



**3rd International Conference
on Public Policy (ICPP3)
June 28-30, 2017 – Singapore**

Panel T02P20 Session – Formulating Policy

**Session 2 Policy Consultants:
Consultocracy – or Advisors Like Any Other?**

***Accretion of Influence: Mapping the Work of the Big
Accounting-Consulting firms for Federal Government
Agencies in Australia, 1987-2016***

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Date of presentation: Thursday, June 29th 10:30 to 12:30 (Block B 4 - 1)

Abstract:

This paper draws on administrative reporting data to provide a quantitative overview of the work performed under contract for the national government in Australia by top tier corporate sector accounting firms over the past three decades. It demonstrates a long-term trend for the volume of work, measured by number and value of contracts, to increase very substantially, especially in the past eight years. It also demonstrates that while advice on financial accounting systems remained an important component of the work of these firms, their interventions went far beyond that to matters of general management. Moreover, the general rubric of 'management' encompassed many projects that had a direct bearing on what might be called 'program content' – the many ways in which basic policy ideas emanating from other quarters were further researched, developed, implemented and evaluated. Through a multitude of points in the policy and program process, the accounting-consulting firms were accreting influence on the activities of government agencies.

Keywords: Consultant; contracts; influence; management; policy

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Introduction

The question raised by the title of this Panel Session has to do with the relative influence of consultants in the policy development process. Have we seen a shift to 'rule by consultants' ('consultocracy') or are consultants just a relatively new addition to a crowded space occupied by a plethora of different types of actors seeking to influence policy, an addition whose relative influence is quite limited? To pursue this general issue – the influence of 'consultants' on 'policy' – the researcher needs to mark the ambit of investigation. Three decisions are required: how widely to define policy; how to distinguish consultants from other actors; and how broadly to encompass the areas of expertise of consultants.

On the first question, are we to restrict our investigation to what the stages model calls the 'policy formulation' and 'decision-making stages' of the policy development process or are we to consider the agenda-setting, implementation, evaluation stages as well? There is a sound case for the latter approach. By the 1980s, the academic field of 'public policy' had come to recognise that 'policy decisions' were not always, or indeed often, put into effect as intended by their designers or authorisers; the way decisions were 'implemented' or 'administered' had a major bearing on what policy 'meant' in practice (Howlett, Ramesh and Perl 2009; Hudson and Lowe 2009). Likewise, the academic field of public administration had come to acknowledge that notions of a clear separation of policy and administration were often difficult to maintain in practice (O'Faircheallaigh, Wanna and Weller 1999).

To turn to the second question, how 'consultants' are to be differentiated from other, more familiar actors. In the academic literature on policy formulation and the policy process more generally, for decades the main actors considered to have influence have been the elected executive (Ministers), the appointed executive (in-house bureaucracy), external representative 'peaks', the media, think-tanks, academics and public opinion. It has been in the past thirty years that awareness and curiosity has developed in regard to the role of 'consultants', usually through cases highlighted in the media or media coverage of government spending on consultants. In order to make a useful contribution to the literature on actors in the policy formulation, and wider policy, process, our first step should be to try to identify what and who we are referring to by terms such as 'consultancy' and 'consultant', as distinct from other inputs and actors in the policy formulation process. Governments are on the receiving end of a wide range of unsolicited inputs from external actors (public protests, PR campaigns, submissions, delegations, and so on). Governments also proactively 'consult' with external actors, sometimes with expenses reimbursed but often not. 'Consultancy', in contrast, has a more distinct connotation: formal purchase of advice, on a fee-for-service basis, from a putative expert.

So who are the entities that provide this specialist advice? are they different from the actors already long the subject of academic scrutiny? In reality, there is some overlap. As previous research has confirmed (Howard 2006), many formal consultancies are undertaken for government by personnel whose employers derive their primary income from sources other than fee-for-service consultancies; at this end of the consultancy spectrum, consultancies are an 'add-on'. Examples would include permanent academics at established universities, research institutes with long-term base funding contracts from government or other donor sources, and peak organisations with member subscriptions. At the other end of the spectrum, many consultancies are undertaken by organisations or individuals whose primary or sole income appears to be fee-for-service consultancies and contracts. This segment might be labelled full-time 'commercial consultants' and it is this segment that constitutes a new form of actor in the policy formulation process over the past three decades.

To complicate matters, however, the dominance of organisations and employees with relatively secure on-going funding over organisations and individuals with short-term and insecure funding is eroding. As principles of market competition broaden and deepen in the public and private sector, more and more organisations experience a shift in their funding 'centre of gravity', from more secure to less secure sources of income. In this regime of competitive tender, old speculations about markets return: who has the power – the budget-holder or the consultant/contractor? Theoretically, the political executive looks to be in a more powerful position, free to ignore and run down its in-house bureaucracy, while picking and rewarding its preferred sources of external advice. Yet, theoretically too, the political executive runs the risk of 'capture' by those competing consultants who best promote their claims to expertise and gain traction with their clients in the political executive.

So far we have argued for a focus on commercial consultants within the context of consultants more generally. But our third decision concerns the range of commercial and other consultants to be

studied. Should examination be restricted to commercial and other consultants who claim, or are perceived to, specialise in 'policy consultancies'? Or should it extend to firms with other areas of claimed expertise – whether that be in 'management' or more specialised technical and scientific areas. The first and third decisions are related: the wider the ambit of the policy process to be considered, the wider the range of consultancies and consultants that become relevant.

Whether one takes a narrow or broader approach to the scope of the policy process and the range of commercial consultants to be examined, further methodological options open up. A quantitative approach might take the form of a survey of actors to gauge their perceptions and claims as to the relative influence of commercial and other paid consultancies in the overall ebb and flow of policy and program development. A qualitative approach might take the form of case studies of policies and programs. If the preference is to study events that are unambiguous examples of landmark policy formulation and decision making, methods would include use of Cabinet and agency archives, Freedom of Information requests, attempts at in-depth interviews and trawling of miscellaneous public sources.

In line with previous work by the author, the approach in this paper is a quantitative one but with the data being public administrative reporting rather than surveys of actor perceptions. As will become evident, the nature of this administrative reporting does not lend itself to a narrow focus on the policy formulation stage of the policy process. Rather it lends itself to a mapping exercise that underlines the breadth of commercial and other consulting entities and the breadth of governmental use of these entities at multiple points in the policy development process. As such it provides important baseline data for follow-up surveys of actors and case studies of policies and programs. This paper builds on previous work by the author which was initially sparked by the introduction in 1987 of mandatory reporting of 'consultancies' by government departments at the national level in Australia.

Consultants and policy influence

Michael Howlett has recently characterised the state of scholarly estimates of the influence of consultants on the policy process as 'divided' (Howlett and Migone 2013: 242-4; Howlett and Migone 2014:174). Some infer 'strong' influence from the evidence of a shift from an 'autarkic' state to a contracting-out state, where major responsibilities are devolved; these observers often point to the public prominence of some large consulting firms. Other analysts play down the significance of commercial consultants, pointing to their dependence on demand from the governmental executive, the vulnerability of small firms and the scepticism in some quarters about the value they can add to organisational decision-making.

As an early example of the 'potentially strong' camp, and one relevant to the focus of this paper, the Canadian political scientist Herman Bakvis (1997a, 1997b) argued that the significance of the large management consulting firms for policy might be greater than is apparent, due to the sheer breadth of

their role in advice on public sector management. He allowed that while they might be less geared to the development of new ideas compared to think-tanks, they were geared to the actual implementation of decisions based on these ideas and the global transmission of these methods. Bakvis saw the large accounting firms as dominating the list of the leading management consulting firms:

'While their role is ubiquitous in virtually all areas of public sector management – in evaluating programmes, designing new organizational structures, auditing – management consulting firms, typically one of the big six such as Price Waterhouse or KPMG Peat Marwick, are not generally thought of as playing a critical role in advising the core executive. However, with the advent of managerialism, with its accompanying stress on using the tools of financial management to achieve good and above all economical government, it is inevitable that members of political executives and senior officials of management consulting firms are brought closer together. Furthermore, even beyond the issue of managerialism, these firms appear to have the capacity to bring together in one integrated package generalist as well as highly specialized skills ranging from forensic accounting to assessing the viability of whole industrial sectors.... .. If one conceptualises the hollowing out thesis in terms of governments contracting out many of their key functions, including ones at the highest level of advice giving, then management consulting firms would appear to loom very large indeed. The extent to which these firms have actually played such a role and in which countries is uncertain because relatively little has been written on them. However, there is enough evidence to suggest the role of such firms is more prominent than generally acknowledged'. (Bakvis 1997b: 94)

Other academic commentators had already gone further, surmising in the early 1990s that policy-making might be evolving towards a 'consultocracy' (Hood and Jackson 1991; Henkel 1991). In articles in the late 1990s and culminating in his 2004 book, the Canadian political scientist Denis Saint-Martin looked in detail at the inroads sought and made by the large management consulting firms in the UK, Canada and France since the late 1970s. He found that these firms had indeed been active proponents of the New Public Management – the idea of importing ideas and techniques from the corporate sector into the public sector. They actively sought and gained access to public officials and politicians to promote their own services as consultant experts in the transmission of modern private sector management techniques. But the extent of their influence varied, being most pronounced in the UK, least in France and somewhere in between in Canada. In France the 'Big Six' accounting firms were not significant because of a prohibition on accounting firms undertaking wider consulting. In the UK and Canada the firms enjoyed no such barrier. In the UK they managed to forge links with a central unit within the executive overseeing administrative policy, the influence of this unit being magnified because of the unitary, centralised state structure. The firms also forged links with the national legislature in Canada but the more fragmented federal system put some limits on the leverage of this links.

Saint-Martin recognised the issue of whether the activity of the large consulting firms were to be seen as pertaining to 'policy' or 'administration'. He noted a shift in the claims made by the firms themselves:

'Consultants, for their part, have long presented their work in the style and vocabulary of 'management science'. As predominantly management experts, consultants are often seen as providing - not policy – but essentially technical solutions to administrative problems. This view is particularly strong in public administration where the old policy-administration dichotomy still prevails; or when it is believed that consultants are only involved in policy implementation – something that some see as being 'less political' than the policy advisory or formulation stage of

the decision-making process. But as the advertisement from Coopers & Lybrand reproduced below suggests, this view may no longer (if it ever has been) be accurate. Public sector consulting has become big business and as competition for government consulting contracts has increased, consultants – in a sense – ‘came out of the closet’ and started to present themselves as people who knew a lot – not only about management but also about policy issues’. (Saint-Martin 2001:586)

Saint-Martin however did not go on to argue that the consulting firms attempted to shape all aspects of ‘overall policy’ in a portfolio, including broad questions such as the basic objectives of a program, the level of funding, the allocation of resources by geography, target group and so on). But he did argue that they were highly influential in regard to what he called ‘administrative policy’ or ‘bureaucratic reform’. The question is whether the ‘administrative policy’ he is referring to – NPM – constituted something fundamental to the overall direction of public policy. Given that NPM did encompass the introduction of significant contracting out and forms of transfer of ownership, together with the application of detailed cost accounting as a key component in the evaluation of a program, it should be considered fundamental.

On the question of what types of firms had been most influential, Saint-Martin spoke almost exclusively of ‘large firms’, not ‘small’ firms, as the key operatives. These large firms were the ‘leading members’ of the Management Consulting Associations in the UK and Canada. Within this group he saw the ‘Big’ international accounting firms as especially important. He cited a 1993 UN survey showing the Big 6 accounting firms occupying six of the top eight spots in a league table of revenues from management consulting. The same UN survey put the share of the top 10 firms as 37.6% of the total world market and the share of the Big 6 accounting firms as 25.3%.

Table 1
'The World's Top Ten Management Consulting Firms, 1991'

Rank	Firm	Consulting Revenue US \$'million
1	Andersen Consulting	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
	Total Big Six:	6.4 billion
	Total Top 10 Firms	9.5 billion
	Total World Market	25.3 billion

(Source: UN, 1993:13).

In his account of the growing linkages between the large management consulting firms and state officials and politicians in charge of 'administrative policy' in the UK and Canada in the 1960s, 70s and 80s, and in his account of the dissemination of the Reinventing Government 'gospel' in the 1990s, Saint-Martin did not give a precise breakdown of what proportion of these outside consultants were drawn from the large accounting firms. But he left no doubt these firms were prominent and provided telling examples of their presence (Saint-Martin 1998a, 1998b, 2001, 2004).

In Australia, the influence of 'consultants' on policy has received quite limited academic attention. In his book *Re-orienting a Nation: Consultants and Australian Public Policy* John Martin (1998) pointed to the role of external consultants in five major policy reviews in the 1980s. He argued that capitalising on the aura of the independent expert was a convenient technique for politicians and, in some instances, central bureaucrats for overcoming resistance to radical change. In all five cases, however, Martin's consultant was an historically familiar figure – the individual expert (in four cases an academic) – not the much less familiar full-time self-funded professional consulting firm. Other academic analysis and commentary have recognised a difference between firms marketing themselves as boutique 'policy-oriented' consultancies and firms marketing themselves as 'management' consultants. Thus, Helen Dent (2002), John Hamilton-Howard (2000), Russell Ayres (2000) and Geoff Hawker (2001) pointed to firms such as Allen Consulting, Access Economics and ACIL as firms specialising in broad policy advice (in these cases, micro-economic policy advice). None of these authors argued that such firms have supplanted in-house advice; Ayres (2000), who has paid the closest attention to this issue, argued that Access Economics supplemented, not supplanted, in-house influence.

As for the influence of 'management consultants' on the policy process, somewhat similar perspectives to those of Herman Bakvis have been articulated on occasion. In interviews for a Radio National *Background Briefing* program in 1999 on the 'Consultocracy', the leading public policy

scholars Mark Considine and John Warhurst both acknowledged the growing profile of the large management consulting firms. On the one hand, both held that these firms had not yet become part of the traditional 'A team' of actors shaping policy ('politicians, top business leaders, media barons'). But both did see potential for increasing indirect influence on policy. Considine signalled out the big accounting firms:

'They're no longer really accountancy firms. In effect they've transformed first of all into management consultancy firms and now into multi-divisional global corporations with accountancy, management, personnel management, IT consultancy, you name it, they're ready to both advise and then sell governments a range of reform agendas. ...I think we really are talking about two different parts of the process when we talk about the role of these consultants and the big consulting firms. They don't replace the key interests and the key influentials in each policy field; they haven't moved into the territory occupied by certain business leaders, certain key interest group leaders. What they've done though I think is move to the next stage of the process, which is once an idea has become current and become an idea in good standing, the consultants are much more likely to be involved in turning that into proposals, turning that into actionable strategies, and I think that's quite a departure. They're much more likely to be contracted deliberately to do that job, to take an idea and research it and come up with what might have been done previously as a Green Paper ... (which was a much more) open process of consultation.'

Likewise, Warhurst saw a B-team of big professional service firms in accountancy and law on the rise, combining contract work for government with a widening range of contacts and lobbying in the political world.(ABC 1999)

Australia: Official Data

This paper is a follow-up to earlier papers by the author, commencing in the early 1990s, that have had the aim of contributing to knowledge and discussion on the topic of consultants and their role in the policy process. Much of this output has centred on quantitative analysis of summary data that is required to be published by public sector agencies in relation to 'consultancies' and 'contracts'. Several of these writings have focussed on what have been commonly referred to as the 'Big' accounting firms. This paper builds on this work by summarising some earlier findings and presenting new data for the 2002-2017 period. The aim of this paper is to further address the question: what can published summary data indicate about the likely significance of the work done for government by these leading firms and the consultancy supply market more generally?

Two separate sources have been drawn on for the data presented below. The first is the Annual Reports of Commonwealth Departments. From 1987 departments were required to disclose the total number and cost of 'consultancies' commissioned in each financial year and to itemise further details of each consultancy, including the identity of the consultant, the title of the project, the branch of the Department commissioning the project and the justification. Although guidelines on reporting requirements were issued centrally, no central agency was tasked with collation and analysis of this information across the range of departments. The first such collation, covering the 1983-93 period, was presented in Howard (1996) while a collation of departmental totals and specifics on consultancies awarded to the Big accounting firms for the period 2002-07 was also undertaken by Howard (2008). This collation task was very time-consuming, since most of the data for the early years

of mandatory reporting was not available electronically while for the 2002-2007 period electronic data was obtained in pdf format only and pdf conversion software to Excel proved ineffective.

The second source drawn on is published summary details of 'contracts' entered into by Commonwealth government agencies – what might be labelled 'Gazette' data. This data differs from departmental Annual Report data in important aspects. The data is published in a rigidly uniform format across all agencies; the listing and publication of this data is undertaken by a central agency – for the past 20 years the Department of Finance and Public Administration (DOFA); the listings encompass statutory authorities as well as departments; all contracts for purchase of goods and services are listed, not just contracts understood to be for purposes of consultancy; and some further detail in regard to each contract is provided, the most significant of which is the purchasing officer's coding of the 'area' of the project according to a central classification. For the researcher these features represent major advantages over departmental Annual Report data. Nonetheless, the usefulness of this data source has been subject to significant limitations, some relating to the period prior to 1996 and then 2007 but others continuing to the present. These limitations will become apparent in the discussion below.

The Accounting-Consulting (A-C) firms

In this paper the focus of analysis of these two data sources is a small group of 'top tier' corporate sector accounting firms. My interest in these firms was triggered by the finding, from the early years of mandatory reporting, that these firms were conspicuous for the number and range of their consultancies to Commonwealth departments (Howard 1997). The significance of this finding lay in the history of these firms in the private sector. These 'accounting giants' were amalgams of firms that had played a pivotal role in the expansion of the modern corporate sector, beginning in the second half of the nineteenth century. These firms had long dominated – indeed, near monopolized - the provision of accounting, auditing and, most importantly, taxation advice to western multinational corporations (McKee and Garner 1992: 9-21; Strange 1996: 135-138). In more recent decades, as already observed, they had widened their range of advisory services to include most aspects of management consulting – from strategy through to IT and human resources. By the 1990s, income from these 'consulting' services exceeded income from traditional accounting, auditing and tax advice (McKenna 2006: 236).

In theory, when the firms were hired for advice by departments, they might have approached the needs of these public sector agencies with fresh eyes and suspended preconception. More likely, however, they stood to transfer corporate sector mindsets and techniques. In the late 1980s in Australia the firms marketed their use to the public sector in this vein and there is clear evidence that this image of corporate sector eminence was the image politicians and senior bureaucratic reformers wanted to exploit in this period, a seminal one for managerial and commercial reforms in the public sector in Australia (Howard J. 1997: 113). The firms then were central to processes associated with

globalisation, corporate sector power, transmission of techniques to the public sector and the consolidation of the 'audit society'.

In Australia, at the mid-1980s this 'top tier' was seen to consist of nine firms. As a result of a series of mergers, and the international demise of one or the original nine, the top tier was then rationalised down from the 'Big Eight' (1987) to the Big Six, the Big Five and from 2002, the Big Four. The following table sets out the rationalisation history, which for the most part mirrored developments in these firms in their US headquarters and seemingly in most of their global branches¹. The table also set out the ostensible 'consultancy spin-offs' that some of the firms instigated during 2000-02 in response to rising media and political criticism, especially in the US, that the pursuit of lucrative consulting activities in the corporate sector was compromising audit services. In reality, this supposed withdrawal from consulting was a chimera, at least in Australia, although it seemed to defuse the issue quite effectively at the time. More will be said about this below.

**Table 2
A-C Firm Mergers and Spin-offs**

1986	Big 4 (2002-)	Consultancy 'Spin-offs'
KPG Peak Marwick Hungerfords	1987 – Merger to form KPMG	2001 – 'KPMG Consulting' is divested and renamed as Bearing Point in 2002
Arthur Young Ernst & Whinney	1989 - Merger to form Ernst & Young (EY)	2000 – 'Ernst & Young Consulting' sold to French company CapGemini
Deloitte Haskins & Sells Touche Ross	1989-93 – Merger to form Deloitte Touche Tohmatsu (DTT)	
Coopers and Lybrand Price Waterhouse	1998 - Merger to form PriceWaterhouseCoopers (PWC)	2002 – 'PWC Consulting' sold to IBM
Arthur Andersen	2002 – Bankruptcy and windup of Arthur Andersen; most staff in Australia migrate to EY	2001 - 'Andersen Consulting' is divested and a separate company established - Accenture

Growth in Number and Cost of A-C firm consultancies – Department Annual Reports

With the exception of two 'gaps', Howard (2004) tabulated and analysed summary details for the A-C firms for all 17 Commonwealth departments for the period 1987-93. One gap was for 1987/88, when 6

¹ In Australia, Touche Ross never formally joined the US-led merger to form DRT (later DTT), though many of its partners and staff did.

departments did not comply with the new requirement to publish summary details on the use of consultants. The second, and significant gap, was the non-inclusion of A-C consultancies for 3 departments for the last two years of the period ie 1991-93. These 3 departments – Administrative Services (DAS), Defence and Foreign Affairs and Trade (DFAT) – were very heavy users of consultants; non-inclusion resulted from the fact that transcription from hard copy was too time-consuming.

Net of these two gaps, Table 3 below shows that the number of A-C consultancies for the years and departments collated was 953; of these, 276 came from DAS, Defence and DFAT alone. The total cost of these consultancies was \$105.24m; of this amount, \$75.57m. was spent by DAS, Defence and DFAT alone. Extrapolating from the total spending on consultants by these 3 departments during 1991-3 (these totals were available), if A-C consultancies for these 3 departments for these 2 years had been included, the total number and cost of identified A-C consultancies for the period would have been considerably greater.

Howard (2008) carried out a similar exercise for all Commonwealth departments for the five years 2002-2007. Whereas in the earlier 1987-1993 period departments were obliged to itemise consultancies over \$2,000, in 1999/00 the itemisation threshold was raised to \$10,000. As Table 3 indicates, in the five years to June 2007, the total number of reported A-C consultancies over \$10,000 was 590 while their total cost was \$84.39m.

Table 3 also shows the 1987/97 figures with the AIDAB component of DFAT excluded². AIDAB was a heavy spender in the 1987-93 period and beyond but from 1998/99, or even earlier, it operated as an autonomous agency with an Annual Report separate to that of DFAT's; hence its large spending on consultants has not been included in the 2002-07 figures here.

**Table 3
A-C Consultancies for Commonwealth Depts.**

	1987-93 (ie 6 yrs) (>\$2,000) AIDAB incl	1987-93 (ie 6 yrs) (>\$2,000) AIDAB excl	2002-7 (ie 5 yrs) (>\$10,000) AIDAB excl
Total no. of consultancies	953	930	590
Total no. per year	159	155	118
Total cost of consultancies	\$105.24m	39.74	\$84.44m
Total cost per year	\$17.54m	6.62m	\$16.89m.
Average cost per consultancy	\$110,433	\$42,736	\$143,121

² DFAT was the Department of Foreign Affairs and Trade; AIDAB was the agency responsible for foreign aid.

While Table 3 used nominal figures, Table 4 compares the two periods after taking account of inflation. On the basis that the CPI rise during 1990-2005 was 145%, \$7,000 is taken as the threshold for the earlier period on the basis that \$7,000 was equivalent to \$10,000 for the later period, while the middle column applies a 1.45 weighting to the dollar amounts for 1987-93. Using these adjustments, Table 4 shows that, while the average number of consultancies per year was lower in the latter period, in 'real' terms the average cost per year was 80% higher during 2002-07 than 1987-93 while the average cost of a consultancy was 90% higher. This pattern is unlikely to be much different, even if details for 6 departments for 1987/88 were to be incorporated (since reported spending in that year amongst other departments was low); the inclusion of details for Defence, DAS and DFAT for 1991-1993 is also unlikely to alter the basic pattern observed here. In fact, there is evidence that the definition of consultant was tightened around 2003, which would have excluded some types of contracts in the latter period previously included as consultancies in the earlier period. As for the claimed A-C consultancy spin-offs from the 2000-2002 period, these constituted only 3.39% of the

**Table 4
A-C Consultancies for Commonwealth Depts.**

	1987-93 (ie 6 yrs) (>\$7,000) AIDAB excl	1987-93 (ie 6 yrs) (>\$7,000) AIDAB excl (1.45 weighting for CPI movement 1990-2005)	2002-7 (ie 5 yrs) (>\$10,000) AIDAB excl
Total no. of consultancies	748	748	590
Total No. per year	124.59	124.59	118
Total cost of consultancies	\$38.93m	\$56.44m.	\$84.44m
Total cost per year	\$6.49m	\$9.41m	\$16.89m.
Average cost per consultancy	\$52,072	\$75,458	\$143,121

Incidentally, the figures for 2002-07 include consultancies awarded to the A-C supposed consultancy 'spin-offs' from the period 2000-2002. These entities comprised only 3.39% of the number of jobs and 2.18% of the total value of these jobs for this 2002-07 period, underlining the hollow claim that the Big accounting firms had actually withdrawn from consulting.

Overall, Table 4 provides evidence that the scale of A-C consultancies reported by Departments had increased significantly in the latter, compared to the earlier, period. Because of the logistical difficulties in collating Departmental Annual Report data, no comparison with the years following 2006/07 has been attempted. Instead, for a longer time-frame of analysis on the volume of work undertaken by the

A-C firms, analysis has been undertaken on the second main data source, contacts gazetted by Commonwealth departments and statutory authorities in the period 1993-2016.

Growth in Number and Cost of Big 4 contracts – Gazetted contracts

A neat time series based on consistent data categories from 1993-2016 is not possible, due to changes in the contract summary details made public and changes in the classification of the data under some of these contract details, notably classifications of types of work undertaken. For the researcher, there have been three eras in regard to ease of access to, and analysis of, Commonwealth agency contract summary data. These can be characterised as: the pre-1997 era of virtually zero access to bulk data; the 'GaPS' era 1997-2007 of expanded contract summary details and electronic searchability; and the post-2007 Austender era of somewhat further extended contract detail and, since 2014, more expeditious searchability.

Prior to 1997 the traditional practice had been for contracts entered into by Commonwealth agencies to be listed in the weekly hardcopy *Commonwealth (Purchasing and Disposals) Gazette*, published by the Department of Administrative Services (DAS). Although these records were a source of potential analysis, the first occasion on which the Commonwealth itself published even the most limited analysis of this data was in January 1995 (DAS 1995)³. For researchers, access to these records for analytical purposes was virtually insurmountable. Until January 1996 a search for one company name was \$125; only one year of contract details were provided and then only in hard copy. A relaxation of this approach during 1996 however led to this researcher being provided 'unofficially' with an electronic file for all 'Code 27' contracts for the A-C firms for the three years to 1995/96. As indicated in the top row of Table 5 below, analysis of the Code 27 contracts awarded to the A-C firms yielded 1,933 contracts (over \$2,000), totalling \$97.31m, at an average annual total value of \$32.44m and an average contract value of \$50,300. The issue for this research is how many A-C firm contracts fell outside Code 27.

In submitting summary details of contracts to DAS for gazettal, public servants were required to nominate a code that best fitted the area of work in the economy that the contract involved. At this stage (the mid 1990s) the codes used by the Gazette were based on the 'Australian Standard Industrial Classification' (ASIC). The three broad categories were Primary Sector, Secondary Sector and Services Sector. In all, there were 31 codes (ie sub-categories); 11 of these were within the Services Sector (Codes 21 to 31). Code 27 was titled 'Consultancy, Property and Business Services not elsewhere included'. While Code 27 would have captured the large majority of the contracts awarded to the A-C firms, it is likely that the A-C firms also gained some contracts classified under other sub-categories of the Service Sector (DOFA 1999). But access to listings under these or other

Codes was not provided at the time (and would be difficult to achieve now, via Archives). So, it is not possible to know the total number of A-C contracts for the pre-1997 period.

The second era of contract summary detail publication began with the launch of the GaPS web site in December 1999. GaPS (Gazette Publishing System) enabled public users to search all contracts back to January 1997. Searches could be performed for contract value range, date range, portfolio and supplier name and supplier ABN – but only for one year at a time. Searches could not be directly performed for codes; such searches had to be done by filtering prior searches by date range; this was an extremely cumbersome process for reasons that need not be detailed here⁴.

The results of searches of the GaPS database for the period from July 1997 to June 2007 for the A-C firms were first presented in Howard (2008). Table 5 sets out data for total number and value of contracts for the 1997-2007 period, with comparison to Code 27 data for the 1993-96 period. In order to get a more valid comparison with the earlier period, rows 3 and 4 of the table separately identify and discounts the data for an outlier entity, 'Knight Frank Price Waterhouse' (KFPW). This entity was the purchaser of the former 'Australian Property Group' (APG) of the Department of Administrative Services (DAS). APG handled property sales and leases for Commonwealth agencies; APG was privatised and sold to KFPW in 1997/98; PWC sold its share in KFPW in 2003.

⁴ The GaPS portal was taken offline in 2009. Its address at the time was <http://contracts.gov.au/>. Searching of the GaPS database for 1997-2007 was undertaken by the author in 2004 and 2008. Sometime after 2014 the Department of Finance and Public Administration (DOFA) publicly uploaded a single file 'GAPS Contracts Export' - this file can be seen at <https://data.gov.au/dataset/historical-australian-government-contract-data>. This Excel file encompasses the period from January 2000 to June 2007. However, some contracts in this period appear to be excluded, since the Excel file fills the maximum number of rows in an Excel spreadsheet (1,048,576). For this reason, this file has not been used in this paper; a substitute Microsoft Access file has been sent to the author but this has not been utilised as yet.

Table 5
A-C Firms: Number and Value of Contracts with Commonwealth Departments and Statutory Authorities
1997-2007

		Total No.	Average No. per year	Total Value (\$'m)	Average Total Value per year (\$'m)	Average Value of Contract (\$'000)
1	1993-1996 (ASIC Code 27)	1,933	644	97	32.44	50.34
2	A-C Firms	10,489	1048.9	2,434.39	243.44	232.09
3	KFPW	828	82.8	683.61	68.36	825.62
4	A-C firms net of KFPW	9,661	966.1	1,750.78	175.08	181.22
5	Arthur Andersen	1,362	136.2	116.17	11.62	85.30
6	Accenture	252	25.2	665.13	66.51	2,639.40
7	Bearing Point	92	9.2	18.36	1.84	199.51
8	CapGemini	47	4.7	35.39	3.54	752.96
9	Big 4: A-C Firms net of -KFPW, AA, Accenture Bearing Point CapGemini:	7,908	790.8	915.73	91.57	115.80
10	-Deloitte	1799	179.90	157.35	15.74	87.47
11	-EY	1921	192.40	187.40	18.74	97.40
12	-KPMG	1931	193.10	147.76	14.78	76.52
13	-PWC	2268	226.80	423.83	42.38	175.43
14		7908	790.8	915.73	91.57	115.80

Row 4 of the table shows that the entities comprising the 'Big 8' in 1989 received \$1.75b. worth of contracts over 1997-2007 period, at an average annual amount of \$175.08m and at an average cost of \$181,222,000 per contract. These figures dwarf the Code 27 figures for 1993-96 and the figures yielded by the Department Annual Reports for 1987-93 and 2002-07. In fact, the increase in the number and value of contracts for the last two and a half years of the 1997-2007 period is

understated, given that from January 2005 the threshold for gazettal of a contract was raised from \$2,000 to \$10,000.

Rows 5-8 separate out Arthur Andersen and the consultancy spin-offs from 2000-2002. Of these firms, Andersen is significant before its demise in 2002 while Accenture totals a very large \$665m. for the period, at an average of \$2.64m.per contract (a relatively small number of very large contracts).

Row 9 of the table sets out the combined totals for the 'Big 4' net of Andersen and the spin-offs, while rows 10-14 give details for each of the Big 4 firms. In toto, these firms won \$915.73m in contracts over the period, at an average annual rate of \$91.57m. and at an average contract value of \$115,800. Interestingly, this average contact value is lower than the average consultancy value in the Department Annual Reports for 2002-7, as shown in Table 4. The average annual total value of all contracts however is over 5 times higher than the corresponding figure for consultancies reported in the Department Annual Reports for 2002-7 and even higher for the corresponding figure for Departments for the 1987-93. In part, this much higher level reflects the inclusion of statutory authorities, as well as departments, in the GaPS database of contracts; the share of each has yet to be calculated. It also reflects the fact that the totals for contracts encompassed all contracts, not just contracts considered to be consultancies.

The third era in public access to the summary details of gazetted contracts came with the replacement of the GaPS portal by the Austender portal in July 2007, a portal that has remained in place since (DOFA 2017). The new portal provided enhancements in searching efficiency such as wider data ranges and direct searching by classification code. The Austender database also some additional data components (35 columns in the Excel format, compared to 31 columns in the GaPS Excel format). Two of these concern consultancies and will be mentioned below. Another is the provision of a contact person and phone number, which might prove helpful for follow-up research on particular contracts. In addition, around 2015 the Austender website has provided a link to a set of 'Historical Datasets', one of which is a single Excel file covering Austender contracts for the period from July 2007 to September 2016.

- Austender Consultancies and Other Contracts 2007-2016

One of the new components of the Austender database was the inclusion, and full use of, a column indicating whether the contract was considered a consultancy. Such a column had first appeared in GaPS around 2003 but submission of this information does not appear to have been mandatory and was not widely acted on. With Austender, public servants submitting summary information had to fill out a 'Consultancy Flag' field. The options were 'yes' or 'no'; this field was left blank on only 11 occasions across the 8,411 Big 4 A-C contracts. Austender also introduced a second new column, 'Consultancy Reason' where public servants could choose among 3 options. Analysis of responses to this second addition this will the subject of future research.

The basic issue of whether to flag a contract as a consultancy remained a difficult one. The introduction of mandatory reporting of consultancies by departments in 1987 had sparked an elaboration of guidelines designed to assist public servants. Over the years the guidelines did appear effective in distinguishing consultants (provision of expert professional and technical advice on a fee-for-service basis by personnel outside the agency) from temporary employees or contractors providing on-going non-professional 'routine services'. But they appeared much less effective in dealing with the full gamut of outside professional services. The current DOFA guidelines recognise that many external professional services will be 'generally delivered without a high level of supervision and direction' from the government agency. But they posit that a difference can be discerned between professional, expert 'outputs' that 'reflect the independent views' of the external provider (consultancies) and outputs that 'implement an existing (agency) proposal or strategy', where the agency 'controls the form of the output' and the output does 'not necessarily represent the independent views of the service provider' (non-consultancy) (DOFA 2017b). Evidence for the difficulty in sustaining this distinction is provided below in discussion of Table 13. And large scale 'outsourcing' contracts which devolve very high levels of management discretion compound the problem. For this reason, it is worth reporting on all contracts in the Austender era – both those deemed to be consultancies and those not.

Table 6 displays overall figures for contracts deemed to be consultancies for the nine years to June 2016. It shows that Departments constituted 66% of the total number and 77% of the total cost of consultancies let by all Commonwealth agencies. In tandem with Table 3 it also shows that the average number of consultancies per annum for Departments in the 2007-2016 period was 83% higher than the corresponding figure for Departments that emerged from Annual Report data for 2002-2007. More striking still, it shows the average total value per year in the 2007-2016 period, as reported in Austender, was 3.47 times higher than the corresponding figure for the 2002-2007 Annual Report data, while the average consultancy cost was 1.89 times higher. Only a fraction of this increase in spending reflects inflation; the increase in the CPI during in the 14 years to June 2016 was 41.78%. Some of the increase might have had to do with fuller compliance with reporting requirements over time, though this factor would affect the number of consultancies reported rather than the cost. So the vast bulk of these large increases speak to actual increases in real spending on the Big Four A-C firms.

Table 6
Big 4 A-C Firms: Number and Value of Contracts Deemed Consultancies
with Commonwealth Departments and Statutory Authorities
2007-2016

	Total No.	Average No. per year	Total Value (\$'m)	Average Total Value per year p.a. (\$'m)	Average Value of Contract (\$'000)
Departments	1948	216.44	526.67	58.52	270.36
All Agencies	2964	329.33	685.78	76.20	231.37

Table 7 sets out corresponding figures to Table 6 but in regard to all contracts, not just those classified by the public servant responsible as consultancies. It shows that the total value of 'non-consultancy' contracts was 2.83 times the value of consultancy contracts, with the average value of non-consultancy contracts being 1.55 times that of consultancy contracts. These figures are not surprising, given that contracts are for services that might be on-going while consultancy is meant to be for advice on what service is required, not the actual provision of the service. Some commentators have argued that consultancies can be a lever for follow-on contracts: advise governments to adopt a particular commercial function and then provide that function on an on-going basis. Whether there is evidence from the Austender database of this type of flow-on has yet to be explored.

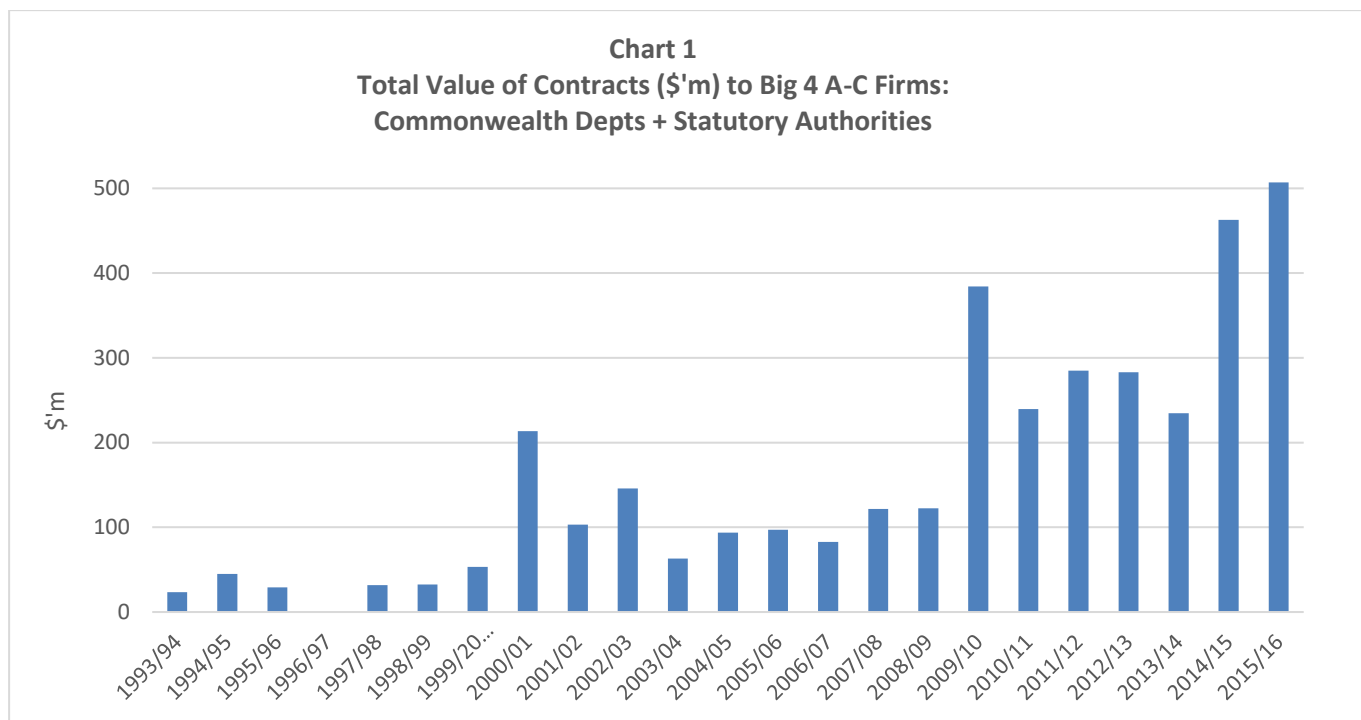
Table 7 does reinforce the pattern observed in Table 6 in regard to the radical increase in spending on the A-C firms in the 2007-2016 period, compared to the 1997-2007 period. In tandem with row 9 in Table 5, it shows that while the total number of 'all contracts' per year in this latter period was only 6.36% higher than the earlier period, the total value per year of these contracts was 3.20 times higher than in the earlier period, with the average value of 'all contracts' being 2.71 times higher.

Table 7
A-C Firms: Number and Value of All Contracts
with Commonwealth Departments and Statutory Authorities
2007-2016

	Total No.	Average No. per year	Total Value (\$'m)	Average Total Value per year p.a. (\$'m)	Average Value of Contract (\$'000)
All agencies	8411	934.56	2,639.31	293.26	313.79
- Consultancies	2964	329.33	685.78	76.20	231.37
- Other contracts⁵	5447	605.22	1,953.54	217.06	358.64
- Deloitte	1717	171.7	421.74	46.86	245.62
- EY	1537	153.7	504.68	56.08	328.36
- KPMG	3128	312.8	892.15	99.13	285.21
- PWC	2029	202.9	820.74	91.19	404.51

Chart 1 conveys the pattern of increase during 1993-2016 in the total value of contracts awarded to the Big 4 firms that emerged in Tables 5 and 7. As has been noted, the figures for 1993-96 refer to Code 27 contracts only (though on the basis of later ANZCC patterns, Code 27 would have constituted a very high proportion of all A-C contracts). The total increased in 14 of the 22 years and declined in 8; no data was available for 1996/97. The chart highlights the pattern of much higher amounts in the period 2009-2016. The first candidate for an explanation would be the renewed emphasis on efficiency dividends on in-house public servants in the wake of attempts to reduce the deficit resulting from the massive fiscal stimulus launched by the Rudd government in 2008/9. But this is speculation and has not been subject to assessment.

⁵ The eleven non-responses in the 'Consultancy Flag' column were added to the 'no' responses.



What type of consultancies were undertaken by the A-C firms?

The previous section has established that a very strong increase has occurred in the past three decades in the level of consultancies and other contracts awarded to the Big 4 A-C firms by Commonwealth government agencies. This sets the scene for the next question: what were these consultancies and contracts 'for'? how can the purpose or nature of their work be classified? In particular, what proportion of them can be seen as oriented to policy matters? This section will explore these questions by utilising three sources of official data: consultancies performed for 14 Commonwealth departments, as reported in their Annual Reports for 1987/88 to 1992/93; GaPS contracts for all Commonwealth agencies for the 10 year period to June 2007; and Austender contracts for the nine year period to June 2016. In the case of the department Annual Reports, the analytical tool will be a categorisation developed by the author and applied to the title and description of the consultancy, as this was shown in the Annual Report attachments. In the case of the GaPS and Austender data, the main analytical tool will be the classification system built into the documentation of the summary details of contracts itself. With GaPS, this was the ANZCC classification; with Austender, this was the UNSPSC classification system, later modified around 2010.

- Consultancies for Commonwealth Departments, 1987-93

There are two reasons for seeking to make use of Annual Report data for the first six years of mandatory reporting of consultancies. The first is that the average word length of descriptions of consultancies was longer in this period than was the case in later years of Annual Reporting and longer than has ever been the case entries in the GaPS and Austender listings. The second reason is

that, however limited the basis for making assessments in this earlier period, it does provide some basis for suggesting an interpretation of later GaPS and Austender code statistics.

An eleven-part classification of 'type' of consultancy set out below was first presented in Howard (2004). This classification was developed through examining the descriptions of all 3,358 consultancies undertaken by three Commonwealth departments in the six years 1987-93 (Howard 2006). The 3 departments were Community Services and Health (DCSH); Employment, Education and Training (DEET); and Industry, Commerce and Technology (DITEC). All consultancies were coded on two separate occasions; a draft and then a final classification system was drawn up. This classification system was then slightly refined to a 12-part classification⁶ and applied to all 683 A-C firm consultancies for 14 Commonwealth departments in the 1987-93 period; the 3 departments not included were Defence, Administrative Services and DFAT (Foreign Affairs and Trade).

The average word length of the title/descriptions of the 3,358 DCSH, DEET and DITEC consultancies was 14.57 words, with the average for the first three categories (1.1 to 1.3, see below) being 14.88, 15.26 and 16.13 words respectively. The corresponding word length for the 683 A-C consultancies of the 14 departments during 1987-93, and reported immediately below, was 13 words, with the average for the first three categories again being slightly higher. These word lengths are very short but at least they are longer than the average word lengths of A-C consultancies listed in the Annual Reports of Commonwealth departments during 2002-2007 (9.58 words) and those of A-C firm contracts listed in GaPS during 1997-2007 (4.67 words) and Austender during 2007-16 (5.94 words).

The twelve-part classification reported in Howard (2005) was as follows:

1. 1 Program Research: Demographic
- 1.2 Program Research
- 1.3 Program Review

- 2.1 Program Administration: Research
- 2.2. Program Administration: Review
- 2.3 Program Administration: Implementation

3. Training
4. Program Communication
5. Information Technology
6. Information Systems
7. Other (eg recruitment)
8. Not classified.

The first three categories were designed to identify consultancies oriented to the purpose of programs - questions such as who was to be assisted and/or regulated?, with what type of assistance or regulation?, to what ends? Category 1.1 was for consultancies oriented to background research – such as changing demographic patterns that might lead to shifts in need for existing or new programs. For example:

⁶ The refinement was very minor; the final 'Other' category was sub-divided into 'Other' and 'Not classified'.

<i>KPMG Peat Marwick</i>	<i>PIE</i>	<i>89/90</i>	<i>To advise on education and training needs in non-metropolitan Australia (to be completed by September 1990).</i>	<i>\$64,500</i>
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Category 1.2 was for consultancies oriented to research into more direct aspects of program purpose – such as the characteristics of program users. Again, for example:

<i>Ernst & Young</i>	<i>PM & C</i>	<i>92/93</i>	<i>A study of Equity Aspects of the Rural Access Program.</i>	<i>\$30,000</i>
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Category 1.3 was for consultancies oriented to some form of evaluation or advice on the desirability of change to the purpose or substance of Programs. eg

<i>KPMG Peat Marwick</i>	<i>DCSH</i>	<i>92/93</i>	<i>Examine the performance and achievement of the CRS since its reorientation to providing community based vocational and social rehabilitation. (2)</i>	<i>\$200,000</i>
<i>Arthur Andersen</i>	<i>DITAC</i>	<i>89/90</i>	<i>To assist the Department in developing strategies for the advanced manufacturing technology equipment and services industry in Australia.</i>	<i>\$158,457</i>

Whereas coding to category 1.1 was usually easy to decide, it was sometimes more difficult to decide whether to code a consultancy to 1.2 or 1.3.

Whereas categories 1.2 and 1.3 were oriented to Program objectives, the next three categories were for consultancies more oriented to internal organisational structures and processes by which these wider objectives would be pursued. The distinction between 2.1 and 2.2 followed that between 1.2 and 1.3. Category 2.1 ‘Program Administration – Research’ was for consultancies oriented to administrative data-collection that might or might not have entailed recommendations for change eg

<i>Coopers & Lybrand</i>	<i>DITAC</i>	<i>91/92</i>	<i>To design, develop, administer, analyse and report on a survey of staff of the Department, including the Patent, Trade Marks and Designs Offices</i>	<i>\$50,000</i>
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while category 2.2 ‘Program Administration – Review’ was for consultancies that appeared to require evaluation and recommendations for change to administration eg

<i>Coopers & Lybrand</i>	<i>DITAC</i>	<i>92/93</i>	<i>Review of Departmental structure and activities.</i>	<i>\$100,650</i>
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Category 2.3 ‘Program Administration – Implementation’ was reserved for those consultancies that appeared to involve not advice on implementation but the actual carrying-out of implementation. The prime example of consultancies in this category was the provision of audit services (as distinct from provision of advice on the re-design of an existing audit system). Activities in category 2.3 should not have been listed by departments as consultancies in the first place; they belonged in the category of contracted-out services. The chief difficulty with the three ‘Program Administration’ categories arose in deciding whether to code consultancies to 2.2 or 1.3.

The remaining six categories were mostly straightforward. Category 3 (Training) was used for all training activities, even where the training was in Information Technology, as it was in some cases.

<i>Coopers & Lybrand</i>	<i>DCSH</i>	<i>92/93</i>	<i>Develop and conduct information and training seminars for service providers around Australia on the Commonwealth Disability Standards and the Standards Monitoring Process. (1)</i>	<i>\$265,000</i>
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Category 4 (Program Communication -Marketing) was reserved for consultancies entailing advice on how to publicise and communicate programs to clients and the community.

<i>Price Waterhouse</i>	<i>DEET</i>	<i>91/92</i>	<i>Client oriented brochures and video for ABSTUDY communications and information strategy</i>	<i>\$82,625</i>
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Category 5 (Information Technology) was for consultancies involving advice on the purchase or use of hardware or software

<i>Coopers & Lybrand</i>	<i>DVA</i>	<i>88/89</i>	<i>Assist in preparation of Corporate Information Technology Strategic Plan</i>	<i>\$202,341</i>
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Category 6 (Information Systems) was used for consultancies that, while encompassing advice on IT purchases, also seemed likely to entail some clarification of the data required to support program objectives and administration.

<i>Coopers & Lybrand</i>	<i>DEET</i>	<i>89/90</i>	<i>Develop an Aboriginal employment programs management information system</i>	<i>\$108,240</i>
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Table 8 shows the distribution of consultancy activity across all the categories, both in terms of numbers of consultancies and total value. It shows that a sizable proportion of the consultancies of the A-C firms concerned matters directly bearing on aspects of the policy and program development process. The category most significant for broad policy – category 1.3 (Program review) – constituted **12.4%** of the total number of Big 6 consultancies and an even markedly higher **20.9%** of total cost. Added to this, category 1.2 (Program Research) comprised **5.9%** of consultancies and **12.9%** of cost. When category 1.1 is added in, the three categories oriented to Program objectives comprise **21.1%** of consultancies and **37.4%** of consultancy expenditure.

The tables also show that the most prominent category, both in terms of number and cost of consultancies was category 2 (Program Administration – Review): **24.5%** of consultancies and **23.7%** of expenditure. When categories 2.1 and 2.3 are added in, the three ‘Administration’ categories comprise **38.1%** of consultancies and **32.5%** of expenditure. Taken together, the first five categories – 1.1 through to 2.2 – constituted **50.4%** of consultancies and **64.3%** of income.

Table 8
14 Departments, 1987-93:
No. of Big Six Consultancies x Type

Category	Type of Consultancy	No. of Consultancies	% of Total	Value (\$'m.)	% of Total
1.1	Program Research: Demographic	19	2.8	1.08	3.6
1.2	Program Research: General	40	5.9	3.84	12.9
1.3	Program Review	85	12.4	6.21	20.9
		<i>144</i>	<i>21.1</i>	<i>11.12</i>	<i>37.4</i>
2.1	Program Administration: Research	33	4.8	0.96	3.2
2.2	Program Administration: Review	167	24.5	7.02	23.7
2.3	Program Administration: Implementation	60	8.8	1.66	5.6
		<i>260</i>	<i>38.1</i>	<i>9.64</i>	<i>107.3</i>
3	Training	111	16.3	3.20	10.8
4	Program Communication	5	0.7	0.16	0.5
5	Information Technology	105	15.4	3.69	12.4
6	Information Systems	48	7.0	1.66	5.6
7	Other (eg recruitment)	2	0.3	0.07	0.2
8	Not classified.	8	1.2	0.13	0.4
		<i>279</i>	<i>40.9</i>	<i>8.91</i>	<i>29.9</i>
Total		683	<i>100</i>	29.67	<i>100</i>

On the basis of these figures, it can be said that the activities of the A-C firms were not limited to corporate services such as training, marketing and IT but reached well into what might be called program content. At the same time the extent of the orientation to substantive matters of program development should not be overplayed. For one thing, the prominence of the category 2.2 (Program Administration – Review) indicates that the A-C firms were still most active in regard to what might be called ‘administrative policy’ or ‘management’ policy, not ‘program policy’ – though, to repeat the point made at the beginning, decisions in regard to management and administration can often influence how policies and programs are interpreted and modified in implementation.

Text analysis of the consultancy descriptions indicates that a conspicuous proportion of the consultancies for which the A-C firms were selected involved financial analysis. Table 9 shows that the descriptions of 20% of the 683 consultancies contained the word-stems ‘*audit*’ or ‘*account*’ - clearly referring to auditing or accounting work. 35% of the descriptions contained either these word-stems or ‘*fraud*’, ‘*financ*’ or ‘*cost*’ – again pointing to related work in fraud control, financial and cost analysis. 38% of the descriptions had either some of these word-stems or ‘*commerc*’ or ‘*business*’ – work pertaining to commercialisation or business aspects of programs or departmental administration.

Table 9
14 Commonwealth Departments, 1987-93:

Financial Terms in A-C Firm Consultancy Descriptions		
Word-stems in Consultancy Description	No of Consultancies	% of All A-C Consultancies
audit	94	13.76
account	53	7.76
	137	20.06
fraud	14	2.05
financ	91	13.32
cost	34	4.98
	241	35.29
commerc	17	2.49
business	20	2.93
	262	38.36
policy	15	2.12

Table 10 shows that consultancies with these financially oriented terms in the consultancy description were mostly in the Program Administration–Review (2.2) and Program Administration-Implementation (2.3) categories. 80% of category 2.3 were of this character (mainly the conduct of audit and accounting services) while just over half of the large number of category 2.2 consultancies were of this orientation. The proportion of financially oriented consultancies in the Program Review (1.3) and Program Research (1.2) categories was distinctly lower, around one-third of these consultancies.

Table 10
Types of Big 6 Consultancy: % with Financial Orientation

	Category	No. of Jobs with Financial Orientation	All Jobs	%
1.1	Program Research: Demographic	4	19	21.05
1.2	Program Research: General	15	40	37.50
1.3	Program Review	28	85	32.94
2.1	Program Administration: Research	12	33	36.36
2.2	Program Administration: Review	87	167	52.10
2.3	Program Administration: Implementation	48	60	80.00
3	Training	12	111	10.81
4	Program Communication	0	5	0.00
5	Information Technology	28	105	26.67
6	Information Systems	27	48	56.25
7	Other (eg recruitment)	0	2	0.00
8	Not classified.	1	8	12.50
Total		262	683	38.36

Overall, these findings suggest that Howard-Hamilton's claim (2000:13) that

'The Management Consulting Services (MCS) divisions (of the major accounting firms) tend to keep their consulting orientation close to their 'core' accounting business

had some basis and was a useful reminder of the major strength of the A-C firms at the time. But it was also inadequate as a characterisation of their breadth of work, including non-financial aspects of Program research and review. To further illustrate this breadth and the way it impinged on management and Program policy, most of the training consultancies were not to do with IT or financial analysis (almost none of the latter) but topics such as 'strategic planning', 'organisational development' and, in a few cases, 'policy analysis'.

As for explicit reference to policy, Table 9 shows that the term 'policy' was mentioned in the descriptions of only 15, or 2.12%, of A-C firm consultancies. This might seem an extremely low proportion but it was not relative to all other consultants. In the same period 1987-93 the 14 departments examined here reported a total of 9,016 consultancies over \$2,000 in their Annual Reports. The term 'policy' was mentioned in only 1.96% of these consultancies. This low incidence of use of this term should not be taken at face value; Howard (1997) showed that many other terms that had potential connotations of policy – such as 'review', 'strategy', 'development' and 'evaluation' – had much higher rates of occurrence. It is tempting to speculate that public servants might have been reluctant to use the term 'policy' to avoid giving the impression that responsibility for policy development was being handed to external consultants. The issue of low use of this term will be picked up again in relation to the GaPs and Austender records. As for the 683 A-C consultancies analysed here, the distribution across the categories did not vary dramatically year to year; for example, the percentage of consultancies in the Program Research and Program Review categories (1.1 to 1.3) in any one year varied from 16% to 27% during the six year period.

- GaPS Contracts, 1997-2007

As previously mentioned, prior to 1997 public servants submitting summary details of a contract were required to select a 'code' indicating the industry to which the contract related. Up to 1997 the coding system used was the ASIC (Australian Standard Industrial Classification), which consisted of 31 categories. With GaPS, a new and much more detailed classification system was adopted: the Australian and New Zealand Commodity Classification (ANZCC), developed by the ABS. This classification system, or at least the abridged version of it used by GaPS, encompassed 9 broad industry categories, 69 sub-categories and a further 292 detailed line items within these 69 sub-categories (DOFA 2004). Like ASIC, the classification was primarily descriptive rather than conceptual: geared to identifying the particular good or service in terms of its location within industrial sectors of the economy, not the nature of the role of the contract transaction in the chain of production of the good or service. Of the 9 broad industry categories, ostensibly the one most relevant to the A-C firms was

'9 Business Services; Agricultural, Mining and Manufacturing Services'.

Within this broad area, the sub-categories ostensibly most relevant were

- 84 Computer and Related Services
- 85 Research and Development Services
- 86 Legal, accounting, Auditing and Book-keeping Services; Taxation Services; Market Research and Public Opinion Polling Services; Management and Consulting Services; Architectural, Engineering and Other Technical Services
- 87 Business Services n.e.c.

Public servants classifying the Big Four A-C consultancies in the 1997-2007 period used 121 out of a possible 292 line items. However, 57% of these line items were used on only four or fewer occasions across the 7908 contracts. Table 11 displays the top 10 line items, ranked by number of contracts, and shows that the top 4 line items made up 70% of the total number of contracts. Table 12 displays the top 10 line items, ranked by value of contracts, and shows that the top 4 line items made up 78% of total contract spending. In both cases, two of the top 4 line items – ‘879 – Other Business Services’ and ‘970 – Other Services’ are miscellaneous, ‘left-over’ categories; 879 is of some interpretive use for a study of the overall work of the A-C firm but 970 is not.

It is clear that the ANZCC code is of quite limited use in ascertaining how much of the contract work of the A-C firms related to different stages of the policy process. Conceptual terms used by scholars to characterise aspects of the policy process – such as planning, policy, consultation, advice, training, report, strategy, review, evaluation (or their word-stems) – are entirely absent from the wording of the ANZCC line item lexicon. The terms that come closest to this purpose are ‘research’ (851, 852, 853 864) and ‘consulting’ (841, 865, 866). Many line items combine a broad policy area and the term ‘services’ – ‘health services’, ‘higher education services’, ‘taxation services’ and so on – but with no further wording to suggest what type of service was being provided.

Nonetheless, analysis of the classification statistics does at least confirm that the accounting firms were doing far more than ‘Accounting, auditing and book-keeping services’ (whatever the nature of these services might have been – advice and redesign? routine provision?). It shows that ‘Management consulting services’ and ‘Services related to management consulting’ constituted 24.68% of the number of contracts and 23.40% of the total value of contracts. Given that ‘policy’ nomenclature was not part of the ANZCC lexicon, the area to look for signs of policy work would have to begin with this set of contracts. The ‘Description’ column in the GaPS database might be expected to provide some help but the brevity of the word length militates against this. Other columns in the GaPS database are of some potential help – they can be used to identify the most expensive management consulting contracts, the branch of the agency initiating the contact (Canberra-based? Policy, Strategy etc Branch), the contract ID – but more as resources for follow-up research through FOI or archives.

Table 11
Big 4 A-C Firms: Classification x No. of Contracts
Commonwealth Departments and Statutory Authorities, 1997-2007

Classification	No. of Contracts	% of Total No. of Contracts
865 - Management consulting services	1,659	20.98
862 - Accounting, auditing and book-keeping services	1,478	18.69
879 - Other business services	1,379	17.44
970 - Other services	996	12.59
872 - Placement and supply services of personnel	295	3.73
866 - Services related to management consulting	293	3.71
951 - Services furnished by business, employers and professional organizations	241	3.05
849 - Other computer services	222	2.81
861 - Legal services	221	2.79
929 - Other education services	122	1.54
<i>Total of above, and all other, line items</i>	<i>7,908</i>	<i>100%</i>

Table 12
Big 4 A-C Firms: Classification x Value of Contracts
Commonwealth Departments and Statutory Authorities, 1997-2007

Classification	Value of Contracts (\$'m.)	% of Total Value of Contracts
879 - Other business services	218.73	23.89
862 - Accounting, auditing and book-keeping services	198.14	21.64
865 - Management consulting services	188.05	20.54
970 - Other services	108.41	11.84
821 - Real estate services involving own or leased property	32.23	3.52
866 - Services related to management consulting	26.19	2.86
849 - Other computer services	19.19	2.10
951 - Services furnished by business, employers and professional organizations	18.11	1.98
872 - Placement and supply services of personnel	17.99	1.97
842 - Software implementation services	10.11	1.10
<i>Total of above, and all other, line items</i>	<i>915.73</i>	<i>100%</i>

- Austender contracts 2007-2016

The Austender portal which replaced the GaPS portal from 1 July 2007 retained a 'product and service' classification component but dropped the ANZCC system in favour of UNSPSC – the United Nations Standard Product and Service Classification. In 2007 UNSPSC ran to over 50,000 line items, so a selection was made for the guidance of public servants completing the summary details of contracts. This customisation was subject to later revisions, notably around 2010, in consultation with agencies. Presumably DOFA has kept track of these revisions but, if so, a chronology of these changes was not publicly available on request and would have to be the subject of an FOI request (DOFA 2017a). At 2014, there were, to use the UNSPSC terminology, 53 'parent categories'

(compared to 69 in ANZCC and 31 in ASIC) and 575 'child categories' (compared to the 292 line items in ANZCC) (DOFA 2014). The parent category ostensibly most relevant to the Big 4 A-C firms was 'Management and Business Professionals and Administrative Services'; it had 49 child categories. The greater detail of the UNSPSC was fortunate, given the big increase in number and value of contracts in the Austender era, especially from 2009/10, documented above.

Over the 9 years to June 2016, in all 203 different child categories were used to classify the 8,411 contracts recorded in Austender as Big 4 A-C contracts; the contrast here was with the 121 ANZCC line items used to code Big 4 A-C GaPS contracts. In 2007/08 62 UNSPSC line items were used; of these, 28 were used in 2015/16, in which year another 36 different line items were used. Of the 203 line items used during the 2007-2016 period, only 21 of these line items were used in every one of the 9 years. As with GaPS, the UNSPSC classification system was primarily geared to identifying the commodity or the sub-industry of the economy to which the contract related. In the case of the 203 line items used for Big 4 A-C contracts, around 40% of code titles specified a commodity or a sub-industry sector, without giving a hint of the type of service undertaken by the firms in regard to that commodity or sector. As one way to reduce this problem, a sample search indicated that, when reference was made to the 'Description' field, it was possible to get some idea of the nature of the service rendered. Three examples to illustrate:

Contract ID	Description	Code No.	Code Title
CN575932	Commercial support for Domestic Munitions Manufacturing Arrangements	12130000	Explosive materials
CN161478-A1	Engagement of Professional Service Provider to Conduct an analysis of Project Budget Data and indices	25110000	Marine transport
CN1126812	Provision of a scoping study of the Tasmanian health system	93131700	Health programs

More extensive reference to contract descriptions would increase the proportion of contracts for which some sense of the nature of services provided would emerge.

As with the ANZCC codes in GaPS, the distribution of contracts across the 203 UNSPCC 'child' codes was very uneven. Ranked by number of contracts, the top 10 codes (5% of the total) accounted for 61.76% of the contracts while the top 20 codes accounted for 79.15%. Ranked by value of contracts, the top 10 accounted for 68.36% of total contract value; for the top 20, the figure was 84.94%. The code used most frequently was '80100000 - Management advisory services', used for 16.07% of contracts; this code also accounted for a greater proportion of contact value than any other code – 16.04% (ie \$423.30 m.). At the other end of the spectrum, 65% of the codes were each used for fewer than 5 contracts each.

Although UNSPSC exhibited a descriptive rather than conceptual orientation, the fact that it enabled choice from a much larger number of line items than ANZCC did result in the researcher being able to extract a stronger sense of the nature of work provided by the Big 4 A-C firms. Table 13 sets out some

line items most relevant to general management and business advice; these make up 51.98% of the number of contracts and 62.97% of total contract value – ie 4,372 contracts, worth \$1,661 m. These proportions are more than double the share of total contracts geared to ‘Management consulting services’ that emerged from the 1997-2007 ANZCC analysis, where more fine-grained analysis was not possible because of the lower number of line items and the use of catch-all line items such as ‘879 – Other business services’.

Table 13
Big 4 A-C Contracts: UNSPSC Codes Oriented to General Management Advice

Code Number and Title	% of Total No. of Contracts	% of Total Value of Contracts
80100000 - Management advisory services	16.07%	16.04%
80101604 - Project administration or planning	1.70%	11.63%
80160000 - Business administration services	5.45%	8.48%
80101504 - Strategic planning consultation services	5.47%	6.55%
80101600 - Project management	3.08%	4.98%
80161500 - Management support services	2.68%	3.68%
80000000 - Management and Business Professionals and Administrative Services	5.86%	3.18%
80101603 - Economic or financial evaluation of projects	1.69%	2.62%
80101508 - Business intelligence consulting services	2.58%	1.87%
80101505 - Corporate objectives or policy development	2.50%	1.58%
80101506 - Organisational structure consultation	0.78%	0.52%
80101601 - Feasibility studies or screening of project ideas	0.30%	0.50%
93150000 - Public administration and finance services	1.61%	0.45%
80101500 - Business and corporate management consultation services	0.58%	0.31%
80101510 - Risk management consultation services	0.67%	0.27%
81121500 - Economic analysis	0.44%	0.16%
93151501 - Public enterprises management or financial services	0.54%	0.15%
84111703 - Budget preparation or review services	0.04%	0.00%
84111802 - Tax advisory services	0.02%	0.00%
Total	51.98% (4,372)	62.97% (\$1,661m.)

For the 2,964 contracts flagged in Austender as consultancies (35% of the total), the same line items listed in Table 13 made up 56.51% of consultancy contracts and 67.49% of their total value.

‘Management advisory services’ made up 22.47% of this contract value and ‘Economic or financial evaluation of projects’ 9.30%. Underlining the difficulty of distinguishing consultancies from non-consultancies, ‘Management advisory services’ made up 13.70% of the contract value of ‘non-consultancies’, though ‘Economic or financial evaluation of projects’ made up only 0.28%.

All of the line items on display in Table 13 had the potential to involve activity related to policy but several were concerned with tasks unambiguously associated with policy-level work:

80101601 - Feasibility studies or screening of project ideas

- 80101504 - Strategic planning consultation services
- 80101505 - Corporate objectives or policy development
- 80101604 - Project administration or planning
- 84111703 - Budget preparation or review services
- 80101603 - Economic or financial evaluation of projects
- 84111802 - Tax advisory services

These line items encompassed 12% of all contracts and 23% of all contract value; for contracts deemed to be consultancies, the proportions were 16.60% of the number of consultancies and 23.53% of their value. To these might be added various other line items, falling within other parent categories, that had wording that signalled policy-related functions. Examples include:

	No.	\$
70170000 -Water resources development and oversight	31	2,509,283
77101600 -Environment planning	3	172,100
77101604 -Natural resources management or conservation strategy planning services	1	16,500
80141500 -Market research	67	10,596,924
80150000 -Trade policy and services	2	302,480
85101707 -Health systems evaluation services	1	13,200
93170000 -Trade policy and regulation	1	38,500
93131703 -Research programs	123	22,467,526
	229	36,116,513

The more detailed UNSPSC also provides a better window than ANZCC into other areas where contract work by the Big 4 A-C firms were concentrated. At the same time the line items in themselves do not indicate whether the contact work entailed services more fundamental and policy significant in these areas or ones geared to minor aspects of service design or provision. This uncertainty can be illustrated with examples from the spheres of accounting and human resources:

	No.	\$
84111500 - Accounting services	468	68,531,353
84110000 - Accounting and auditing	182	20,545,176
84111503 - Tax accounting	3	243,686
84111502 - Financial accounting	6	157,011
93151606 - Government accounting services	2	48,214
80110000 - Human resources services	72	44,686,134
80111600 - Temporary personnel services	138	22,056,257
80111700 - Personnel recruitment	31	11,103,625
80101706 - Professional procurement services	78	11,012,318
80111509 - Job evaluation services	2	173,081
80111605 - Temporary financial staffing needs	2	41,355

As mentioned above, a sample check has indicated that the contract 'Description' field can sometimes be of help in suggesting the likely level of policy significance of the contract. At the same time, one

cannot count of specific and familiar terms being present in these descriptions. The term 'policy' occurs in only 1.08% of Austender descriptions of Big 4 A-C contracts, with these contracts worth only 0.79% worth of total contracts value; 'strategy' or 'strategic' occurs in 2.52% of the descriptions, with these contracts worth 5.16% of total contract value.

Beyond this research

This paper has drawn on administrative reporting data extending back thirty years to provide a quantitative overview of the work performed under contract for the national government in Australia by the top tier corporate sector accounting firms. The paper has demonstrated a long-term trend for the volume of work, measured by number and value of contracts, to increase very substantially, especially in the past eight years. It has also demonstrated that the type of work undertaken, while firmly based on accounting and auditing advice and service provision, has reached far beyond that. Advice on general management issues has been at least as prominent, if not more so. Moreover, the analysis of consultancies undertaken for Commonwealth departments in the 1987-93 period and the analysis of consultancies and other contracts for both departments and statutory authorities since 2007, has built a strong case that the general rubric of 'management' encompassed many projects that had a direct bearing on what might be called 'program content' – the many ways in which basic policy ideas emanating from other quarters were further researched, developed, implemented and evaluated. Through a multitude of points in the policy and program process, the accounting-consulting firms were accreting influence on what government agencies did.

While the paper had identified broad trends, there are diverse aspects that require separate, follow-up attention. The paper has not attempted to report on the distribution of work amongst the firms themselves. It can be shown however that consulting and other contract work was spread fairly widely across the Big 4 firms, though PWC and KPMG were market 'leaders' and Deloitte tended to lag behind EY. The paper has also not reported on the distribution of spending amongst departments and statutory authorities. From work done to date on the 1987-93 and 2003-07 period however, it can be shown that all departments were engaging with the A-C firms, though the extent of engagement varied. Most importantly, the paper has not reported on the share of work going to the A-C firms relative to all other consultants and contractors engaged for similar types of work. It can be foreshadowed, however, that the share of the Big 4 A-C firms in total government spending on consultants and relevant other contracts was significantly less than has often been supposed (for example, by the UN report featured in Table 1). This fact does not negate their significance but it does point to the breadth and complexity of the consulting and contracting industries. The next step is to examine other consulting entities in the last two decades to see if the finding in Howard (2006) for 1987-93 still applies, namely that the A-C firms remained the consulting entities undertaking the most comprehensive range of types of consultancies.

For the purpose of mapping the activities of other consultants in relation to the policy process, a direction for further research is to identify consultancies and other contracts that appeared, from the

official data bases, to have a direct bearing on policy and then to analyse the distribution of work across all consulting entities. As the paper has emphasised, however, quantitative analysis of official administrative reporting can only take the investigation so far. It can function as a platform and reconnaissance for follow-up work – either quantitative surveys of public servants or consultants, using questions of a conceptual orientation, or case studies drawing on miscellaneous, qualitative sources.

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