideas designed to empower the legislature that do not mobilize strong government support.

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<sup>4</sup> Article 15 (2) of the 1977 Auditor General Act enables the OAG to contract for professional services without seeking first the approval of the Treasury Board, as this is the practice for government departments when the value of the contract exceeds \$100,000 (Gow, 1995: 11).

By comparison, in Britain management consultants were originally institutionalized in the CSD in 1968. Soon after the creation of the CSD, which was to be the main internal management consulting service in the British central state, consulting revenues from government business was reported to be "pretty low" (Wilding, 1976: 69). As mentioned in Chapter Three, part of the reason for this is the way the British state during the 1970s was building its own management consulting capacities. Thus, unlike their Canadian counterparts, British consultants did not originally benefit very much from their link with the CSD. This situation changed rapidly, however, when the access point of consultants to the British state was brought closer to the political control of the Prime Minister as a result of the creation of Thatcher's Efficiency Unit and of the abolition of the CSD in 1981. Once linked to the center of the executive machinery, consultants had a more direct access to decision-making centres. Their ideas entered the process of administrative reform and became an important component of government policy. As a result, it was noted in Chapter Two that the income from central government for members of the Management Consultancies Association increased from £18 million in 1985 to £93 million in 1993.

Thus, although the construction of institutional links with the OAG may initially have appeared to be a "good thing" for Canadian management consultants, in the long term this association has limited their capacity to influence policy. By contrast, British developments opened up, for management consultants, new opportunities that were not possible under previous institutional arrangements. The reorganization of the institutions that have jurisdiction over bureaucratic reform policy issues in Britain in the early 1980s facilitated the formation of what may be called a "managerialist policy coalition" between consultants and the Thatcher government. The formation of such an alliance may have been more difficult before 1981 when the CSD still existed. The CSD, which had been since Fulton the main access point of consultants to the British state, was not very popular with the Thatcher government (Fry, 1984). The CSD was seen as inimical to the interests of the Thatcher government because it was associated with the interventionist ideology of Labour in the 1960s. Moreover, it was seen in Chapter Three that those who gained control of

most decision-making positions in the CSD were not outsiders from the private sector, as this was originally intended by Fulton, but "generalist" senior civil servants. As a result, senior officials in the CSD often defended civil service management practices, arguing that public administration was very different from business management (Savoie, 1994: 201). For private sector management consultants, the CSD was, therefore, as much an adversary as an ally to the extent that many of its senior officials were not strong supporters of managerialist ideas. Although the CSD provided one access point to the British state, this access was not as profitable as consultants probably expected for at least two reasons. First, it limited their influence on bureaucratic reform policy. And second, the revenues of consulting firms from government work did not increase significantly in the 1970s following the creation of the CSD.

In Britain, although the strongest political impulse for the managerialization of the state came from the Thatcher government, it would be a mistake to assume that these changes could be satisfactorily attributed uniquely to the charismatic and determined leadership of Mrs. Thatcher. This was, of course, an important influence, but it seems unlikely that change would have gone as far as it did if Thatcher's program for reforming the state had not been enriched by the presence of allies such as management consultants who contributed important ideas about how to adapt business management practices to the public sector.

### **2.3 Between Local Governments and Internal Consultants at the Centre**

In terms of the access point through which management consultants have entered the state, the case of France has some similarities with Canada. In the two states, management consultants have been primarily institutionalized in organizations (local governments and the OAG) that are outside the control and direction of the executive. As a result, their access to decision-making centres in government and the possibilities for their ideas to strongly influence policy are limited.

In France, managerialist ideas were kept off the policy agenda until the mid-1980s because of both the centralized and impermeable character of bureaucratic reform policy-making and the weak development of consulting. But the 1982 decentralization reforms opened the doors of local governments to private sector consultants. With decentralization, the services of consultants were increasingly sought by local officials to help them put in place the systems and techniques needed to manage their new administrative functions. During the 1980s, consultants began to sponsor Total Quality Management (TQM) ideas which were first translated into policy at the local level, and then later spread in the central government following the appointment of Chirac as Prime Minister in 1986. However, Chapter Five showed that TQM ideas were not as well accepted in the central government as they were in local administrations. Local governments do not share the étatist tradition of the central administration. They are more open to outside advice and they thus provide a much more hospitable setting for innovative management policy proposals than the central state. As a result of the failure of the TQM policy experience, the central government decided in 1990 to have its own internal management consulting capacities rather than rely on external consultants whose ideas are often resisted by civil servants. If the lessons drawn from the British case are of any use (i.e. the reduction of consulting revenues from government business after the creation of the CSD), the creation of such internal services should narrow, at least in the short-term, the opening through which French consultants entered the central state in the mid-1980s following the decentralization reforms. For now, French management consultants are somewhat "cornered" between local governments and internal consulting services at the centre and as a result, managerialism will probably continue to penetrate French (central) administrative institutions only slowly.

### **3. The Impact of Parties**

Organizational development, the effects of the legacies left by past reforms in terms of creating openings that facilitated or impeded the access of consultants to decision-making centres, are the main factors that this study has used to explain variation across states in the degree to which managerialist ideas were implemented as policy. One variable that our

theoretical framework treated only marginally but whose presence has been felt a number of times in the analysis is the organization of the party system.

As has been noted, neo-institutionalism gives prominence to experts located inside the state itself or positioned as mediators between the state and the sources of policy relevant knowledge. It suggests that these experts are primarily responsible for the movement of ideas in any given policy sector "and downgrade the role of political parties" in the analysis of policy change (Hall, 1990: 55). It is assumed that the diffusion of ideas takes place through a narrow set of channels characterized by personal communication between the experts in a particular policy domain and the bureaucrats charged with responsibility for policy-making in that domain. In the cases examined in this study, such channels involved for instance: formal advisory commissions such as Fulton and Glassco; exchange programs between the state and management consulting firms; informal meetings with management consultants, such as those organized by the CSD in Britain, the Office of the Comptroller General in Canada, or between the AFCERQ and local and central government officials in France; and the cooptation of consultants into the state apparatus.

However, the British case showed that political parties with policy-developing capacities can provide another channel whereby the ideas of management consultants are diffused into the policy process. In Britain, one consequence of the tradition of class-based politics, where parties have generally been ideological and programmatic, is that an important part of the activities of parties involves the development of political projects designed to convince voters to adhere to their political ideology (Beer, 1982). To formulate these political projects, British parties have created well established policy-developing bureaucracies. In Chapter Three it was seen that the existence of these organizations affected the way consultants were institutionalized at the centre of the executive machinery. A number of the advisers and outside management consultants who worked for Heath in the Businessmen's Team and later, for Thatcher in the Efficiency and Policy Units, were recruited from the party's policy-developing machinery. Because the Conservatives have often recruited

consultants to advise the party leader on management issues since the 1970s, it has been argued that management consulting knowledge is by definition right-wing or conservative (Henkel, 1991: 74). However, recent events suggest that this perception is inadequate and that the knowledge of consultants is not "frozen" for ever into one ideological category, but changes according to strategic opportunities provided by the next election where Labour may well become the next government in Britain. For instance, in 1994 the Labour Party recruited management consultants from the firm Andersen Consulting to produce a policy document on social justice (Management Consultancy, 1994: 7).

In Canada, the brokerage nature of the party system implies that federal parties organize around leaders rather than around political principles and ideologies and as a result, parties have weak policy capacities (Brodie and Jenson, 1988). Because the party system as a whole lacks a capacity for policy innovation, in Canada policy ideas have tended to come from a wide variety of bodies that all have in common the fact that they are politically independent from the government, and it is primarily through such bodies, namely the Glassco Royal Commission and the OAG, that management consultants have entered the policy process<sup>5</sup>. Managerialist ideas quickly found a foothold in these permeable bodies but because they are separated from the government, this created a much more difficult process of consolidation and as a result, managerialism never became as firmly entrenched as in Britain<sup>6</sup>. The more fluid structure of "politically independent" bodies in Canada not only made the entry of managerialist ideas easier, but also had important consequences for the timing of the diffusion of managerialism. In Canada managerialist innovations such as value-for-money, program evaluation and so forth, emerged earlier than in Britain, but paradoxically never received the same degree of political support from the government.

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<sup>5</sup> Students of public administration have long noted the unusual presence in Canada's parliamentary system of a large number of politically independent bodies. According to Kernaghan and Siegel, "Like Britain, Canada has a large number of conventional government departments organized in hierarchical form and headed by ministers. But unlike Britain and like the United States, many government activities in Canada are conducted by agencies enjoying a measure of independence from government" (1991: 401)

<sup>6</sup> Of course, the same could be said about local governments in France where the more permeable structure of territorial administrations, like that of "politically independent" bodies in Canada, also facilitated the entry of managerialist ideas.

#### **4. Conclusion: Consultocracy and Democracy**

This study has been analytical rather than normative, but at least three issues discussed herein are relevant to democracy. First, there is the "big" issue of "consultocracy". Are consultants increasingly usurping the power of elected officials by bringing under their sphere of expertise matters that they define as managerial but that are, in fact, essentially political? Most of the time, they probably do not. However well developed and powerful their internal organizational resources, the degree of influence that management consultants exercise on the way the state is managed is largely determined by the political process. As shown by the Canadian case, this sometimes imposes severe limits on the capacity of management consultants to influence policy.

But this cautious assessment does not mean that consultants have no impact on the democratic process. The state's increasing reliance on consultants in the provision of management policy advice affects the openness and transparency of public debates. In Britain, where the term "consultocracy" has first been coined, it has been argued that management consultants have become the "key profession for advising and assisting [the government]....Where once royal commissions were appointed to review problems requiring attention, today it is more likely that Coopers and Lybrand will be asked to file a report" (Political Quarterly, 1993: 269). Government research that might have once been carried out by public bodies, the argument goes on, will today be done by management consultants who belong to a very secretive industry. Contrary to other sectors that have become increasingly more open as a result of strong public pressures, the management policy domain is still a closed sector dominated by senior bureaucratic officials and consultants. This closed character may create problems for democracy because of the difficulties involved in trying to distinguish managerial from political issues. This means that bureaucrats and consultants can negotiate and settle with one another political issues, without choices being raised to the attention of politicians or the electorate.

The third issue relevant to democracy, is the distinctive character of consultants as policy "experts" and their neutrality in the provision management advice to state officials. Studies that have examined the role and influence of specialists in the diffusion of policy ideas have generally looked at two types of policy experts: the think tank and the academic analyst. The kind of experts on which this study has focused, however, are different from other policy specialists because of the nature of the organization for which they work. Unlike the policy experts who work in non-profit research institutes and in the academic sector, consultants work for profit-based organizations. As noted in Chapter Two, the "expert" status of management consultants is often questioned. Consultancy is seen as a business as much as a profession and the sector is generally divided (except in Canada) between business and professional associations.

The knowledge and ideas that consultants produce do not only have a problem solving function; they are also "products" designed to generate revenues. As a result, their neutrality in the provision of policy advice is sometimes more contested than that of the academic or the think tank policy expert (Pal, 1992: 224). "The management consultants who have profited extensively from being brought in to assist New Public Management (NPM) reforms" writes Pollitt, are "anything but neutral witnesses" (1995: 204). The commercial interest of consultants may affect the independence and objectivity of the external expertise that they are supposed to bring in the policy process. In Canada, for instance, all the large firms that sit on the OAG's Panel of Senior Advisers have a commercial interest in promoting the use of business management techniques in government (Saint-Martin and Sutherland, 1995). For these firms, the OAG may well represent a sort of "marketing agent" that indirectly promotes their products in the federal administration through its immense reporting powers.

In Britain, it was seen in Chapter Three that in 1993, the Cabinet ordered a study that examined the practices concerning the government's use of external consulting services. The study identified a number of problems in the government's relationship with

management consultants. For instance, a press leak of an unpublished document sent to Permanent Secretaries setting out the emerging findings of the study on consultants, contained warnings "of the dangers of conflict of interests and instances where firms might win work with the aim of getting inside knowledge to take over other work" (Hencke, 1994). The study was made public, its conclusions debated in the media and the House of Commons, and a number of measures intended to improve the government's use of consultants were implemented. It has been possible for the government to take some corrective action because in Britain, management consulting interests have primarily been institutionalized in the Cabinet Office, a body under the control of ministers who are publicly accountable to the House of Commons. In Canada, consultants are primarily linked to the OAG, a body for which the concept of ministerial responsibility does not apply and for which there exists no clear mechanism of democratic accountability. Contrary to the British case, the possibilities to review, and possibly correct, any perceived problems that may arise from the OAG close links with management consulting interests, are more limited in Canada. Because of this situation it would be difficult for parliamentarians to learn whether the presence of a majority of the Big Six firms on the Auditor's Panel of Senior Advisers might help them to influence the OAG's program of work in order to increase the likelihood of obtaining more consulting work from the government. Thus, differences in the way consulting interests have been institutionalized in Britain and Canada, not only have an important impact on the influence of managerialism, but also on the operation of accountability mechanisms and, ultimately, on the quality of democratic life in the two countries.

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## **Appendix 1: Interviews**

Part of the information for this study comes from interviews conducted in 1993 and 1994 in London, Ottawa and Paris with senior officials and private sector management consultants involved in the process of bureaucratic reform in the three countries. I also interviewed representatives of management consulting professional and business associations. The interviews lasted on average one hour and I took notes during all the interviews. The interviews were unstructured and conducted primarily for background, contextual information'. Accordingly, I did not put a common set of questions to all respondents. The interviewing was generally done in a face-to-face encounter, but telephone and fax interviews for the British and French respondents were also used.

Depending on the respondents, the interviews had three main goals. Interviews conducted with senior civil servants sought to gain a general understanding of how the reforms were developed and implemented. Interviews with respondents from management consulting firms tried to determine the extent to which, at what level, for what purposes, and since when private sector consultants were involved in the process of bureaucratic reform. Finally, the objective of the interviews conducted with representatives of management consulting professional and business associations was to gather basic information about their organizations. The following is a list of the respondents (in alphabetical order) interviewed in the course of this research.

### **1. Britain**

Bourn, Sir John, Comptroller & Auditor General, National Audit Office, London, November 3, 1994

Foster-Ogg, Sarah, Director, Institute of Management Consultants, London, Various Telephone and Fax Communications, November-December 1994

Mackenny, Julian, Cabinet Office, Next Steps Project Team, August 11, 1993

### **2. Canada**

Everett, Ray, Consultant, Ernst & Young, December 20, 1994

Lafferty, Pat, Partner Coopers & Lybrand, November 2, 1994

Stadelman, Laren, Principal, Ernst & Young, December 20, 1994

### **3. France**

Barbier, Henri, *Chef du bureau de contrôle de gestion, Ministère de l'Équipement*, October 11, 1993

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<sup>1</sup> An unstructured interview is defined as "an interaction between an interviewer and a respondent in which the interviewer has a general plan of inquiry but not a specific set of questions that must be asked in particular words or in a particular order" (Babbie, 1989: 270).

**Appendix 1 (continued)**

Bobenriether, Jean-Pierre, *Chef du bureau de l'animation et de la modernisation, Direction Générale de l'Administration et de la Fonction Publique*, October 11, 1993

Bodiguel, Jean-Luc, Professor of Public Administration, *Institut d'Études politiques de Paris*, November 17, 1994

David-Gardon, Brigitte, General Secretary, Syntec-Management, Paris, November 11, 1994

Fosseyeux, Jean, *Inspecteur Général, Ministère de la Culture*, October 5, 1993

Houssin, Didier, *Sous-directeur, Ministère de l'Industrie*, October 5, 1993

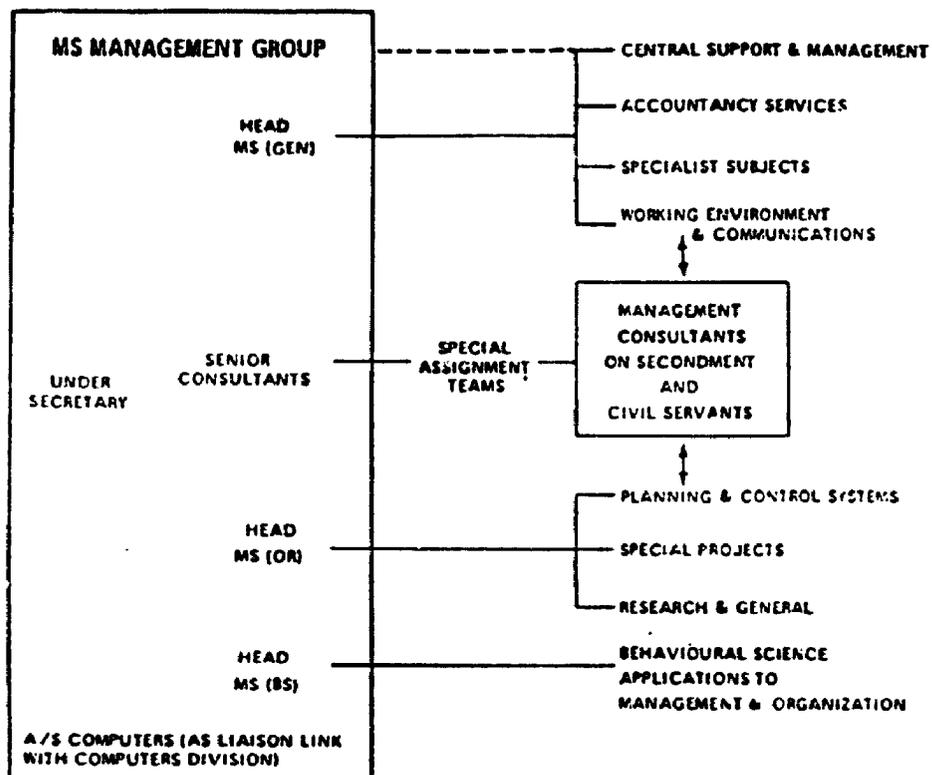
Lefloch-Fournier, Janine, *Chef du bureau des méthodes modernes de gestion, Direction Générale de l'Administration et de la Fonction Publique*, October 6, 1993

Orgogozo, Isabelle, *Animatrice, Groupe de modernisation consultants internes dans l'Administration, Direction Générale de l'Administration et de la Fonction Publique*, September 14, 1994

Poinssot, Marie-Hélène, *Directrice Générale, Direction Générale de l'Administration et de la Fonction Publique*, October 12, 1993

Schnabele, Philippe, *Chargé de mission, Ministère de Budget*, October 7, 1993

**Appendix 2:  
Organizational Chart of the CSD's new  
Management Services (MS) Group, 1970**



Source: O & M Bulletin, 1971. (26): 1, p.9

**END**

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**FIN**